

Milacron Holdings Corp.
Form 10-Q
November 03, 2016

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 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 Number 001-37458

Milacron Holdings Corp.
(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

80-0798640
(I.R.S. Employer
Identification Number)

10200 Alliance Road, Suite 200
Cincinnati, Ohio 45242
(Address of principal executive offices, including zip code)
(513) 487-5000
(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" 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

At September 30, 2016, there were 68,065,840 common shares, \$0.01 par value per share, outstanding.

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 Quarterly Report on Form 10-Q
 For the Period Ended September 30, 2016

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Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that are subject to risks and uncertainties. All statements other than statements of historical fact or relating to present facts or current conditions contained in this Quarterly Report on Form 10-Q are forward-looking statements. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “believe,” “may,” “should,” “can have,” “likely” and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. Examples of forward-looking statements include, but are not limited to statements we make regarding (1) our belief that our cash and cash equivalents, cash flow from operations and borrowings under our ABL Facility and other foreign lines of credit will provide us adequate cash to fund the operating needs, working capital, capital expenditure, debt service and other requirements for our business for the foreseeable future; (2) estimated capital expenditures for future periods; and (3) estimated cost savings and opportunities to drive margin improvements.

The forward-looking statements contained in this Quarterly Report on Form 10-Q are based on assumptions that we have made in light of our industry experience and our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. As you read this Quarterly Report on Form 10-Q, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties (many of which are beyond our control) and assumptions. Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual operating and financial performance and cause our performance to differ materially from the performance anticipated in the forward-looking statements, including the risk factors discussed in Item 1A. Risk Factors included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015, as filed with the Securities and Exchange Commission (“SEC”) on March 2, 2016. There may be other factors that may cause our actual results to differ materially from the forward-looking statements.

Should one or more of these risks or uncertainties materialize, or should any of these assumptions prove incorrect, our actual operating and financial performance may vary in material respects from the performance projected in these forward-looking statements. We caution you therefore against relying on these forward-looking statements.

Any forward-looking statement made by us in this Quarterly Report on Form 10-Q speaks only as of the date on which we make it. Factors or events that could cause our actual operating and financial performance to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

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CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2016	December 31, 2015
	(Unaudited)	
	(in millions, except share data)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 102.7	\$ 67.5
Accounts receivable, net	199.1	204.4
Inventories, net:		
Raw materials	82.1	81.1
Work-in-process	51.1	48.3
Finished products	118.9	109.5
Total inventories, net	252.1	238.9
Prepaid and other current assets	53.9	38.6
Total current assets	607.8	549.4
Property and equipment, net	223.3	221.8
Goodwill	527.2	530.1
Intangible assets, net	362.0	380.1
Other noncurrent assets	11.2	14.9
Total assets	\$ 1,731.5	\$ 1,696.3
Liabilities and shareholders' equity		
Current liabilities:		
Short-term borrowings	\$ 7.4	\$ 7.4
Long-term debt and capital lease obligations due within one year	0.1	0.4
Accounts payable	78.2	79.2
Advanced billings and deposits	48.8	39.7
Accrued salaries, wages and other compensation	24.3	30.8
Accrued interest	4.9	13.9
Other current liabilities	59.1	52.5
Total current liabilities	222.8	223.9
Long-term debt and capital lease obligations	933.6	931.9
Deferred income tax liabilities	64.4	66.2
Accrued pension liabilities	25.7	25.2
Other noncurrent accrued liabilities	9.1	8.2
Total liabilities	1,255.6	1,255.4
Shareholders' equity:		
Preferred stock - \$0.01 par value, 50,000,000 shares authorized, none outstanding	—	—
Common stock - \$0.01 par value, 500,000,000 shares authorized; 68,065,840 and 67,296,678 issued and outstanding as of September 30, 2016 and December 31, 2015, respectively	0.7	0.7
Capital in excess of par value	656.9	648.7
Retained deficit	(70.0)	(99.4)
Accumulated other comprehensive loss	(111.7)	(109.1)
Total shareholders' equity	475.9	440.9
Total liabilities and shareholders' equity	\$ 1,731.5	\$ 1,696.3
See accompanying notes.		

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MILACRON HOLDINGS CORP.
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited)

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
	2016	2015	2016	2015
	(in millions, except per share data)			
Net sales	\$292.2	\$292.7	\$877.6	\$873.2
Cost of sales	192.5	191.4	574.5	569.8
Manufacturing margins	99.7	101.3	303.1	303.4
Operating expenses:				
Selling, general and administrative expenses	60.3	69.2	187.0	207.5
Amortization expense	7.8	8.7	23.5	27.3
(Gain) loss on currency translation	(0.3)	8.7	(8.3)	18.6
Other expense, net	2.8	3.7	4.1	12.0
Total operating expenses	70.6	90.3	206.3	265.4
Operating earnings	29.1	11.0	96.8	38.0
Interest expense, net	15.2	15.6	45.6	52.4
Loss on debt extinguishment	—	—	—	22.2
Earnings (loss) before income taxes	13.9	(4.6)	51.2	(36.6)
Income tax expense	7.2	6.6	21.8	17.7
Net earnings (loss)	\$6.7	\$(11.2)	\$29.4	\$(54.3)
Earnings (loss) per share:				
Basic	\$0.10	\$(0.17)	\$0.44	\$(0.94)
Diluted	\$0.10	\$(0.17)	\$0.42	\$(0.94)
See accompanying notes.				

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MILACRON HOLDINGS CORP.
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 (Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	(in millions)			
Net earnings (loss)	\$6.7	\$(11.2)	\$29.4	\$(54.3)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	1.7	(21.8)	(3.3)	(42.4)
Unrecognized post-retirement plan (loss) gain	—	(0.2)	0.1	0.3
Unrealized (loss) gain on hedging activities	(0.4)	1.0	0.6	2.4
Total other comprehensive income (loss), net of tax	1.3	(21.0)	(2.6)	(39.7)
Comprehensive income (loss)	\$8.0	\$(32.2)	\$26.8	\$(94.0)
See accompanying notes.				

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MILACRON HOLDINGS CORP.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)

	Nine Months Ended September 30, 2016 2015 (in millions)	
Operating activities		
Net earnings (loss)	\$29.4	\$(54.3)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	44.8	47.0
Unrealized (gain) loss on currency translation of intercompany advances	(7.3)	19.6
Amortization of deferred financing costs	2.8	3.1
Loss on debt extinguishment	—	8.4
Asset impairments	1.4	2.2
Non-cash stock-based compensation expense	4.0	19.7
Deferred income taxes	(0.4)	0.8
Changes in assets and liabilities:		
Accounts receivable	6.3	(18.6)
Inventories	(12.0)	(21.2)
Prepaid and other current assets	(8.5)	2.2
Accounts payable	0.2	1.3
Advanced billings and deposits	8.6	(12.7)
Other current liabilities	(12.7)	(0.6)
Other noncurrent assets	3.4	(1.5)
Other noncurrent accrued liabilities	0.8	(1.1)
Net cash provided by (used in) operating activities	60.8	(5.7)
Investing activities		
Purchases of property and equipment	(31.0)	(39.7)
Proceeds from disposals of property and equipment	0.8	1.0
Net cash used in investing activities	(30.2)	(38.7)
Financing activities		
Proceeds from issuance of long-term debt (original maturities longer than 90 days)	—	795.3
Payments on long-term debt and capital lease obligations (original maturities longer than 90 days)	(0.7)	(874.0)
Net increase (decrease) in short-term borrowings (original maturities of 90 days or less)	0.1	(1.4)
Dividends paid	—	(144.6)
Proceeds from the issuance of common stock	—	294.0
Initial public offering issuance costs	—	(21.1)
Proceeds from exercise of stock options	4.2	0.4
Debt issuance costs	—	(7.0)
Net cash provided by financing activities	3.6	41.6
Effect of exchange rate changes on cash	1.0	(4.2)
Increase (decrease) in cash and cash equivalents	35.2	(7.0)
Cash and cash equivalents at beginning of period	67.5	81.5
Cash and cash equivalents at end of period	\$102.7	\$74.5
See accompanying notes		

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MILACRON HOLDINGS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of September 30, 2016 and December 31, 2015 and for the
Three and Nine Months Ended September 30, 2016 and 2015

1. Background and Basis of Presentation

Milacron Holdings Corp. (the "Company" or "Milacron") is a global leader in the manufacture, distribution, and service of highly engineered and customized systems used in the plastic technology and processing industry. The Company has a full-line product portfolio that includes hot runner systems, injection molding, blow molding and extrusion equipment and produces process control systems, mold bases and components and maintenance, repair and operating ("MRO") supplies for plastic processing equipment and fluid technology. The Company operates throughout the world and is headquartered in Cincinnati, Ohio.

The accompanying unaudited Condensed Consolidated Financial Statements of the Company have been prepared in accordance with generally accepted accounting principles for interim financial information and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by United States generally accepted accounting principles ("U.S. GAAP") for complete financial statements. However, in the opinion of management, all adjustments (consisting of normal recurring accruals) have been made that are necessary for a fair presentation of the Condensed Consolidated Financial Statements for the interim periods. The interim period results are not necessarily indicative of the results to be expected for the full year. These interim Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and related notes for the fiscal year ended December 31, 2015 included in the Company's Annual Report on Form 10-K filed with the SEC on March 2, 2016.

Stock Split

The Company's Board of Directors and stockholders approved a 106.3 for 1 stock split of the Company's common stock on June 12, 2015. All common share and common per share amounts in the Condensed Consolidated Financial Statements and notes thereto have been retroactively adjusted for all periods presented to give effect to this stock split.

Initial Public Offering

On June 30, 2015, the Company completed its initial public offering ("IPO") whereby the Company sold 14,285,714 shares of common stock at a price of \$20.00 per share. The shares began trading on the New York Stock Exchange on June 25, 2015. The aggregate net proceeds received by the Company from the offering was approximately \$265 million, net of underwriting discounts and commissions and estimated offering expenses. The net proceeds were used to repay existing indebtedness.

In July 2015, the Company's underwriters exercised their option to purchase additional shares of the Company's common stock. The underwriters purchased 415,600 shares of the Company's common stock at the public offering price of \$20.00 per share, less the underwriting discount, and on July 29, 2015, the Company received \$7.8 million in proceeds, net of the underwriting discount. These net proceeds were used for general corporate purposes.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). Topic 606, as further amended, affects virtually all aspects of an entity's revenue recognition, including determining the measurement of revenue and the timing of when it is recognized for the transfer of goods or services to customers. Topic 606 is effective for the Company beginning January 1, 2018. The Company is currently evaluating the method of adoption and the effect that the adoption will have on the Company's Condensed Consolidated Financial Statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than twelve months. Leases will be either classified as finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 also requires significant additional disclosures about the amount, timing and uncertainty of cash flows from leases. ASU 2016-02 is effective for the Company beginning January 1, 2019 with early adoption allowed and practical expedients to measure the effect of adoption also being allowed. The Company is currently evaluating the effect that the adoption

will have on the Company's Condensed Consolidated Financial Statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. Background and Basis of Presentation (continued)

In March 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"). ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for the Company beginning January 1, 2017 and early adoption is permitted. The Company is currently evaluating the effect that the adoption will have on the Company's Condensed Consolidated Financial Statements.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230) ("ASU 2016-15"). ASU 2016-15 clarifies the classification of certain cash receipts and cash payments within the statement of cash flows to reduce diversity in practice. ASU 2016-15 is effective for the Company beginning January 1, 2018 and early adoption is permitted. The Company is currently evaluating the effect that the adoption will have on the Company's Condensed Consolidated Financial Statements.

Reclassifications

Certain amounts in the prior period Condensed Consolidated Financial Statements have been reclassified to conform to the current year's presentation.

2. Goodwill and Other Intangible Assets

The following table summarizes the changes in the Company's goodwill, by reportable segment, for the nine months ended September 30, 2016:

	Advanced Plastic Processing Technologies (in millions)	Melt Delivery Control Systems (in millions)	Fluid Technologies (in millions)	Corporate (in millions)	Total (in millions)
Balance at December 31, 2015	\$37.0	\$ 446.2	\$ 46.9	\$	—\$530.1
Foreign currency translation adjustments	—	(2.9)	—	—	(2.9)
Balance at September 30, 2016	\$37.0	\$ 443.3	\$ 46.9	\$	—\$527.2

The following table summarizes the Company's other intangible assets at September 30, 2016:

	Gross Amount (in millions)	Accumulated Amortization (in millions)	Net Amount (in millions)
Intangible assets subject to amortization:			
Trademarks	\$42.8	\$ 17.5	\$ 25.3
Technology	116.5	34.9	81.6
Customer relationships	228.9	112.9	116.0
Total intangible assets subject to amortization	388.2	165.3	222.9
Trademarks, not subject to amortization	139.1	—	139.1
Total	\$527.3	\$ 165.3	\$ 362.0

The following table summarizes the Company's other intangible assets at December 31, 2015:

	Gross Amount (in millions)	Accumulated Amortization (in millions)	Net Amount (in millions)
Intangible assets subject to amortization:			
Trademarks	\$42.6	\$ 14.7	\$ 27.9
Technology	110.9	26.6	84.3
Customer relationships	227.9	98.9	129.0
Total intangible assets subject to amortization	381.4	140.2	241.2
Trademarks, not subject to amortization	138.9	—	138.9

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Total	\$520.3	\$ 140.2	\$ 380.1
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MILACRON HOLDINGS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Goodwill and Other Intangible Assets (continued)

Consolidated amortization expense related to intangible assets subject to amortization was \$7.8 million and \$8.7 million for the three months ended September 30, 2016 and 2015, respectively. Consolidated amortization expense related to intangible assets subject to amortization was \$23.5 million and \$27.3 million for the nine months ended September 30, 2016 and 2015, respectively. In connection with the Company's rebranding initiative and marketing strategy, the Company ceased utilizing certain trademarks within the Advanced Plastic Processing Technologies reportable segment during the second quarter of 2015. The Company concluded this was an indicator of impairment and the Company recognized an impairment charge of \$2.2 million for the nine months ended September 30, 2015, which is included within other expense, net in the Company's Condensed Consolidated Statements of Operations.

3. Income Taxes

An estimated annual effective tax rate is used to determine the quarterly provision for income taxes. The effective rate is based on various factors including expected annual income, statutory tax rates, tax planning opportunities in the various jurisdictions in which the Company operates, permanent items, valuation allowances against deferred tax assets and the ability to utilize tax credits and net operating loss ("NOL") carryforwards. Subsequent recognition, derecognition and measurement of tax positions are separately recognized in the quarter in which the underlying transaction or event occurs which causes variability in the effective tax rates from quarter to quarter.

The effective rate for each period differs from the U.S. federal statutory income tax rate due to the mix of earnings by jurisdiction and the effect of transaction costs and business combination accounting adjustments that do not provide tax benefits. Since the Company operates in multiple taxing jurisdictions at rates that are typically less than the U.S. statutory rate, the consolidated effective rate is typically lower than 35%. The valuation allowances also cause volatility in the effective rate as they reduce deferred tax assets in jurisdictions which lack sufficient positive evidence regarding the ability to utilize the assets and no tax benefit or expense is recognized for losses or income incurred in those jurisdictions.

In accordance with Accounting Standards Codification 740 ("ASC 740"), the Company records interest and penalties associated with uncertain tax positions within income tax expense within the Company's Condensed Consolidated Statements of Operations. The Company does not have a material liability recorded for interest and penalties related to uncertain tax positions for any period presented.

The utilization of the Company's NOL and tax credit carryforwards may be subject to limitation under the rules regarding a change in stock ownership as determined by the Internal Revenue Code, and state and foreign tax laws. Section 382 of the Internal Revenue Code of 1986 ("Section 382"), as amended, imposes annual limitations on the utilization of NOL carryforwards, other tax carryforwards, and certain built-in losses upon an ownership change as defined under that section. In general terms, an ownership change may result from transactions that increase the aggregate ownership of certain stockholders in the Company's stock by more than 50 percentage points over a three year testing period ("Section 382 Ownership Change"). If the Company has undergone a Section 382 Ownership Change, an annual limitation would be imposed on certain of the Company's tax attributes, including NOL and capital loss carryforwards, and certain other losses, credits, deductions or tax basis. As of September 30, 2016, the Company has determined that multiple ownership changes under Section 382 have occurred and that any limitations resulting from these ownership changes would not have a material impact on the Company's Condensed Consolidated Financial Statements.

During the third quarter of 2016, an agreement was reached with the tax authority at one of the Company's foreign jurisdictions. Based upon the settlement, the Company concluded that a previously unrecognized tax benefit met the effective settlement criteria within ASC 740. This settlement resulted in a \$15.7 million reduction of the Company's unrecognized tax benefits and corresponding deferred tax assets during the third quarter of 2016; thus, the settlement had no impact on the Company's Condensed Consolidated Statement of Operations.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Debt

Debt for the Company consists of the following:

	September 30, 2016			December 31, 2015		
	Principal and Issuance Costs	Unamortized Discount	Net	Principal and Issuance Costs	Unamortized Discount	Net
	(in millions)					
7.75% senior unsecured notes due 2021	\$464.4	\$ 7.8	\$456.6	\$465.0	\$ 9.1	\$455.9
Senior secured term loan facility due September 2020	482.0	5.4	476.6	482.0	6.4	475.6
Borrowings under other lines of credit	7.4	—	7.4	7.4	—	7.4
Capital lease obligations and other	0.5	—	0.5	0.8	—	0.8
	954.3	13.2	941.1	955.2	15.5	939.7
Less current portion	(7.5)	—	(7.5)	(7.8)	—	(7.8)
	\$946.8	\$ 13.2	\$933.6	\$947.4	\$ 15.5	\$931.9

In March 2016, the Company repurchased approximately \$0.6 million of the Company's outstanding 7.75% senior unsecured notes on the open market at a discount to par.

On May 14, 2015, the Company entered into a new \$730.0 million senior secured term loan facility with a maturity date of September 28, 2020 (the "New Term Loan Facility") and amended and restated the credit agreement governing the senior secured asset-based revolving credit facility (the "ABL Facility"), among other things, to conform certain terms in the credit agreement governing the ABL Facility to the terms contained in the credit agreement governing the New Term Loan Facility. The net proceeds from the New Term Loan Facility were used (i) to repay in full the \$339.1 million principal amount outstanding under the Company's existing senior secured term loan facility due March 2020 (the "Term Loan Facility"), (ii) to redeem in full the \$220.0 million aggregate principal amount outstanding of our 8.375% Senior Secured Notes due 2019 (the "Senior Secured Notes") on May 15, 2015 at a redemption price of 106.281% of the principal amount thereof, plus accrued and unpaid interest, to, but not including May 15, 2015 and (iii) to pay a cash dividend of approximately \$145 million to the holders of the Company's common stock.

In connection with these transactions, the Company recognized an \$18.6 million loss on the early extinguishment of debt which is classified within loss on debt extinguishment in the Company's Condensed Consolidated Statements of Operations. The loss on debt extinguishment includes a \$13.8 million premium paid to redeem the Senior Secured Notes and the write-off of \$4.8 million of deferred financing costs and debt discount associated with the Senior Secured Notes and the Term Loan Facility. The Company also capitalized an additional \$5.2 million of deferred financing costs related to the issuance of the New Term Loan Facility which are being amortized over the term of the loan using the effective interest rate method.

On June 30, 2015, in connection with the Company's completion of its IPO, the Company repaid \$248.0 million of the principal amount outstanding under the New Term Loan Facility. As a result of this repayment, the Company recognized a \$3.6 million loss on the early extinguishment of debt which is classified within loss on debt extinguishment in the Company's Condensed Consolidated Statements of Operations.

5. Employee Benefit Plans

The Company sponsors three noncontributory defined benefit pension plans for certain non-U.S. employees and retirees. One plan covers certain employees in the United Kingdom and the other two plans cover certain employees in Germany. Net periodic pension expense was \$0.2 million and \$0.3 million for the three months ended September 30, 2016 and 2015, respectively. Net periodic pension expense was \$0.8 million and \$0.9 million for the nine months ended September 30, 2016 and 2015, respectively. Net periodic pension expense is included in cost of sales and selling, general and administrative expenses in the Company's Condensed Consolidated Statements of Operations.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Net Earnings (Loss) Per Share

The following is a reconciliation of the numerator and denominator of the basic and diluted net earnings (loss) per share (EPS) computations:

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
	(in millions, except common share and per common share amounts)			
Numerator:				
Net earnings (loss)	\$6.7	\$ (11.2)	\$29.4	\$ (54.3)
Denominator:				
Denominator for basic EPS—weighted-average common shares	67,567,667	66,900,081	67,389,577	629,038
Dilutive effect of stock-based compensation arrangements	2,661,031		2,630,147	
Denominator for diluted EPS—adjusted weighted-average common shares	70,228,698	66,900,081	70,019,724	629,038
Basic EPS	\$0.10	\$ (0.17)	\$0.44	\$ (0.94)
Diluted EPS	\$0.10	\$ (0.17)	\$0.42	\$ (0.94)

The diluted EPS calculation for the three and nine months ended September 30, 2015 excludes the effect of 266,313 shares of restricted stock, 16,125 restricted stock units and 6,304,927 outstanding stock options as their effect is anti-dilutive. Holders of non-vested stock-based compensation awards do not have voting rights or rights to receive nonforfeitable dividends on the shares covered by the awards.

7. Stock-based Compensation

In connection with the cash dividend of approximately \$145 million paid to the holders of the Company's common stock, as disclosed in Note 4, the Company made an adjustment to the exercise price of all stock options outstanding as of that date in accordance with the stock option agreements' original terms and conditions related to anti-dilution. The dividend, \$2.77 on a per share basis, reduced the exercise price of all outstanding options from \$9.41 to \$6.64 effective May 15, 2015.

The Company's Board of Directors adopted its 2015 Equity Incentive Plan (2015 Plan) which became effective upon the pricing of the Company's IPO. The 2015 Plan allows for the granting of stock options, stock appreciation rights, restricted stock units and other awards convertible into or otherwise based on shares of the Company's common stock. On June 25, 2015, in connection with the IPO, the Company granted 1,260,567 stock options, 136,441 stock appreciation rights, 266,313 restricted stock awards and 16,125 restricted stock units under the 2015 Plan. The stock options, valued using a closed form option pricing model, and stock appreciation rights granted vest in equal annual increments over four years. The restricted stock awards vest on the third anniversary of the date of grant and the restricted stock units vested on March 4, 2016, two business days after the public disclosure of the Company's financial results for fiscal year 2015.

As a result of the Company's completion of its IPO in June 2015, the Company recognized \$4.6 million of stock-based compensation expense associated with performance-based awards previously granted under the Company's 2012 Equity Incentive Plan. This cumulative catch-up was recognized once satisfaction of the performance condition within the rewards became probable. As the awards were still subject to a market condition, the performance-based awards were unvested as of June 30, 2015. In addition, the Company also recognized \$3.7 million of stock-based compensation expense during the second quarter of 2015 related to outstanding stock appreciation rights which are recorded at fair value.

During the third quarter of 2015, the Company recognized \$11.3 million of additional stock-based compensation expense related to time-based and performance-based awards previously granted to management personnel. These awards contained a market condition in which the vesting of awards was accelerated upon satisfaction of the market

condition. Based upon the trading price of the Company's common stock subsequent to the IPO, the market condition was satisfied which resulted in the vesting of the awards in July 2015 and the Company's recognition of all previously unrecognized stock-based compensation expense associated with these awards.

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MILACRON HOLDINGS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Derivative Financial Instruments

In the normal course of business, including the purchasing of materials and selling of products, the Company is exposed to certain risks related to fluctuations in foreign currency exchange rates. The Company uses foreign currency forward contracts to manage risks from these market fluctuations. The Company currently hedges its risk relative to fluctuations in the Canadian dollar, Euro and Japanese yen for forecasted cash outflows denominated in these currencies. The Company had foreign currency forward contracts denominated in these currencies outstanding with notional amounts totaling \$9.7 million at September 30, 2016 and \$10.3 million at December 31, 2015. As of September 30, 2016, all of the Company's outstanding instruments mature within the next 3 months.

The Company's derivative instruments discussed above are designated as cash flow hedges and the fair value of these derivative instruments was \$0.4 million at September 30, 2016 and \$0.1 million at December 31, 2015 which is included in prepaid and other current assets in the Company's Condensed Consolidated Balance Sheets.

The following table provides the effect of the Company's designated cash flow hedges on the Company's Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2016 and 2015:

Type of instrument:	Gain (Loss) Recognized in OCI on Derivative (Effective Portion) (in millions)	Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) (in millions)
Three Months Ended September 30, 2016		
Foreign exchange contract	\$ —	\$ 0.6
Three Months Ended September 30, 2015		
Foreign exchange contract	\$ 0.2	\$ (0.8)
Nine Months Ended September 30, 2016		
Foreign exchange contract	\$ 1.4	\$ 0.5
Nine Months Ended September 30, 2015		
Foreign exchange contract	\$ (0.5)	\$ (2.9)

All gains (losses) that are reclassified from accumulated other comprehensive income (loss) into income (effective portion) are classified in (gain) loss on currency translation or cost of sales within the Company's Condensed Consolidated Statements of Operations. The gain (loss) recognized related to the ineffective portion of the derivative instruments was immaterial for all periods presented. During the three months ended September 30, 2016 and 2015, the Company recorded a net gain of \$0.6 million and a net loss of \$0.8 million, respectively, related to the settlement of forward contracts which were designated as cash flow hedges. During the nine months ended September 30, 2016 and 2015, the Company recorded a net gain of \$0.5 million and a net loss of \$2.9 million, respectively, related to the settlement of forward contracts which were designated as cash flow hedges.

The Company estimates fair value of its financial instruments utilizing an established three-level hierarchy. The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date as follows:

Level 1—Valuation is based upon unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2—Valuation is based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial statements.

Level 3—Valuation is based upon other unobservable inputs that are significant to the fair value measurements.

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MILACRON HOLDINGS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Derivative Financial Instruments (continued)

The classification of fair value measurements within the established three-level hierarchy is based upon the lowest level of input that is significant to that measurement. The fair values of the Company's derivatives instruments were measured using valuations based upon quoted prices for similar assets and liabilities in active markets (Level 2) and are valued by reference to similar financial instruments, adjusted for terms specific to the contracts. There were no transfers between the three levels of the fair value hierarchy during any period presented. The derivative assets and liabilities measured at fair value on a recurring basis as of September 30, 2016 and December 31, 2015 were as follows:

	Total	Level 1	Level 2	Level 3
	(in millions)			
September 30, 2016				
Foreign currency forward contracts (asset position)	\$0.4	\$	—\$ 0.4	\$ —
December 31, 2015				
Foreign currency forward contracts (asset position)	\$0.1	\$	—\$ 0.1	\$ —

The Company also enters into derivative instruments (forwards) to economically hedge the impact of fluctuations in the Indian rupee. During the three and nine months ended September 30, 2015, the Company recognized a loss of \$0.2 million and a gain of \$0.1 million related to the changes in fair value of these derivative instruments not designated as hedges, respectively. These gains and losses are recognized immediately within the Company's Condensed Consolidated Statements of Operations and are classified within (gain) loss on currency translation. The fair value of these derivative instruments not designated as hedges at September 30, 2016 was an asset of \$0.1 million.

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MILACRON HOLDINGS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Accumulated Other Comprehensive Income (Loss)

The following table summarizes the changes in the accumulated balances for each component of accumulated other comprehensive income (loss):

	Foreign Currency Translation	Unrecognized Post- Retirement Plan Losses	Derivative Financial Instruments	Total
	(in millions)			
Balance at June 30, 2015	\$(66.0)	\$ (5.1)	\$ (1.7)	\$(72.8)
Other comprehensive (loss) income before reclassifications	(21.8)	(0.2)	0.2	(21.8)
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	0.8	0.8
Other comprehensive income (loss)	(21.8)	(0.2)	1.0	(21.0)
Balance at September 30, 2015	\$(87.8)	\$ (5.3)	\$ (0.7)	\$(93.8)
Balance at June 30, 2016	\$(109.5)	\$ (4.5)	\$ 1.0	\$(113.0)
Other comprehensive income before reclassifications	1.7	—	0.2	1.9
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	(0.6)	(0.6)
Other comprehensive (loss) income	1.7	—	(0.4)	1.3
Balance at September 30, 2016	\$(107.8)	\$ (4.5)	\$ 0.6	\$(111.7)
Balance at December 31, 2014	\$(45.4)	\$ (5.6)	\$ (3.1)	\$(54.1)
Other comprehensive (loss) income before reclassifications	(42.4)	0.3	(0.4)	(42.5)
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	2.8	2.8
Other comprehensive (loss) income	(42.4)	0.3	2.4	(39.7)
Balance at September 30, 2015	\$(87.8)	\$ (5.3)	\$ (0.7)	\$(93.8)
Balance at December 31, 2015	\$(104.5)	\$ (4.6)	\$ —	\$(109.1)
Other comprehensive (loss) income before reclassifications	(3.3)	—	1.1	(2.2)
Amounts reclassified from accumulated other comprehensive income (loss)	—	0.1	(0.5)	(0.4)
Other comprehensive (loss) income	(3.3)	0.1	0.6	(2.6)
Balance at September 30, 2016	\$(107.8)	\$ (4.5)	\$ 0.6	\$(111.7)

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MILACRON HOLDINGS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Accumulated Other Comprehensive Income (Loss) (continued)

The following table summarizes the reclassifications out of accumulated other comprehensive income (loss) during the three and nine months ended September 30, 2016 and 2015:

	Classification	Three Months Ended September 30, 2016 2015 (in millions)	
Derivative financial instruments:			
Gain (loss) on derivative financial instruments	(b)	\$0.6	\$(0.8)
Tax benefit	(c)	—	—
Total reclassifications from accumulated other comprehensive income (loss)		\$0.6	\$(0.8)

	Classification	Nine Months Ended September 30, 2016 2015 (in millions)	
Unrealized pension and post-retirement obligations:			
Adjustment of pension and post-retirement obligations	(a)	\$(0.1)	\$—
Tax benefit	(c)	—	—
Adjustment of pension and post-retirement obligations, net of tax		(0.1)	—
Derivative financial instruments:			
Gain (loss) on derivative financial instruments	(b)	0.5	(2.9)
Tax benefit	(c)	—	0.1
Gain (loss) on derivative financial instruments, net of tax		0.5	(2.8)
Total reclassifications from accumulated other comprehensive income (loss)		\$0.4	\$(2.8)

(a) Amount is included in the calculation of pension cost within cost of sales and selling, general and administrative expense in the Company's Condensed Consolidated Statements of Operations.

(b) Amount is included in cost of sales and (gain) loss on currency translation in the Company's Condensed Consolidated Statements of Operations.

(c) These amounts are included in income tax expense in the Company's Condensed Consolidated Statements of Operations.

10. Warranty Reserves

A reserve for estimated warranty costs is recorded at the time of sale of machinery and parts and is periodically adjusted to reflect actual experience.

The following table summarizes changes in the Company's warranty reserves for the periods indicated. Accrued warranty reserves are included in other current liabilities in the Company's Condensed Consolidated Balance Sheets:

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015
	2016	2015	2016 2015
	(in millions)		

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Balance at beginning of period	\$8.4	\$8.3	\$8.3	\$8.6
Warranty expense	2.7	2.9	8.9	7.6
Warranty claims paid	(2.5)	(2.5)	(8.7)	(7.4)
Foreign currency translation adjustments	0.1	(0.4)	0.2	(0.5)
Balance at end of period	\$8.7	\$8.3	\$8.7	\$8.3

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MILACRON HOLDINGS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Restructuring Reserves

2016 Actions

On September 30, 2016, the Company's wholly-owned subsidiary Ferromatik Milacron GmbH entered into an agreement with its local works council setting forth a restructuring plan related to its manufacturing facility in Malterdingen, Germany whereby certain operational functions will be shifted to the Company's operations in the Czech Republic. The Company expects to incur severance and other related costs of approximately \$13.0 million to \$15.0 million. Substantially all of these costs will result in future cash expenditures and are expected to be substantially complete by the end of 2017. As the employees are required to render service in order to receive the termination benefits, the associated liability will be recognized ratably over the future service period. The impact on the Company's Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2016, as a result of this expense recognition, was not material.

2015 Actions

The total remaining liability under severance-related actions taken during the year ended December 31, 2015, which is included within other current liabilities in the Company's Condensed Consolidated Balance Sheets, was \$0.6 million as of September 30, 2016 compared to \$1.9 million as of December 31, 2015, and is expected to be substantially paid in cash by March 31, 2017.

In connection with the Company's organizational redesign initiatives in Europe, the Company has committed to a plan to sell two separate facilities, one located in Mechelen, Belgium and one located in Magenta, Italy. As of September 30, 2016, both of these facilities met the held-for-sale criteria set forth in U.S. GAAP, resulting in the classification of \$9.7 million of property and equipment as held-for-sale. No impairment was recognized during the three and nine months ended September 30, 2016 and the book value of the facilities is classified within prepaid and other current assets in the accompanying Condensed Consolidated Balance Sheets. The Mechelen, Belgium facility is reported within the Melt Delivery and Control Systems segment and the Magenta, Italy facility is reported within the Advanced Plastic Processing Technologies segment.

12. Business Segment Information

The Company's operations are principally managed based upon the products that are produced and are comprised of three operating segments, which are the same as the Company's reportable segments: Advanced Plastic Processing Technologies, Melt Delivery and Control Systems, and Fluid Technologies. The factors for determining the Company's reportable segments include the manner in which management evaluates performance combined with the nature of the individual business activities. The Company evaluates the performance of its segments based on net sales and operating earnings. Operating earnings includes net sales to third parties, related cost of sales and operating expenses directly attributable to the segments. Operating earnings for each segment excludes items that are of a non-operating nature or are of a corporate or functional governance nature. Costs excluded from segment operating earnings include interest expense, income taxes and various corporate expenses such as transaction costs associated with the acquisition of certain businesses, stock-based compensation expense and other separately managed general and administrative costs. The effects of intersegment transactions have been eliminated. Effective January 1, 2016, the Advanced Plastic Processing Technologies segment includes our MPET product line that had previously been reported in the Melt Delivery and Control Systems segment. This reclassification more closely reflects the change in management of this product line and its related growth opportunities. Prior year results have been reclassified to reflect the segment change. For the three and nine months ended September 30, 2015, the MPET product line had revenue of \$2.0 million and \$5.9 million and operating earnings of \$0.3 million and an operating loss of \$0.5 million, respectively.

The following table summarizes total assets by segment:

	September 30,	December 31,
	2016	2015

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	(in millions)	
Advanced Plastic Processing Technologies	\$500.6	\$ 501.1
Melt Delivery and Control Systems	1,040.4	1,029.3
Fluid Technologies	146.9	141.7
Corporate	43.6	24.2
Total assets	\$1,731.5	\$ 1,696.3

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MILACRON HOLDINGS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Business Segment Information (continued)

The following table summarizes long-lived assets, net by segment:

	September 30, 2016	December 31, 2015
	(in millions)	
Advanced Plastic Processing Technologies	\$108.1	\$ 110.0
Melt Delivery and Control Systems	94.3	90.3
Fluid Technologies	15.5	15.4
Corporate	5.4	6.1
Total long-lived assets	\$223.3	\$ 221.8

The following tables summarize segment information:

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
	(in millions)			
Net sales to external customers:				
Advanced Plastic Processing Technologies	\$168.7	\$170.8	\$503.8	\$496.0
Melt Delivery and Control Systems	95.4	92.0	288.9	289.3
Fluid Technologies	28.1	29.9	84.9	87.9
Total net sales to external customers	\$292.2	\$292.7	\$877.6	\$873.2

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
	(in millions)			
Operating earnings (loss):				

Advanced Plastic Processing Technologies	\$11.2	\$16.1	\$36.5	\$39.3
Melt Delivery and Control Systems	20.5	10.0	73.0	34.1
Fluid Technologies	4.1	2.7	13.2	9.3
Corporate	(6.7)	(17.8)	(25.9)	(44.7)
Total operating earnings	\$29.1	\$11.0	\$96.8	\$38.0

Capital expenditures:				
Advanced Plastic Processing Technologies	\$4.7	\$5.8	\$16.8	\$22.3
Melt Delivery and Control Systems	5.0	5.9	13.4	15.2
Fluid Technologies	0.4	0.2	0.8	0.5
Corporate	—	1.0	—	1.7
Total capital expenditures	\$10.1	\$12.9	\$31.0	\$39.7

Depreciation and amortization:				
Advanced Plastic Processing Technologies	\$5.0	\$4.5	\$15.0	\$14.9
Melt Delivery and Control Systems	8.4	8.6	25.1	26.8
Fluid Technologies	1.4	1.6	4.1	5.0
Corporate	0.2	0.1	0.6	0.3
Total depreciation and amortization	\$15.0	\$14.8	\$44.8	\$47.0

MILACRON HOLDINGS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Business Segment Information (continued)

The following tables summarize net sales to external customers and long-lived assets, net by geographic region:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
	(in millions)			
Net sales to external customers:				
United States	\$142.0	\$145.9	\$415.1	\$418.8
Rest of World	150.2	146.8	462.5	454.4
Total net sales to external customers	\$292.2	\$292.7	\$877.6	\$873.2

September 30,
2016 December 31, 2015
(in millions)

Long-lived assets:		
United States	\$79.6	\$78.3
Rest of World	143.7	143.5
Total long-lived assets	\$223.3	\$221.8

13. Subsequent Events

On October 6, 2016, the Company's wholly-owned subsidiary Mold-Masters (2007) Limited ("Mold-Masters") entered into an agreement with 662073 Ontario Limited to purchase two properties located in Halton Hills, Ontario, Canada which were previously leased by Mold-Masters. The purchase price was CAD \$14.25 million, or approximately USD \$10.8 million. In connection with this transaction, the Company has committed to a plan to sell these two properties and determined that both properties have met the held-for-sale criteria set forth in U.S. GAAP during the fourth quarter.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

For an understanding of the significant factors that influenced our results, the following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and related notes appearing elsewhere in this report. This management's discussion and analysis should also be read in conjunction with the management's discussion and analysis and consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2015 as filed with the SEC on March 2, 2016.

Overview

Milacron Holdings Corp. ("Milacron", the "Company", "we", "us" or "our") is a global leader in the manufacture, distribution, and service of highly engineered and customized systems within the plastic technology and processing industry. We serve this market through the following three segments:

▲Advanced Plastic Processing Technologies ("APPT");

▲Melt Delivery and Control Systems ("MDCS"); and

▲Fluid Technologies ("Fluids").

Our APPT segment designs, manufactures and sells plastic processing equipment and systems, which include injection molding, blow molding, extrusion and auxiliary systems along with the related parts and service, whereas our MDCS segment designs, manufactures and sells hot runner and process control systems, mold bases and components, and sells maintenance, repair and operating ("MRO") supplies. Hot runner systems are custom-designed for each product a customer manufactures on an injection molding machine. Our Fluids segment is a global manufacturer of synthetic and semi-synthetic lubricants and coolants.

We are the only global company with a full-line product portfolio that includes hot runner systems, injection molding, blow molding and extrusion equipment. We maintain strong market positions across these products, as well as leading positions in process control systems, mold bases and components, MRO supplies and fluid technology.

Milacron has strong brand recognition with over 150 years of continuous operations. With products sold in over 100 countries across six continents, our established and market-driven global footprint is well-positioned to benefit from continued robust industry growth in both developed and emerging markets. Our breadth of products, long history, and global reach have resulted in a large installed base of over 40,000 plastic processing machines and over 140,000 hot runner systems.

Our strategy is designed to maximize revenue from consumable products across the life of a machine, while offering plastic technology solutions to a broad customer base. Management estimates that the value of available consumables revenue across the life of a machine is one to four times the cost of a machine. This strategy has shifted our revenue and earnings model to be more heavily weighted towards consumables, which comprise the majority of revenue from our plastic processing related APPT and MDCS segments on a combined basis. The consumables portion of our APPT and MDCS segments consists of: (1) machine aftermarket parts and service which are required annually, (2) hot runner systems and mold bases which are required each time new plastic parts are designed and existing plastic parts are redesigned, and (3) upgrades and overhauls which occur as customers decide to improve the performance or extend the life of their machines. Upon a customer's decision to replace a machine, we can repurchase the existing machine and sell it as a certified pre-owned machine. All of our sales in our Fluids segment are considered to be consumable and, when combined with our APPT and MDCS consumable product lines, consumables accounted for 61% of total fiscal 2015 sales and 62% of our sales for the three and nine months ended September 30, 2016. We believe this percentage will increase as we capture more of our customers' spend on consumable products through our lifecycle sales approach.

We have over 27,000 customers globally, made up of many blue-chip and Fortune 500 companies including OEMs, molders and mold-makers. Our customer base covers a wide range of end market applications including packaging, automotive, medical, construction, consumer goods and electronics. Our sales are geographically diversified, with 55% in North America, 19% in Europe, 9% in China, 8% in India and 9% in the rest of the world for the nine months ended September 30, 2016.

Global population growth, coupled with continued urbanization, increased purchasing power and improved lifestyle in emerging markets has resulted in greater demand for a broad range of finished plastic products in many segments of the economy, including automotive, construction and consumer products. We believe that our strong global presence

positions us well to capture a portion of this growth. Milacron has made significant investments in China and India in order to capitalize on the projected growth rates of the plastic business in these markets. We plan to continue to expand our manufacturing capabilities while also increasing our technical, marketing and sales efforts. In Central and South America, Southeast Asia and Eastern Europe, we are building capabilities and working on creating new relationships to support this growth. We also continue to strategically reorganize our manufacturing base in order to shift resources to high growth geographic markets.

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Key Drivers of our Businesses

Milacron's strategy is focused on growing revenue and operating profits through selective initiatives that leverage our market position, geographic footprint and core competencies. Management expects, in the near term, profitability will be driven by both revenue growth and margin expansion. Management expects that revenue growth will come from underlying market growth in our key segments, geographic expansion of certain product lines, continued penetration of hot runners, and incremental share gain from new products. New products are focused on solidifying our current market position, expanding our addressable market and expanding the market through the introduction of technology that displaces other materials, primarily metal and glass. Operating margin expansion is expected to result from active cost reduction initiatives focused on leveraging our geographic footprint that will allow us to consolidate manufacturing capacity, sales offices and call centers on a regional basis, and shift certain back-office functions from a decentralized local structure to a low-cost country global shared service center model.

Cost Reduction Initiatives

Milacron's organizational redesign and cost reduction initiatives are in the process of being implemented and are expected to yield approximately \$35 million of annual run-rate cost savings by the end of 2017. In fiscal 2015, Milacron incurred approximately \$22 million of one-time costs related to these projects and during the three and nine months ended September 30, 2016, approximately \$5.8 million and \$14.7 million of costs were incurred related to these projects, respectively.

On September 30, 2016, the Company's wholly-owned subsidiary Ferromatik Milacron GmbH entered into an agreement with its local works council setting forth a restructuring plan related to its manufacturing facility in Malterdingen, Germany whereby certain operational functions will be shifted to the Company's operations in the Czech Republic. The Company expects to incur severance and other related costs of approximately \$13.0 million to \$15.0 million. Substantially all of these costs will result in future cash expenditures and are expected to be substantially complete by the end of 2017.

See risk factors discussed in Item 1A. Risk Factors included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, as filed with the SEC on March 2, 2016.

Advanced Plastic Processing Technologies

The key factors affecting our APPT segment results include demand for plastic processing machinery, capacity and capital investment, raw material inputs and cost structure.

Demand. Increased demand in the plastic processing machinery industry is expected to be driven by the overall expected rise in plastic processing, increasing equipment age and continuing advances in technology, such as the shift to higher-end equipment as plastic processors seek to reduce their operating costs and produce higher quality products. With 67% of APPT sales for the nine months ended September 30, 2016 occurring in North America, demand is also impacted by customers bringing manufacturing operations back to North America.

Capacity and Capital Investment. Capital expenditures in our APPT business were \$29.4 million in fiscal 2015, of which approximately 58% related to capacity expansion for the production of plastic processing equipment, primarily in Europe to facilitate the announced move of our production facility in Italy to the Czech Republic. During the nine months ended September 30, 2016, capital expenditures in APPT totaled \$16.8 million, of which approximately 35% relates to capacity expansion for the production of plastic processing equipment.

Raw Material Inputs. In order to secure our supply needs, we have developed a global network of reliable, low-cost suppliers. We sourced approximately 28% of our components and materials from suppliers located in low-cost countries in fiscal 2015 and are working toward increasing this percentage. Steel, which we source both directly and indirectly through our component suppliers, is the primary material used in our products. We do not enter into derivative financial instruments to hedge our commodity price risk and currently do not have a significant number of long-term supply contracts with key suppliers.

Cost Structure. Our APPT segment is focused on optimizing our global manufacturing and back-office infrastructure to maximize operating efficiencies and minimize fixed cost structure.

Melt Delivery and Control Systems

The key factors affecting our MDCS segment results include demand for hot runner systems and hot halves, mold bases, components, capacity and capital investment, raw material inputs and cost structure.

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Demand. Consistent with historical periods, according to an October 2015 Interconnection Consulting report, the hot runner market is expected to grow faster than the overall global economy based on macro-economic drivers involving product life cycles, demographics, technology conversion and greater use of plastic. Demand within the hot runner market is driven more by the frequency of product design changes and model refreshes than by end product volume, because hot runner systems are typically custom ordered for each new product mold, representing a critical factor in the market's resiliency during economic cycles.

Capacity and Capital Investment. Capital expenditures in our MDCS segment were \$19.5 million in fiscal 2015, of which 25% was incurred to expand capacity in the Czech Republic, in part to facilitate the announced move of our Belgium warehouse to the Czech Republic. During the nine months ended September 30, 2016, capital expenditures in MDCS totaled \$13.4 million. Approximately 38% of these capital expenditures are related to capacity expansion in China for the production of hot runner systems and related products and 27% is related to our continued expansion in the Czech Republic to consolidate manufacturing capacity.

Raw Material Inputs. Steel is the primary raw material input for our MDCS segment. Although long-term contracts with steel suppliers are not typical, our business has purchase order commitments for a portion of our annual spend of higher-volume grades of steel. These purchase orders extend an average of three to six months, with prices negotiated annually. This allows us to forecast our costs in the MDCS segment and, given the short lead time between the initial request for a quotation and the finalized design, we have historically been able to pass along price changes, accordingly.

Cost Structure. Our MDCS segment is focused on controlling its cost structure by increasing low-cost country sourcing in addition to establishing comprehensive operations in India for applications engineering and the consolidation of several back-office support functions within our shared services center.

Fluid Technologies

The key factors affecting our Fluids segment results include demand for metalworking fluids and raw material inputs. Demand. Demand for industrial fluids is closely tied to demand for metal products, which are produced on metalworking machinery through cutting, stamping and other processes. As industrial production and demand for metalworking machinery grows, manufacturers will require increased amounts of high-quality coolants, lubricants and cleaners to maximize productivity and extend the life of equipment and tooling. Market trends indicate higher technology fluids demand due to environmental and health concerns and as more exotic metals become more prevalent.

Raw Material Inputs. Many of the raw materials in our industrial fluids are derivatives of petroleum or natural gas. As a result, fluctuations in commodity-based pricing may impact the cost of these materials. We manage the impact of raw material cost increases through sales pricing adjustments, but we may be impacted by a delay in implementing these adjustments throughout our distribution network. In addition, due to the specialty nature of our products, some of our raw materials have few sources, and we may be impacted by disruptions to supply. Where possible, we seek alternative sources and, in some situations, we are able to reformulate product with alternative materials without impacting performance, environmental, or health and safety features.

New Orders and Backlog

New orders represent the value of incoming purchase orders received for a period of time that may or may not have been shipped during the period. New orders in the third quarter of 2016 were \$284.3 million, an increase of \$9.1 million, or 3.3%, compared to \$275.2 million in the third quarter of 2015. Excluding \$2.7 million of unfavorable effects of foreign currency movements, new orders increased 4.3% compared to the prior year period. New orders were primarily impacted by an increase in our equipment business in Europe and our hot runner business in Europe and China. New orders were also impacted \$5.7 million in the third quarter of 2016 from the acquisition of CanGen Holdings, Inc. ("CanGen") during the fourth quarter of 2015.

New orders in the first nine months of 2016 were \$900.2 million, an increase of \$24.5 million, or 2.8%, compared to \$875.7 million in the first nine months of 2015. Excluding \$13.2 million of unfavorable effects of foreign currency movements, new orders increased 4.3% compared to the prior year period. New orders were primarily impacted by an increase in our equipment business in North America and Europe as well as our hot runner business in China. New orders were also impacted \$16.8 million in the first nine months of 2016 from the acquisition of CanGen during the

fourth quarter of 2015.

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Backlog represents the value of unfilled orders as of the applicable date. These unfilled orders are supported by a valid purchase order and price, terms and credit have been approved by us. Our backlog of unfilled orders at September 30, 2016 was \$243.3 million, an increase of \$31.7 million from December 31, 2015 and an increase of \$22.5 million from September 30, 2015. Excluding \$2.0 million of favorable effects of foreign currency movements, backlog increased 14.0% compared to December 31, 2015. The increase in our backlog compared to December 31, 2015 is predominantly driven by strength in the North American equipment business. Excluding \$0.2 million of unfavorable effects of foreign currency movements, backlog increased 10.3% compared to September 30, 2015. Backlog was also impacted \$5.9 million as of September 30, 2016 from the acquisition of CanGen when compared to September 30, 2015. All of our backlog is expected to be filled within the next twelve months and there are no seasonal or other aspects of the backlog that would impact filling the orders.

Backlog of confirmed orders for equipment within the APPT business is tracked on a monthly basis. Lead times can vary significantly depending on the type and size of machine. Backlog within our MDCS businesses is relatively stable, as mold bases and hot runner systems have a short lead time from receipt of order to shipment with a global average of six to eight weeks; whereas spare parts sales of standard products are typically in stock and shipped with very little lead time. We do not track backlog in our Fluids segment as most orders are filled with minimal lead time.

Executive Overview

For the third quarter of 2016, we reported sales of \$292.2 million, operating earnings of \$29.1 million and net earnings of \$6.7 million. This compares to sales of \$292.7 million, operating earnings of \$11.0 million and a net loss of \$11.2 million for the third quarter of 2015. Excluding \$2.7 million of unfavorable effects of foreign currency movements, sales increased 0.8% compared to the prior year period. Sales were also impacted \$5.6 million in the third quarter of 2016 from the acquisition of CanGen. We generated \$54.3 million in adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"), or 18.6% of sales, during the third quarter of 2016 compared to \$54.0 million in Adjusted EBITDA, or 18.4% of sales, during the third of 2015.

For the first nine months of 2016, we reported sales of \$877.6 million, operating earnings of \$96.8 million and net earnings of \$29.4 million. This compares to sales of \$873.2 million, operating earnings of \$38.0 million and a net loss of \$54.3 million for the first nine months of 2015. Excluding \$12.7 million of unfavorable effects of foreign currency movements, sales increased 2.0% compared to the prior year period. Sales were also impacted \$16.1 million in the first nine months of 2016 from the acquisition of CanGen. We generated \$159.2 million in Adjusted EBITDA, or 18.1% of sales, during the first nine months of 2016 compared to \$154.5 million in Adjusted EBITDA, or 17.7% of sales, during the first nine months of 2015.

Advanced Plastic Processing Technologies

Our APPT segment generated \$168.7 million in sales, operating earnings of \$11.2 million and \$21.5 million in Adjusted EBITDA, or 12.7% of sales, before corporate expenses, for the third quarter of 2016 compared to \$170.8 million in sales, operating earnings of \$16.1 million and \$21.6 million in Adjusted EBITDA, or 12.6% of sales, before corporate expenses, in the same period of 2015. Excluding \$1.2 million of unfavorable effects of foreign currency movements, sales decreased 0.5% compared to the prior year period. Sales were also impacted \$5.6 million in the third quarter of 2016 from the acquisition of CanGen.

For the nine months ended September 30, 2016, APPT generated \$503.8 million in sales, operating earnings of \$36.5 million and \$61.4 million in Adjusted EBITDA, or 12.2% of sales, before corporate expenses, compared to \$496.0 million in sales, operating earnings of \$39.3 million and \$61.5 million in Adjusted EBITDA, or 12.4% of sales, before corporate expenses, in the same period of 2015. Excluding \$5.8 million of unfavorable effects of foreign currency movements, sales increased 2.7% compared to the prior year period. Sales were also impacted \$16.1 million in the first nine months of 2016 from the acquisition of CanGen.

Melt Delivery and Control Systems

Our MDCS segment generated \$95.4 million in sales, operating earnings of \$20.5 million and \$30.6 million in Adjusted EBITDA, or 32.1% of sales, before corporate expenses, for the third quarter of 2016 compared to \$92.0 million in sales, operating earnings of \$10.0 million and \$29.2 million in Adjusted EBITDA, or 31.7% of sales, before corporate expenses, in the same period of 2015. Excluding \$0.9 million of unfavorable effects of foreign currency movements, sales increased 4.7% compared to the prior year period.

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For the nine months ended September 30, 2016, MDCS generated \$288.9 million in sales, operating earnings of \$73.0 million and \$94.6 million in Adjusted EBITDA, or 32.7% of sales, before corporate expenses, compared to \$289.3 million in sales, operating earnings of \$34.1 million and \$89.5 million in Adjusted EBITDA, or 30.9% of sales, before corporate expenses, in the same period in 2015. Excluding \$4.6 million of unfavorable effects of foreign currency movements, sales increased 1.5% compared to the prior year period.

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Fluid Technologies

Our Fluids segment generated \$28.1 million in sales, operating earnings \$4.1 million and \$5.9 million in Adjusted EBITDA, or 21.0% of sales, before corporate expenses, for the third quarter of 2016 compared to \$29.9 million in sales, operating earnings of \$2.7 million and \$6.7 million in Adjusted EBITDA, or 22.4% of sales, before corporate expenses in the same period of 2015. Excluding \$0.6 million of unfavorable effects of foreign currency movements, sales decreased 4.0% compared to the prior year period.

For the nine months ended September 30, 2016, Fluids generated \$84.9 million in sales, operating earnings of \$13.2 million and \$18.5 million in Adjusted EBITDA, or 21.8% of sales, before corporate expenses, compared to \$87.9 million in sales, operating earnings of \$9.3 million and \$18.1 million in Adjusted EBITDA, or 20.6% of sales, before corporate expenses, in the same period in 2015. Excluding \$2.3 million of unfavorable effects of foreign currency movements, sales decreased 0.8% compared to the prior year period.

Liquidity

In the first nine months of 2016, cash increased \$35.2 million primarily due to cash generated from operations, partially offset by capital expenditures. Operating activities generated \$60.8 million of cash in the first nine months of 2016 compared to using \$5.7 million of cash in the same period of 2015. Investing activities used \$30.2 million in the first nine months of 2016 primarily due to capital expenditures. Financing activities generated \$3.6 million in the first nine months of 2016 primarily as a result of proceeds received from the exercise of stock options.

Cash on hand at September 30, 2016 was \$102.7 million, and we had approximately \$106.9 million available for borrowing under our asset-based and other credit facilities.

Results of Operations

Comparison of the Three and Nine Months Ended September 30, 2016 and 2015

The following table summarizes the results of operations for the three and nine months ended September 30, 2016 and 2015:

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
	2016	2015	2016	2015
	(in millions)			
Net sales	\$292.2	\$292.7	\$877.6	\$873.2
Cost of sales	192.5	191.4	574.5	569.8
Manufacturing margins	99.7	101.3	303.1	303.4
Operating expenses:				
Selling, general and administrative expenses	60.3	69.2	187.0	207.5
Amortization expense	7.8	8.7	23.5	27.3
(Gain) loss on currency translation	(0.3)	8.7	(8.3)	18.6
Other expense, net	2.8	3.7	4.1	12.0
Total operating expenses	70.6	90.3	206.3	265.4
Operating earnings	29.1	11.0	96.8	38.0
Interest expense, net	15.2	15.6	45.6	52.4
Loss on debt extinguishment	—	—	—	22.2
Earnings (loss) before income taxes	13.9	(4.6)	51.2	(36.6)
Income tax expense	7.2	6.6	21.8	17.7
Net earnings (loss)	\$6.7	\$(11.2)	\$29.4	\$(54.3)

Net Sales

Sales for the three months ended September 30, 2016 were \$292.2 million compared to \$292.7 million for the three months ended September 30, 2015, a decrease of \$0.5 million, or 0.2%. Excluding \$2.7 million of unfavorable effects of foreign currency movements, sales increased 0.8% compared to the prior year period. Sales in our MDCS segment increased as a result of strength in the hot runner business. Sales were also impacted \$5.6 million in the third quarter of 2016 from the acquisition of CanGen.

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For the nine months ended September 30, 2016, sales were \$877.6 million compared to \$873.2 million for the nine months ended September 30, 2015, an increase of \$4.4 million, or 0.5%. Excluding \$12.7 million of unfavorable effects of foreign currency movements, sales increased 2.0% compared to the prior year period. Sales in our APPT segment increased as a result of strength in the equipment business. Sales were also impacted \$16.1 million in the first nine months of 2016 from the acquisition of CanGen.

The following table sets forth our sales by segment for the periods presented:

	Three Months		Nine Months	
	Ended		Ended	
	September 30,		September 30,	
	2016	2015	2016	2015

(in millions)

Sales by segment:

Advanced Plastic Processing Technologies	\$168.7	\$170.8	\$503.8	\$496.0
Melt Delivery and Control Systems	95.4	92.0	288.9	289.3
Fluid Technologies	28.1	29.9	84.9	87.9
Total sales	\$292.2	\$292.7	\$877.6	\$873.2

Advanced Plastic Processing Technologies

Sales for the APPT segment for the three months ended September 30, 2016 were \$168.7 million compared to \$170.8 million for the three months ended September 30, 2015, a decrease of \$2.1 million, or 1.2%. Excluding \$1.2 million of unfavorable effects of foreign currency movements, sales decreased 0.5% compared to the prior year period. Sales decreased as a result of a decline in North America with declines in the automotive and packaging industries. These declines were partially offset by increases in India and Europe with increases in the consumer goods, electronics and construction industries. Sales were also impacted \$5.6 million in the third quarter of 2016 from the acquisition of CanGen.

Sales for the APPT segment for the nine months ended September 30, 2016 were \$503.8 million compared to \$496.0 million for the nine months ended September 30, 2015, an increase of \$7.8 million, or 1.6%. Excluding \$5.8 million of unfavorable effects of foreign currency movements, sales increased 2.7% compared to the prior year period. Sales increased as a result of growth in the equipment businesses driven by performance in India with increases in the consumer goods and construction industries. These increases were partially offset by a declines in the automotive and packaging industries. Sales were also impacted \$16.1 million in the first nine months of 2016 from the acquisition of CanGen.

Melt Delivery and Control Systems

Sales for the MDCS segment for the three months ended September 30, 2016 were \$95.4 million compared to \$92.0 million for the three months ended September 30, 2015, an increase of \$3.4 million, or 3.7%. Excluding \$0.9 million of unfavorable effects of foreign currency movements, sales increased 4.7% compared to the prior year period. Sales increased as a result of growth in North America with increases in the packaging, consumer goods and medical industries. These increases were partially offset by declines in the electronics and automotive industries.

Sales for the MDCS segment for the nine months ended September 30, 2016 were \$288.9 million compared to \$289.3 million for the nine months ended September 30, 2015, a decrease of \$0.4 million, or 0.1%. Excluding \$4.6 million of unfavorable effects of foreign currency movements, sales increased 1.5% during the prior year period. Sales increased as a result of growth in China and North America with increases in the consumer goods and packaging industries. These increases were partially offset by declines in the construction and electronics industries.

Fluid Technologies

Sales for the Fluids segment for the three months ended September 30, 2016 were \$28.1 million compared to \$29.9 million for the three months ended September 30, 2015, a decrease of \$1.8 million, or 6.0%. Excluding \$0.6 million of unfavorable effects of foreign currency movements, sales decreased 4.0% compared to the prior year period. Sales decreased primarily as a result of a decline in North America with a decrease in the electronics industry.

Sales for the Fluids segment for the nine months ended September 30, 2016 were \$84.9 million compared to \$87.9 million for the nine months ended September 30, 2015, a decrease of \$3.0 million, or 3.4%. Excluding \$2.3 million of

unfavorable effects of foreign currency movements, sales decreased 0.8% during the prior year period. Sales decreased in North America and was partially offset by an increase in China.

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Cost of Sales

Cost of sales for the three months ended September 30, 2016 was \$192.5 million compared to \$191.4 million for the three months ended September 30, 2015, an increase of \$1.1 million, or 0.6%. Cost of sales for the nine months ended September 30, 2016 was \$574.5 million compared to \$569.8 million for the nine months ended September 30, 2015, an increase of \$4.7 million, or 0.8%. The increase for both periods is principally related to our acquisition of CanGen in the fourth quarter of 2015, partially offset by our low-cost country and other cost reduction initiatives.

Manufacturing Margins

Our manufacturing margin (or gross margin) for the three months ended September 30, 2016 was \$99.7 million compared to \$101.3 million for the three months ended September 30, 2015, a decrease of \$1.6 million, or 1.6%. Our manufacturing margin for the nine months ended September 30, 2016 was \$303.1 million compared to \$303.4 million for the nine months ended September 30, 2015, a decrease of \$0.3 million, or 0.1%.

The manufacturing margin as a percent of sales for the three months ended September 30, 2016 was 34.1% compared to 34.6% for the three months ended September 30, 2015 and the manufacturing margin as a percent of sales for the nine months ended September 30, 2016 was 34.5% compared to 34.7% for the nine months ended September 30, 2015.

While the Company has realized material cost savings and benefits from cost reduction actions, these improvements were offset by the effects of competitive pricing pressure on sales.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three months ended September 30, 2016 were \$60.3 million compared to \$69.2 million for the three months ended September 30, 2015, a decrease of \$8.9 million, or 12.9%. Selling, general and administrative expenses for the nine months ended September 30, 2016 were \$187.0 million compared to \$207.5 million for the nine months ended September 30, 2015, a decrease of \$20.5 million, or 9.9%. The decreases are primarily related to our organizational redesign initiatives and a decrease in stock-based compensation expense. In connection with our initial public offering ("IPO") in June 2015, we recognized an additional \$11.3 million of stock-based compensation expense during the third quarter of 2015 associated with time-based and performance-based awards previously granted under our 2012 Equity Incentive Plan. These awards contained a market condition in which the vesting of the awards was accelerated upon the satisfaction of the market condition. Based upon the trading price of the Company's common stock subsequent to the IPO, the market condition was satisfied which resulted in the vesting of the awards in July 2015 and the Company's recognition of all previously unrecognized stock-based compensation expense associated with these awards. These reductions were partially offset by increased costs related to our acquisition of CanGen in the fourth quarter of 2015.

Amortization Expense

Amortization expense related to intangible assets for the three months ended September 30, 2016 was \$7.8 million compared to \$8.7 million for the three months ended September 30, 2015, a decrease of \$0.9 million, or 10.3%. Amortization expense related to intangible assets for the nine months ended September 30, 2016 was \$23.5 million compared to \$27.3 million for the nine months ended September 30, 2015, a decrease of \$3.8 million, or 13.9%. The decrease is primarily related to accelerated amortization methods on certain intangible assets subject to amortization as well as favorable foreign currency translation effects and was partially offset by amortization on certain intangible assets acquired in connection with the acquisition of CanGen in the fourth quarter of 2015.

(Gain) Loss on Currency Translation

The gain on currency translation for the three months ended September 30, 2016 was \$0.3 million compared to a loss of \$8.7 million for the three months ended September 30, 2015, resulting in an favorable change of \$9.0 million. The gain on currency translation for the nine months ended September 30, 2016 was \$8.3 million compared to a loss of \$18.6 million for the nine months ended September 30, 2015, resulting in a favorable change of \$26.9 million. The gains and losses primarily relate to the non-cash translation impact on intercompany advances related to the Canadian dollar associated with the acquisition of Mold-Masters Luxembourg Holdings S.à r.l ("Mold-Masters") within our MDCS segment.

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Other Expense, Net

Other expense, net for the three months ended September 30, 2016 was \$2.8 million compared to \$3.7 million for the three months ended September 30, 2015, a decrease of \$0.9 million. Other expense, net for the nine months ended September 30, 2016 was \$4.1 million compared to \$12.0 million for the nine months ended September 30, 2015, a decrease of \$7.9 million. The decrease was principally driven by expenses incurred in 2015 in connection with our organizational redesign initiatives in Europe as well as the \$2.2 million impairment on certain trademarks incurred during the second quarter of 2015 which were discontinued as a result of a rebranding initiative.

Operating Earnings

Operating earnings for the three months ended September 30, 2016 were \$29.1 million compared to \$11.0 million for the three months ended September 30, 2015, an increase of \$18.1 million, or 164.5%. The increase is primarily attributable to a reduction in stock-based compensation expense and the favorable impact of foreign currency translation when compared to the third quarter of 2015. During the third quarter of 2015, the Company recognized \$11.3 million of additional stock-based compensation expense related to accelerated vesting of certain time-based and performance-based awards.

Operating earnings for the nine months ended September 30, 2016 were \$96.8 million compared to \$38.0 million for the nine months ended September 30, 2015, an increase of \$58.8 million, or 154.7%. The increase is mainly attributable to the gains from currency translation, a reduction in stock-based compensation expense and a reduction in costs incurred related to our organizational redesign initiatives.

Interest Expense, Net

Interest expense, net for the three months ended September 30, 2016 was \$15.2 million compared to \$15.6 million for the three months ended September 30, 2015, a decrease of \$0.4 million, or 2.6%. Interest expense, net for the nine months ended September 30, 2016 was \$45.6 million compared to \$52.4 million for the nine months ended September 30, 2015, a decrease of \$6.8 million, or 13.0%. These decreases are primarily due to the decrease in our average indebtedness during 2016 when compared to the same period in 2015.

Loss on Debt Extinguishment

Loss on debt extinguishment was \$22.2 million for the nine months ended September 30, 2015. The loss on debt extinguishment in 2015 was principally related to the \$13.8 million premium paid upon the repayment of our 8.375% senior secured notes due 2019 (the "Senior Secured Notes") as well as the related write-off of deferred financing costs during the period.

Income Tax Expense

Income tax expense for the three months ended September 30, 2016 was \$7.2 million compared to \$6.6 million for the three months ended September 30, 2015, an increase of \$0.6 million. Income tax expense for the nine months ended September 30, 2016 was \$21.8 million compared to \$17.7 million for the nine months ended September 30, 2015, an increase of \$4.1 million. Income tax expense for all periods was primarily due to earnings in jurisdictions paying cash taxes or where utilization of deferred tax assets was not offset by reversal of valuation allowances. The increase in income tax expense is principally related to an increase in earnings and an increase in the tax rate at one of the Company's non-U.S. subsidiaries.

Non-GAAP Financial Measures

We prepare our financial statements in conformity with United States generally accepted accounting principles ("U.S. GAAP"). To supplement this information, we also use the following non-GAAP financial measures: Adjusted EBITDA and Adjusted Net Income. Because not all companies use identical calculations, these presentations may not be comparable to other similarly titled measures of other companies.

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Adjusted EBITDA

Adjusted EBITDA represents net income before interest expense, taxes, depreciation and amortization, as further adjusted for the other items reflected in the reconciliation table set forth below. Adjusted EBITDA is a measure used by management to measure operating performance. Adjusted EBITDA is not a presentation made in accordance with U.S. GAAP, is not a measure of financial condition or profitability, and should not be considered as an alternative to net earnings (loss) determined in accordance with U.S. GAAP or operating cash flows determined in accordance with U.S. GAAP or any other performance measure derived in accordance with U.S. GAAP and should not be construed as an inference that our future results will be unaffected by unusual non-recurring items. Additionally, Adjusted EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not include certain cash requirements such as interest payments, tax payments, debt service requirements and certain other cash costs that may recur in the future.

We view Adjusted EBITDA as a key measure of our performance. We present Adjusted EBITDA not only due to its importance for purposes of our credit agreements but also because it assists us in comparing our performance across reporting periods on a consistent basis as it excludes items that we do not believe are indicative of our core operating performance. Our management uses Adjusted EBITDA:

- as a measurement used in evaluating our consolidated and segment-level operating performance on a consistent basis;
- to calculate incentive compensation for our employees;
- for planning purposes, including the preparation of our internal annual operating budget;
- to evaluate the performance and effectiveness of our operational strategies; and
- to assess compliance with various metrics associated with our debt agreements.

We believe that the inclusion of Adjusted EBITDA in this Quarterly Report on Form 10-Q is useful to provide additional information to investors about certain material non-cash items as well as items considered to be one-time or non-recurring to the operations of the business. While we believe these financial measures are commonly used by investors to evaluate our performance and that of our competitors, because not all companies use identical calculations, this presentation of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies and should not be considered as an alternative to performance measures derived in accordance with U.S. GAAP. Adjusted EBITDA is calculated as net earnings (loss) before income tax expense, interest expense, net, depreciation and amortization further adjusted to exclude other items as reflected in the reconciliation table below. In evaluating Adjusted EBITDA, you should be aware that in the future we will incur expenses such as those used in calculating Adjusted EBITDA. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by usual or non-recurring items. Because of these limitations, Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our U.S. GAAP results and using Adjusted EBITDA only supplementary.

Adjusted Net Income

Adjusted Net Income measures our operating performance by adjusting net earnings (loss) to exclude amortization expense, non-cash currency effect on intercompany advances, organizational redesign costs, long-term equity awards and shareholder fees, acquisition integration costs, professional services and certain other non-recurring items. Management uses this measure to evaluate our core operating results as it excludes certain items whose fluctuations from period-to-period do not necessarily correspond to changes in the core operations of the business, but includes certain items such as depreciation, interest expense and income tax expense, which are otherwise excluded from Adjusted EBITDA. We believe the presentation of Adjusted Net Income enhances our investors' overall understanding of the financial performance and cash flow of our business. You should not consider Adjusted Net Income as an alternative to net earnings (loss), determined in accordance with U.S. GAAP, as an indicator of operating performance.

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The following is a reconciliation of net earnings (loss), the most comparable U.S. GAAP measure, to Adjusted Net Income and to Adjusted EBITDA:

	Three Months		Nine Months	
	Ended		Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
	(in millions)			
Net earnings (loss)	\$6.7	\$(11.2)	\$29.4	\$(54.3)
Amortization expense	7.8	8.7	23.5	27.3
Currency effect on intercompany advances (a)	—	9.4	(7.3)	19.6
Organizational redesign costs (b)	5.8	4.9	14.7	15.8
Long-term equity awards and shareholder fees (c)	2.2	12.3	5.2	23.4
Debt costs (d)	—	0.1	—	23.2
Acquisition integration costs (e)	—	(0.3)	—	3.2
Professional services (f)	0.4	1.6	2.5	4.3
Fair market value adjustments (g)	—	—	0.3	—
Annual effective tax rate adjustment (h)	0.4	—	2.4	—
Other (i)	1.8	0.2	2.2	2.2
Adjusted Net Income	25.1	25.7	72.9	64.7
Income tax expense (h)	6.8	6.6	19.4	17.7
Interest expense, net	15.2	15.6	45.6	52.4
Depreciation expense	7.2	6.1	21.3	19.7
Adjusted EBITDA	\$54.3	\$54.0	\$159.2	\$154.5

Non-cash currency effect on intercompany advances primarily relates to advances denominated in foreign (a) currencies. The most significant exposure relates to the Canadian dollar pursuant to intercompany advances within the MDCS segment.

Organizational redesign costs in the three months ended September 30, 2016 primarily included \$1.4 million for termination costs as a result of eliminated positions, \$2.0 million of costs related to the shutdown of facilities and \$0.3 million of costs related to the restructuring of Fluids in Europe. Organizational redesign costs in the nine months ended September 30, 2016 primarily included \$4.7 million for termination costs as a result of eliminated positions, \$4.4 million of costs related to the shutdown of facilities, \$0.5 million of costs related to relocating our facility in Belgium to the Czech Republic and \$0.3 million of costs related to the restructuring of Fluids in Europe. Organizational redesign costs in the three months ended September 30, 2015 primarily included \$1.5 million of (b) severance and \$0.8 million of one-time project costs related to the restructuring of Fluids in Europe, \$1.0 million for termination costs as a result of eliminated positions, \$0.5 million of costs related to the restructuring of the procurement organization, and \$0.4 million of costs related to relocating our facility in Italy to the Czech Republic. Organizational redesign costs in the nine months ended September 30, 2015 primarily included \$3.8 million of severance and \$2.9 million of one-time project costs related to relocating our facilities in Belgium and Italy to the Czech Republic, \$3.3 million for termination costs as a result of eliminated positions, \$2.8 million of costs related to the restructuring of Fluids in Europe, and \$0.7 million of costs related to the restructuring of the procurement organization.

Long-term equity awards and shareholder fees include the charges associated with stock-based compensation (c) awards granted to certain executives and independent directors and a cash advisory fee paid to CCMP in the three and nine months ended September 30, 2016 and 2015. The cash advisory payment to CCMP ceased as of the effective date of our IPO.

Debt costs incurred during the nine months ended September 30, 2015 included \$22.2 million of debt
(d) extinguishment costs and \$0.9 million of fees related to the new senior secured term loan facility due September 2020 ("New Term Loan Facility").

Acquisition integration costs in the three months ended September 30, 2015 included a \$0.4 million gain for the adjustment to an accrued incentive payment. In the nine months ended September 30, 2015, we incurred \$1.5 million of costs to introduce the integration and new branding of all Milacron companies. In addition, acquisition
(e) integration costs in the nine months ended September 30, 2015 included \$1.5 million of costs related to the Kortec, Inc. ("Kortec"), TIRAD s.r.o. ("TIRAD") and Mold-Masters acquisitions for product line integration and other strategic alignment initiatives.

Professional fees in the three and nine months ended September 30, 2016 included \$0.4 million and \$2.5 million, respectively, of costs for strategic organizational initiatives. Professional fees related to operational efficiency,
(f) business development, and other one-time advisory projects in the three and nine months ended September 30, 2015 included \$0.4 million and \$2.6 million of fees for readiness initiatives associated with our IPO and \$0.7 million and \$1.0 million of costs for strategic organizational initiatives, respectively.

Non-cash fair market value adjustments relate to acquisition accounting for the fair market value of inventory as
(g) part of our acquisition of CanGen in the fourth quarter of 2015.

The annual effective tax rate adjustment primarily includes the impact to the tax provision utilizing the annual effective tax rate recomputed with anticipated tax rate reductions that have not been recognized for U.S. GAAP purposes as the Company is awaiting regulatory approval. The reductions have historically been approved, or are
(h) expected to be approved, although there are no guarantees that the regulatory authorities will accept the Company's applications. In addition, the adjustment includes the impact of interim and intra-period tax expense and benefits that are expected to reverse in subsequent periods as well as the tax benefit associated with reconciling net earnings (loss) to Adjusted Net Income.

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Other costs for the three and nine months ended September 30, 2016 includes \$1.4 million related to the impairment of certain software licenses. Other costs for the nine months ended September 30, 2016 includes the write-off of a (i) \$0.5 million non-trade receivable. Other costs for the nine months ended September 30, 2015 include a non-cash charge of \$2.2 million related to the impairment of certain trademarks.

The following table provides a reconciliation of operating earnings, the most comparable U.S. GAAP measure, to Adjusted EBITDA for each of our segments:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
	(in millions)			
Operating earnings (loss):				
APPT	\$11.2	\$16.1	\$36.5	\$39.3
MDCS	20.5	10.0	73.0	34.1
Fluids	4.1	2.7	13.2	9.3
Corporate	(6.7)	(17.8)	(25.9)	(44.7)
Total operating earnings	29.1	11.0	96.8	38.0
Adjustments to operating earnings:				
APPT Adjustments:				
Depreciation and amortization	5.0	4.5	15.0	14.9
Currency effect on intercompany advances (a)	(0.1)	—	(0.1)	—
Organizational redesign costs (b)	4.0	1.0	8.2	4.0
Acquisition integration costs (e)	—	—	—	0.9
Professional services (f)	—	—	0.1	0.2
Fair market value adjustments (g)	—	—	0.3	—
Other (h)	1.4	—	1.4	2.2
Total APPT Adjustments	10.3	5.5	24.9	22.2
MDCS Adjustments:				
Depreciation and amortization	8.4	8.6	25.1	26.8
Currency effect on intercompany advances (a)	0.4	9.4	(6.7)	19.4
Organizational redesign costs (b)	1.1	1.1	3.0	7.2
Acquisition integration costs (e)	—	(0.4)	—	1.7
Professional services (f)	—	0.3	0.1	0.3
Other (h)	0.2	0.2	0.1	—
Total MDCS Adjustments	10.1	19.2	21.6	55.4
Fluids Adjustments:				
Depreciation and amortization	1.4	1.6	4.1	5.0
Organizational redesign costs (b)	0.3	2.4	0.6	3.7
Professional services (f)	—	—	—	0.1
Other (h)	0.1	—	0.6	—
Total Fluids Adjustments	1.8	4.0	5.3	8.8
Corporate Adjustments:				
Depreciation and amortization	0.2	0.1	0.6	0.3
Currency effect on intercompany advances (a)	(0.3)	—	(0.5)	0.2
Organizational redesign costs (b)	0.4	0.4	2.9	0.9
Long-term equity awards and shareholder fees (c)	2.2	12.3	5.2	23.4
Debt costs (d)	—	0.1	—	1.0
Acquisition integration costs (e)	—	0.1	—	0.6

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Professional services (f)	0.4	1.3	2.3	3.7
Other (h)	0.1	—	0.1	—
Total Corporate Adjustments	3.0	14.3	10.6	30.1
Adjusted EBITDA:				
APPT	21.5	21.6	61.4	61.5
MDCS	30.6	29.2	94.6	89.5
Fluids	5.9	6.7	18.5	18.1
Corporate	(3.7)	(3.5)	(15.3)	(14.6)
Total Adjusted EBITDA	\$54.3	\$54.0	\$159.2	\$154.5

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Non-cash currency effect on intercompany advances primarily relates to advances denominated in foreign (a) currencies. The most significant exposure relates to the Canadian dollar pursuant to intercompany advances within the MDCS segment.

Organizational redesign costs in the three months ended September 30, 2016 primarily included \$2.0 million of costs related to the shutdown of facilities in APPT, \$1.4 million for termination costs as a result of eliminated positions across all segments and \$0.3 million of costs related to the restructuring of Fluids in Europe. Organizational redesign costs in the nine months ended September 30, 2016 included \$4.4 million of costs related to the shutdown of facilities in APPT, \$0.5 million of costs related to relocating our facility in Belgium to the Czech Republic in MDCS and \$0.3 million of costs related to the restructuring of Fluids in Europe. In the nine months ended September 30, 2016, organizational redesign costs across all segments included \$4.7 million for termination costs as a result of eliminated positions. Organizational redesign costs in APPT in the three months ended September 30, 2015 included \$0.4 million of costs related to relocating our facility in Italy to the Czech Republic and \$0.2 million of costs related to the restructuring of the procurement organization. Organizational (b) redesign costs incurred in MDCS in the three months ended September 30, 2015 included \$0.8 million for termination costs as a result of eliminated positions. Organizational redesign costs incurred in Fluids during the three months ended September 30, 2015 included \$1.5 million of severance and \$0.8 million of one-time project costs related to restructuring in Europe. In the nine months ended September 30, 2015, organizational redesign costs in the APPT and MDCS segments included \$2.0 million and \$4.7 million for costs related to relocating our facilities in Italy and Belgium to the Czech Republic, respectively. As incurred at the respective segments, organizational redesign costs in the nine months September 30, 2015 included \$3.3 million for termination costs as a result of eliminated positions. Organizational redesign costs for Fluids during the nine months ended September 30, 2015 included \$2.8 million of severance and one-time project costs related to restructuring in Europe.

Long-term equity awards and shareholder fees in Corporate include the charges associated with stock-based (c) compensation awards granted to certain executives and independent directors and a cash advisory fee paid to CCMP during the three and nine months ended September 30, 2016 and 2015. The cash advisory payment to CCMP ceased as of the effective date of our IPO.

Debt costs incurred during the nine months ended September 30, 2015 included \$0.9 million of fees related to the (d) New Term Loan Facility.

Acquisition integration costs for MDCS in the three months ended September 30, 2015 included a \$0.4 million gain for an adjustment to an accrued incentive payment. Acquisition integration costs for MDCS in the nine months (e) ended September 30, 2015 include \$1.5 million related to the Kortec, TIRAD and Mold-Masters acquisitions for product line integration and other strategic alignment initiatives. In addition, APPT and Corporate acquisition integration costs for the nine months ended September 30, 2015 include \$0.7 million and \$0.6 million of one-time costs to introduce the integration and new branding of all Milacron companies, respectively.

Professional fees incurred by Corporate in the three and nine months ended September 30, 2016 included \$0.4 million and \$2.5 million of costs for strategic organizational initiatives, respectively. Professional fees incurred by (f) Corporate in the three and nine months ended September 30, 2015 included \$0.3 million and \$2.4 million for readiness initiatives related to our IPO, respectively. In addition, professional fees incurred by Corporate in the three and nine months ended September 30, 2015 included \$0.6 million and \$0.9 million of costs for strategic organizational initiatives, respectively.

Non-cash fair market value adjustments relate to acquisition accounting for the fair market value of inventory as (g) part of our acquisition of CanGen in the fourth quarter of 2015.

Other costs for APPT for the three and nine months ended September 30, 2016 includes \$1.4 million related to the impairment of certain software licenses. Other costs for Fluids for the nine months ended September 30, 2016 (h) includes the write-off of a \$0.5 million non-trade receivable. Other costs for APPT for the nine months ended September 30, 2015 included a non-cash charge of \$2.2 million related to the impairment of certain trademarks.

Liquidity and Capital Resources

Our primary source of liquidity is cash generated from operations and availability under our senior secured asset-based revolving credit facility (the "ABL Facility") and other foreign credit facilities. At September 30, 2016, we had cash and cash equivalents of \$102.7 million, an increase of \$35.2 million from December 31, 2015. At September 30, 2016, we had \$92.6 million of availability under our ABL Facility and \$14.3 million of availability under other credit facilities. Our primary cash requirements are for working capital, operating expenses, capital expenditures and scheduled payments of principal and interest. We may from time to time seek to retire or purchase our outstanding debt through cash purchases, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

During the nine months ended September 30, 2016, we generated \$35.2 million of cash compared to using \$7.0 million in the nine months ended September 30, 2015. During 2016, cash provided by operations of \$60.8 million was partially offset by capital expenditures. During 2015, cash was used primarily to pay dividends, fund capital expenditures, working capital growth and redeem our Senior Secured Notes and our senior secured term loan due March 2020 (the "Term Loan Facility") offset by the proceeds from our IPO and New Term Loan Facility.

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On April 30, 2012, we issued \$275.0 million aggregate principal amount of Senior Secured Notes pursuant to an indenture, dated as of April 30, 2012; the notes mature on May 15, 2019. On March 28, 2013, we (i) entered into an amended and restated senior secured asset-based revolving credit facility with Bank of America, N.A., as agent, and certain financial institutions as lenders; (ii) we issued \$465.0 million aggregate principal amount of 7.75% senior unsecured notes pursuant to an indenture; the notes mature on February 15, 2021 (the "Senior Unsecured Notes"); and (iii) we entered into the \$245.0 million Term Loan Facility with JPMorgan Chase Bank, N.A., as administrative agent, and certain financial institutions as lenders. On May 14, 2015, we entered into the \$730.0 million New Term Loan Facility with JPMorgan Chase Bank, N.A., as administrative agent, and certain financial institutions as lenders and used a portion of the proceeds to repay in full all amounts outstanding under the Term Loan Facility and to redeem all of our outstanding Senior Secured Notes.

On June 30, 2015, we completed our IPO whereby the Company sold 14,285,714 shares of common stock at a price of \$20.00 per share. The aggregate net proceeds received by us from the offering were \$265.0 million, net of underwriting discounts and commissions and estimated offering expenses. The net proceeds were used to repay \$248.0 million outstanding under the New Term Loan Facility and \$14.1 million outstanding under the ABL Facility. We believe that our current level of operations, our cash and cash equivalents, cash flow from operations and borrowings under our ABL Facility and other foreign lines of credit will provide us adequate cash to fund the operating needs, working capital, capital expenditure, debt service and other requirements for our business for the foreseeable future. Our ability to make scheduled payments of principal or interest on, or to refinance, our indebtedness or to fund working capital requirements, capital expenditures and other current obligations will depend on our ability to generate cash from operations. Such cash generation is subject to general economic, financial, competitive and other factors that are beyond our control. We have unused availability, subject to certain terms and conditions and other limitations, of \$106.9 million under these lines of credit.

The following table shows our statements of cash flows for the nine months ended September 30, 2016 and 2015:

	Nine Months Ended September 30, 2016 2015 (in millions)	
Statements of cash flow data		
Net cash provided by (used in) operating activities	\$60.8	\$(5.7)
Net cash used in investing activities	(30.2)	(38.7)
Net cash provided by financing activities	3.6	41.6

Cash provided by (used in) operating activities

Operating activities for the nine months ended September 30, 2016 provided \$60.8 million of cash compared to using \$5.7 million for the nine months ended September 30, 2015. The increase was primarily driven by improvements in working capital including the collection of outstanding accounts receivable and an increase in advanced billings and deposits received.

Cash used in investing activities

Investing activities for the nine months ended September 30, 2016 used \$30.2 million of cash compared to \$38.7 million of cash for the nine months ended September 30, 2015. The decrease is a result of a reduction in capital expenditures when compared to the prior period.

Cash provided by financing activities

Financing activities for the nine months ended September 30, 2016 provided \$3.6 million compared to providing \$41.6 million for the nine months ended September 30, 2015. During the nine months ended September 30, 2016, cash was generated primarily from proceeds on the exercise of stock options offset by the repurchase of \$0.6 million of our Senior Unsecured Notes. During the nine months ended September 30, 2015, cash was generated from the proceeds of our IPO and the New Term Loan Facility, partially offset by the payment of dividends, the redemption of our Senior Secured Notes and Term Loan Facility and costs associated with our IPO.

Total debt was \$954.3 million at September 30, 2016 compared to \$955.2 million at December 31, 2015. Total debt at September 30, 2016 included \$482.0 million outstanding on the New Term Loan Facility and \$464.4 million outstanding on the Senior Unsecured Notes, while the ABL Facility was undrawn except for letter of credit issuances.

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Description of the New Term Loan Facility

On May 14, 2015, we entered into the New Term Loan Facility, pursuant to a term loan agreement, among Milacron Intermediate Holdings Inc., Milacron LLC, the guarantors party thereto, the lenders party thereto and J.P. Morgan Chase Bank, N.A., as administrative agent. The New Term Loan Facility matures on September 28, 2020. The New Term Loan Facility ranks equal in right of payment with all existing and future senior indebtedness of the issuers and guarantors. The New Term Loan Facility is also secured by a second-priority lien on all of the assets of the Company, Milacron LLC and the guarantors that secure the ABL Facility. The interest rate applicable to the New Term Loan Facility is, at our option, equal to either (i) the published LIBOR rate, plus a margin of, depending upon the current total net leverage ratio, 3.25% (if our total net leverage ratio is less than or equal to 4.00 to 1.00) to 3.50% (if our total net leverage ratio is greater than 4.00 to 1.00) per annum or (ii) the greater of (1) the prime rate, (2) the federal funds rate plus 0.50% per annum, (3) published LIBOR rate plus 1.00% or (4) 2.00% per annum, plus, depending upon the current total net leverage ratio, 2.25% (if our total net leverage ratio is less than or equal to 4.00 to 1.00) to 2.50% (if our total net leverage ratio is greater than 4.00 to 1.00) per annum. In no event will the LIBOR rate be less than 1.00% at any time. The New Term Loan Facility provides us with the right, at any time, to request one or more incremental term increases in the aggregate amount (x) \$200.0 million plus (y) an unlimited amount so long as our pro forma total net secured leverage ratio does not exceed 4.00 to 1.00 plus (z) the amount of any optional prepayment of any term loan under the New Term Loan Facility to the extent not funded with proceeds of any long-term indebtedness (other than revolving indebtedness) or proceeds of any incremental term facility that effectively extends the maturity date with respect to any class of term loans under the New Term Loan Facility. The following amounts will be applied to repay the New Term Loan Facility, subject to certain thresholds, carve-outs and exceptions: (i) 100% of the net cash proceeds of any incurrence of debt by us and certain of our subsidiaries, (ii) 100% of net cash proceeds of any non-ordinary course sale or other disposition of assets by us or certain subsidiaries and (iii) 50% of our excess cash flow, subject to certain reductions.

As disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015, on June 30, 2015 we completed our IPO whereby the Company sold 14,285,714 shares of common stock at a price of \$20.00 per share. The net proceeds, in part, were used to repay \$248.0 million outstanding under the New Term Loan Facility.

Description of the Senior Unsecured Notes

On March 28, 2013, we issued \$465.0 million aggregate principal amount of Senior Unsecured Notes pursuant to an indenture, among the Company, Mcron Finance Corp, the guarantors party thereto and U.S. Bank National Association, as Trustee (the "2013 Indenture"). The Senior Unsecured Notes mature on February 15, 2021 and interest on the Senior Unsecured Notes is payable semi-annually on February 15 and August 15 of each year. The Senior Unsecured Notes were issued in a private transaction that is not subject to the registration requirements of the Securities Act. The Senior Unsecured Notes are guaranteed, jointly and severally, on a senior unsecured basis by Milacron Holdings Corp. and each of our wholly-owned domestic subsidiaries that are obligors under our ABL Facility and New Term Loan Facility. The Senior Unsecured Notes are redeemable, in whole or in part, at any time on or after February 15, 2016 on the redemption dates and at the redemption prices set forth in the 2013 Indenture. In addition, we may be required to make an offer to purchase the Senior Unsecured Notes upon the sale of certain assets and upon a change of control.

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Description of the ABL Facility

On April 30, 2012, we entered into the ABL Facility with Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBC Capital Markets and Barclays Bank PLC, as joint lead arrangers and bookrunners which was amended and restated on March 28, 2013. The ABL Facility has a five-year term, bears interest at a floating rate and provides for an aggregate principal amount of \$70.0 million of loans under the U.S. sub-facility thereunder and for an aggregate principal amount of \$30.0 million of loans under the Canadian sub-facility thereunder, each subject to a borrowing base and other limitations. We have the right at any time to request up to \$20.0 million of additional commitments. The existing lenders under the ABL Facility are not under any obligation to provide such additional commitments, and any increase in commitments is subject to customary conditions precedent. On March 17, 2014, we exercised our right to increase the U.S. sub-facility of the ABL Facility by \$10.0 million to \$80.0 million and decrease the Canadian sub-facility by \$10.0 million to \$20.0 million. The covenants and other terms of the ABL Facility were not changed. On October 17, 2014, the ABL Facility was amended and restated to add a \$25.0 million German sub-facility and the term was reset to mature on February 14, 2019 or October 17, 2019 subject to the satisfaction of certain conditions on or prior to February 14, 2019. The covenants and other terms of the ABL Facility were not materially changed. On May 15, 2015, the credit agreement governing the ABL Facility was amended and restated to, among other things, conform certain terms to the credit agreement governing the New Term Loan Facility. We had approximately \$12.3 million of letters of credit outstanding as of September 30, 2016.

The obligations under the ABL Facility are secured, subject to certain exceptions, by substantially all of the assets of the borrowers and the assets of the guarantors under such facility. In addition, the ABL Facility includes certain customary negative covenants that, subject to exceptions, limit the ability of the borrowers and their restricted subsidiaries to incur additional indebtedness, pay dividends or certain other distributions on the Company's capital stock, repurchase the Company's capital stock, prepay subordinated indebtedness, incur liens on assets, make certain investments or other restricted payments, engage in transactions with affiliates, sell certain assets, merge or consolidate with or into other companies and alter the business that the Company conducts.

Description of Other Debt

At September 30, 2016, we have approximately \$0.5 million in capital lease obligations outstanding as well as \$7.4 million of borrowings under certain lines of credit and discounting programs. We also have approximately \$3.3 million of outstanding letters of credit and other commitments related to these facilities at September 30, 2016.

Critical Accounting Policies and Estimates

We prepare our Condensed Consolidated Financial Statements in accordance with U.S. GAAP, and in doing so, we have to make estimates, assumptions and judgments affecting the reported amounts of assets, liabilities, revenue and expenses, as well as the related disclosure of contingent assets and liabilities. We base our estimates, assumptions and judgments on historical experience and on various other factors we believe to be reasonable under the circumstances. Different assumptions and judgments would change the estimates used in the preparation of our Condensed Consolidated Financial Statements, which, in turn, could change our results from those reported. We evaluate our critical accounting estimates, assumptions and judgments on an ongoing basis.

There have been no material changes in our critical accounting policies from those previously included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, as filed with the SEC on March 2, 2016.

Recently Issued Accounting Pronouncements

For information on recent accounting pronouncements, see Note 1 to the Company's Condensed Consolidated Financial Statements appearing in Part I, Item 1 of this Quarterly Report on Form 10-Q.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market Risk

We are exposed to financial market risks associated with foreign currency exchange rates, interest rates, commodity prices and credit risk. In the normal course of business and in accordance with our policies, we manage these risks through a variety of strategies, which may include the use of derivative financial instruments to hedge our underlying exposure. We do not use derivative instruments for speculative or trading purposes and we have policies and procedures in place that monitor and control their use.

Foreign Currency Exchange Rate Risk

We operate in international markets and, accordingly, our competitiveness and financial results are subject to foreign currency fluctuations where revenues and costs are denominated in currencies other than the U.S. dollar. In fiscal 2015 and during the nine months ended September 30, 2016, approximately 51% and 53% of our sales were attributable to our operations outside of the United States, respectively. Approximately 43% of sales in fiscal 2015 were typically denominated in currencies other than the U.S. dollar, whereas a significant portion of our fixed costs, including payments made on our ABL Facility, our New Term Loan Facility and our Senior Unsecured Notes are denominated in U.S. dollars. Our earnings could be materially impacted particularly by movement in the exchange rate between the Canadian dollar, the Euro, the Chinese yuan renminbi, the Indian rupee and the U.S. dollar.

We occasionally use foreign currency forward exchange contracts to hedge our exposure to adverse changes in foreign currency exchange rates related to known or expected cash flow exposures arising from international transactions. At September 30, 2016 and December 31, 2015, we had \$15.0 million and \$16.2 million, respectively, notional amount of forward exchange contracts outstanding with remaining maturities of up to six months. As of September 30, 2016 and December 31, 2015, the net fair value asset of financial instruments with exposure to foreign currency risk was and \$0.5 million and \$0.1 million, respectively. The fair value of these financial instruments would hypothetically decrease by \$1.5 million as of September 30, 2016 and December 31, 2015, if the U.S. dollar were to appreciate against all other currencies by 10% of current levels.

Interest Rate Risk

We are primarily exposed to interest rate risk through our ABL Facility, New Term Loan Facility, and other foreign lines of credit. Interest on our ABL Facility accrues, at our option, at either (i) LIBOR plus a margin of 1.75% to 2.25% per annum, based on availability or (ii) the highest rate of (a) the prime rate, (b) the federal funds rate plus 0.50% per annum, or (c) LIBOR plus 1.00% per annum, plus a margin of 0.75% to 1.25% per annum, based on availability. Interest on the New Term Loan Facility accrues, at our option, equal to either (i) the published LIBOR rate, plus a margin of 3.25% (if our total net leverage ratio is less than or equal to 4.00 to 1.00) or 3.50% (if our total net leverage ratio is greater than 4.00 to 1.00) per annum or (ii) the greater of (1) the prime rate, (2) the federal funds rate plus 0.50% per annum, (3) published LIBOR rate plus 1.0% or (4) 2.00% per annum, plus 2.25% (if our total net leverage ratio is less than or equal to 4.00 to 1.00) or 2.50% (if our total net leverage ratio is greater than 4.00 to 1.00) per annum. In no event will the LIBOR rate be less than 1.00% at any time. We currently estimate that our annual interest expense on floating rate indebtedness would increase by approximately \$4.8 million for each 1.00% increase in interest rates once LIBOR exceeds 1.00%.

Commodity Risk

We have direct and indirect exposure to certain commodities, principally steel and steel-based components. We typically do not enter into derivative financial instruments to hedge our commodity price risk and we do not currently have long-term supply contracts with key suppliers. While future movements of steel costs are uncertain, we respond to this volatility in a number of ways, including strategic steel purchases and customer price adjustments.

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Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our Management, with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of the end of the period covered by this Quarterly Report on Form 10-Q.

Based on this evaluation, our CEO and CFO concluded that, as of September 30, 2016, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

No changes in our internal control over financial reporting occurred during the quarter ended September 30, 2016 that materially affected, or which are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Various lawsuits arising during the normal course of business are pending against us and our consolidated subsidiaries. We are vigorously defending these claims and believe we have reserves and insurance coverage sufficient to cover potential exposures.

While, in the opinion of management, the liability resulting from these matters will not have a significant effect on our consolidated financial position, results of operations or liquidity, the outcome of individual matters cannot be predicted with reasonable certainty at this time.

ITEM 1A. RISK FACTORS

For a discussion of our potential risks and uncertainties, see the information in Item 1A. Risk Factors of the Company's Annual Report on Form 10-K for the year ended December 31, 2015, as filed with the SEC on March 2, 2016.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There were no unregistered sales of equity securities during the third quarter of 2016 or from September 30, 2016 through the date of filing this Quarterly Report on Form 10-Q.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

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ITEM 6. EXHIBITS

The following is an index of the exhibits included in this report:

Exhibit Number:

- 10.1 Works Agreement on Balance of Interest and Social Plan, dated September 30, 2016, by and between Ferromatik Milacron GmbH and Betriebsrat der Ferromatik Milacron GmbH.
- 10.2 Agreement of Purchase and Sale, dated October 6, 2016, by and between Mold-Masters (2007) Limited and 662073 Ontario Limited.
- 31.1 Certification of Chief Executive Officer, pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2012.
- 31.2 Certification of Chief Financial Officer, pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2012.
- 32.1* Certification of Chief Executive Officer and 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 materials from Milacron Holdings Corp.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed
101.0 Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Comprehensive Income (Loss), (iv) the Condensed Consolidated Statements of Cash Flows, and (v) the Notes to the Condensed Consolidated Financial Statements.

*The certifications attached as Exhibit 32.1 accompanying this Quarterly Report on Form 10-Q are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

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SIGNATURE

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.

Milacron Holdings Corp.

Date: November 3, 2016 By: /s/ BRUCE CHALMERS

Bruce Chalmers
Chief Financial Officer