

K TRON INTERNATIONAL INC
Form DFAN14A
January 14, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A
(Rule 14A-101)

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No. 1)

Filed by the Registrant
Filed by a Party other than the Registrant

Check appropriate box:

- Preliminary Proxy Statement
 Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material under Rule 14a-12

K-TRON INTERNATIONAL, INC.
(Name of Registrant as Specified in Its Charter)

HILLENBRAND, INC.
(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of filing fee (Check the appropriate box):

- No fee required.
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 - (3) Filing Party:
 - (4) Date Filed:
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Filed by Hillenbrand, Inc.
Pursuant to Rule 14a-12
of the Securities Exchange Act of 1934
Subject Company: K-Tron International, Inc.
Commission File No: 000-09576

On January 14, 2010, Hillenbrand, Inc. posted the following investor presentation to its website at <http://ir.hillenbrandinc.com>. This investor presentation represents an amended version of the investor presentation posted on the Hillenbrand, Inc. website on January 11, 2010 and filed on the Schedule 14A filed by Hillenbrand, Inc. dated January 11, 2010:

Certain statements in this presentation contain forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, regarding the company's future plans, objectives, beliefs, expectations, representations and projections. The company has tried, wherever possible, to identify these forward-looking statements using words such as "intend," "anticipate," "believe," "plan," "encourage," "expect," "may," "goal," "become," "estimate," "strategy," "will," "projection," "forecast," "continue," "accelerate," "promise," "increase," "higher," "lower," "reduce," "improve," "expand" "potential" or the negative of those terms or other variations of them or by comparable terminology. The absence of such terms, however, does not mean that the statement is not forward-looking. It is important to note that forward-looking statements are not guarantees of future performance, and the company's actual results could differ materially from those set forth in any forward-looking statements. Factors that could cause actual results to differ from forward-looking statements include but are not limited to: the company's ongoing antitrust litigation; the company's dependence on its relationships with several large national providers; continued fluctuations in mortality rates and increased cremations; ongoing involvement in claims, lawsuits and governmental proceedings related to operations; failure of the company's announced strategic initiatives to achieve expected growth, efficiencies or cost reductions; disruptions in the company's business or other adverse consequences resulting from the separation of Hillenbrand Industries into two operating companies; failure of the company to execute its acquisition and business alliance strategy through the consummation and successful integration of acquisitions (such as the acquisition of K-Tron International, Inc.) or entry into joint ventures or other business alliances; competition from nontraditional sources in the funeral services business; volatility of the company's investment portfolio; increased costs or unavailability of raw materials; labor disruptions; the ability to retain executive officers and other key personnel; and certain tax-related matters. For a more in-depth discussion of these and other 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 1 of the company's Annual Report on Form 10-K for the year ended September 30, 2009, filed November 24, 2009. The company assumes no obligation to update or revise any forward-looking information.

Additional Information and Where to Find It

This investor presentation may be deemed to be solicitation material in respect of the proposed acquisition of K-Tron International, Inc. ("K-Tron") by Hillenbrand, Inc.

("Hillenbrand"). In connection with the proposed acquisition, K-Tron plans to file a proxy statement with the SEC.

INVESTORS AND SECURITY HOLDERS OF K-TRON ARE ADVISED TO READ THE PROXY STATEMENT AND ANY OTHER RELEVANT DOCUMENTS FILED WITH THE SEC WHEN THEY BECOME AVAILABLE BECAUSE THOSE DOCUMENTS WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED ACQUISITION.

The final proxy statement will be mailed to shareholders of K-Tron. Investors and security holders may obtain a free copy of the proxy statement when it

becomes available, and other documents filed by K-Tron with the SEC, at the SEC's web site at <http://www.sec.gov>.

Free copies of the proxy statement, when it becomes available, and K-Tron's other filings with the SEC may also be obtained from K-Tron by directing a request to K-Tron International, Inc., Attention:

Investor Relations, Route 55 and 553, P.O. Box 888, Pitman, N.J. 08071, or by calling 856-589-0500.

Hillenbrand, K-Tron and their respective directors, executive officers and other members of their management and employees may be deemed to be soliciting proxies

from K-Tron shareholders in favor of the proposed acquisition. Information regarding Hillenbrand's directors and executive officers is available in its 2009 Annual Report on Form 10-K filed with the SEC on November 24, 2009, and definitive proxy statement relating to its 2010 Annual Meeting of Shareholders filed with the SEC on January 5, 2010. Information regarding K-Tron's directors and executive officers is available in its 2008 Annual Report on Form 10-K filed with the SEC on March 13, 2009, and definitive proxy statement relating to its 2009 Annual Meeting of Shareholders filed with the SEC on April 6, 2009. Additional information regarding the interests of such potential participants will be included in the proxy statement and the other relevant documents filed with the SEC when they become available.

Forward-looking Statements

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Hillenbrand / K-Tron International Team Introductions

Cindy Lucchese
Senior Vice President &
Chief Financial Officer
Hillenbrand, Inc.

Mark Lanning
Vice President of Investor
Relations & Treasurer
Hillenbrand, Inc.

Ken Camp
President &
Chief Executive Officer
Hillenbrand, Inc.

Lukas Guenthardt
Senior Vice President,
Corporate Development
K-Tron International, Inc.

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Agenda

Transaction Summary

Strategic Benefits

Financial Highlights

Business Summary

Wrap-up

Appendix

Transaction Summary

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Transaction Summary

Overview

Purchase Price

Ownership

Closing Conditions

Timing

Hillenbrand, Inc. to acquire K-Tron International, Inc. (Nasdaq: KTII) for 100% cash consideration

The net purchase price associated with this transaction is approximately \$390 million based on equity purchase price of \$435 million and a net cash balance at 10/3/09 of approximately \$45 million. This net purchase price implies a multiple of 10.3x EBITDA

Upon completion of the transaction, Hillenbrand stockholders would own 100% of the combined company

The transaction is subject to approval by K-Tron International shareholders, as well as the satisfaction of customary closing conditions and regulatory approvals

The transaction is expected to close near the end of March

Transaction Rationale

- Hillenbrand's sole operating unit, Batesville Casket, remains a high-margin cash generator with a leading brand and excellent management
 - However, revenue growth is historically challenging in death care and has been even more challenging in the current economic environment
 - Therefore, our strategy focuses on effective high value opportunities for our robust cash flow, creating a strong and enduring enterprise outside death care
 - Through disciplined due diligence, we identified K-Tron International, a well-run company with excellent financials, that will provide growth and diversification and maintain our strong financial profile
 - To fund this acquisition, we will utilize a combination of existing and potentially new (if needed) credit and cash-on-hand
-

Strategic Benefits

It's the Right Acquisition

- \$435MM cash purchase (\$390MM net purchase price) provides approximately \$200MM of revenue
 - Preserves Hillenbrand's high quality of earnings and cash flows while improving growth potential
 - EBITDA multiple of 10.3x EBITDA is in line with recent market comparables
 - We expect the transaction to be immediately accretive to EPS and cash flow, excluding acquisition costs, transition costs, and non-recurring purchase accounting adjustments
 - Attractive product, industry and customer diversification
 - Creates sizable new global platforms in two attractive sectors
 - Ideal fit with Hillenbrand's stringent acquisition criteria
 - K-Tron International has limited lean experience. Meaningful improvement opportunities exist through the application of lean business practices
 - Strong cultural fit with proven management
 - Adds leading brands and market positions with two new platforms
 - A proven high margin, high growth business
- Operational
and Cultural
Financial
Strategic

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K-Tron International's Corporate Profile Is Very Attractive
to Hillenbrand

- 2008 Revenues and EBITDA of \$243 MM and \$44.6 MM
 - 21% Total revenue CAGR over last 5 years;
 - 10% Organic revenue CAGR over last 5 years
- Two attractive segments within bulk solids material handling equipment sector
 - Leading, respected brands
- Serves diverse base of global customers through wholly-owned subsidiaries and independent representatives
 - Highly productive operation with more than 650 employees
- Operates 7 manufacturing facilities: 5 in the U.S. and 1 each in Switzerland and China
- Numerous meaningful opportunities have been identified to grow as economy recovers

Estimated Revenue by Business Line (1)

Estimated EBITDA by Business Line (1)

(1) For FY 2008

Size
Reduction
Group
Process
Group
Size
Reduction
Group
Process
Group

BCC
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Diversifies Hillenbrand's Platforms and Markets
Pulp, Paper & Forest Products / Biomass Energy
2%
Food Processing
5%
Power Generation
2%
Chemical Detergent & Other Process Group Industries
3%
Other
4%
Plastics Compounding & Base Resin Manufacturing
9%
Post Acquisition Revenue By End Market(1) Post Acquisition EBITDA By Platform(1)
Death Care
75%
K-Tron
K-Tron
BCC

(1) Represents FY ending 2009 for Hillenbrand and LTM ending 10/03/09 for K-Tron

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Provides Hillenbrand With a Global Business Platform

Belleville, IL

54,000 sq. ft.

Wuxi, China

30,000 sq. ft.

K-Tron HQ

Pitman, NJ

92,000 sq. ft.

Cuyahoga Falls , OH

70,000 sq. ft.

Woodruff, SC

149,000 sq. ft.

Niederlenz, Switzerland

65,000 sq. ft.

Batesville, IN

494,000 sq. ft.

Salina, KS

134,000 sq. ft.

Manchester, TN

375,000 sq. ft.

Mexico City, Mexico

58,700 sq. ft.

Chihauhau, Mexico

125,000 sq. ft.

Batesville, MS

180,000 sq. ft.

Vicksburg, MS

142,000 sq. ft.

Process Group and Size Reduction Group have
~175 sales reps. (mostly independent) in U.S.,
Canada, France, Germany, the United Kingdom,
Singapore and China.

Size Reduction Manufacturing

Process Group Manufacturing

Batesville Manufacturing

Post Acquisition Locations

Batesville Warehouse Distribution, Service or Sales
(165 sales reps in the U.S. and Canada.)

Penn Crusher HQ

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Creates Multiple Pathways to Strong Revenue Growth
Through New Platforms

- Proven history of modest acquisitions (\$10-\$30MM)
 - Opportunities for bolt-on acquisitions in both platforms
 - Size Reduction Group well positioned to capture Biomass Energy growth
 - Pharmaceutical Industry trending from batch to continuous process
 - Expand Pneumatics into Europe, Asia and the Middle East
 - Swiss facility offers competitive advantage to serve high growth Eastern Europe markets
 - China & India for coal mining
 - Aggressively grow Wuxi K-Tron Colormax division in China
 - Enhance Sales & Marketing efforts for Penn Crusher in China
 - Strong growth in demand from mineral mining sector
-

(1) Excludes a \$3.0 MM gain in 2009 on sale of 19.9% investment in Hasler International. Including the gain, K-Tron's LTM EPS would have been \$7.81 and the EBITDA would have been \$42MM.

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Contributes to Hillenbrand's Ability to Deliver Predictable Performance

K-Tron International Financial Highlights

\$ IN MILLIONS, EXCEPT PER SHARE DATA	2004	2005	2006	2007	2008	LTM 10/03/09(1)	2004 - 2008
Total Revenue	\$113	\$119	\$148	\$202	\$243	\$213	
Gross Profit	\$46	\$50	\$62	\$86	\$101	\$88	
EBITDA	\$14	\$17	\$25	\$38	\$44	\$39	
Diluted EPS	\$2.65	\$2.85	\$4.95	\$7.93	\$9.37	\$6.79	
Growth (yr/yr)							CAGR
Revenue	18.8%	5.7%	24.6%	36.2%	20.5%	(9.9%)	21.2%
EBITDA	43.3%	23.0%	46.8%	49.4%	17.1%	(11.0%)	33.3%
As a % of Revenue							Average
Gross Profit	41.2%	42.1%	42.1%	42.7%	41.7%	41.3%	42.0%
EBITDA	12.4%	14.4%	16.9%	18.6%	18.1%	18.2%	16.1%

K-Tron International Is Strongly Positioned to Weather the
Current Economic Downturn and Thrive Post Recession

- K-Tron revenues declined in the first nine months of 2009 by \$30.2 MM, or 17%, compared to the same period in 2008
 - A significant component of the revenue decline was K-Tron's Process Group plastics business, which was impacted when automotive and other end customers were hurt by the "great recession"
 - However, revenues in the Size Reduction Group increased during the year, buffering the decline in plastics
 - We believe the strength of K-Tron's brands was, and will continue to be, critical to its ability to outperform their markets in economic downturns
 - K-Tron has a large installed base that generates recurring replacement parts business, thereby softening the impact of economic downturns in the capital equipment business
 - As the economy strengthens, K-Tron is in a strong position to grow revenues in both base businesses and potential add-on business lines
-

Cash
Flow Accretion
+++++
+++ +++
++ ++
0/+ 0/+

Looking Through the Economic Trough to Assess Future
Value
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SMALL CAP INDUSTRIAL MACHINERY

Company Name	Market Cap	TEV	Revenue	Gross Margin	EBITDA	EBITDA P/E Margin	P/E Ratio	Return (NI) Net Assets(1)	TEV / Revenue	EBITDA(2)
Gardner Denver Inc.	\$2,198.4	\$2,506.2	\$1,851.6	30.7%	\$276.1	\$14.9%	NM	NM	1.4x	9.1x
Nordson Corporation	2,121.1	2267.1	819.2	57.2%	163.0	19.9%	NM	NM	2.8x	13.9x
Graco Inc.	1,762.6	1,878.7	599.6	49.5%	100.1	16.7%	42.2x	17.2%	3.1x	18.8x
Varian, Inc.	1,496.1	1305.6	806.7	44.0%	100.6	12.5%	38.6x	17.4%	1.6x	13.0x
Watts Water Technologies, Inc.	1,145.6	1275.6	1272.3	34.5%	159.1	12.5%	39.3x	NM	1.0x	8.0x
Robbins & Myers Inc.	835.8	772.2	591.8	33.7%	90.1	15.3%	15.2x	17.1%	1.3x	8.5x
John Bean Technologies Corp.	472.1	605.9	830.1	26.8%	75.2	9.1%	14.9x	17.0%	0.7x	8.1x
Badger Meter Inc.	625.8	629.5	261.5	38.5%	52.8	20.2%	22.4x	29.6%	2.4x	11.9%
Astec Industries Inc	617.2	579.3	755.7	21.6%	53.8	7.1%	22.9x	6.7%	0.8x	10.6x
Organo Corp.	394.3	460.6	739.6	24.3%	52.0	7.0%	19.6x	4.1%	0.6x	8.9x
Gorman-Rupp Co.	469.1	438.9	285.0	22.4%	35.9	12.6%	24.3x	12.0%	1.5x	12.2x
Columbus McKinnon Corp.	277.4	357.8	535.1	25.7%	43.0	8.0%	NM	NM	0.7x	8.3x
PMFG, Inc.	227.6	247.0	145.7	36.6%	19.7	13.5%	NM	4.3%	1.7x	12.5x
Kadant Inc.	190.8	183.2	236.0	40.8%	14.2	6.0%	NM	NM	0.8x	12.9x
Met-Pro Corp.	151.5	124.0	84.9	34.6%	9.9	11.7%	28.4x	13.1%	1.5x	12.5x
Key Technology Inc.	61.4	49.5	105.5	37.3%	2.8	2.7%	NM	NM	0.5x	17.5x
Low	\$61.4	\$49.5	\$84.9	21.6%	\$2.8	2.7%	14.9x	4.1%	0.5x	8.0x
1st Quartile	265.0	330.1	255.2	26.6%	31.8	7.8%	20.3x	8.0%	0.8x	8.8x
Median	544.7	592.6	595.7	34.6%	53.3	12.5%	23.6x	15.0%	1.3x	12.1x
3rd Quartile	1233.3	1283.1	809.8	39.1%	100.2	15.0%	36.1x	17.2%	1.6x	12.9x
Max	2198.4	2506.2	1851.6	57.2%	276.1	20.2%	42.2x	29.6%	3.1x	18.8x
K-Tron	\$330.6	\$277.6	\$212.8	41.3%	\$38.8	18.2%	14.6x	46.1%	1.3x	7.1x

An EBITDA Multiple of 10.3 Is Below the Median, Despite
K-Tron's More Favorable Profitability Ratios

Financial Highlights

Financial Highlights of Combination

- We believe the acquisition increases net revenue and EBITDA growth rates in first year excluding acquisition and purchase accounting costs.
- We believe the transaction will be immediately accretive to EPS and cash flow, excluding acquisition costs, transition costs, and non-recurring purchase accounting adjustments
- Acquisition and transition expenses estimated to be \$10MM to \$12MM
 - Strong liquidity position maintained
 - Capital deployment strategy remains unchanged
- Pro forma capital structure & strategy consistent with previously discussed financial principles

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Combination Provides a Superior Financial Profile

- Combined entity has nearly identical gross margin percentage
Twelve Months Ended

\$ IN MILLIONS	Hillenbrand 9/30/09	K-Tron 10/03/09	Pro forma Non-GAAP(1) Combined
Net Revenue	\$649.0	\$213.0	\$862.0
Gross Profit	\$274.0	\$88.0	\$362.0
Margin %	42.2%	41.3%	42.0%
EBITDA	\$181.0	\$39.0	\$220.0
% of Revenue	27.9%	18.3%	25.5%
Net Income	\$102.0	\$23.0	\$125.0
Operating cash flow	\$123.0	\$37.0	\$160.0
% of Revenue	19.0%	17.3%	18.6%

(1) Excludes effects of purchase accounting which may be significant

(1) Excludes effects of purchase accounting which may be significant

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The Acquisition Will Be Funded With a Combination of
Cash and Borrowings

ii We will remain in compliance with the Hill-Rom covenant

\$ IN MILLIONS	Acquisition Funding
Credit Facility	\$300-\$350
Cash & Other Borrowings	\$85-\$135
Total Purchase Price	\$435

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Financial Principles

Pro-Forma Capital Structure & Strategy Remains Consistent
with Hillenbrand's Previously Discussed Guidelines

Generate stable and predictable revenues and cash flows

Maintain a healthy capital structure that minimizes risks and provides flexibility

Maintain a solid investment grade credit rating

Return capital to shareholders through dividends and share repurchases

Overview of Hillenbrand's Key Financial Policies

Dividend Policy

- Payout amounts will be reviewed and approved quarterly by the board of directors
- Payout levels structured to provide long-term stability
- Dividend payout currently higher than peers
 - Dividend level should grow modestly over the next 3 years, but less than earnings growth, to bring payout levels more in-line with peers

Capital Spending

- Strong budgetary controls and targets
- Annual approval process for overall plans
- Project by project approval process during the year
- \$15-\$18MM annual spend ~ equal to depreciation

Acquisitions

- The company continues to evaluate prudent strategic opportunities
- Will avoid negative effect on capital structure or credit rating, and ensure compliance with distribution agreement

Share Purchases

- Periodically purchase treasury shares to off-set the dilution from equity compensation programs
 - Opportunistic share repurchases to enhance shareholder value

Business Overview

Hillenbrand's Batesville Casket Commands a
Premium as the Industry's Most Respected Brand

World's Largest Casket Manufacturer

- Iconic brand with 100+ years of history
- Industry leader: volume, revenue, margin share
 - Superior mix of products sold
- Brand of choice for funeral directors' families

Unparalleled Commitment

- Superior products
- Exceptional service
- Leader in innovation
- Highly valued business partner

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"Every family deserves a Batesville"

Hillenbrand Post

Acquisition Revenue

By Platform

BCC

Funeral Products
(\$2.6 Billion Industry)
Batesville Casket Is the Largest Player in the Largest
Segment of the Death Care Industry

Caskets

\$1.3

Grave

Markers

\$0.6

Cremation

\$0.3

Source: Company estimates and public filings

Vaults

\$0.4

Caskets 90%

Other (100+)

Options

7%

NorthStar

1%

Batesville

Importers

Aurora

Matthews

Caskets

(Total Revenue \$1.3 Billion)

Batesville Casket

(Total 2009 Revenue: \$649 Million)

Other

2%

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Batesville Casket Has Generated Solid Financial
Results in a Declining Casket Market

Revenue

Gross Margin

Net Income

Operating Margin

Cash Flow

* \$28 million, after tax pension funding ** \$13 million, after tax separation costs

*

N.A. Casket Market

**

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Death Care Industry Is Stable, but Challenges Remain

- Cost conscious consumers have been mixing down, opting for less expensive caskets
- It remains to be seen whether the severe economic downturn will cause lasting pricing repercussions
 - Slow and steady increases in cremations have reduced burials in a flat death market
- While projected deaths will increase at some point as baby boomers age, this will likely be offset by continued increases in cremations
 - Cremations are projected to grow steadily at 1.2% annually as a percentage of total deaths
- Market share may be under pressure, as new entrants and Chinese imports continue to compete
 - Significant increases in the prices of raw materials that cannot be recovered through increases in the price of our products could adversely affect our results of operations and

cash flows

Reduced

Burial

Demand

Reduced

Consumer

Spending

Increased

Competition

Commodity

Risk

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By Investing Prudently in Batesville Casket, We Will Continue to Focus
on Future Revenue and Earnings Growth From This Segment and
Generate Strong Cash Flow
Top-line Growth

- Focused sales coverage that leverages strong customer relationships and premium brand
 - Targeted investments to drive innovative product development
 - Merchandising programs increase value on every casket sale
 - Growth in NorthStar and Options product lines
 - Enhanced offerings in E-business
- Margin Improvement
 - Operational excellence
 - Lean manufacturing
- Continuous improvement in all business processes

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New Platform: K-Tron Process Group Is a Leader
in Feeding and Conveying With a Clear Growth
Path

Feeders

Provide accurate feeding of “hard-to-handle” materials in a wide variety of manufacturing processes, enabling customers in key end markets to produce high quality products and optimize raw material usage

Conveyers

Product

Summary

Brand Names

(1) Higher sensitivity to economic cycles.

Convey bulk solids with positive or negative pressure through mass-customized pneumatic conveying equipment and systems

Growth Strategy

- Differentiated by material flow expertise (multiple types)
 - Leading brand position in each category
- Expanding back into value chain: same sales, engineering & service channels, and same customers

Feeders

Conveyers

Gravimetric Feeders

Twin Screw Micro-Ingredient Feeder

Pneumatic Conveying Components

Sanitary Pneumatic Conveying Systems

for Food and Pharmaceutical
