

Hill-Rom Holdings, Inc.
Form 10-K/A
January 20, 2017

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

FORM 10-K/A
Amendment No. 1

(Mark One)

R Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended September 30, 2016

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 No. 1-6651

HILL-ROM HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Indiana 35-1160484
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

Two Prudential Plaza, Suite 4100 60601
Chicago, IL
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (312) 819-7200
Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, without par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes R No £

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes £ No R

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 R No £

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of

this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of the registrant's voting common equity, held by non-affiliates of the registrant, was approximately \$3.3 billion, based on the closing sales price of \$50.30 per share as of March 31, 2016 (the last business day of the registrant's most recently completed second fiscal quarter). There is no non-voting common equity held by non-affiliates.

The registrant had 65,340,355 shares of its common stock, without par value, outstanding as of January 9, 2017.

Documents incorporated by reference.

Certain portions of the registrant's definitive Proxy Statement to be delivered to shareholders in connection with the Annual Meeting of Shareholders to be held on March 14, 2017 are incorporated by reference into Part III of Annual Report on Form 10-K filed on November 17, 2016.

EXPLANATORY NOTE

Hill-Rom Holdings, Inc. (the "Company") is filing this Amendment No. 1 ("Amendment No. 1") to its Annual Report on Form 10-K for the fiscal year ended September 30, 2016, filed on November 17, 2016 (the "Original 10-K"). The Company is filing this Amendment No. 1 to provide an amended report of its independent registered accounting firm, in order to correct an administrative oversight related to the omission of references to the information contained in the Valuation and Qualifying Accounts Financial Statement Schedule as required by Item 5-04(c) of Regulation S-X.

In accordance with applicable Securities and Exchange Commission ("SEC") rules and as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, Amendment No. 1 includes new certifications from our Principal Executive Officer and Principal Financial Officer dated as of the date of filing of Amendment No. 1.

No changes have been made to the Original 10-K and subsequent amendment other than to the report of the Company's independent registered accounting firm. Amendment No. 1 speaks as of the date of the Original 10-K, does not reflect events that may have occurred after the date of the Original 10-K and does not modify or update in any way the disclosures made in the Original 10-K, except as discussed above. Amendment No. 1 should be read in conjunction with the Original 10-K and with the Company's subsequent filings with the SEC.

HILL-ROM HOLDINGS, INC.

Annual Report on Form 10-K/A

For the Fiscal Year Ended September 30, 2016

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PART II

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or the notes thereto.

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting for Hill-Rom Holdings, Inc. ("we" or "our"). Our internal control over financial reporting is a process designed, under the supervision of our principal executive, principal financial and principal accounting officers, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States. Our internal control over financial reporting includes policies and procedures that:

- 1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of our Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States and that our receipts and expenditures are being made only in accordance with authorizations of our management and our Board of Directors; and
- 2) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our Consolidated Financial Statements.
- 3)

Because of its inherent limitations, our internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management performed an assessment of the effectiveness of our internal control over financial reporting as of September 30, 2016 using criteria established in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on these criteria, management concluded that we maintained effective internal control over financial reporting as of September 30, 2016.

The effectiveness of our internal control over financial reporting as of September 30, 2016 has been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm, who also audited our Consolidated Financial Statements, as stated in their report included herein.

/s/ John J. Greisch

John J. Greisch
President and Chief Executive Officer

/s/ Steven J. Strobel

Steven J. Strobel
Senior Vice President and Chief Financial Officer

/s/ Jason A. Richardson

Jason A. Richardson
Vice President, Controller and Chief Accounting Officer

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Hill-Rom Holdings, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income (loss), shareholders' equity and cash flows present fairly, in all material respects, the financial position of Hill-Rom Holdings, Inc. and its subsidiaries at September 30, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2016 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for the balance sheet classification of deferred income taxes in 2016.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may

deteriorate.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Indianapolis, Indiana
November 17, 2016

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Hill-Rom Holdings, Inc. and Subsidiaries
 STATEMENTS OF CONSOLIDATED INCOME
 (In millions, except per share data)

	Years Ended September 30		
	2016	2015	2014
Net Revenue			
Product sales and service	\$2,263.4	\$1,604.5	\$1,301.4
Rental revenue	391.8	383.7	384.7
Total revenue	2,655.2	1,988.2	1,686.1
Cost of Revenue			
Cost of goods sold	1,209.4	921.2	730.2
Rental expenses	188.8	186.7	176.0
Total cost of revenue	1,398.2	1,107.9	906.2
Gross Profit	1,257.0	880.3	779.9
Research and development expenses	133.5	91.8	71.9
Selling and administrative expenses	853.3	664.2	548.3
Special charges (Note 8)	39.9	41.2	37.1
Operating Profit	230.3	83.1	122.6
Interest expense	(90.4)	(18.4)	(9.8)
Loss on extinguishment of debt	(10.8)	-	-
Investment income and other, net	9.2	0.4	2.4
Income Before Income Taxes	138.3	65.1	115.2
Income tax expense (Note 9)	15.5	18.3	54.6
Net Income	122.8	46.8	60.6
Less: Net loss attributable to noncontrolling interests	(1.3)	(0.9)	-
Net Income Attributable to Common Shareholders	\$124.1	\$47.7	\$60.6
Net Income Attributable to Common Shareholders per Common Share - Basic	\$1.90	\$0.83	\$1.05
Net Income Attributable to Common Shareholders per Common Share - Diluted	\$1.86	\$0.82	\$1.04
Dividends per Common Share	\$0.6700	\$0.6325	\$0.5950
Average Common Shares Outstanding - Basic (thousands) (Note 10)	65,333	57,249	57,555
Average Common Shares Outstanding - Diluted (thousands) (Note 10)	66,596	58,536	58,523

See Notes to Consolidated Financial Statements.

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Hill-Rom Holdings, Inc. and Subsidiaries

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS)

(In millions)

	Years Ended September 30		
	2016	2015	2014
Net Income	\$ 122.8	\$ 46.8	\$ 60.6
Other Comprehensive Loss, Net of Tax:			
Available-for-sale securities and hedges	(3.1)	-	0.3
Foreign currency translation adjustment	(22.4)	(58.6)	(29.6)
Change in pension and postretirement defined benefit plans	(2.8)	(8.1)	(9.1)
Total Other Comprehensive Loss, Net of Tax	(28.3)	(66.7)	(38.4)
Total Comprehensive Income (Loss)	94.5	(19.9)	22.2
Less: Comprehensive loss attributable to noncontrolling interests	(1.3)	(0.9)	-
Total Comprehensive Income (Loss) Attributable to Common Shareholders	\$ 95.8	\$ (19.0)	\$ 22.2

See Notes to Consolidated Financial Statements.

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Hill-Rom Holdings, Inc. and Subsidiaries
 CONSOLIDATED BALANCE SHEETS
 (In millions, except share amounts)

	September 30	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$232.2	\$192.8
Trade accounts receivable, less allowances of \$26.8 in 2016 and \$26.0 in 2015 (Note 1)	515.1	494.7
Inventories (Note 1)	252.0	267.4
Deferred income taxes (Notes 1 and 9)	-	77.0
Other current assets	82.8	109.1
Total current assets	1,082.1	1,141.0
Property, plant, and equipment (Note 1)	961.8	976.4
Less accumulated depreciation	(611.8)	(598.0)
Property, plant, and equipment, net	350.0	378.4
Intangible assets:		
Goodwill (Notes 1, 2 and 3)	1,584.4	1,610.5
Other intangible assets and software, net (Notes 1, 2 and 3)	1,143.3	1,247.7
Deferred income taxes (Notes 1 and 9)	43.1	21.6
Other assets	59.5	58.4
Total Assets	\$4,262.4	\$4,457.6
LIABILITIES		
Current Liabilities		
Trade accounts payable	\$136.0	\$136.3
Short-term borrowings (Note 4)	210.1	58.0
Accrued compensation	127.0	171.8
Accrued product warranties (Note 1)	27.5	32.1
Accrued rebates	40.8	33.7
Other current liabilities	120.9	146.9
Total current liabilities	662.3	578.8
Long-term debt (Note 4)	1,938.4	2,175.2
Accrued pension and postretirement benefits (Note 6)	99.0	118.8
Deferred income taxes (Notes 1 and 9)	287.8	380.6
Other long-term liabilities	39.0	47.3
Total Liabilities	3,026.5	3,300.7
Commitments and Contingencies (Note 13)		
SHAREHOLDERS' EQUITY (Note 7)		
Capital Stock:		
Preferred stock - without par value:		
Authorized - 1,000,000 shares; none issued or outstanding	-	-
Common stock - without par value:		

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Authorized - 199,000,000		
Issued - 88,457,634 shares in 2016 and 2015	4.4	4.4
Additional paid-in-capital	575.9	562.0
Retained earnings	1,589.7	1,509.9
Accumulated other comprehensive loss (Note 1)	(169.1)	(140.8)
Treasury stock, common shares at cost: 2016 - 22,752,381 and 2015 - 23,291,738	(773.7)	(788.6)
Total Shareholders' Equity Attributable to Common Shareholders	1,227.2	1,146.9
Noncontrolling interests	8.7	10.0
Total Shareholders' Equity	1,235.9	1,156.9
Total Liabilities and Shareholders' Equity	\$4,262.4	\$4,457.6

See Notes to Consolidated Financial Statements.

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Hill-Rom Holdings, Inc. and Subsidiaries
 STATEMENTS OF CONSOLIDATED CASH FLOWS
 (In millions)

	Years Ended September 30		
	2016	2015	2014
Operating Activities			
Net income	\$122.8	\$46.8	\$60.6
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	86.2	73.6	65.4
Amortization	26.9	10.5	12.2
Acquisition-related intangible asset amortization	95.9	34.1	28.8
Loss on extinguishment of debt	10.8	-	-
Provision for deferred income taxes	(0.5)	(22.3)	3.9
Loss on disposal of property, equipment leased to others, intangible assets and impairments	1.9	0.5	7.2
Pension settlement charge	-	9.6	-
Pension contribution to master pension plan	(30.0)	-	-
Gain on sale of non-core products	(10.1)	-	-
Stock compensation	23.1	25.0	18.0
Excess tax benefits from employee stock plans	(3.6)	(3.6)	0.3
Change in working capital excluding cash, current debt, acquisitions and dispositions:			
Trade accounts receivable	(15.8)	(39.7)	17.1
Inventories	21.3	11.0	9.1
Other current assets	27.7	(7.7)	(2.6)
Trade accounts payable	(0.5)	0.7	7.0
Accrued expenses and other liabilities	(73.0)	53.8	(12.5)
Other, net	(1.9)	21.5	(4.2)
Net cash provided by operating activities	281.2	213.8	210.3
Investing Activities			
Capital expenditures and purchases of intangible assets	(83.3)	(121.3)	(62.7)
Proceeds on sale of property and equipment leased to others	2.2	1.5	2.4
Payment for acquisition of businesses, net of cash acquired	(25.3)	(1,638.7)	(239.5)
Proceeds on sale of non-core products	10.3	-	-
Refund on acquisition of businesses	-	-	4.6
Other	(1.6)	2.1	0.7
Net cash used in investing activities	(97.7)	(1,756.4)	(294.5)
Financing Activities			
Net change in short-term debt	-	(0.7)	(0.2)
Borrowings on revolving credit facility	156.9	95.0	252.0
Payments on revolving credit facility	(20.0)	(135.0)	(57.0)
Proceeds from long-term debt	530.4	2,225.0	0.8
Payment of long-term debt	(767.9)	(401.6)	(11.4)
Payment of acquired debt	-	-	(26.8)
Repurchase of registered debentures	-	(5.9)	-
Debt issuance costs	(2.3)	(50.3)	-

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Purchase of noncontrolling interest of former joint venture	(0.4)	(1.9)	(1.3)
Payment of cash dividends	(43.8)	(37.1)	(34.2)
Proceeds from exercise of stock options	6.2	12.1	11.5
Proceeds from stock issuance	3.8	2.8	2.5
Excess tax benefits from employee stock plans	3.6	3.6	(0.3)
Treasury stock acquired	(8.4)	(63.3)	(71.8)
Net cash provided by (used in) financing activities	(141.9)	1,642.7	63.8
Effect of exchange rate changes on cash	(2.2)	(6.6)	(7.7)
Net Cash Flows	39.4	93.5	(28.1)
Cash and Cash Equivalents			
At beginning of period	192.8	99.3	127.4
At end of period	\$232.2	\$192.8	\$99.3

Supplemental cash flow information:

Cash paid for income taxes	\$10.9	\$49.1	\$44.4
Cash paid for interest	\$80.9	\$6.3	\$7.8

Non-cash investing and financing activities:

Treasury stock issued under stock compensation plans	\$23.3	\$32.4	\$20.6
Common stock issued for acquisition of businesses	\$-	\$416.3	\$-

See Notes to Consolidated Financial Statements.

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Hill-Rom Holdings, Inc. and Subsidiaries

STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY

(In millions, except share amounts)

	Common Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock		Total Equity Attributable to Common Shareholders	Noncontrolling Interest	Total	
	Shares Outstanding	Amount			Treasury Shares	Amount				
Balance at September 30, 2013	58,523,392	\$4.4	\$122.7	\$1,473.8	\$(35.7)	21,800,520	\$(706.5)	\$858.7	\$858.7	
Net income	-	-	-	60.6	-	-	-	60.6	-	60.6
Other comprehensive loss, net of tax of \$4.9	-	-	-	-	(38.4)	-	-	(38.4)	-	(38.4)
Dividends	-	-	0.4	(34.6)	-	-	-	(34.2)	-	(34.2)
Treasury shares acquired	(1,709,523)	-	-	-	-	1,709,523	(71.8)	(71.8)	-	(71.8)
Stock awards and option exercises	626,042	-	11.0	-	-	(626,042)	20.6	31.6	-	31.6
Balance at September 30, 2014	57,439,911	4.4	134.1	1,499.8	(74.1)	22,884,001	(757.7)	806.5	-	806.5
Net income	-	-	-	47.7	-	-	-	47.7	(0.9)	46.8
Consolidation of noncontrolling interest	-	-	-	-	-	-	-	-	10.9	10.9
Other comprehensive loss, net of tax of \$5.1	-	-	-	-	(66.7)	-	-	(66.7)	-	(66.7)
Dividends	-	-	0.5	(37.6)	-	-	-	(37.1)	-	(37.1)
Issuance of common stock	8,133,722	-	416.3	-	-	-	-	416.3	-	416.3
Treasury shares acquired	(1,373,321)	-	-	-	-	1,373,321	(63.3)	(63.3)	-	(63.3)
Stock awards and option exercises	965,584	-	11.1	-	-	(965,584)	32.4	43.5	-	43.5

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Balance at September 30, 2015	65,165,896	4.4	562.0	1,509.9	(140.8)	23,291,738	(788.6)	1,146.9	10.0	1,156.9
Net income	-	-	-	124.1						