
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2019

OR

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

For the transition period from ____ to ____

Commission File Number. 001-33794

HILLENBRAND, INC.

(Exact name of registrant as specified in its charter)

Indiana

(State of incorporation)

26-1342272

(I.R.S. Employer Identification No.)

One Batesville Boulevard

Batesville IN

(Address of principal executive offices)

47006

(Zip Code)

(812) 934-7500

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, without par value	HI	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Emerging growth company
Non-accelerated filer Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The registrant had 62,667,094 shares of common stock, no par value per share, outstanding as of July 25, 2019 .

**HILLENBRAND, INC.
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PART I — FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
Net revenue	\$ 446.6	\$ 446.0	\$ 1,321.5	\$ 1,295.4
Cost of goods sold	298.2	282.5	865.2	817.1
Gross profit	148.4	163.5	456.3	478.3
Operating expenses	90.8	98.3	275.2	285.7
Amortization expense	8.6	7.6	25.0	22.7
Impairment charge	—	—	—	63.4
Interest expense	5.2	5.5	16.1	17.8
Other (expense) income, net	(0.5)	(0.7)	0.1	(2.2)
Income before income taxes	43.3	51.4	140.1	86.5
Income tax expense	11.6	15.2	39.9	52.5
Consolidated net income	31.7	36.2	100.2	34.0
Less: Net income attributable to noncontrolling interests	1.3	0.3	3.5	1.9
Net income (1)	\$ 30.4	\$ 35.9	\$ 96.7	\$ 32.1
Net income (1) — per share of common stock:				
Basic earnings per share	\$ 0.48	\$ 0.57	\$ 1.54	\$ 0.51
Diluted earnings per share	\$ 0.48	\$ 0.56	\$ 1.52	\$ 0.50
Weighted average shares outstanding (basic)	63.0	62.8	62.9	63.2
Weighted average shares outstanding (diluted)	63.4	63.5	63.4	63.9

(1) Net income attributable to Hillenbrand

See Condensed Notes to Consolidated Financial Statements

Hillenbrand, Inc.
Consolidated Statements of Comprehensive Income (Unaudited)
(in millions)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
Consolidated net income	\$ 31.7	\$ 36.2	\$ 100.2	\$ 34.0
Changes in other comprehensive income (loss), net of tax				
Currency translation adjustment	6.1	(26.1)	(3.4)	(5.1)
Pension and postretirement (net of quarter-to-date tax of \$0.5 and \$0.2 and year-to-date tax of \$0.7 and \$0.9)	1.5	0.7	2.0	2.1
Change in net unrealized gain (loss) on derivative instruments (net of quarter-to-date tax of \$1.2 and \$0.0 and year-to-date tax of \$3.8 and \$0.1)	(4.3)	(0.1)	(12.7)	0.2
Total changes in other comprehensive income (loss), net of tax	3.3	(25.5)	(14.1)	(2.8)
Consolidated comprehensive income	35.0	10.7	86.1	31.2
Less: Comprehensive income attributable to noncontrolling interests	1.3	—	3.7	1.6
Comprehensive income (2)	\$ 33.7	\$ 10.7	\$ 82.4	\$ 29.6

(2) Comprehensive income attributable to Hillenbrand

See Condensed Notes to Consolidated Financial Statements

Hillenbrand, Inc.
Consolidated Balance Sheets (Unaudited)
(in millions)

	June 30, 2019	September 30, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 64.4	\$ 56.0
Trade receivables, net	198.8	218.5
Receivables from long-term manufacturing contracts	158.6	120.3
Inventories	186.7	172.5
Prepaid expenses	29.0	25.2
Other current assets	20.7	18.1
Total current assets	658.2	610.6
Property, plant, and equipment, net	136.6	142.0
Intangible assets, net	471.1	487.3
Goodwill	586.8	581.9
Other assets	37.9	42.8
Total Assets	\$ 1,890.6	\$ 1,864.6
LIABILITIES		
Current Liabilities		
Trade accounts payable	\$ 224.5	\$ 196.8
Liabilities from long-term manufacturing contracts and advances	109.2	125.9
Accrued compensation	68.9	71.9
Other current liabilities	123.7	137.1
Total current liabilities	526.3	531.7
Long-term debt	323.2	344.6
Accrued pension and postretirement healthcare	114.2	120.5
Deferred income taxes	70.8	76.4
Other long-term liabilities	60.3	47.3
Total Liabilities	1,094.8	1,120.5
Commitments and contingencies (Note 14)		
SHAREHOLDERS' EQUITY		
Common stock, no par value (63.9 and 63.9 shares issued, 62.6 and 62.3 shares outstanding)	—	—
Additional paid-in capital	345.3	351.4
Retained earnings	588.1	531.0
Treasury stock (1.3 and 1.6 shares)	(53.7)	(67.1)
Accumulated other comprehensive loss	(98.5)	(84.2)
Hillenbrand Shareholders' Equity	781.2	731.1
Noncontrolling interests	14.6	13.0
Total Shareholders' Equity	795.8	744.1
Total Liabilities and Equity	\$ 1,890.6	\$ 1,864.6

See Condensed Notes to Consolidated Financial Statements

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Hillenbrand, Inc.
Consolidated Statements of Cash Flows (Unaudited)
(in millions)

	Nine Months Ended June 30,	
	2019	2018
Operating Activities		
Consolidated net income	\$ 100.2	\$ 34.0
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	44.3	42.0
Impairment charge	—	63.4
Deferred income taxes	0.2	(4.8)
Share-based compensation	8.7	8.8
Trade accounts receivable and receivables from long-term manufacturing contracts	(15.5)	(43.4)
Inventories	(15.0)	(32.4)
Prepaid expenses and other current assets	(6.0)	(2.5)
Trade accounts payable	28.3	17.1
Liabilities from long-term manufacturing contracts and advances, accrued compensation, and other current liabilities	(29.8)	46.4
Income taxes payable	(5.3)	28.9
Defined benefit plan and postretirement funding	(6.8)	(8.2)
Defined benefit plan and postretirement expense	2.6	3.4
Other, net	3.7	3.6
Net cash provided by operating activities	109.6	156.3
Investing Activities		
Capital expenditures	(12.6)	(16.3)
Acquisition of business, net of cash acquired	(25.9)	—
Other, net	0.1	0.4
Net cash used in investing activities	(38.4)	(15.9)
Financing Activities		
Repayments on term loan	—	(148.5)
Proceeds from revolving credit facilities, net of financing costs	449.7	946.5
Repayments on revolving credit facilities	(470.1)	(837.2)
Payments of dividends on common stock	(39.4)	(39.1)
Repurchases of common stock	—	(60.6)
Proceeds from stock option exercises and other	2.4	10.3
Payments for employee taxes on net settlement equity awards	(4.2)	(4.1)
Other, net	(0.9)	(1.8)
Net cash used in financing activities	(62.5)	(134.5)
Effect of exchange rates on cash and cash equivalents	(0.2)	(1.0)
Net cash flows	8.5	4.9
Cash, cash equivalents, and restricted cash:		
At beginning of period	56.5	66.7
At end of period	\$ 65.0	\$ 71.6

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Consolidated Balance Sheets that sum to the total of the same amounts shown in the Consolidated Statements of Cash Flows:

	June 30, 2019	June 30, 2018
Cash and cash equivalents	64.4	71.1
Short-term restricted cash included in other current assets	0.6	0.5

Total cash, cash equivalents, and restricted cash shown in the Consolidated Statements of Cash Flows	\$ 65.0	\$ 71.6
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See Condensed Notes to Consolidated Financial Statements

Hillenbrand, Inc.
Consolidated Statements of Shareholders' Equity (Unaudited)
(in millions)

Three Months Ended June 30, 2019								
Shareholders of Hillenbrand, Inc.								
	Common Stock		Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
	Shares	Additional Paid-in Capital		Shares	Amount			
Balance at March 31, 2019	63.9	\$ 343.1	\$ 571.1	1.3	\$ (55.6)	\$ (101.8)	\$ 13.3	\$ 770.1
Total other comprehensive income (loss), net of tax	—	—	—	—	—	3.3	—	3.3
Net income	—	—	30.4	—	—	—	1.3	31.7
Issuance/retirement of stock for stock awards/options	—	(0.9)	—	—	1.9	—	—	1.0
Share-based compensation	—	2.9	—	—	—	—	—	2.9
Dividends (\$0.2100 per share)	—	0.2	(13.4)	—	—	—	—	(13.2)
Balance at June 30, 2019	63.9	\$ 345.3	\$ 588.1	1.3	\$ (53.7)	\$ (98.5)	\$ 14.6	\$ 795.8

Nine Months Ended June 30, 2019								
Shareholders of Hillenbrand, Inc.								
	Common Stock		Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
	Shares	Additional Paid-in Capital		Shares	Amount			
Balance at September 30, 2018	63.9	\$ 351.4	\$ 531.0	1.6	\$ (67.1)	\$ (84.2)	\$ 13.0	\$ 744.1
Total other comprehensive income (loss), net of tax	—	—	—	—	—	(14.3)	0.2	(14.1)
Net income	—	—	96.7	—	—	—	3.5	100.2
Issuance/retirement of stock for stock awards/options	—	(15.2)	—	(0.3)	13.4	—	—	(1.8)
Share-based compensation	—	8.7	—	—	—	—	—	8.7
Dividends (\$0.6300 per share)	—	0.4	(39.8)	—	—	—	(2.1)	(41.5)
Other	—	—	0.2	—	—	—	—	0.2
Balance at June 30, 2019	63.9	\$ 345.3	\$ 588.1	1.3	\$ (53.7)	\$ (98.5)	\$ 14.6	\$ 795.8

See Condensed Notes to Consolidated Financial Statements

Hillenbrand, Inc.
Consolidated Statements of Shareholders' Equity (Unaudited)
(in millions)

Three Months Ended June 30, 2018								
Shareholders of Hillenbrand, Inc.								
	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
	Shares			Shares	Amount			
Balance at March 31, 2018	63.9	\$ 346.4	\$ 476.9	1.2	\$ (48.0)	\$ (58.5)	\$ 15.2	\$ 732.0
Total other comprehensive income (loss), net of tax	—	—	—	—	—	(25.2)	(0.3)	(25.5)
Net income	—	—	35.9	—	—	—	0.3	36.2
Issuance/retirement of stock for stock awards/options	—	(0.5)	—	(0.1)	1.5	—	—	1.0
Share-based compensation	—	2.6	—	—	—	—	—	2.6
Purchases of common stock	—	—	—	0.5	(21.7)	—	—	(21.7)
Dividends (\$0.2075 per share)	—	—	(13.1)	—	—	—	—	(13.1)
Balance at June 30, 2018	63.9	\$ 348.5	\$ 499.7	1.6	\$ (68.2)	\$ (83.7)	\$ 15.2	\$ 711.5

Nine Months Ended June 30, 2018								
Shareholders of Hillenbrand, Inc.								
	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
	Shares			Shares	Amount			
Balance at September 30, 2017	63.8	\$ 349.9	\$ 507.1	0.7	\$ (24.4)	\$ (81.2)	\$ 14.5	\$ 765.9
Total other comprehensive income (loss), net of tax	—	—	—	—	—	(2.5)	(0.3)	(2.8)
Net income	—	—	32.1	—	—	—	1.9	34.0
Issuance/retirement of stock for stock awards/options	0.1	(10.6)	—	(0.5)	16.8	—	—	6.2
Share-based compensation	—	8.8	—	—	—	—	—	8.8
Purchases of common stock	—	—	—	1.4	(60.6)	—	—	(60.6)
Dividends (\$0.6225 per share)	—	0.4	(39.5)	—	—	—	(0.9)	(40.0)
Balance at June 30, 2018	63.9	\$ 348.5	\$ 499.7	1.6	\$ (68.2)	\$ (83.7)	\$ 15.2	\$ 711.5

See Condensed Notes to Consolidated Financial Statements

Hillenbrand, Inc.
Condensed Notes to Consolidated Financial Statements (Unaudited)
(in millions, except share and per share data)

1. Background and Basis of Presentation

Hillenbrand, Inc. (“Hillenbrand”) is a global diversified industrial company with multiple leading brands that serve a wide variety of industries around the world. We strive to provide superior return for our shareholders, exceptional value for our customers, great professional opportunities for our employees, and to be responsible to our communities through deployment of the Hillenbrand Operating Model (“HOM”). The HOM is a consistent and repeatable framework designed to produce sustainable and predictable results. The HOM describes our mission, vision, values, and mindset as leaders; applies our management practices in Strategy Management, Segmentation, Lean, Talent Development, and Acquisitions; and prescribes three steps (Understand, Focus, and Grow) designed to make our businesses both bigger and better. Our goal is to continue developing Hillenbrand as a world-class global diversified industrial company through the deployment of the HOM. 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 death care industry in North America. “Hillenbrand,” “the Company,” “we,” “us,” “our,” and similar words refer to Hillenbrand and its subsidiaries unless context otherwise requires.

The accompanying unaudited consolidated financial statements include the accounts of Hillenbrand and its subsidiaries. They also include two subsidiaries where the Company’s ownership percentage is less than 100%. The Company’s fiscal year ends on September 30. Unless otherwise stated, references to years relate to fiscal years.

These unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial statements and therefore do not include all information required in accordance with accounting principles generally accepted in the United States (“GAAP”). The unaudited consolidated financial statements have been prepared on the same basis as, and should be read in conjunction with, the audited consolidated financial statements and notes thereto included in our latest Annual Report on Form 10-K for the year ended September 30, 2018, as filed with the SEC. The September 30, 2018 Consolidated Balance Sheet included in this Form 10-Q was derived from audited consolidated financial statements, but does not include all disclosures required by GAAP for a year-end balance sheet included in Form 10-K. In the opinion of management, these financial statements reflect all adjustments necessary to present a fair statement of the Company’s consolidated financial position and the consolidated results of operations and cash flow as of the dates and for the periods presented.

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Examples of such estimates include, but are not limited to, revenue recognition under the percentage-of-completion method and the establishment of reserves related to customer rebates, doubtful accounts, warranties, early-pay discounts, inventories, income taxes, litigation, self-insurance, and progress toward achievement of performance criteria under incentive compensation programs.

2. Summary of Significant Accounting Policies

The significant accounting policies used in preparing these consolidated financial statements are consistent with the accounting policies described in our Annual Report on Form 10-K for 2018, except as described below.

Recently Adopted Accounting Standards

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. ASU 2017-12 intends to better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments expand and refine hedge accounting for both nonfinancial and financial risk components, and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. In addition, this ASU makes certain targeted improvements to simplify the application of hedge accounting guidance. ASU 2017-12 was early adopted for our fiscal year beginning on October 1, 2018 on a prospective basis. The adoption of this standard did not have a significant impact on our consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described

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as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 became effective and was adopted for our fiscal year beginning on October 1, 2018. The adoption of ASU 2016-18 had a financial statement presentation and disclosure impact only.

In January 2017, the FASB issued ASU 2017-01, *Clarifying the Definition of a Business*. ASU 2017-01 assists entities in determining whether a transaction involves an asset or a business. Specifically, it states that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or group of similar identifiable assets, the set is not a business. If this initial test is not met, a set cannot be considered a business unless it includes an input and a substantive process that together significantly contribute to the ability to create output. ASU 2017-01 became effective and was adopted for our fiscal year beginning on October 1, 2018. The adoption of ASU 2017-01 did not have a significant impact on our consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. ASU 2017-07 states that an employer must report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period and present the other components of net benefit cost (as defined in paragraphs 715-30-35-4 and 715-60-35-9) in the income statement separately from the service cost component and outside a subtotal of income from operations (if one is presented). In addition, ASU 2017-07 limits the capitalization of compensation costs to the service cost component only (if capitalization is appropriate). ASU 2017-07 became effective and was adopted for our fiscal year beginning on October 1, 2018. On the Consolidated Statements of Income, the adoption of this standard resulted in the reclassification of \$0.2 credit from Cost of goods sold and \$0.1 from Operating expenses to Other (expense) income, net, for the three months ended June 30, 2018, and \$0.4 credit from Cost of goods sold and \$0.2 from Operating expenses to Other (expense) income, net, for the nine months ended June 30, 2018.

In May 2017, the FASB issued ASU 2017-09, *Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting*. ASU 2017-09 clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications (in accordance with Topic 718). The new guidance will provide relief to entities that make non-substantive changes to share-based payment awards. ASU 2017-09 became effective and was adopted for our fiscal year beginning on October 1, 2018. The adoption of ASU 2017-09 did not have a significant impact on our consolidated financial statements.

Beginning in 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers ("ASC 606")*, plus a number of related ASUs designed to clarify and interpret ASC 606. The new standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard supersedes U.S. GAAP guidance on revenue recognition and requires the use of more estimates than the previously effective standards. It also requires significant disclosures sufficient to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The new standard became effective for our fiscal year beginning on October 1, 2018 and was adopted on a modified retrospective basis. The Company elected the practical expedient and only evaluated contracts for which substantially all revenue had not been recognized under ASC Topic 605, with the cumulative effect of the new guidance recorded as of the date of initial application.

The primary changes from the adoption of ASC 606 resulted from certain performance obligations that were previously recognized at a point in time that are now recognized over time. The cumulative effect of the changes made to the Consolidated Balance Sheet as of October 1, 2018 for the adoption of ASC 606 was as follows:

	Balance at September 30, 2018	Adjustments due to ASC 606	Balance at October 1, 2018
Assets			
Receivables from long-term manufacturing contracts	\$ 120.3	\$ 1.9	\$ 122.2
Inventories	172.5	(1.6)	170.9
Liabilities			
Deferred income taxes	\$ 76.4	\$ 0.1	\$ 76.5
Shareholders' Equity			
Retained earnings	\$ 531.0	\$ 0.2	\$ 531.2

The following tables summarize the impacts of adopting ASC 606 on the Company's consolidated financial statements as of and for the three and nine months ended June 30, 2019.

Consolidated Statements of Income:

	Three Months Ended June 30, 2019			Nine Months Ended June 30, 2019		
	As Reported	Adjustments Due to ASC 606	Balances without Adoption	As Reported	Adjustments Due to ASC 606	Balances without Adoption
Net revenue	\$ 446.6	\$ 1.0	\$ 447.6	\$ 1,321.5	\$ (0.1)	\$ 1,321.4
Cost of goods sold	298.2	1.0	299.2	865.2	—	865.2
Gross profit	148.4	—	148.4	456.3	(0.1)	456.2
Income before income taxes	43.3	—	43.3	140.1	(0.1)	140.0
Consolidated net income	31.7	—	31.7	100.2	(0.1)	100.1

Consolidated Balance Sheet:

	June 30, 2019		
	As Reported	Adjustments Due to ASC 606	Balances without Adoption
Assets			
Receivables from long-term manufacturing contracts	\$ 158.6	\$ (2.0)	\$ 156.6
Inventories	186.7	1.7	188.4
Liabilities			
Deferred income taxes	\$ 70.8	\$ (0.1)	\$ 70.7
Shareholders' Equity			
Retained earnings	\$ 588.1	\$ (0.2)	\$ 587.9

The Company has elected the following as a result of adopting the new standard on revenue recognition:

- Hillenbrand elected not to adjust the promised amount of consideration for the effects of the time value of money for contracts in which the anticipated period between when Hillenbrand transfers the goods or services to the customer and when the customer pays is equal to one year or less.
- Hillenbrand elected to account for shipping and handling activities that occur after the customer has obtained control of a good as fulfillment activities rather than as a promised service.

- Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, and that are collected by the Company from a customer, are excluded from revenue.

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires lessees to recognize a right of use asset and related lease liability for leases that have terms of more than twelve months. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance, with the classifications based on criteria that are similar to those applied under the current lease guidance, without the explicit bright lines. ASU 2016-02 will be effective for our fiscal year beginning on October 1, 2019. We have developed an implementation plan that we continue to make progress on, including compiling a central repository of leases and evaluating key policy elections and practical expedients that are available under the new standard. The adoption is anticipated to have a significant impact on assets and liabilities within our Consolidated Balance Sheets due to the recognition of right-of-use assets and corresponding lease liabilities.

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Statements*. ASU 2016-13 replaces the current incurred loss impairment model with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates. ASU 2016-13 will be effective for our fiscal year beginning on October 1, 2020, with early adoption permitted for our fiscal year beginning October 1, 2019. We are currently evaluating the impact that ASU 2016-13 will have on our consolidated financial statements.

3. Revenue Recognition

We adopted ASC 606, *Revenue from Contracts with Customers*, on October 1, 2018. As a result, we have changed our accounting policy for revenue recognition as detailed below.

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 using the expected value method, which is based upon historical rates and projections of customer purchases toward contractual rebate thresholds.

Performance Obligations & Contract Estimates

The Process Equipment Group designs, engineers, manufactures, markets, and services differentiated process and material handling equipment and systems for a wide variety of industries. A large portion of our revenue across the Process Equipment Group is derived from manufactured equipment, which may be standard, customized to meet customer specifications, or turnkey.

Our contracts with customers in the Process Equipment Group segment often include multiple performance obligations. Performance obligations are promises in a contract to transfer a distinct good or service to the customer, and are the basis for determining how revenue is recognized. For instance, a contract may include obligations to deliver equipment, installation services, and spare parts. We frequently have contracts for which the equipment and the installation services, as well as highly engineered or specialized spare parts, are all considered a single performance obligation, as in these instances the installation services and/or spare parts are not separately identifiable. However, due to the varying nature of equipment and contracts across the Process Equipment Group, we also have contracts where the installation services and/or spare parts are deemed to be separately identifiable and are therefore deemed to be distinct performance obligations.

A contract's transaction price is allocated to each distinct performance obligation based on its respective stand-alone selling price, and recognized as revenue when, or as, the performance obligation is satisfied. When a distinct performance obligation is not sold separately, the value of the standalone selling price is estimated considering all reasonably available information. When an obligation is distinct, as defined in ASC 606, we allocate a portion of the contract price to the obligation and recognize it separately from the other performance obligations.

The timing of revenue recognition for each performance obligation is either over time or at a point in time. We recognize revenue over time for contracts that have an enforceable right to collect payment for performance completed to-date upon customer cancellation and provide one or more of the following: (i) service over a period of time, (ii) highly customized equipment, or (iii) parts which are highly engineered and have no alternative use. Revenue generated from standard equipment and highly customized equipment or parts contracts without an enforceable right to payment for performance completed to-date, as well as non-specialized parts sales and sales of death care products, is recognized at a point in time.

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We use the input method of “cost-to-cost” to recognize revenue over time. 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 judgment. We measure progress based on costs incurred to date relative to total estimated cost at completion. Incurred cost represents work performed, which corresponds with, and we believe thereby best depicts, the transfer of control to the customer. Contract costs include labor, material, and certain overhead expenses. Cost estimates are based on various assumptions to project the outcome of future events, including labor productivity and availability, the complexity of the work to be performed, the cost of materials, and the performance of subcontractors. 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.

Stand-alone service revenue is recognized either over time proportionately over the period of the underlying contract or as invoiced, depending on the terms of the arrangement. Stand-alone service revenue is not material to the Company.

For the Process Equipment Group and Batesville segment products where revenue is recognized at a point in time, we recognize it when our customers take control of the asset. We define this as the point in time at which the customer has the capability of full beneficial use of the asset as intended per the contract.

Contract balances

In the Process Equipment Group segment, the Company requires an advance deposit based on the terms and conditions of contracts with customers for many of its contracts. Payment terms generally require an upfront payment at the start of the contract, and the remaining payments during the contract or within a certain number of days of delivery. Typically, revenue is recognized within one year of receiving an advance deposit. For contracts where an advance payment is received greater than one year from expected revenue recognition, or a portion of the payment due extends beyond one year, the Company has determined it does not constitute a significant financing component.

The timing of revenue recognition, billings, and cash collections can result in customer receivables, advance payments, and billings in excess of revenue recognized. Customer receivables include amounts billed and currently due from customers and are included in Trade receivables, net, as well as unbilled amounts (contract assets) which are included in Receivables from long-term manufacturing contracts on our Consolidated Balance Sheets. Amounts are billed in accordance with contractual terms or as work progresses in accordance with contractual terms. Unbilled amounts arise when the timing of billing differs from the timing of revenue recognized, such as when contract provisions require specific milestones to be met before a customer can be billed. Unbilled amounts primarily relate to performance obligations satisfied over time when the cost-to-cost method is used and the revenue recognized exceeds the amount billed to the customer as there is not yet a right to payment in accordance with contractual terms. Unbilled amounts are recorded as a contract asset when the revenue associated with the contract is recognized prior to billing and derecognized when billed in accordance with the terms of the contract. Trade receivables are recorded at face amounts and represent the amounts we believe to be collectible. The Company maintains allowances for doubtful accounts for estimated losses as a result of customers’ inability to make required payments. Management evaluates the aging of the customer receivable balances, the financial condition of its customers, historical trends and the time outstanding of specific balances to estimate the amount of customer receivables that may not be collected in the future, and records the appropriate provision.

Advance payments and billings in excess of revenue recognized are included in Liabilities from long-term manufacturing contracts and advances on our Consolidated Balance Sheets. Advance payments and billings in excess of revenue recognized represent contract liabilities and are recorded when customers remit contractual cash payments in advance of us satisfying performance obligations under contractual arrangements, including those with performance obligations satisfied over time. Billings in excess of revenue recognized primarily relate to performance obligations satisfied over time when the cost-to-cost method is used and revenue cannot yet be recognized as the Company has not completed the corresponding performance obligation. Contract liabilities are derecognized when revenue is recognized and the performance obligation is satisfied.

The balance in Receivables from long-term manufacturing contracts at June 30, 2019 and September 30, 2018 was \$158.6 and \$120.3 . The change was driven by the adoption of ASC 606 (\$2.0) and the impact of net revenue recognized prior to billings (\$36.3). The balance in the Liabilities from long-term manufacturing contracts and advances at June 30, 2019 and September 30, 2018 was \$109.2 and \$125.9 and consists primarily of cash payments received or due in advance of satisfying our performance obligations. The revenue recognized for the nine months ended June 30, 2019 related to Liabilities from long-term manufacturing

contracts and advances as of September 30, 2018 was \$113.0 . During the nine months ended June 30, 2019 , the adjustments related to performance obligations satisfied in previous periods were immaterial.

Costs incurred to obtain a customer contract are not material to the Company. The Company elected to apply the practical expedient to not capitalize contract costs to obtain contracts with a duration of one year or less, which are expensed as incurred.

Transaction price allocated to the remaining performance obligations

As of June 30, 2019 , the aggregate amount of transaction price of remaining performance obligations, which corresponds to backlog as defined in Item 2 of this Form 10-Q, for the Company was \$940.3 . Approximately 88% of these obligations are expected to be satisfied over the next twelve months, and the remaining performance obligations, primarily within one to three years.

Disaggregation of revenue

	Three Months Ended June 30, 2019			Nine Months Ended June 30, 2019		
	Process Equipment Group	Batesville	Total	Process Equipment Group	Batesville	Total
Revenue by End Market						
Plastics	\$ 197.9	\$ —	\$ 197.9	\$ 561.0	\$ —	\$ 561.0
Chemicals	28.3	—	28.3	80.8	—	80.8
Food & Pharmaceuticals	20.0	—	20.0	60.9	—	60.9
Minerals & Mining	14.1	—	14.1	64.3	—	64.3
Water & Wastewater	8.3	—	8.3	25.5	—	25.5
Death Care	—	131.3	131.3	—	397.3	397.3
Other	46.7	—	46.7	131.7	—	131.7
Total	\$ 315.3	\$ 131.3	\$ 446.6	\$ 924.2	\$ 397.3	\$ 1,321.5

	Three Months Ended June 30, 2019			Nine Months Ended June 30, 2019		
	Process Equipment Group	Batesville	Total	Process Equipment Group	Batesville	Total
Products and Services						
Equipment	\$ 212.4	\$ —	\$ 212.4	\$ 623.4	\$ —	\$ 623.4
Parts and Services	102.9	—	102.9	300.8	—	300.8
Death Care	—	131.3	131.3	—	397.3	397.3
Total	\$ 315.3	\$ 131.3	\$ 446.6	\$ 924.2	\$ 397.3	\$ 1,321.5

	Three Months Ended June 30, 2019			Nine Months Ended June 30, 2019		
	Process Equipment Group	Batesville	Total	Process Equipment Group	Batesville	Total
Timing of Transfer						
Point in Time	\$ 164.6	\$ 131.3	\$ 295.9	\$ 505.1	\$ 397.3	\$ 902.4
Over Time	150.7	—	150.7	419.1	—	419.1
Total	\$ 315.3	\$ 131.3	\$ 446.6	\$ 924.2	\$ 397.3	\$ 1,321.5

4. Business Acquisitions

We completed the acquisition of Burnaby Machine and Mill Equipment Ltd. (“BM&M”) in November 2018 for \$25.9 in cash, which included post-closing working capital adjustments. We used our revolving credit facility (the “Facility”) to fund the acquisition. Based in Canada, BM&M provides high-speed gyratory screeners for a variety of industries. The results of BM&M are reported in the Process Equipment Group segment. Based on our purchase price allocation, we recorded \$14 of intangibles, which consisted of \$10 of customer relationships, \$1 of trade names and \$3 of backlog. In addition, we recorded \$9 of goodwill and \$3 of net tangible assets, primarily working capital. Goodwill is not deductible for tax purposes. The fair value did not ascribe a significant amount to tangible assets, as we often seek to acquire companies with a relatively low physical asset base in order to limit the need to invest significant additional cash post-acquisition.

5. Supplemental Balance Sheet Information

	June 30, 2019	September 30, 2018
Trade accounts receivable reserves	\$ 19.1	\$ 22.2
Accumulated depreciation on property, plant, and equipment	\$ 311.1	\$ 303.8
Inventories:		
Raw materials and components	\$ 75.2	\$ 68.3
Work in process	47.8	44.7
Finished goods	63.7	59.5
Total inventories	<u>\$ 186.7</u>	<u>\$ 172.5</u>

We had restricted cash of \$ 0.6 and \$ 0.5 included in Other current assets in the Consolidated Balance Sheets at June 30, 2019 and at September 30, 2018 .

6. Intangible Assets and Goodwill

Intangible Assets

Intangible assets are stated at the lower of cost or fair value. With the exception of most trade names, intangible assets are amortized on a straight-line basis over periods ranging from three to 21 years, representing the period over which we expect to receive future economic benefits from these assets. We assess the carrying value of most trade names annually, or more often if events or changes in circumstances indicate there may be an impairment.

The following tables summarize the carrying amounts and related accumulated amortization for intangible assets as of June 30, 2019 and September 30, 2018 .

	June 30, 2019		September 30, 2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Finite-lived assets:				
Trade names	\$ 0.2	\$ (0.2)	\$ 0.2	\$ (0.2)
Customer relationships	472.1	(165.8)	464.5	(148.4)
Technology, including patents	78.8	(49.0)	79.6	(45.1)
Software	58.4	(51.2)	58.0	(48.9)
Other	2.8	(2.8)	0.2	(0.2)
	<u>612.3</u>	<u>(269.0)</u>	<u>602.5</u>	<u>(242.8)</u>
Indefinite-lived assets:				
Trade names	127.8	—	127.6	—
Total	<u>\$ 740.1</u>	<u>\$ (269.0)</u>	<u>\$ 730.1</u>	<u>\$ (242.8)</u>

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As a result of the required annual impairment assessment performed in the third quarter of 2019, the fair value was determined to meet or exceed the carrying value for all indefinite-lived trade names, resulting in no impairment to trade names.

The net change in intangible assets during the nine months ended June 30, 2019 was driven primarily by the acquisition of BM&M in November 2018, which included intangible assets of approximately \$14, normal amortization, and foreign currency adjustments. See Note 4 for further detail on the acquisition of BM&M.

Goodwill

Goodwill is not amortized, but is subject to annual impairment tests. Goodwill has been assigned to reporting units. We assess the carrying value of goodwill annually, or more often if events or changes in circumstances indicate there may be impairment. Impairment testing is performed at a reporting unit level.

	Process Equipment Group	Batesville	Total
Balance as of September 30, 2018	\$ 573.6	\$ 8.3	\$ 581.9
Acquisition	8.8	—	8.8
Foreign currency adjustments	(3.9)	—	(3.9)
Balance as of June 30, 2019	<u>\$ 578.5</u>	<u>\$ 8.3</u>	<u>\$ 586.8</u>

As a result of the required annual impairment assessment performed in the third quarter of 2019, the Company tested the recoverability of its goodwill, and in all reporting units, the fair value of goodwill was determined to exceed the carrying value, resulting in no impairment of goodwill.

In connection with the preparation of the quarterly financial statements for the second quarter of 2018, an interim impairment assessment was performed at a reporting unit in the Process Equipment Group segment most directly impacted by domestic coal mining and coal power. During the quarter ended March 31, 2018, published industry reports reduced their forecasts for domestic coal production and consumption. The reporting unit also experienced a larger than expected decline in orders for equipment and parts used in the domestic coal mining and coal power industries. In conjunction with these events and as part of the long-term strategic forecasting process, the Company made the decision to redirect strategic investments for growth, significantly reducing the reporting unit's terminal growth rate. As a result of this change in expected future cash flows, along with comparable fair value information, management concluded that the reporting unit carrying value exceeded its fair value, resulting in a goodwill impairment charge of \$58.8 during the quarter ended March 31, 2018. Intangible asset impairment charges for trade names associated with the same reporting unit were \$4.6 pre-tax (\$3.5 after tax) based on similar factors during the quarter ended March 31, 2018.

7. Financing Agreements

	June 30, 2019	September 30, 2018
\$900 revolving credit facility (excluding outstanding letters of credit)	\$ 74.0	\$ 95.7
\$150 senior unsecured notes, net of discount (1)	149.5	149.3
\$100 Series A Notes (2)	99.7	99.6
Other	1.2	—
Total debt	<u>324.4</u>	<u>344.6</u>
Less: current portion (3)	1.2	—
Total long-term debt	<u>\$ 323.2</u>	<u>\$ 344.6</u>

(1) Includes debt issuance costs of \$0.2 and \$0.4 at June 30, 2019 and September 30, 2018.

(2) Includes debt issuance costs of \$0.3 and \$0.4 at June 30, 2019 and September 30, 2018.

(3) Included in Other current liabilities in the Consolidated Balance Sheets.

Our private shelf agreement expired in March 2019. We entered into this Private Shelf Agreement on December 6, 2012 (as amended, the "Shelf Agreement"), with Prudential Investment Management, Inc. ("Prudential") and each Prudential Affiliate (as defined therein) that became a purchaser thereunder. On December 15, 2014, we issued \$100.0 in 4.60% Series A unsecured notes ("Series A Notes") pursuant thereto, which remain outstanding.

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With respect to the revolving credit facility (the “Facility”), as of June 30, 2019, we had \$7.1 in outstanding letters of credit issued and \$818.9 of maximum borrowing capacity. \$768.8 of this borrowing capacity was immediately available based on our leverage covenant at June 30, 2019, with additional amounts available in the event of a qualifying acquisition. The weighted-average interest rates on borrowings under the Facility were 2.89% and 2.66% for the three and nine months ended June 30, 2019, and 1.70% and 1.77% for the same periods in the prior year. The weighted average facility fee was 0.13% and 0.12% for the three and nine months ended June 30, 2019, and 0.13% and 0.16% for the same periods in the prior year.

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 maintain adequate capacity to provide the guarantees. As of June 30, 2019, we had credit arrangements totaling \$317.6, under which \$238.0 was utilized, for this purpose. These arrangements include our €150.0 Syndicated Letter of Guarantee Facility (as amended, the “LG Facility”) and other ancillary credit facilities.

The Facility, the LG Facility, and the Series A Notes, require us to meet certain conditions including compliance with covenants, absence of default, and continued accuracy of certain representations and warranties. Financial covenants include a maximum ratio of Indebtedness to EBITDA (as defined in the agreements, “Leverage Ratio”) of 3.5 to 1.0 including the application of cash as a reduction of Indebtedness (subject to certain limitations); a maximum Leverage Ratio resulting from an acquisition in excess of \$75.0 of 4.0 to 1.0 for a period of three consecutive quarters following such acquisition; and a minimum ratio of EBITDA (as defined in the agreements) to interest expense of 3.0 to 1.0. As of June 30, 2019, we were in compliance with all covenants.

The Facility, senior unsecured notes, Series A Notes, and LG Facility are fully and unconditionally, and jointly and severally, guaranteed by certain of the Company’s domestic subsidiaries.

8. Retirement Benefits

Defined Benefit Plans

	U.S. Pension Benefits		Non-U.S. Pension Benefits	
	Three Months Ended June 30,		Three Months Ended June 30,	
	2019	2018	2019	2018
Service costs	\$ 0.5	\$ 0.7	\$ 0.4	\$ 0.5
Interest costs	2.4	2.2	0.3	0.3
Expected return on plan assets	(3.3)	(3.5)	(0.1)	(0.2)
Amortization of unrecognized prior service costs, net	—	—	—	0.1
Amortization of net loss	0.4	0.8	0.3	0.2
Net pension costs	\$ —	\$ 0.2	\$ 0.9	\$ 0.9

	U.S. Pension Benefits		Non-U.S. Pension Benefits	
	Nine Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
Service costs	\$ 1.7	\$ 2.1	\$ 1.1	\$ 1.5
Interest costs	7.5	6.5	0.9	0.9
Expected return on plan assets	(9.9)	(10.5)	(0.4)	(0.5)
Amortization of unrecognized prior service costs, net	0.1	0.1	—	0.1
Amortization of net loss	0.8	2.4	0.8	0.7
Net pension costs	\$ 0.2	\$ 0.6	\$ 2.4	\$ 2.7

Postretirement Healthcare Plans — Net postretirement healthcare costs were insignificant for the three and nine months ended June 30, 2019 and 2018.

Defined Contribution Plans — Expenses related to our defined contribution plans were \$3.0 and \$8.7 for the three and nine months ended June 30, 2019 and \$3.0 and \$8.6 for the same periods in the prior year.

9. Income Taxes

The effective tax rates for the three months ended June 30, 2019 and 2018 were 26.8% and 29.6% . The decrease in the current year quarter's effective tax rate is attributable to the full implementation of the Tax Cuts and Jobs Act ("Tax Act"), partially offset by an unfavorable geographic mix of pretax income and an increase in the reserve for unrecognized tax benefits in the prior year quarter that did not recur in the current year quarter.

The effective tax rates for the nine months ended June 30, 2019 and 2018 were 28.5% and 60.7% . The high effective tax rate in the prior year primarily resulted from the nondeductible portion of the previously mentioned impairment charge recorded in the Process Equipment Group segment and the impact of the Tax Act, as driven by the items discussed below. Additionally, the current year effective tax rate is reflective of the full implementation of the Tax Act, partially offset by the effects of an unfavorable geographic mix of pretax income.

The Tax Act was enacted on December 22, 2017. The majority of the provisions of the Tax Act were to be effective for tax years beginning after December 31, 2017 (which corresponds to Hillenbrand's current fiscal year ending September 30, 2019). As a non-calendar year end company, certain of the provisions of the Tax Act were effective for us for the fiscal year ended September 30, 2018, while others became effective for our current fiscal year ending September 30, 2019. The Tax Act reduced the federal corporate tax rate from 35% to 21%, which became effective on January 1, 2018. The Internal Revenue Code provides that our fiscal year ended September 30, 2018 had a blended U.S. corporate tax rate of 24.5%, which is based on a proration of the applicable tax rates before and after effective date of the Tax Act. The statutory tax rate of 21% applies to fiscal year ending September 30, 2019 and future years. Shortly after the Tax Act was enacted, the SEC staff issued Staff Accounting Bulletin No. 118, *Income Tax Accounting Implications of the Tax Cuts and Jobs Act* ("SAB 118"), which provides guidance on accounting for the Tax Act's impact. SAB 118 provides a measurement period, which in no case should extend beyond one year from the Tax Act enactment date, during which a company acting in good faith may complete the accounting for the impacts of the Tax Act under Accounting Standards Codification Topic 740 ("ASC 740"). Per SAB 118, the Company must reflect the income tax effects of the Tax Act in the reporting period in which the accounting under ASC 740 is complete.

In accordance with SAB 118, to the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete, the company can determine a reasonable estimate for those effects and record a provisional estimate in the financial statements in the first reporting period in which a reasonable estimate can be determined. If a company cannot determine a provisional estimate to be included in the financial statements, the company should continue to apply ASC 740 based on the provisions of the tax laws that were in effect immediately prior to the Tax Act being enacted.

The impact of the federal tax rate reduction under the Tax Act was recognized in the rate applied to earnings for the fiscal year ended September 30, 2018. The reduction for this period was from 35.0% to 24.5% . The further reduction of the federal tax rate to the statutory tax rate of 21% under the Tax Act is being recognized in the rate applied to earnings for the fiscal year ending September 30, 2019.

We recorded a provisional discrete net tax expense of \$14.3 related to the Tax Act in the quarter ended December 31, 2017. This net expense includes a benefit of \$14.9 due to the remeasurement of our deferred tax items to reflect the impact of the federal tax rate reduction on our net deferred tax liabilities.

Furthermore, Hillenbrand is subject to a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries (the "Transition Tax") as enacted pursuant to the Tax Act. This Transition Tax was imposed on the deferred accumulated earnings of foreign subsidiaries at an effective rate of 15.5% of foreign earnings attributable to cash and cash equivalents, and 8% of the residual foreign earnings. During the fiscal year ended September 30, 2018, we recorded a provisional net expense for the Transition Tax of \$24.6 . During the quarter ended December 31, 2018, we completed our determination of the effect of the Transition Tax and, pursuant to SAB 118, we recognized a \$0.5 increase to the Transition Tax liability, resulting in a Transition Tax liability of \$25.1 . Hillenbrand elected to pay the Transition Tax over eight years and made the first installment payment of \$2.0 during the quarter ended December 31, 2018. The remaining Transition Tax liability is included in Other current liabilities (\$2.0) and Other long-term liabilities (\$21.1) in the Consolidated Balance Sheet at June 30, 2019 .

In connection with the Tax Act, we evaluated our future cash deployment needs and revised our permanent reinvestment assertions. While we continue to assert permanent reinvestment for the earnings of certain of our foreign subsidiaries, we recognized an additional \$1.3 of deferred tax liability during the quarter ended December 31, 2018, associated with those foreign subsidiaries where we no longer maintain a permanent reinvestment assertion.

As noted above, the enactment dates for many of the provisions within the Tax Act were for tax years beginning after December 31, 2017, and as a result, certain provisions were not effective until our current fiscal year ending September 30, 2019. These

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provisions have been incorporated into the current period tax provision, and include recognizing global intangible low-taxed income and foreign derived intangible income, eliminating U.S. federal income taxes on dividends from foreign subsidiaries, eliminating the domestic production activity deduction, limiting the amount of deductible interest expense, limiting the use of foreign tax credits to reduce the U.S. income tax liability, and limiting the deduction of executive compensation, as well as other provisions.

10. Earnings per share

The dilutive effects of performance-based stock awards were included in the computation of diluted earnings per share at the level the related performance criteria were met through the respective balance sheet date. At June 30, 2019 and 2018, potential dilutive effects, representing approximately 400,000 shares at each period, were excluded from the computation of diluted earnings per share as the related performance criteria were not yet met, although we expect to meet various levels of criteria in the future.

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
Net income (1)	\$ 30.4	\$ 35.9	\$ 96.7	\$ 32.1
Weighted average shares outstanding (basic - in millions)	63.0	62.8	62.9	63.2
Effect of dilutive stock options and other unvested equity awards (in millions)	0.4	0.7	0.5	0.7
Weighted average shares outstanding (diluted - in millions)	63.4	63.5	63.4	63.9
Basic earnings per share	\$ 0.48	\$ 0.57	\$ 1.54	\$ 0.51
Diluted earnings per share	\$ 0.48	\$ 0.56	\$ 1.52	\$ 0.50
Shares with anti-dilutive effect excluded from the computation of diluted earnings per share (in millions)	1.1	0.5	0.9	0.4

(1) Net income attributable to Hillenbrand

11. Other Comprehensive Income (Loss)

	Pension and Postretirement	Currency Translation	Net Unrealized Gain (Loss) on Derivative Instruments	Total Attributable to Hillenbrand, Inc.	Noncontrolling Interests	Total
Balance at September 30, 2018	\$ (41.0)	\$ (44.1)	\$ 0.9	\$ (84.2)		
Other comprehensive income before reclassifications						
Before tax amount	1.5	(3.6)	(16.2)	(18.3)	\$ 0.2	\$ (18.1)
Tax expense	(0.4)	—	3.8	3.4	—	3.4
After tax amount	1.1	(3.6)	(12.4)	(14.9)	0.2	(14.7)
Amounts reclassified from accumulated other comprehensive income(1)	0.9	—	(0.3)	0.6	—	0.6
Net current period other comprehensive income (loss)	2.0	(3.6)	(12.7)	(14.3)	\$ 0.2	\$ (14.1)
Balance at June 30, 2019	\$ (39.0)	\$ (47.7)	\$ (11.8)	\$ (98.5)		

(1) Amounts are net of tax.

	Pension and Postretirement	Currency Translation	Net Unrealized Gain (Loss) on Derivative Instruments	Total Attributable to Hillenbrand, Inc.	Noncontrolling Interests	Total
Balance at September 30, 2017	\$ (45.3)	\$ (36.9)	\$ 1.0	\$ (81.2)		
Other comprehensive income before reclassifications						
Before tax amount	—	(4.8)	(0.2)	(5.0)	\$ (0.3)	\$ (5.3)
Tax expense	—	—	—	—	—	—
After tax amount	—	(4.8)	(0.2)	(5.0)	(0.3)	(5.3)
Amounts reclassified from accumulated other comprehensive income(1)	2.1	—	0.4	2.5	—	2.5
Net current period other comprehensive income (loss)	2.1	(4.8)	0.2	(2.5)	\$ (0.3)	\$ (2.8)
Balance at June 30, 2018	\$ (43.2)	\$ (41.7)	\$ 1.2	\$ (83.7)		

(1) Amounts are net of tax.

Reclassifications out of Accumulated Other Comprehensive Income include:

Affected Line in the Consolidated Statement of Operations:	Three Months Ended June 30, 2019			
	Amortization of Pension and Postretirement (1)		(Gain)/Loss on Derivative Instruments	Total
	Net Loss Recognized	Prior Service Costs Recognized		
Net revenue	\$ —	\$ —	\$ (0.1)	\$ (0.1)
Cost of goods sold	—	—	(0.4)	(0.4)
Other income (expense), net	0.6	—	—	0.6
Total before tax	\$ 0.6	\$ —	\$ (0.5)	\$ 0.1
Tax expense				—
Total reclassifications for the period, net of tax				\$ 0.1

Affected Line in the Consolidated Statement of Operations:	Nine Months Ended June 30, 2019			
	Amortization of Pension and Postretirement (1)		(Gain)/Loss on Derivative Instruments	Total
	Net Loss Recognized	Prior Service Costs Recognized		
Net revenue	\$ —	\$ —	\$ 0.1	\$ 0.1
Cost of goods sold	—	—	(0.6)	(0.6)
Other income (expense), net	1.3	—	—	1.3
Total before tax	\$ 1.3	\$ —	\$ (0.5)	\$ 0.8
Tax expense				(0.2)
Total reclassifications for the period, net of tax				\$ 0.6

(1) These accumulated other comprehensive income components are included in the computation of net periodic pension cost (see Note 8).

	Three Months Ended June 30, 2018			
	Amortization of Pension and Postretirement (1)		(Gain)/Loss on Derivative Instruments	Total
	Net Loss Recognized	Prior Service Costs Recognized		
Affected Line in the Consolidated Statement of Operations:				
Net revenue	\$ —	\$ —	\$ 0.9	\$ 0.9
Other income (expense), net	0.9	0.1	—	1.0
Total before tax	\$ 0.9	\$ 0.1	\$ 0.9	\$ 1.9
Tax expense				(0.5)
Total reclassifications for the period, net of tax				\$ 1.4

	Nine Months Ended June 30, 2018			
	Amortization of Pension and Postretirement (1)		(Gain)/Loss on Derivative Instruments	Total
	Net Loss Recognized	Prior Service Costs Recognized		
Affected Line in the Consolidated Statement of Operations:				
Net revenue	\$ —	\$ —	\$ 0.5	\$ 0.5
Other income (expense), net	2.9	0.1	—	3.0
Total before tax	\$ 2.9	\$ 0.1	\$ 0.5	\$ 3.5
Tax expense				(1.0)
Total reclassifications for the period, net of tax				\$ 2.5

(1) These accumulated other comprehensive income components are included in the computation of net periodic pension cost (see Note 8).

12. Share-Based Compensation

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
Share-based compensation costs	\$ 2.9	\$ 2.6	\$ 8.7	\$ 8.8
Less impact of income tax benefit	0.7	0.7	2.0	2.3
Share-based compensation costs, net of tax	\$ 2.2	\$ 1.9	\$ 6.7	\$ 6.5

We have share-based compensation with long-term performance-based metrics that are contingent upon our relative total shareholder return and the creation of shareholder value. Relative total shareholder return is determined by comparing our total shareholder return during a three-year period to the respective total shareholder returns of companies in a designated performance peer group. Creation of shareholder value is 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. For the performance-based awards contingent upon the creation of shareholder value, compensation expense is adjusted each quarter based upon actual results to date and any changes to forecasted information on each of the separate grants.

During the nine months ended June 30, 2019, we made the following grants:

	Number of Units
Stock options	431,726
Time-based stock awards	29,262
Performance-based stock awards (maximum that can be earned)	336,273

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Stock options granted during fiscal 2019 had a weighted-average exercise price of \$41.31 and a weighted-average grant date fair value of \$10.15 . Our time-based stock awards and performance-based stock awards granted during fiscal 2019 had weighted-average grant date fair values of \$41.09 and \$41.77 . Included in the performance-based stock awards granted during fiscal 2019 are 181,994 units whose payout level is based upon the Company's relative total shareholder return over the three-year measurement period, as described above. These units will be expensed on a straight-line basis over the measurement period and are not subsequently adjusted after the grant date.

13. Other Income (Expense), Net

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
Equity in net income (loss) of affiliates	\$ 0.1	\$ (0.1)	\$ —	\$ (0.1)
Foreign currency exchange gain (loss), net	(0.5)	(0.1)	—	(0.9)
Other, net	(0.1)	(0.5)	0.1	(1.2)
Other income (expense), net	\$ (0.5)	\$ (0.7)	\$ 0.1	\$ (2.2)

14. Commitments and Contingencies

Like most companies, we are involved from time to time in claims, lawsuits, and government proceedings relating to our operations, including environmental, patent infringement, business practices, commercial transactions, product and general liability, workers' compensation, auto liability, employment, and other matters. The ultimate outcome of these matters cannot be predicted with certainty. An estimated loss from these contingencies is recognized when we believe it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated; however, it is difficult to measure the actual loss that might be incurred related these matters. If a loss is not considered probable and/or cannot be reasonably estimated, we are required to make a disclosure if there is at least a reasonable possibility that a significant loss may have been incurred. Legal fees associated with claims and lawsuits are generally expensed as incurred.

Claims covered by insurance have in most instances deductibles and self-funded retentions up to \$0.5 per occurrence or per claim, depending upon the type of coverage and policy period. For auto, workers compensation, and general liability, outside insurance companies and third-party claims administrators generally assist in establishing individual claim reserves. An independent outside actuary provides estimates of ultimate projected losses, including incurred but not reported claims, which are used to establish reserves for losses. For all other types of claims, reserves are established based upon advice from internal and external counsel and historical settlement information for claims when such amounts are considered probable of payment.

The recorded amounts represent our best estimate of the costs we will incur in relation to such exposures, but it is possible that actual costs will differ from those estimates.

15. Fair Value Measurements

Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The authoritative guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are from sources independent of the Company. Unobservable inputs reflect the Company's assumptions about the factors market participants would use in valuing the asset or liability, developed based upon the best information available in the circumstances. The categorization of financial assets and liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The hierarchy is broken down into three levels:

- Level 1: Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable for the asset or liability.

	Carrying Value at June 30, 2019	Fair Value at June 30, 2019 Using Inputs Considered as:		
		Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	\$ 64.4	\$ 64.4	\$ —	\$ —
Investments in rabbi trust	4.2	4.2	—	—
Derivative instruments	2.0	—	2.0	—
Liabilities:				
\$150 senior unsecured notes	149.7	154.2	—	—
Revolving credit facility	74.0	—	74.0	—
\$100 Series A Notes	100.0	—	106.1	—
Derivative instruments	17.7	—	17.7	—

The fair value of the amounts outstanding under the revolving credit facility approximated carrying value at June 30, 2019. The fair values of the revolving credit facility and Series A Notes were estimated based on internally developed models, using current market interest rate data for similar issues, as there is no active market for our revolving credit facility or Series A Notes.

Derivative instruments

The Company has hedging programs in place to manage its currency exposures. The objectives of our hedging programs are to mitigate exposures in gross margin and non-functional-currency-denominated assets and liabilities. Under these programs, we use derivative financial instruments to manage the economic impact of fluctuations in currency exchange rates. These include foreign currency exchange forward contracts, which generally have terms up to 24 months. Additionally, the Company has derivative instruments in place to hedge the interest rate associated with \$150.0 of ten-year, fixed-rate financing we expect to issue in the future. These derivative instruments terminate in December 2020, if not settled earlier in connection with the underlying expected future financing. Our primary objectives in using these derivatives are to reduce volatility in future interest expense and to manage our exposure to interest rate movements.

The fair values of the Company's derivative instruments were based upon pricing models using inputs derived from third-party pricing services or observable market data such as currency spot and forward rates. These values are periodically validated by comparing to third-party broker quotes. The aggregate notional value of derivatives was \$306.8 at June 30, 2019. The derivatives are included at fair value in Other current assets, Other current liabilities, and Other long-term liabilities on the Consolidated Balance Sheets.

16. Segment and Geographical Information

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
Net revenue				
Process Equipment Group	\$ 315.3	\$ 316.7	\$ 924.2	\$ 880.8
Batesville	131.3	129.3	397.3	414.6
Total	\$ 446.6	\$ 446.0	\$ 1,321.5	\$ 1,295.4
Adjusted EBITDA				
Process Equipment Group	\$ 54.9	\$ 58.2	\$ 156.6	\$ 153.7
Batesville	25.3	25.6	83.6	92.1
Corporate	(10.7)	(12.4)	(31.7)	(32.9)
Net revenue (1)				
United States	\$ 222.1	\$ 226.7	\$ 669.3	\$ 691.7
Germany	145.4	130.7	398.3	370.9
All other foreign business units	79.1	88.6	253.9	232.8
Total	\$ 446.6	\$ 446.0	\$ 1,321.5	\$ 1,295.4

(1) We attribute revenue to a geography based upon the location of the business unit that consummates the external sale.

	June 30, 2019	September 30, 2018
Total assets assigned		
Process Equipment Group	\$ 1,682.7	\$ 1,638.8
Batesville	175.9	191.8
Corporate	32.0	34.0
Total	\$ 1,890.6	\$ 1,864.6
Tangible long-lived assets, net		
United States	\$ 73.5	\$ 76.6
Germany	38.6	40.7
All other foreign business units	24.5	24.7
Total	\$ 136.6	\$ 142.0

The following schedule reconciles segment adjusted EBITDA to consolidated net income (loss).

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
Adjusted EBITDA:				
Process Equipment Group	\$ 54.9	\$ 58.2	\$ 156.6	\$ 153.7
Batesville	25.3	25.6	83.6	92.1
Corporate	(10.7)	(12.4)	(31.7)	(32.9)
Less:				
Interest income	(0.3)	(0.3)	(0.7)	(1.1)
Interest expense	5.2	5.5	16.1	17.8
Income tax expense	11.6	15.2	39.9	52.5
Depreciation and amortization	15.1	14.2	44.3	42.0
Impairment charge	—	—	—	63.4
Business acquisition, development, and integration	3.8	0.1	4.9	2.6
Restructuring and restructuring related	2.4	0.5	3.6	1.7
Inventory step-up	—	—	0.2	—

Consolidated net income

\$ 31.7 \$ 36.2 \$ 100.2 \$ 34.0

17. Condensed Consolidating Information

Certain 100% owned domestic subsidiaries of Hillenbrand fully and unconditionally, jointly and severally, agreed to guarantee all of the indebtedness and guarantee obligations relating to our obligations under our senior unsecured notes. The following are the condensed consolidating financial statements, including the guarantors, which present the statements of income, balance sheets, and cash flows of (i) the parent holding company, (ii) the guarantor subsidiaries, (iii) the non-guarantor subsidiaries, and (iv) eliminations necessary to present the information for Hillenbrand on a consolidated basis.

Condensed Consolidating Statements of Income

	Three Months Ended June 30, 2019					Three Months Ended June 30, 2018				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net revenue	\$ —	\$ 220.4	\$ 284.2	\$ (58.0)	\$ 446.6	\$ —	\$ 232.7	\$ 273.2	\$ (59.9)	\$ 446.0
Cost of goods sold	—	125.0	204.7	(31.5)	298.2	—	126.4	189.6	(33.5)	282.5
Gross profit	—	95.4	79.5	(26.5)	148.4	—	106.3	83.6	(26.4)	163.5
Operating expenses	15.1	59.8	42.4	(26.5)	90.8	13.4	63.1	48.2	(26.4)	98.3
Amortization expense	—	3.3	5.3	—	8.6	—	3.3	4.3	—	7.6
Interest expense	4.4	0.1	0.7	—	5.2	4.6	—	0.9	—	5.5
Other (expense) income, net	(0.1)	(0.3)	(0.1)	—	(0.5)	(0.2)	(0.4)	(0.1)	—	(0.7)
Equity in net income of subsidiaries	44.8	2.4	—	(47.2)	—	34.8	3.6	—	(38.4)	—
Income before income taxes	25.2	34.3	31.0	(47.2)	43.3	16.6	43.1	30.1	(38.4)	51.4
Income tax expense	(5.2)	9.3	7.5	—	11.6	(19.3)	9.9	24.6	—	15.2
Consolidated net income	30.4	25.0	23.5	(47.2)	31.7	35.9	33.2	5.5	(38.4)	36.2
Less: Net income attributable to										
noncontrolling interests	—	—	1.3	—	1.3	—	—	0.3	—	0.3
Net income (1)	\$ 30.4	\$ 25.0	\$ 22.2	\$ (47.2)	\$ 30.4	\$ 35.9	\$ 33.2	\$ 5.2	\$ (38.4)	\$ 35.9
Consolidated comprehensive income	\$ 33.7	\$ 26.2	\$ 30.2	\$ (55.1)	\$ 35.0	\$ 10.7	\$ 33.8	\$ (20.4)	\$ (13.4)	\$ 10.7
Less: Comprehensive income attributable										
to noncontrolling interests	—	—	1.3	—	1.3	—	—	—	—	—
Comprehensive income (2)	\$ 33.7	\$ 26.2	\$ 28.9	\$ (55.1)	\$ 33.7	\$ 10.7	\$ 33.8	\$ (20.4)	\$ (13.4)	\$ 10.7

	Nine Months Ended June 30, 2019					Nine Months Ended June 30, 2018				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net revenue	\$ —	\$ 667.1	\$ 826.1	\$ (171.7)	\$ 1,321.5	\$ —	\$ 701.8	\$ 758.7	\$ (165.1)	\$ 1,295.4
Cost of goods sold	—	367.6	589.1	(91.5)	865.2	—	371.2	530.7	(84.8)	817.1
Gross profit	—	299.5	237.0	(80.2)	456.3	—	330.6	228.0	(80.3)	478.3
Operating expenses	39.0	182.1	134.3	(80.2)	275.2	37.9	189.5	138.6	(80.3)	285.7
Amortization expense	—	10.0	15.0	—	25.0	—	10.0	12.7	—	22.7
Impairment charge	—	—	—	—	—	—	63.4	—	—	63.4
Interest expense	13.6	0.2	2.3	—	16.1	15.7	—	2.1	—	17.8
Other (expense) income, net	(0.6)	(0.4)	1.1	—	0.1	(0.6)	(0.1)	(1.5)	—	(2.2)
Equity in net income of subsidiaries	138.2	8.1	—	(146.3)	—	67.1	6.8	—	(73.9)	—
Income before income taxes	85.0	114.9	86.5	(146.3)	140.1	12.9	74.4	73.1	(73.9)	86.5
Income tax expense	(11.7)	29.8	21.8	—	39.9	(19.2)	34.8	36.9	—	52.5
Consolidated net income	96.7	85.1	64.7	(146.3)	100.2	32.1	39.6	36.2	(73.9)	34.0
Less: Net income attributable to										
noncontrolling interests	—	—	3.5	—	3.5	—	—	1.9	—	1.9
Net income (1)	\$ 96.7	\$ 85.1	\$ 61.2	\$ (146.3)	\$ 96.7	\$ 32.1	\$ 39.6	\$ 34.3	\$ (73.9)	\$ 32.1
Consolidated comprehensive income	\$ 82.4	\$ 86.4	\$ 61.6	\$ (144.3)	\$ 86.1	\$ 29.6	\$ 41.1	\$ 31.0	\$ (70.5)	\$ 31.2
Less: Comprehensive income attributable										
to noncontrolling interests	—	—	3.7	—	3.7	—	—	1.6	—	1.6
Comprehensive income (2)	\$ 82.4	\$ 86.4	\$ 57.9	\$ (144.3)	\$ 82.4	\$ 29.6	\$ 41.1	\$ 29.4	\$ (70.5)	\$ 29.6

(1) Net income attributable to Hillenbrand

(2) Comprehensive income attributable to Hillenbrand

Condensed Consolidating Balance Sheets

	June 30, 2019					September 30, 2018				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Cash and cash equivalents	\$ 0.1	\$ 5.5	\$ 58.8	\$ —	\$ 64.4	\$ 1.1	\$ 5.8	\$ 49.1	\$ —	\$ 56.0
Trade receivables, net	—	99.2	99.6	—	198.8	—	124.5	94.0	—	218.5
Receivables from long-term manufacturing contracts	—	9.8	148.8	—	158.6	—	5.3	115.0	—	120.3
Inventories	—	81.1	108.4	(2.8)	186.7	—	76.7	98.6	(2.8)	172.5
Prepaid expense	3.0	6.6	19.4	—	29.0	2.7	7.0	15.5	—	25.2
Intercompany receivables	—	1,169.2	51.3	(1,220.5)	—	—	1,131.1	79.1	(1,210.2)	—
Other current assets	—	2.6	17.6	0.5	20.7	—	3.2	14.6	0.3	18.1
Total current assets	3.1	1,374.0	503.9	(1,222.8)	658.2	3.8	1,353.6	465.9	(1,212.7)	610.6
Property, plant and equipment, net	3.5	58.6	74.5	—	136.6	3.8	60.2	78.0	—	142.0
Intangible assets, net	2.5	185.0	283.6	—	471.1	3.2	196.0	288.1	—	487.3
Goodwill	—	225.0	361.8	—	586.8	—	225.0	356.9	—	581.9
Investment in consolidated subsidiaries	2,347.3	667.8	—	(3,015.1)	—	2,263.1	653.9	—	(2,917.0)	—
Other assets	31.2	27.6	3.0	(23.9)	37.9	15.7	28.2	5.9	(7.0)	42.8
Total Assets	\$ 2,387.6	\$ 2,538.0	\$ 1,226.8	\$ (4,261.8)	\$ 1,890.6	\$ 2,289.6	\$ 2,516.9	\$ 1,194.8	\$ (4,136.7)	\$ 1,864.6
Trade accounts payable	\$ 0.2	\$ 62.5	\$ 161.8	\$ —	\$ 224.5	\$ —	\$ 62.4	\$ 134.4	\$ —	\$ 196.8
Liabilities from long-term manufacturing contracts and advances	—	20.0	89.2	—	109.2	—	26.6	99.3	—	125.9
Accrued compensation	5.2	19.1	44.6	—	68.9	7.2	20.1	44.6	—	71.9
Intercompany payables	1,214.5	8.8	—	(1,223.3)	—	1,206.2	6.1	—	(1,212.3)	—
Other current liabilities	24.1	42.6	67.0	(10.0)	123.7	19.4	38.9	78.1	0.7	137.1
Total current liabilities	1,244.0	153.0	362.6	(1,233.3)	526.3	1,232.8	154.1	356.4	(1,211.6)	531.7
Long-term debt	323.2	—	—	—	323.2	300.2	—	44.4	—	344.6
Accrued pension and postretirement healthcare	0.7	28.8	84.7	—	114.2	0.7	29.8	90.0	—	120.5
Deferred income taxes	—	23.1	61.1	(13.4)	70.8	0.7	22.9	60.9	(8.1)	76.4
Other long-term liabilities	38.5	12.9	8.9	—	60.3	24.1	14.3	8.9	—	47.3
Total Liabilities	1,606.4	217.8	517.3	(1,246.7)	1,094.8	1,558.5	221.1	560.6	(1,219.7)	1,120.5
Total Hillenbrand Shareholders' Equity	781.2	2,320.2	694.9	(3,015.1)	781.2	731.1	2,295.8	621.2	(2,917.0)	731.1
Noncontrolling interests	—	—	14.6	—	14.6	—	—	13.0	—	13.0
Total Equity	781.2	2,320.2	709.5	(3,015.1)	795.8	731.1	2,295.8	634.2	(2,917.0)	744.1
Total Liabilities and Equity	\$ 2,387.6	\$ 2,538.0	\$ 1,226.8	\$ (4,261.8)	\$ 1,890.6	\$ 2,289.6	\$ 2,516.9	\$ 1,194.8	\$ (4,136.7)	\$ 1,864.6

Condensed Consolidating Statements of Cash Flows

	Nine Months Ended June 30, 2019					Nine Months Ended June 30, 2018				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net cash provided by (used in)										
operating activities	\$ 18.2	\$ 105.2	\$ 92.6	\$ (106.4)	\$ 109.6	\$ 186.0	\$ 126.6	\$ (32.0)	\$ (124.3)	\$ 156.3
Investing activities:										
Capital expenditures	(0.7)	(5.6)	(6.3)	—	(12.6)	(1.5)	(7.5)	(7.3)	—	(16.3)
Acquisition of business, net of cash acquired	—	—	(25.9)	—	(25.9)	—	—	—	—	—
Other, net	—	0.1	—	—	0.1	—	—	0.4	—	0.4
Net cash used in investing activities	(0.7)	(5.5)	(32.2)	—	(38.4)	(1.5)	(7.5)	(6.9)	—	(15.9)
Financing activities:										
Repayments on term loan	—	—	—	—	—	(148.5)	—	—	—	(148.5)
Proceeds from revolving credit facilities, net of financing costs	215.0	—	234.7	—	449.7	530.6	—	415.9	—	946.5
Repayments on revolving credit facilities	(192.3)	—	(277.8)	—	(470.1)	(472.9)	—	(364.3)	—	(837.2)
Payment of dividends - intercompany	—	(100.0)	(6.4)	106.4	—	—	(118.3)	(6.0)	124.3	—
Payment of dividends on common stock	(39.4)	—	—	—	(39.4)	(39.1)	—	—	—	(39.1)
Repurchases of common stock	—	—	—	—	—	(60.6)	—	—	—	(60.6)
Proceeds from stock option exercises and other	2.4	—	—	—	2.4	10.3	—	—	—	10.3
Payments for employee taxes on net settlement equity awards	(4.2)	—	—	—	(4.2)	(4.1)	—	—	—	(4.1)
Other, net	—	—	(0.9)	—	(0.9)	—	—	(1.8)	—	(1.8)
Net cash (used in) provided by financing activities	(18.5)	(100.0)	(50.4)	106.4	(62.5)	(184.3)	(118.3)	43.8	124.3	(134.5)
Effect of exchange rates on cash and cash equivalents	—	—	(0.2)	—	(0.2)	—	—	(1.0)	—	(1.0)
Net cash flow	(1.0)	(0.3)	9.8	—	8.5	0.2	0.8	3.9	—	4.9
Cash, cash equivalents and restricted cash at beginning of period	1.1	5.8	49.6	—	56.5	0.1	5.0	61.6	—	66.7
Cash, cash equivalents and restricted cash at end of period	\$ 0.1	\$ 5.5	\$ 59.4	\$ —	\$ 65.0	\$ 0.3	\$ 5.8	\$ 65.5	\$ —	\$ 71.6

18. Restructuring

The following schedule details the restructuring charges by segment and the classification of those charges on the income statement.

	Three Months Ended June 30, 2019			Three Months Ended June 30, 2018		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Process Equipment Group	\$ 0.2	\$ 0.4	\$ 0.6	\$ 0.3	\$ 0.2	\$ 0.5
Batesville	0.3	1.4	1.7	—	—	—
Corporate	—	—	—	—	(0.1)	(0.1)
Total	\$ 0.5	\$ 1.8	\$ 2.3	\$ 0.3	\$ 0.1	\$ 0.4

	Nine Months Ended June 30, 2019			Nine Months Ended June 30, 2018		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Process Equipment Group	\$ 0.6	\$ 0.5	\$ 1.1	\$ 0.2	\$ 0.4	\$ 0.6
Batesville	0.5	1.9	2.4	—	0.2	0.2
Corporate	—	—	—	—	0.5	0.5
Total	\$ 1.1	\$ 2.4	\$ 3.5	\$ 0.2	\$ 1.1	\$ 1.3

The charges related primarily to severance costs. At June 30, 2019, \$ 2.7 of restructuring costs were accrued and expected to be paid over the next twelve months.

19. Subsequent Events*Proposed Acquisition of Milacron*

We entered into a definitive agreement on July 12, 2019 to acquire Milacron Holdings Corp. (“Milacron”) in a cash and stock transaction valued at approximately \$2 billion, including debt, net of cash on hand, of \$686 as of March 31, 2019. The transaction, which is expected to close in the first calendar quarter of 2020, is subject to customary closing conditions and regulatory approvals, including the approval of stockholders of Milacron.

Under the terms of the agreement, Milacron stockholders will receive \$11.80 in cash and a fixed exchange ratio of 0.1612 shares of Hillenbrand common stock for each share of Milacron common stock they own. Upon closing, Hillenbrand shareholders will own approximately 84% of the combined company, and Milacron stockholders will own approximately 16%.

In connection with the proposed transaction, we entered into a commitment letter on July 12, 2019 pursuant to which JPMorgan Chase Bank, N.A. committed to provide a 364 -day senior unsecured bridge facility in an aggregate principal amount of \$1.1 billion.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS AND FACTORS THAT MAY AFFECT FUTURE RESULTS

Throughout this Form 10-Q, 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. If our assumptions prove inaccurate or unknown risks and uncertainties materialize, actual results could vary materially from Hillenbrand's expectations and projections.

Accordingly, in this Form 10-Q, 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
target	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. This includes the impact of the Tax Act on the Company's financial position, results of operations, and cash flows, as well as risks related to our proposed acquisition of Milacron. For a discussion of factors that could cause actual results to differ from those contained in forward-looking statements, see the discussions under the heading "Risk Factors" in Item 1A of Part I of the Company's Form 10-K filed with the SEC on November 13, 2018, and in Item 1A of Part II of this Form 10-Q, as well as other risks and uncertainties detailed in our other filings with the SEC from time to time. We assume no obligation to update or revise any forward-looking statements.

OPERATING PERFORMANCE MEASURES

The following discussion compares our results for the three and nine months ended June 30, 2019, to the same periods in fiscal year 2018. The Company's fiscal year ends on September 30. 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" measures and exclude impairment charges, expenses associated with business acquisition, development, and integration, restructuring and restructuring related charges, and inventory step-up. The related income tax for all of these items is also excluded. The measures also exclude the non-recurring tax benefits and expenses related to the Tax Act. 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 these types of items. 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”). A part of Hillenbrand’s strategy is to selectively acquire companies that we believe can benefit from the Hillenbrand Operating Model (“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. 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 and equipment, as well as 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 to 36 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 calculate the foreign currency impact on net revenue, gross profit, operating expenses, backlog, consolidated net income, and adjusted EBITDA in order to better measure the comparability of results between periods. We calculate the foreign currency impact by translating current year results at prior year foreign exchange rates. This information is provided because exchange rates can distort the underlying change in these metrics, 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 the foreign currency impact in the Operations Review below where the impact is not significant.

See page 39 for reconciliation of adjusted EBITDA to consolidated net income, the most directly comparable GAAP measure. We use other non-GAAP measures in certain other instances and include information reconciling such non-GAAP measures to the respective most directly comparable GAAP measures. Given that there is no GAAP financial measure comparable to backlog, a quantitative reconciliation is not provided.

CRITICAL ACCOUNTING ESTIMATES

For the three and nine months ended June 30, 2019, there were no significant changes to our critical accounting estimates, as outlined in our Annual Report on Form 10-K for 2018, except as described below.

2017 Tax Cuts and Jobs Act— On December 22, 2017, the Tax Act was enacted. The majority of the provisions of the Tax Act were to be effective for tax years beginning after December 31, 2017 (which corresponds to Hillenbrand’s current fiscal year ending September 30, 2019). The Tax Act reduced the federal corporate tax rate from 35% to 21% and became effective on January 1, 2018. As a non-calendar year end company, certain of the provisions of the Tax Act were effective for the fiscal year ended September 30, 2018, while others became effective for us for our current fiscal year ending September 30, 2019. The Internal Revenue Code provides that our fiscal year ended September 30, 2018 had a blended U.S. corporate tax rate of 24.5%, which is based on a proration of the applicable tax rates before and after effective date of the Tax Act. The statutory tax rate of 21% applies to fiscal year ending September 30, 2019 and future years.

Furthermore, Hillenbrand is subject to the Transition Tax. This Transition Tax is imposed on the deferred accumulated earnings of foreign subsidiaries at an effective rate of 15.5% of foreign earnings attributable to cash and cash equivalents, and 8% of the residual foreign earnings. During the fiscal year ended September 30, 2018, we recorded a provisional net expense for the Transition Tax of \$24.6. During the quarter ended December 31, 2018, we completed our determination of the Transition Tax and, pursuant to SAB 118, we recognized a \$0.5 increase to the Transition Tax liability, resulting in a final Transition tax liability of \$25.1. Hillenbrand elected to pay the Transition Tax over eight years and made the first installment payment of \$2.0 during the quarter ended December 31, 2018. In connection with the Tax Act, we evaluated our future cash deployment needs and revised our permanent reinvestment assertions. While we continue to assert permanent reinvestment for the earnings of certain of our foreign

subsidiaries, we recognized an additional \$1.3 of deferred tax liability during the quarter ended December 31, 2018, associated with those foreign subsidiaries where we no longer maintain a permanent reinvestment assertion.

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 using the expected value method, which is based upon historical rates and projections of customer purchases toward contractual rebate thresholds.

Performance Obligations & Contract Estimates

The Process Equipment Group designs, engineers, manufactures, markets, and services differentiated process and material handling equipment and systems for a wide variety of industries. A large portion of our revenue across the Process Equipment Group is derived from manufactured equipment, which may be standard, customized to meet customer specifications, or turnkey.

Our contracts with customers in the Process Equipment Group segment often include multiple performance obligations. Performance obligations are promises in a contract to transfer a distinct good or service to the customer, and are the basis for determining how revenue is recognized. For instance, a contract may include obligations to deliver equipment, installation services, and spare parts. We frequently have contracts for which the equipment and the installation services, as well as highly engineered or specialized spare parts, are all considered a single performance obligation, as in these instances the installation services and/or spare parts are not separately identifiable. However, due to the varying nature of equipment and contracts across the Process Equipment Group, we also have contracts where the installation services and/or spare parts are deemed to be separately identifiable and are therefore deemed to be distinct performance obligations.

A contract's transaction price is allocated to each distinct performance obligation based on its respective stand-alone selling price, and recognized as revenue when, or as, the performance obligation is satisfied. When a distinct performance obligation is not sold separately, the value of the standalone selling price is estimated considering all reasonably available information. When an obligation is distinct, as defined in ASC 606, we allocate a portion of the contract price to the obligation and recognize it separately from the other performance obligations.

The timing of revenue recognition for each performance obligation is either over time or at a point in time. We recognize revenue over time for contracts that have an enforceable right to collect payment for performance completed to-date upon customer cancellation and provide one or more of the following: (i) service over a period of time, (ii) highly customized equipment, or (iii) parts which are highly engineered and have no alternative use. Revenue generated from standard equipment and highly customized equipment or parts contracts without an enforceable right to payment for performance completed to-date, as well as non-specialized parts sales and sales of death care products, is recognized at a point in time.

We use the input method of "cost-to-cost" to recognize revenue over time. 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 judgment. We measure progress based on costs incurred to date relative to total estimated cost at completion. Incurred cost represents work performed, which corresponds with, and we believe thereby best depicts, the transfer of control to the customer. Contract costs include labor, material, and certain overhead expenses. Cost estimates are based on various assumptions to project the outcome of future events, including labor productivity and availability, the complexity of the work to be performed, the cost of materials, and the performance of subcontractors. 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.

Stand-alone service revenue is recognized either over time proportionately over the period of the underlying contract or as invoiced, depending on the terms of the arrangement. Stand-alone service revenue is not material to the Company.

For the Process Equipment Group and Batesville segment products where revenue is recognized at a point in time, we recognize it when our customers take control of the asset. We define this as the point in time at which the customer has the capability of full beneficial use of the asset as intended per the contract.

EXECUTIVE OVERVIEW

(financial amounts in millions, except share and per share data, throughout Management's Discussion and Analysis)

Hillenbrand is a global diversified industrial company with multiple leading brands that serve a wide variety of industries around the world. 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 death care industry in North America.

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

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

Proposed Acquisition of Milacron

As discussed in Note 19 of Part I, Item 1 of this Form 10-Q, on July 12, 2019, Hillenbrand entered into a definitive agreement to acquire Milacron Holdings Corp ("Milacron") in a cash and stock transaction valued at approximately \$2 billion, including debt, net of cash on hand, of \$686 as of March 31, 2019. We expect to permanently finance the cash portion of the merger consideration, refinance Milacron's outstanding debt at close, and pay fees, costs, and expenses associated with the transaction with available cash, as well as, subject to market conditions, new term loan debt and/or senior notes. The debt may be incurred under a new or amended credit facility, one or more senior unsecured term loan facilities, or new senior unsecured notes. Except as otherwise explicitly noted, the anticipated acquisition is excluded from the following discussion and analysis of financial condition and results of operations.

OPERATIONS REVIEW — CONSOLIDATED

	Three Months Ended June 30,				Nine Months Ended June 30,			
	2019		2018		2019		2018	
	Amount	% of Net Revenue	Amount	% of Net Revenue	Amount	% of Net Revenue	Amount	% of Net Revenue
Net revenue	\$ 446.6	100.0	\$ 446.0	100.0	\$ 1,321.5	100.0	\$ 1,295.4	100.0
Gross profit	148.4	33.2	163.5	36.7	456.3	34.5	478.3	36.9
Operating expenses	90.8	20.3	98.3	22.0	275.2	20.8	285.7	22.1
Amortization expense	8.6	1.9	7.6	1.7	25.0	1.9	22.7	1.8
Impairment charge	—	—	—	—	—	—	63.4	4.9
Interest expense	5.2	1.2	5.5	1.2	16.1	1.2	17.8	1.4
Other (expense) income, net	(0.5)	0.1	(0.7)	0.2	0.1	—	(2.2)	0.2
Income taxes	11.6	2.6	15.2	3.4	39.9	3.0	52.5	4.1
Net income (1)	30.4	6.8	35.9	8.0	96.7	7.3	32.1	2.5

(1) Net income attributable to Hillenbrand.

Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018

Net revenue increased \$ 0.6 (0.1%), which included unfavorable foreign currency impact (3%).

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- The Process Equipment Group's net revenue decreased \$ 1.4 (0.4%). Foreign currency impact decreased net revenue by 4% , and was partially offset by pricing and the acquisition of BM&M.
- Batesville's net revenue increased \$ 2.0 (2%), primarily due to the impact of a prior year multi-year contract renewal with a key customer that included an upfront incentive.

Gross profit decreased \$ 15.1 (9%), which included unfavorable foreign currency impact (2%). Gross profit margin decreased 350 basis points to 33.2% .

- The Process Equipment Group's gross profit decreased \$ 11.6 (10%), primarily due to cost inflation, unfavorable mix due to an increased proportion of lower margin, large systems sales in plastics, and a supplier quality issue, partially offset by pricing and productivity improvements and the acquisition of BM&M. Foreign currency impact decreased gross profit by 3% . Gross profit margin decreased 350 basis points to 34.2% in 2019 , primarily due to cost inflation, an increased proportion of lower margin, large systems sales in plastics, and a supplier quality issue, partially offset by pricing and productivity improvements.

The Process Equipment Group's gross profit included restructuring and restructuring related charges (\$0.2 in 2019 and \$0.3 in 2018). Excluding these charges, adjusted gross profit decreased \$ 11.7 (10%) and adjusted gross profit margin decreased 350 basis points to 34.3% .

- Batesville's gross profit decreased \$3.5 (8%) and gross profit margin decreased 320 basis points to 30.8% . The decrease in gross profit and gross profit margin was primarily due to inflation in commodities and wages, partially offset by the impact of the key customer contract renewal in the prior year and productivity initiatives.

Batesville's gross profit included restructuring and restructuring related charges of \$0.3 in fiscal 2019. Excluding these charges, adjusted gross profit decreased \$3.2 (7%) and adjusted gross profit margin decreased 290 basis points to 31.1% .

Operating expenses decreased \$ 7.5 (8%), primarily due to productivity improvements, and decreases in variable compensation, litigation expenses, and strategic project investments, partially offset by increases in business acquisition, development, and integration costs, restructuring and restructuring related charges, and cost inflation. Foreign currency impact decreased operating expenses by 2% . Our operating expense-to-revenue ratio improved by 170 basis points to 20.3% in 2019. Operating expenses included the following items:

	Three Months Ended June 30,	
	2019	2018
Business acquisition, development, and integration costs	\$ 3.8	\$ 0.1
Restructuring and restructuring related charges	1.9	0.2

On an adjusted basis, which excluded business acquisition, development, and integration costs and restructuring and restructuring related charges, operating expenses decreased \$12.9 (13%). Adjusted operating expenses as a percentage of net revenue improved 290 basis points in 2019 to 19.1% .

Amortization expense increased \$1.0 (13%) primarily due to amortization on the acquired intangibles of BM&M.

Interest expense decreased \$0.3 , primarily due to lower average borrowings.

Other (expense) income, net was \$0.5 of other expense in 2019, compared to \$0.7 of other expense in 2018.

The effective tax rate was 26.8% in fiscal 2019 compared to 29.6% in fiscal 2018 . The Tax Act resulted in a reduction of the domestic statutory rate from 35% to 21%. The Internal Revenue Code provides that our fiscal year ended September 30, 2018 had a blended corporate tax rate of 24.5%, which is based on a proration of the applicable tax rates before and after the effective date of the Tax Act. The domestic statutory tax rate of 21% applies to the fiscal year ending September 30, 2019 and future years. The decrease in the current year quarter's effective tax rate was attributable to the full implementation of the Tax Act, partially offset by an unfavorable geographic mix of pretax income and an increase in the reserve for unrecognized tax benefits in the prior year that did not recur in the current year.

Our adjusted effective income tax rate, which excludes the impact of the revaluation of the deferred tax balances as a result of the Tax Act, was 26.7% in fiscal 2019 compared to 29.2% in fiscal 2018. The decrease in the current year quarter's effective tax rate was attributable to the full implementation of the Tax Act, partially offset by an unfavorable geographic mix of pretax income and an increase in the reserve for unrecognized tax benefits in the prior year that did not recur in the current year.

Nine Months Ended June 30, 2019 Compared to Nine Months Ended June 30, 2018

Net revenue increased \$ 26.1 (2%), which included unfavorable foreign currency impact (3%).

- The Process Equipment Group's net revenue increased \$ 43.4 (5%), primarily due to higher volume (6%), pricing, and the acquisition of BM&M. Foreign currency impact decreased net revenue by 4% .
- Batesville's net revenue decreased \$ 17.3 (4%), primarily due to a decrease in volume (5%), driven primarily by a decrease in burial sales resulting from what we estimate to be a decrease in North American burials driven by lower estimated deaths and the increased rate at which families opted for cremation.

Gross profit decreased \$ 22.0 (5%), which included unfavorable foreign currency impact (2%). Gross profit margin decreased 240 basis points to 34.5% .

- The Process Equipment Group's gross profit decreased \$ 5.2 (2%), primarily due to unfavorable mix due to an increased proportion of lower margin, large systems sales in plastics and cost inflation, partially offset by higher volume, pricing and productivity improvements, and the acquisition of BM&M. Foreign currency impact decreased gross profit by 3% . Gross profit margin decreased 230 basis points to 35.1% in 2019 , primarily due to an increased proportion of lower margin, large systems sales in plastics and cost inflation, partially offset by pricing and productivity improvements.

The Process Equipment Group's gross profit included restructuring and restructuring related charges (\$0.6 in 2019 and \$0.2 in 2018) and inventory step-up charges (\$0.2 in 2019). Excluding these charges, adjusted gross profit decreased \$ 4.6 (1%) and adjusted gross profit margin decreased 220 basis points to 35.2% .

- Batesville's gross profit decreased \$16.8 (11%) and gross profit margin decreased 270 basis points to 33.2% . The decrease in gross profit and gross profit margin was primarily due to inflation in commodities and wages, a decrease in volume and restructuring and restructuring related charges, partially offset by productivity initiatives.

Batesville's gross profit included restructuring and restructuring related charges (\$0.5 in 2019 and \$0.1 in 2018). Excluding these charges, adjusted gross profit decreased \$16.4 (11%) and adjusted gross profit margin decreased 260 basis points to 33.3% .

Operating expenses decreased \$ 10.5 (4%), primarily due to productivity improvements, and decreases in litigation expenses and variable compensation, partially offset by cost inflation, and increases in business acquisition, development, and integration costs and restructuring and restructuring related charges. Foreign currency impact decreased operating expenses by 2% . Our operating expense-to-revenue ratio improved by 130 basis points to 20.8% in 2019 . Operating expenses included the following items:

	Nine Months Ended June 30,	
	2019	2018
Business acquisition, development, and integration costs	\$ 4.9	\$ 2.6
Restructuring and restructuring related charges	2.5	1.4

On an adjusted basis, which excluded business acquisition, development, and integration costs and restructuring and restructuring related charges, operating expenses decreased \$ 13.9 (5%). Adjusted operating expenses as a percentage of net revenue improved 140 basis points in 2019 to 20.3% .

Amortization expense increased \$2.3 (10%) primarily due to amortization on the acquired intangibles of BM&M.

Interest expense decreased \$1.7 , primarily due to lower average borrowings.

Impairment charge decreased \$63.4 due to the goodwill and trade name impairments recorded in 2018 . See Note 6 of Part I of this Form 10-Q for further information on the impairment charges.

Other (expense) income, net was \$0.1 of other income in 2019 , compared to \$2.2 of other expense in 2018 . The change was driven primarily by decreased foreign currency exchange losses.

The effective tax rate was 28.5% in fiscal 2019 compared to 60.7% in fiscal 2018 . The high effective tax rate during the nine months ended June 30, 2018 primarily resulted from the nondeductible portion of the impairment charge recorded in the Process Equipment Group segment and the resulting loss before tax and the impact of the Tax Act, driven by the items discussed below. Additionally, the current year effective tax rate is reflective of the full implementation of the Tax Act, partially offset by an unfavorable geographic mix of pretax income.

The Tax Act resulted in a reduction of the domestic statutory rate from 35% to 21%. The Internal Revenue Code provides that our fiscal year ended September 30, 2018 had a blended corporate tax rate of 24.5%, which is based on a proration of the applicable tax rates before and after effective date of the Tax Act. The domestic statutory tax rate of 21% applies to the fiscal year ending September 30, 2019 and future years. During the quarter ended December 31, 2017, we recognized a provisional net tax expense of \$14.3, pursuant to SAB 118, for the impact of the tax rate reduction on our domestic net deferred tax liability, as well as a recognition of the estimated Transition Tax liability. During the quarter ended December 31, 2018, we recognized an additional \$0.5 increase to the Transition Tax liability.

Our adjusted effective income tax rate was 27.1% in 2019 compared to 25.8% in 2018 . The adjusted effective income tax rate excludes the impact of the Transition Tax (\$0.5 in 2019 and \$28.9 in 2018), the revaluation of the deferred tax balances (\$14.9 benefit in 2018), and accrued deferred tax liability associated with the permanent reinvestment assertions (\$1.3 in 2019). The adjusted effective income tax rate also excludes the tax effect of the previously mentioned impairment charge, as well as the tax impact of the adjustments discussed above. Excluding these items, the increase in the adjusted effective tax rate was primarily due to an unfavorable geographic mix of pretax income, partially offset by the full implementation of the recurring provisions of the Tax Act.

OPERATIONS REVIEW — PROCESS EQUIPMENT GROUP

	Three Months Ended June 30,				Nine Months Ended June 30,			
	2019		2018		2019		2018	
	Amount	% of Net Revenue	Amount	% of Net Revenue	Amount	% of Net Revenue	Amount	% of Net Revenue
Net revenue	\$ 315.3	100.0	\$ 316.7	100.0	\$ 924.2	100.0	\$ 880.8	100.0
Gross profit	107.9	34.2	119.5	37.7	324.4	35.1	329.6	37.4
Operating expenses	56.5	17.9	64.7	20.4	179.9	19.5	184.3	20.9
Amortization expense	8.6	2.7	7.6	2.4	25.0	2.7	22.7	2.6
Impairment charge	—	—	—	—	—	—	63.4	7.2

Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018

Net revenue decreased \$ 1.4 (0.4%). Foreign currency impact decreased net revenue by 4% , and was partially offset by pricing and the acquisition of BM&M. Compared to the prior year, volume was essentially flat, as a decline in demand for screening and separating equipment (including equipment that processes proppants for hydraulic fracturing) was offset by increased demand for large systems in plastics. Order backlog increased \$157.5 (20%) from \$782.8 on June 30, 2018 , to \$940.3 on June 30, 2019 . The increase in backlog is primarily driven by an increase in orders for projects in the plastics industry. Foreign currency impact decreased order backlog by 2% .

On a sequential basis, order backlog decreased \$ 20.2 (2%) to \$940.3 at June 30, 2019 , down from \$960.5 at March 31, 2019.

Gross profit decreased \$ 11.6 (10%), primarily due to cost inflation, unfavorable mix due to an increased proportion of lower margin, large systems sales in plastics, and a supplier quality issue, partially offset by pricing and productivity improvements and the acquisition of BM&M. Foreign currency impact decreased gross profit by 3% . Gross profit margin decreased 350 basis points to 34.2% in 2019 , primarily due to cost inflation, an increased proportion of lower margin, large systems sales in plastics, and a supplier quality issue, partially offset by pricing and productivity improvements.

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The Process Equipment Group's gross profit included restructuring and restructuring related charges (\$0.2 in 2019 and \$0.3 in 2018). Excluding these charges, adjusted gross profit decreased \$ 11.7 (10%) and adjusted gross profit margin decreased 350 basis points to 34.3% .

Operating expenses decreased \$ 8.2 (13%), primarily due to a decrease in variable compensation, productivity improvements, and a decrease in litigation expenses, partially offset by cost inflation. Foreign currency impact decreased operating expenses by 3%. Operating expenses as a percentage of net revenue improved by 250 basis points to 17.9% in 2019 .

Operating expenses included restructuring and restructuring related charges (\$0.4 in 2019 and \$0.2 in 2018) and business acquisition, development, and integration costs (\$ 0.1 in 2019). Excluding these items, adjusted operating expenses decreased \$ 8.5 (13%) and adjusted operating expenses as a percentage of net revenue improved 260 basis points to 17.8% in 2019 .

Amortization expense increased \$1.0 (13%) primarily due to amortization on the acquired intangibles of BM&M.

Nine Months Ended June 30, 2019 Compared to Nine Months Ended June 30, 2018

Net Revenue increased \$ 43.4 (5%), primarily due to higher volume (6%), largely driven by increased demand for large systems in plastics, in addition to pricing and the acquisition of BM&M, partially offset by a decline in demand for screening and separating equipment (including equipment that processes proppants for hydraulic fracturing). Foreign currency impact decreased net revenue by 4% .

Gross Profit decreased \$ 5.2 (2%), primarily due to unfavorable mix due to an increased proportion of lower margin, large systems sales in plastics and cost inflation, partially offset by higher volume, pricing and productivity improvements, and the acquisition of BM&M. Foreign currency impact decreased gross profit by 3% . Gross profit margin decreased 230 basis points to 35.1% in 2019 , primarily due to an increased proportion of lower margin, large systems sales in plastics and cost inflation, partially offset by pricing and productivity improvements.

The Process Equipment Group's gross profit included restructuring and restructuring related charges (\$0.6 in 2019 and \$0.2 in 2018) and inventory step-up charges (\$0.2 in 2019). Excluding these charges, adjusted gross profit decreased \$ 4.6 (1%) and adjusted gross profit margin decreased 220 basis points to 35.2% .

Operating expenses decreased \$ 4.4 (2%), primarily due to lower litigation expenses, productivity improvements, and a decrease in variable compensation, partially offset by cost inflation, an increase in strategic project investments, and the acquisition of BM&M. Foreign currency impact decreased operating expenses by 3% . Operating expenses as a percentage of net revenue improved by 140 basis points to 19.5% in 2019 .

Operating expenses included restructuring and restructuring related charges (\$ 0.5 in 2019 and \$0.4 in 2018) and business acquisition, development, and integration costs (\$ 0.6 in 2019). Excluding these items, adjusted operating expenses decreased \$ 5.1 (3%) and adjusted operating expenses as a percentage of net revenue improved 160 basis points to 19.3% in 2019 .

Amortization expense increased \$2.3 (10%) primarily due to amortization on the acquired intangibles of BM&M.

Impairment charge decreased \$63.4 due to the goodwill and trade name impairments recorded in 2018. See Note 6 of Part I of this Form 10-Q for further information on the impairment charges.

OPERATIONS REVIEW — BATESVILLE

	Three Months Ended June 30,				Nine Months Ended June 30,			
	2019		2018		2019		2018	
	Amount	% of Net Revenue	Amount	% of Net Revenue	Amount	% of Net Revenue	Amount	% of Net Revenue
Net revenue	\$ 131.3	100.0	\$ 129.3	100.0	\$ 397.3	100.0	\$ 414.6	100.0
Gross profit	40.5	30.8	44.0	34.0	131.9	33.2	148.7	35.9
Operating expenses	19.4	14.8	20.8	16.1	57.8	14.5	64.1	15.5

Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018

Net revenue increased \$ 2.0 (2%), primarily due to the impact of a prior year multi-year contract renewal with a key customer that included an upfront incentive.

Gross profit decreased \$3.5 (8%) and gross profit margin decreased 320 basis points to 30.8% . The decrease in gross profit and gross profit margin was primarily due to inflation in commodities and wages, partially offset by the impact of the key customer contract renewal in the prior year and productivity initiatives.

Gross profit included restructuring and restructuring related charges of \$0.3 in 2019. Excluding these charges, adjusted gross profit decreased \$ 3.2 (7%) and adjusted gross profit margin decreased 290 basis points to 31.1% .

Operating expenses decreased \$ 1.4 (7%) to \$ 19.4 and operating expenses as a percentage of net revenue decreased 130 basis points to 14.8% , primarily due to productivity initiatives and a decrease in variable compensation, partially offset by restructuring and restructuring related charges.

Operating expenses included restructuring and restructuring related charges of \$1.4 in 2019. Excluding these charges, adjusted operating expenses decreased \$ 2.8 (14%) and adjusted operating expenses as a percentage of net revenue improved 240 basis points to 13.7% in fiscal 2019.

Nine Months Ended June 30, 2019 Compared to Nine Months Ended June 30, 2018

Net revenue decreased \$ 17.3 (4%), primarily due to a decrease in volume (5%), driven primarily by a decrease in burial sales resulting from what we estimate to be a decrease in North American burials driven by lower estimated deaths and the increased rate at which families opted for cremation.

Gross profit decreased \$16.8 (11%) and gross profit margin decreased 270 basis points to 33.2% . The decrease in gross profit and gross profit margin was primarily due to inflation in commodities and wages, a decrease in volume and restructuring and restructuring related charges, partially offset by productivity initiatives.

Gross profit included restructuring and restructuring related charges (\$0.5 in 2019 and \$0.1 in 2018). Excluding these charges, adjusted gross profit decreased \$16.4 (11%) and adjusted gross profit margin decreased 260 basis points to 33.3% .

Operating expenses decreased \$ 6.3 (10%) to \$ 57.8 and operating expenses as a percentage of net revenue improved 100 basis points to 14.5% , primarily due to productivity initiatives and a decrease in variable compensation, partially offset by restructuring and restructuring related charges.

Operating expenses included restructuring and restructuring related charges (\$1.9 in 2019 and \$0.2 in 2018). Excluding these charges, adjusted operating expenses decreased \$ 8.0 (13%), and adjusted operating expenses as a percentage of net revenue improved 130 basis points to 14.1% in fiscal 2019.

REVIEW OF CORPORATE EXPENSES

	Three Months Ended June 30,				Nine Months Ended June 30,			
	2019		2018		2019		2018	
	Amount	% of Net Revenue	Amount	% of Net Revenue	Amount	% of Net Revenue	Amount	% of Net Revenue
Core operating expenses	\$ 11.1	2.5	\$ 12.7	2.8	\$ 33.0	2.5	\$ 33.9	2.6
Business acquisition, development, and integration costs	3.7	0.8	0.1	0.1	4.4	0.3	2.6	0.2
Restructuring and restructuring related charges	0.1	—	—	—	0.1	—	0.8	0.1
Operating expenses	\$ 14.9	3.3	\$ 12.8	2.9	\$ 37.5	2.8	\$ 37.3	2.9

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

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Business acquisition, development, and integration costs include legal, tax, accounting, and other advisory fees and due diligence costs associated with investigating opportunities (including acquisition and disposition) and integrating completed acquisitions.

Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018

Operating expenses increased \$ 2.1 (16%), primarily due to increases in business acquisition, development, and integration costs and variable compensation, partially offset by lower strategic project investments. These expenses as a percentage of net revenue were 3.3% , an increase of 40 basis points from the prior year.

Core operating expenses decreased \$1.6 (13%), primarily due to lower strategic project investments, partially offset by variable compensation. These expenses as a percentage of net revenue were 2.5% , a decrease of 30 basis points from the prior year.

Nine Months Ended June 30, 2019 Compared to Nine Months Ended June 30, 2018

Operating expenses increased \$ 0.2 (1%), primarily due to increases in business acquisition, development, and integration costs and variable compensation, partially offset by lower strategic investments and restructuring and restructuring related charges. These expenses as a percentage of net revenue were 2.8% , a decrease of 10 basis points from the prior year.

Core operating expenses decreased \$0.9 (3%), primarily due to lower strategic investments, partially offset by an increase in variable compensation. These expenses as a percentage of net revenue were 2.5% , a decrease of 10 basis points from the prior year.

NON-GAAP OPERATING PERFORMANCE MEASURES

The following is a reconciliation from the most directly comparable GAAP operating performance measure to our non-GAAP adjusted EBITDA.

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
Consolidated net income	\$ 31.7	\$ 36.2	\$ 100.2	\$ 34.0
Interest income	(0.3)	(0.3)	(0.7)	(1.1)
Interest expense	5.2	5.5	16.1	17.8
Income tax expense	11.6	15.2	39.9	52.5
Depreciation and amortization	15.1	14.2	44.3	42.0
EBITDA	\$ 63.3	\$ 70.8	\$ 199.8	\$ 145.2
Impairment charge	—	—	—	63.4
Business acquisition, development, and integration	3.8	0.1	4.9	2.6
Restructuring and restructuring related	2.4	0.5	3.6	1.7
Inventory step-up	—	—	0.2	—
Adjusted EBITDA	<u>\$ 69.5</u>	<u>\$ 71.4</u>	<u>\$ 208.5</u>	<u>\$ 212.9</u>

Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018

Consolidated net income decreased \$4.5 for the three months ended June 30, 2019 , compared to the same period in fiscal 2018 . The decrease was primarily driven by cost inflation, unfavorable product mix resulting from an increased proportion of lower margin, large systems sales in plastics, an increase in business acquisition, development, and integration costs, and restructuring and restructuring related charges. This decrease in consolidated net income was partially offset by pricing and productivity improvements and a decrease in variable compensation. Foreign currency impact decreased consolidated net income by \$0.8 .

Consolidated adjusted EBITDA decreased \$ 1.9 (3%) for the three months ended June 30, 2019 , compared to the same period in fiscal 2018 . The decrease was primarily due to cost inflation and unfavorable product mix resulting from an increased proportion of lower margin, large systems sales in plastics. This decrease in consolidated adjusted EBITDA was partially offset by pricing and productivity improvements and a decrease in variable compensation. Foreign currency impact decreased adjusted EBITDA by \$2.2 .

Nine Months Ended June 30, 2019 Compared to Nine Months Ended June 30, 2018

Consolidated net income increased \$66.2 for the nine months ended June 30, 2019, compared to the same period in fiscal 2018. The increase was primarily driven by the impairment charges recorded in the Process Equipment Group segment in 2018, pricing and productivity improvements, higher volume from increased demand for large systems in plastics and parts and service, lower litigation expenses and variable compensation, and a decrease in the effective tax rate as a result of the Tax Act. This increase in consolidated net income was partially offset by cost inflation, unfavorable product mix resulting from an increased proportion of lower margin, large systems sales in plastics, a decrease in volume at Batesville, and increases in business acquisition, development, and integration costs and restructuring and restructuring related charges. Foreign currency impact decreased consolidated net income by \$3.5.

Consolidated adjusted EBITDA decreased \$ 4.4 (2%) for the nine months ended June 30, 2019, compared to the same period in fiscal 2018. The decrease was primarily due to cost inflation, unfavorable product mix resulting from an increased proportion of lower margin, large systems sales in plastics, and a decrease in volume at Batesville. This decrease in consolidated adjusted EBITDA was partially offset by pricing and productivity improvements, higher volume from increased demand for large systems in plastics and parts and service, and lower litigation expenses and variable compensation. Foreign currency impact decreased adjusted EBITDA by \$6.1.

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 the first nine months of 2019 to the same period last year. Finally, we identify other significant matters that could affect liquidity on an ongoing basis.

Ability to Access Cash

Our debt financing includes long-term notes and our Facility as part of our overall financing strategy. We believe we 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 additional long-term financing, we had \$ 818.9 of maximum borrowing capacity available under the Facility as of June 30, 2019, of which \$768.8 was immediately available based on our most restrictive covenant at June 30, 2019, with additional amounts available in the event of a qualifying acquisition. The available borrowing capacity reflects a reduction of \$7.1 for outstanding letters of credit issued under the Facility. The Company may request an increase of up to \$450.0 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 maintain adequate capacity to provide the guarantees. As of June 30, 2019, we had guarantee arrangements totaling \$317.6, under which \$238.0 was utilized, for this purpose. These arrangements include the €150.0 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.

We have significant operations outside the U.S. Pursuant to the Tax Act, we have reevaluated our indefinite reinvestment assertion with respect to the foreign earnings of those subsidiaries. We continue to assert that the majority of foreign earnings is considered to be indefinitely reinvested outside of the U.S. We have changed the permanent reinvestment assertions of certain of our lower tier subsidiaries in certain foreign jurisdictions where we foresee those earnings to no longer be permanently reinvested. We continue to assert permanent reinvestment in certain 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, pursuant to the Tax Act, 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 outside the U.S. The cash at our foreign subsidiaries totaled \$58.2 at June 30, 2019. We continue to make capital allocation decisions to optimally utilize our U.S. and foreign cash flows while minimizing our tax exposures. In this regard, we may repatriate cash to the U.S. taking advantage of the favorable new tax provisions.

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 given time), we believe we have significant flexibility to meet our financial commitments, including working capital needs, capital expenditures, and financing obligations.

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We entered into a definitive agreement on July 12, 2019 to acquire Milacron, which we expect to have a material impact on cash flows and liquidity levels over at least the next 12 months. See Note 19 of Part I of this Form 10-Q for further information on the acquisition.

The Tax Act will require the Company to pay tax on unremitted earnings of its foreign subsidiaries in an amount of \$25.1. During the quarter ended December 31, 2018, we elected to pay the Transition Tax in eight annual installments and made the first installment payment of \$2.0. The portion of this tax we anticipate to pay in the next twelve months is \$2.0, with the remainder to be paid over the next six years. In addition, we expect the lower corporate tax rate of 21% to benefit our cash flow in current and future periods.

On December 7, 2018, we announced that our Board of Directors authorized a new share repurchase program of up to \$200.0 in replacement of the Company's prior share repurchase program, which eliminated the balance of approximately \$39.6 remaining under that prior authorization. Management does not expect to repurchase shares in the near term, as a result of the pending acquisition of Milacron.

Our anticipated contribution to our pension plans in 2019 is \$10, of which \$6.8 was made during the nine months ended June 30, 2019. 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.

We currently expect to pay quarterly cash dividends in the future comparable to those we paid in 2018, which will require approximately \$13.1 each quarter based on our outstanding common stock at June 30, 2019. We increased our quarterly dividend in 2019 to \$0.2100 per common share from \$0.2075 per common share paid in 2018.

We believe existing cash, cash flows from operations, borrowings under existing arrangements, and the issuance of debt will 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

(in millions)	Nine Months Ended June 30,	
	2019	2018
Cash flows provided by (used in)		
Operating activities	\$ 109.6	\$ 156.3
Investing activities	(38.4)	(15.9)
Financing activities	(62.5)	(134.5)
Effect of exchange rates on cash and cash equivalents	(0.2)	(1.0)
Increase in cash and cash equivalents	\$ 8.5	\$ 4.9

Operating Activities

Operating activities provided \$109.6 of cash during the first nine months of fiscal year 2019, and provided \$156.3 of cash during the first nine months of fiscal year 2018, a \$46.7 (30%) decrease. The decrease in operating cash flow in 2019 was primarily due to an increase in working capital requirements and an increase of \$16.6 in cash paid for taxes.

Working capital requirements for the Process Equipment Group may continue to fluctuate in the future 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.

Investing Activities

The \$22.5 increase in cash used in investing activities in the first nine months of fiscal 2019 was primarily due to the acquisition of BM&M for \$25.9 in November 2018, compared to no acquisitions in fiscal 2018. See Note 4 included in Part 1, Item 1 of this Form 10-Q for further details on this acquisition.

Financing Activities

Cash used in financing activities was largely impacted by net borrowing activity. Our general practice is to utilize our cash to pay down debt unless it is needed for an acquisition. Cash used in financing activities during the first nine months of 2019 was \$62.5, including \$ 20.4 of debt repayments, net of proceeds. Cash used in financing activities in the first nine months of fiscal 2018 was \$134.5. The decrease in cash used in financing activities was primarily due to the borrowings used to fund the acquisition of BM&M for \$25.9 in 2019 and a decrease in repurchases of common stock in 2019.

We returned \$ 39.4 to shareholders during the first nine months of 2019 in the form of quarterly dividends. We increased our quarterly dividend in 2019 to \$ 0.2100 per common share from \$ 0.2075 per common share paid during 2018.

Off-Balance Sheet Arrangements

There were no significant changes in off-balance sheet arrangements, as described in Management's Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources, in our Annual Report on Form 10-K for 2018.

Recently Adopted and Issued Accounting Standards

For a summary of recently issued and adopted accounting standards applicable to us, see Item 1, Note 2 of Part I of this Form 10-Q.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A discussion of quantitative and qualitative disclosures about market risk may be found in Item 7A of our 2018 Form 10-K filed with the SEC on November 13, 2018. There have been no material changes in this information since the filing of our 2018 Form 10-K.

Item 4. CONTROLS AND PROCEDURES

Our management, with the participation of our President and Chief Executive Officer and our Senior Vice President and Chief Financial Officer (the "Certifying Officers"), evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based upon that evaluation, the Certifying Officers concluded that our disclosure controls and procedures as of the end of the period covered by this report are effective.

In the ordinary course of business, we review our system of internal control over financial reporting and make changes to our systems and processes to improve such controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, automating manual processes, and updating existing systems.

In 2018, the Company established new internal controls related to our accounting policies and procedures as part of our adoption of the new revenue recognition standard. These internal controls included providing global training to our finance team and holding regular meetings with management to review and approve key decisions. Beginning October 2018, we have implemented new internal controls to address risks associated with applying the new standard.

Other than as noted above, there were no changes in internal control over financial reporting identified in the evaluation for the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act.

PART II — OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Information pertaining to legal proceedings can be found in Note 14 to the interim consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

Item 1A. RISK FACTORS

For information regarding the risks we face, see the discussion under Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended September 30, 2018, and the additional risk factors below.

Risks Related to Taxes

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. 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, the enacted Tax Act makes significant changes to the U.S. Internal Revenue Code. Such changes include a reduction in the domestic corporate tax rate, limitations on certain corporate deductions and credits, and a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries. Some of the Tax Act changes could have a negative impact on our business. The impact of the law is based on management's current knowledge and assumptions, and further impacts may result from any additional regulations or guidance issued by the U.S. government. Changes in other tax laws or tax rulings could also have a material impact on our effective tax rate. 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.

Risks Related to our Milacron Transaction

The proposed acquisition of Milacron is subject to conditions, as well as other uncertainties, and there can be no assurances as to whether or when it may be completed. Failure to complete the proposed transaction could have material adverse effects on us.

The completion of the proposed acquisition of Milacron is subject to a number of conditions, including, among others, the approval by Milacron stockholders and the receipt of certain regulatory approvals, which make the completion and timing of the completion of the proposed transaction uncertain. Also, either we or Milacron may generally terminate the transaction if it has not been consummated by April 7, 2020 (subject to a 90 day extension in certain circumstances).

If the proposed transaction is not completed, our businesses may be materially adversely affected and, without realizing any of the benefits of having completed the proposed transaction, we will be subject to a number of risks, including the following:

- the market price of our common stock could decline;
- we cannot be certain that we could find an acquisition as attractive as the proposed Milacron acquisition;
- time and resources committed by our management to matters relating to the proposed transaction could otherwise have been devoted to pursuing other beneficial opportunities; and
- we may experience negative reactions from the financial markets or from our customers, suppliers, or employees.

In addition, if the proposed transaction is not completed, we could be subject to litigation related to any failure to complete the proposed transaction.

The materialization of any of these risks could adversely impact our ongoing businesses.

Similarly, delays in the completion of the proposed transaction could, among other things, result in additional transaction costs, loss of revenue or personnel, or other negative effects associated with uncertainty about completion of the proposed transaction.

The proposed acquisition of Milacron is subject to the expiration or termination of applicable waiting periods and the receipt of approvals, consents or clearances from regulatory authorities that could prevent or delay the completion of the proposed acquisition.

Before the proposed acquisition of Milacron may be completed, any applicable waiting period under applicable U.S. antitrust laws must have expired or been terminated and any clearance or approval required to be obtained under certain other competition laws of foreign jurisdictions with respect to the proposed transaction must have been obtained. Regulators may impose conditions, terms, obligations or restrictions in connection with their authorization of or consent to the proposed transaction, and such conditions, terms, obligations or restrictions may delay completion of the proposed transaction or impose additional material costs or obligations on the combined company following the completion of the transaction. There can be no assurance that regulators will choose not to impose such conditions, terms, obligations or restrictions, and, if imposed, such conditions, terms, obligations or restrictions may delay or lead to the abandonment of the proposed transaction.

Item 6. EXHIBITS

The exhibits filed with this report are listed below. In reviewing any agreements included as exhibits to this report, please remember that they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about us or the other parties to the agreements. The agreements may contain representations and warranties by the parties to the agreements, including us. Except where explicitly stated otherwise, these representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not necessarily be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- may have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time.

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Exhibit 3.1	Restated and Amended Articles of Incorporation of Hillenbrand, Inc., effective March 31, 2008 (Incorporated by reference to Exhibit 3.1 to Quarterly Report on Form 10-Q filed August 12, 2008)
Exhibit 3.2	Articles of Correction of the Restated and Amended Articles of Incorporation of Hillenbrand, Inc., effective March 31, 2008 (Incorporated by reference to Exhibit 3.2 to Quarterly Report on Form 10-Q filed August 12, 2008)
Exhibit 3.3	Articles of Amendment of the Restated and Amended Articles of Incorporation of Hillenbrand, Inc., effective February 27, 2015 (Incorporated by reference to Exhibit 3.3 to Quarterly Report on Form 10-Q filed May 11, 2015)
Exhibit 3.4	Amended and Restated Code of By-laws of Hillenbrand, Inc. (Incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed February 26, 2015)
Exhibit 31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1*	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2*	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The following documents are being filed pursuant to Inline XBRL:

Exhibit 101.INS	Instance document
Exhibit 101.SCH	Schema document
Exhibit 101.CAL	Calculation linkbase document
Exhibit 101.LAB	Labels linkbase document
Exhibit 101.PRE	Presentation linkbase document
Exhibit 101.DEF	Definition linkbase document
Exhibit 104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HILLENBRAND, INC.

Date: July 31, 2019

BY: /s/ Kristina A. Cerniglia

Kristina A. Cerniglia

Senior Vice President and Chief Financial Officer

Date: July 31, 2019

/s/ Timothy C. Ryan

Timothy C. Ryan

Vice President, Controller, and Chief Accounting Officer

CERTIFICATIONS

Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Joe A. Raver, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hillenbrand, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a.) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b.) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c.) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d.) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a.) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b.) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2019

/s/ Joe A. Raver

Joe A. Raver

President and Chief Executive Officer

CERTIFICATIONS

Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Kristina A. Cerniglia certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hillenbrand, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a.) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b.) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c.) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d.) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a.) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b.) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2019

/s/ Kristina A. Cerniglia

Kristina A. Cerniglia

Senior Vice President and Chief Financial Officer

Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Hillenbrand, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joe A. Raver, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joe A. Raver

Joe A. Raver

President and Chief Executive Officer

July 31, 2019

A signed original of this written statement required by Section 906 has been provided to Hillenbrand, Inc. and will be retained by Hillenbrand, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Hillenbrand, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kristina A. Cerniglia, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kristina A. Cerniglia

Kristina A. Cerniglia

Senior Vice President and Chief Financial Officer

July 31, 2019

A signed original of this written statement required by Section 906 has been provided to Hillenbrand, Inc. and will be retained by Hillenbrand, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.
