



Hillenbrand, Inc (HI)

Updated November 18th, 2024 by Quinn Mohammed

Key Metrics

Current Price:	\$33	5 Year CAGR Estimate:	12.7%	Market Cap:	\$2.3 B
Fair Value Price:	\$41	5 Year Growth Estimate:	6.0%	Ex-Dividend Date¹:	12/13/24
% Fair Value:	80%	5 Year Valuation Multiple Estimate:	4.6%	Dividend Payment Date¹:	12/30/24
Dividend Yield:	2.7%	5 Year Price Target	\$55	Years Of Dividend Growth:	15
Dividend Risk Score:	A	Retirement Suitability Score:	B	Rating:	Buy

Overview & Current Events

Hillenbrand is an industrial conglomerate that operates through its two segments: Advanced Process Solutions and Molding Technology Solutions. Advanced Process Solutions provides a variety of industrial solutions for companies' manufacturing systems. Molding Technology Solutions is heavily involved in plastic processing and is exposed to the oil industry. These two segments were formed from the company's acquisition of Milacron in 2019.

On February 1st, 2023, Hillenbrand completed its sale of the Batesville business segment for \$761.5 million to an affiliate of private equity firm LongRange Capital, effectively transforming Hillenbrand into a pure-play industrial company.

In fiscal Q4 2023, the company completed its acquisition of the Schenck Process Food and Performance Materials ("FPM") business from Blackstone for an enterprise value of roughly \$730 million. FPM specializes in the design, manufacturing, and service of feeding, filtration, baking, and material handling technologies and systems which complement the equipment and solutions that Hillenbrand's Advanced Process Solutions segment currently offer.

On December 7th, 2023, Hillenbrand announced a \$0.2225 quarterly dividend, a penny raise per year to \$0.89 per share.

On November 13th, 2024, Hillenbrand reported fourth quarter and FY 2024 results for the period ending September 30th, 2024. Total revenue increased 10% year-over-year to \$838 million. Adjusted earnings-per-share, however, declined 11% compared to the fourth quarter of 2023 to \$1.01.

For FY 2024, Hillenbrand's revenue rose 13% to \$3.18 billion but adjusted EPS fell 6% to \$3.32.

Hillenbrand provided FY 2025 guidance which expects \$2.95 billion to \$3.09 billion in revenue and \$2.80 to \$3.15 in adjusted earnings per share.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.74	\$1.77	\$1.97	\$2.43	\$2.45	\$3.19	\$3.79	\$2.69	\$3.52	\$3.32	\$3.05	\$4.08
DPS	\$0.80	\$0.81	\$0.82	\$0.83	\$0.84	\$0.85	\$0.86	\$0.87	\$0.88	\$0.89	\$0.89	\$0.94
Shares	63	63	63	62	63	75	73	70	70	71	71	75

This business has seen steady growth in earnings per share over the long term, but due to its restructuring in recent years results have appeared hazier as of late. Over the last five and nine years, Hillenbrand has seen earnings per share increase at an average annualized rate of 7.4% and -0.9%, respectively. The business has recently transitioned to a pure-play industrial company, and from 2022 we are using adjusted EPS from continuing operations.

In 2025, we expect Hillenbrand to deliver \$3.05 in earnings per share, reflecting its recent acquisitions, and we forecast that EPS will increase by 6.0% annually over the intermediate term to reach our 2029 estimate of \$4.08 in EPS.

The company has repositioned itself as a pure-play industrial business in recent years, as it disposed of its legacy Batesville business and acquired multiple industrial companies, such as Linxis, Peerless, and Gabler in 2022 and the

¹ Estimated Date.

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Schenck Process Food and Performance Materials business in 2023. This repositioning has improved Hillenbrand's long-term growth prospects.

Over the last nine years, the business has grown dividends per share at a rate of one cent per year. Following this trend, we expect the dividend will increase to \$0.94 per share in 2030. This increase of one cent per year represents 1% annual dividend growth, which is low compared to estimated EPS growth.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	17.6	16.8	18.2	19.0	16.3	8.6	11.3	15.3	13.1	12.7	10.8	13.5
Avg. Yld.	2.6%	2.7%	2.3%	1.8%	2.1%	3.1%	2.0%	1.9%	1.9%	2.2%	2.7%	1.7%

Over the past five years, Hillenbrand has averaged a P/E ratio of 12.2, and over the past ten years, the business has averaged a P/E ratio of 14.9. We estimate that a P/E ratio of 13.5 is about fair value for the business under normalized conditions. Today, the stock offers a 2.7% dividend yield, but the dividend is only expected to grow at about 1.2% annually over the intermediate term.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	46%	46%	42%	34%	34%	27%	23%	32%	25%	27%	29%	23%

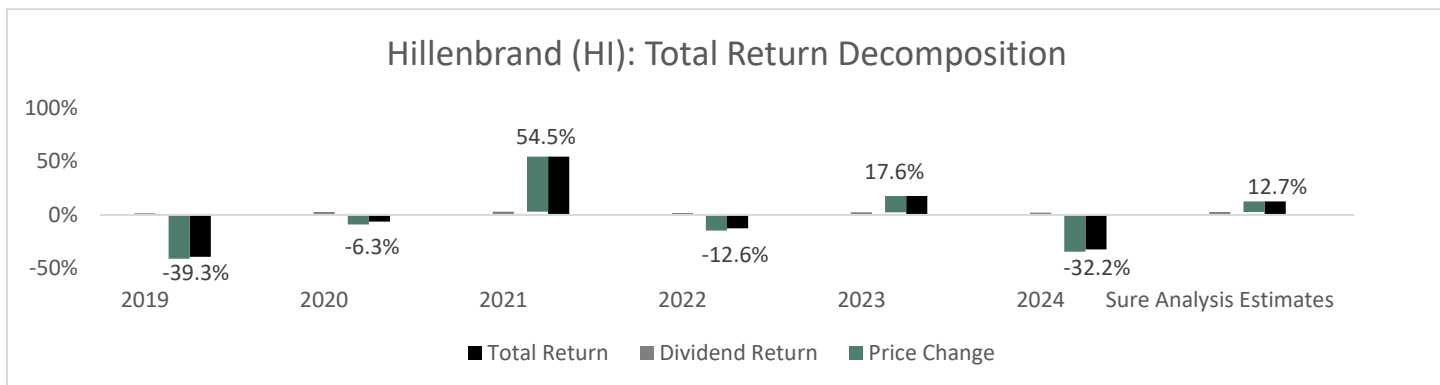
Hillenbrand has averaged a 27% payout ratio over the past five years. The business has a low payout ratio, and we expect the dividend will continue to be safe over the intermediate term. While we saw the company deleverage successfully following the 2019 Milacron acquisition, Hillenbrand completed a series of four large acquisitions in 2022 which deteriorated the company's leverage ratio. Following the divestment of the Batesville segment, net debt to pro forma adjusted EBITDA ratio was reduced to 2.3X at June 30th, 2023. However, its leverage ratio ballooned to 3.5X as of March 31st, 2024, which is well in advance of its target range of 1.7X to 2.7X, following Hillenbrand's acquisition of Schenck Food and Performance Materials business in 2023. As of September 30th, 2024, its net leverage was 3.3X.

The company has recession resiliency, but it's susceptible to downturns in the oil market through its Molding Technology Solutions segment.

Final Thoughts & Recommendation

Hillenbrand is an industrial conglomerate that has been active in acquisitions and divestitures. With the company's completed sale of the Batesville business, it has become a pure-play industrial company with long-term growth prospects. The stock earns a buy rating given forecasted total return prospects of 12.7% annually over the next five years.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,597	1,538	1,590	1,770	1,807	2,517	2,865	2,941	2,826	3183
Gross Profit	570	571	591	642	623	813	957	955	948	1056
Gross Margin	35.7%	37.1%	37.2%	36.3%	34.5%	32.3%	33.4%	32.5%	33.5%	33.2%
D&A Exp.	54	60	57	57	59	131	115	108	126	158
Operating Profit	194	191	218	233	211	203	375	379	295	246
Op. Margin	12.1%	12.4%	13.7%	13.2%	11.7%	8.1%	13.1%	12.9%	10.4%	7.7%
Net Profit	111	113	126	77	121	(60)	250	209	570	-211
Net Margin	7.0%	7.3%	7.9%	4.3%	6.7%	-2.4%	8.7%	7.1%	20.2%	-6.6%
Free Cash Flow	74	217	224	221	153	319	488	141	138	137
Income Tax	49	47	60	65	51	35	99	99	103	65

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,808	1,960	1,957	1,865	2,229	3,987	4,015	3,868	5,548	5239
Cash & Equivalents	48	52	66	56	399	302	446	234	243	199
Acc. Receivable	188	205	206	219	195	280	324	312	399	350
Inventories	154	153	152	173	158	385	412	534	593	525
Goodwill & Int.	1,004	1,176	1,171	1,069	783	2,099	2,082	1,970	3,405	3122
Total Liabilities	1,202	1,314	1,191	1,121	1,459	2,908	2,783	2,760	3,885	3781
Accounts Payable	104	136	158	197	229	272	361	433	452	445
Long-Term Debt	528	609	466	345	620	1,553	1,213	1,222	2,010	1893
Total Equity	594	632	751	731	754	1,059	1,210	1,083	1,630	1423
LTD/E Ratio	0.89	0.96	0.62	0.47	0.82	1.47	1.00	1.13	1.23	1.33

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	6.0%	6.0%	6.4%	4.0%	5.9%	-1.9%	6.2%	5.3%	12.1%	-3.9%
Return on Equity	18.9%	18.4%	18.2%	10.3%	16.3%	-6.6%	22.0%	18.2%	42.0%	-13.5%
ROIC	9.7%	9.4%	10.2%	6.6%	9.8%	-3.0%	9.8%	8.7%	19.0%	-6.0%
Shares Out.	63	63	63	62	63	75	73	72	70	70
Revenue/Share	24.99	24.11	24.85	27.74	28.55	34.29	37.99	40.73	40.31	45.21
FCF/Share	1.16	3.40	3.50	3.47	2.42	4.34	6.48	1.95	1.96	1.95

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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