

**Operator:** Greetings, and welcome to Matthews International Corporation's Third Quarter Fiscal 2021 Financial Results.

It is now my pleasure to introduce your host, Bill Wilson, Senior Director of Finance, Corporate Development. Please go ahead.

**Bill Wilson, Senior Director, Corporate Development:** Thank you, Brock. Good morning, everyone, and welcome to the Matthews International Third Quarter Fiscal Year 2021 Earnings Conference Call.

This is Bill Wilson, Senior Director of Corporate Development. With us today are Joe Bartolacci, President and Chief Executive Officer, and Steve Nicola, our Chief Financial Officer.

Before we start, I would like to remind you that our earnings release and stock repurchase release were posted on our website, [www.matw.com](http://www.matw.com), in the Investor section. The presentation for our call can also be accessed in the Investor section of the website.

As a reminder, any forward-looking statements in connection with this discussion are being made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Factors that could cause the Company's results to differ from those discussed today are set forth in the Company's Annual Report on Form 10-K and other periodic filings with the SEC.

In addition, we will be discussing non-GAAP financial metrics and encourage you to read our disclosures and reconciliation tables carefully as you consider these metrics. In connection with any forward-looking statements and non-GAAP financial information, please read the disclaimer included in today's presentation materials located on our website.

Now, I'll turn the call over to Steve.

**Steven Nicola, Chief Financial Officer:** Thank you, Bill. Good morning. I'll start with **Slide 4**.

As provided in our earnings release yesterday, the Company reported consolidated sales of \$428.4 million and net income on a GAAP basis of \$3.4 million, or \$0.10 per share, for the quarter ended June 30, 2021 compared to sales of \$359.4 million and net income on a GAAP basis of \$2.3 million, or \$0.07 per share, last year.

On a year-to-date basis, the Company reported consolidated sales of \$1.23 billion and net income on a GAAP basis of \$6.6 million, or \$0.21 per share, as of June 30, 2021 compared to sales of \$1.1 billion and a GAAP net loss of \$94.6 million, or \$3.04 per share, last year. The GAAP net loss a year ago primarily reflected the impact of a goodwill write-down.

The key financial highlights for the Fiscal 2021 third quarter included:

First, the Company's consolidated sales of \$428.4 million, established another new quarterly record for the Company, and represented an increase of \$69 million, or 19.2% compared to a year ago.

Second, consolidated Adjusted EBITDA for the quarter ended June 30, 2021 was \$60 million compared to \$49.4 million last year, representing a year-over-year increase of 21.5%.

Third, adjusted earnings per share for the Fiscal 2021 third quarter was \$0.91 per share compared with \$0.80 for the Fiscal 2020 third quarter, representing growth of approximately 14%.

Lastly, during the recent quarter, the Company again reduced its net debt leverage ratio. At June 30 2021, our net debt leverage ratio measured based on net debt relative to the last 12 months Adjusted EBITDA declined to 3.1 from 3.2 at March 31, 2021 and 3.9 at September 30, 2020.

With respect to COVID-19, all segments continued to experience some level of varying commercial impacts during the second quarter. These impacts remained difficult to project and, as the pandemic has continued into Calendar 2021, we expect ongoing impacts in the remainder of our 2021 Fiscal Year.

As I noted earlier, on a GAAP basis, the Company reported earnings per share of \$0.10 for the current quarter compared to \$0.07 per share last year. Earnings per share on a GAAP basis for both quarters included the impact of intangible amortization, primarily from the acceleration of the amortization of certain intangible assets in the SGK Brand Solutions segment and charges in connection with our cost-reduction initiatives and COVID-19 related costs.

Consolidated intangible amortization expense was \$23 million, or \$0.53 per share, for the Fiscal 2021 third quarter compared to \$17.8 million, or \$0.43 per share, a year ago. Intangible amortization expense for the nine months ended June 30, 2021, was \$61.2 million, or \$1.41 per share compared to \$53.6 million, or \$1.29 per share, last year.

On a non-GAAP adjusted basis, earnings for the Fiscal 2021 third quarter were \$0.91 per share compared to \$0.80 per share a year ago. Non-GAAP earnings for the nine months ended June 30, 2021 were \$2.48 per share compared to \$1.90 per share a year ago. The increases primarily reflected higher Adjusted EBITDA and lower interest expense.

Adjusted EBITDA, which represents net income before interest expense, income taxes, depreciation, and amortization, and other adjustments, was \$60 million for the Fiscal 2021 third quarter compared to \$49.4 million a year ago, representing an increase of 21.5%. For the nine months ended June 30, 2021, Adjusted EBITDA was \$175.7 million compared to \$139 million a year ago, representing an increase of 26.4%. The improvements primarily reflected the impacts of higher consolidated sales, in addition to realized savings from the Company's cost reduction programs. These increases were partially offset by higher material and labor costs.

Please see the reconciliations of Adjusted EBITDA and non-GAAP adjusted earnings per share in our earnings release.

Investment income for the three months ended June 30, 2021, was \$959,000 compared to \$1.3 million for the same quarter a year ago. For the nine months ended June 30, 2021, investment income was \$3 million compared to \$1.4 million last year. Prior year investment income through June 30 reflected some of the initial market impacts of COVID-19. Investment income primarily reflects the changes in the value of investments held in trust for certain of the Company's benefit plans.

Interest expense for the quarter and nine months ended June 30, 2021 declined to \$6.7 million and \$21.7 million, respectively compared to \$8.1 million and \$26.9 million, respectively, for the same periods a year ago, primarily reflecting lower average debt levels and lower interest rates for the current year.

Other income and deductions net for the quarter and nine months ended June 30, 2021 represented reductions to pre-tax income of \$2.4 million and \$6.8 million respectively, compared to \$2.8 million and \$7.4 million, respectively, for the same periods a year ago.

Other income and deductions include the non-service portion of pension and post-retirement costs. For the current quarter and year-to-date periods, the nonservice portion of pension and post-retirement cost

was \$1.9 million and \$5.7 million, respectively compared to \$2.2 million and \$6.7 million, respectively, for the same periods last year.

Other income and deductions also include banking related fees and the impact of currency gains and losses on certain intercompany debt and foreign denominated cash balances.

The Company's consolidated income taxes for the three months ended June 30, 2021 represented a benefit of \$2.3 million compared to a benefit of \$6.2 million a year ago. Consolidated income taxes for the nine months ended June 30, 2021 were an expense of \$2.6 million compared to a benefit of \$22.7 million last year. The year-over-year changes principally reflected the Company's pre-tax income for the current periods versus the year-to-date pre-tax losses, resulting mainly from the goodwill charge last year.

Additionally, Fiscal 2021 included discrete tax expenses primarily related to foreign losses, while Fiscal 2020 included discrete tax benefits from the closure of certain tax audits.

Please turn to **Slide 5** to begin a review of our segment results.

Memorialization segment sales for the Fiscal 2021 third quarter were \$184.3 million compared to \$162.1 million a year ago representing an increase of \$22.2 million or 13.7%. The increase was primarily attributable to higher sales of cemetery memorial products and cremation equipment and improved price realization.

Third quarter casket unit volume was lower than a year ago, as expected, resulting from the decrease in U.S. deaths, reflecting the declining impact of COVID. For the nine months ended June 30, 2021, memorialization segments sales were \$573.1 million, compared to \$478.3 million a year ago. The year-to-date increase resulted mainly from increased sales of caskets, cemetery memorial products and cremation equipment. The Company also completed an acquisition of a small cemetery products business during the fiscal 2021 second quarter.

Changes in foreign currency exchange rates had favorable impacts of \$1.7 million and \$4 million, respectively, on current quarter and year-to-date sales compared to a year ago.

Memorialization segment Adjusted EBITDA for the Fiscal 2021 third quarter was \$36.4 million compared to \$37.7 million a year ago. The favorable effect of higher sales was offset by the unfavorable impacts of higher commodity costs, mainly steel, lumber and bronze, lower margin project in our U.K. cremation and incineration equipment business, and increased labor and freight costs during the current quarter.

Year-to-date, Memorialization Adjusted EBITDA was \$132.1 million for the current year, compared to \$103 million last year. The increase primarily reflected the benefits of higher sales and productivity initiatives. Offset partially by higher material costs, lower margin U.K. projects and increased labor and freight costs. Cost for the segment's primary direct materials continued to increase during the recent quarter, which is expected to have an unfavorable impact into next fiscal year.

Please turn to **Slide 6**. Sales for the SGK Brand Solution segment were \$199.7 million for the quarter ended June 30, 2021 compared to \$165.8 million a year ago, representing an increase of \$33.9 million, or 20.5%. The increase primarily reflected higher sales for the segment's engineered products business, principally energy solutions, and an increase in the segment's core brand sales, particularly in the Europe and Asia Pacific markets.

In addition, the segment reported modestly higher revenues in its retail-based businesses, which we believe are indicative of a recovery in these markets. As you will recall, the segments retail-based businesses have been significantly impacted by COVID-19.

For the first nine months of Fiscal 2021, the segment sales were \$538.9 million, compared to \$513.5 million last year. Changes in foreign currency rates had favorable impacts of \$10.6 million and \$21 million, respectively, on the segment sales compared with the same quarter and year-to-date periods last year.

Fiscal 2021 third quarter Adjusted EBITDA for the SGK Brand Solution segment was \$33.3 million compared to \$20.8 million a year ago. The increase primarily reflected the impact of higher sales and realized savings from the segment's recent cost reduction initiatives. The segment's year-to-date Adjusted EBITDA was \$75.4 million for the current fiscal year compared to \$61.8 million last year.

Please turn to **Slide 7**. Sales for the Industrial Technology segment were \$44.3 million for the quarter ended June 30, 2021 compared to \$31.5 million a year ago, representing an increase of \$12.8 million, or 41%. Year-to-date, the segment sales were \$120.2 million for Fiscal 2021 compared to \$107.3 million last year, representing an increase of \$12.9 million or 12.1%. The segment sales increases for the quarter and year-to-date periods resulted from higher sales for both the warehouse automation and product identification businesses. Additionally, incoming orders for these businesses continued to be strong.

Changes in currency rates had favorable impacts of \$938,000 and \$2.4 million, respectively, on the segment's quarter and year-to-date sales compared with last year.

Adjusted EBITDA for the Industrial Technology segment for the Fiscal 2021 third quarter was \$5.7 million compared with \$4.7 million a year ago. The increase primarily reflected the impact of higher sales for the quarter, which was partially offset by an unfavorable change in sales mix, lower margin warehouse sales, higher labor costs and an increase in product development costs. The segment's year-to-date Adjusted EBITDA was \$15.2 million, which was relatively consistent with a year ago.

Please turn to **Slide 8**. Cash flow from operating activities for the nine months ended June 30, 2021 was \$106.9 million compared to \$123.6 million last year. Operating cash flow for the current quarter was impacted by several factors, including a discretionary cash contribution of \$15 million to the Company's pension plan, an increase in accounts receivable primarily reflecting the Company's record third quarter sales and an increase in inventories due to higher commodity costs.

In addition, the Company made a payment of \$8.4 million during the recent quarter related to FICA taxes deferred from calendar 2020 under federal COVID-19 relief regulations.

Outstanding debt was \$792.5 million at June 30, 2021, with net debt, which represents outstanding debt less cash, at \$746.3 million. The leverage ratio covenant in our domestic credit facility is based on net debt. During the current quarter, our net debt leverage ratio declined to 3.1 at June 30, 2021 compared to 3.2 at March 31, 2021 and 3.9 at September 30, 2020.

Approximately 31.6 million shares were outstanding at June 30, 2021. During the recent quarter, the Company purchased approximately 46,000 shares under its share repurchase program. At June 30, 2021, the Company had remaining authorization of approximately 325,000 shares under the program. As a result, the Board this week approved an authorization of 2.5 million additional shares for the program.

Finally, the Board this week declared a dividend of \$0.215 per share on the Company's common stock. The dividend is payable August 23, 2021, to stockholders of record August 9, 2021.

This concludes the financial review and Joe will now comment on our operations.

**Joseph Bartolacci, President, Chief Executive Officer:** Thank you, Steve.

Good morning. As you might expect, we are very pleased with our record setting results for the quarter. Each of our segments delivered revenue growth during the quarter and our consolidated Adjusted EBITDA grew significantly as well. Our Memorialization segment continued to deliver strong results, except this quarter, as expected, the performance was provided by our cemetery products business, while our funeral products business began to see the normalization of the death rate resulting from the vaccine implementation in North America. Our current order rates in our cemetery products business continue to be strong, and we expect at least another strong quarter to come.

Similarly, our SGK brand business saw good revenue growth during the quarter driven by the Europe region and our energy storage business. Equally important, however, was that the profitability of the business returned to normal as we realize the benefits of our cost reduction initiatives and the higher revenue. In our Industrial Technology segment, higher revenues and EBITDA contributed to our great quarter and reflect very strong backlogs in this segment, which bodes well for a very strong fourth quarter and beyond.

I'm proud of our team and the results we have generated and what still remains a challenging environment in many parts of the world in which we operate. Much of this achievement come from the environments where we are still in less than optimum operating conditions. Despite these challenges, our teams around the world continue to win new business while satisfying the needs of our existing clients.

In our energy storage business, as we noted in the past, we continue to be very optimistic about our opportunities. In Fiscal 2019, our revenues were approximately \$20 million. We are now projecting revenues for this fiscal year for about \$50 million, and we continue to build our backlog for what we hope will be another significant growth year for this business. As I noted last call, our energy storage business has opportunities beyond lithium, and we hope soon to be able to speak more about the opportunities we see in the hydrogen fuel cells.

All in all, our businesses continue to operate in strong markets and our success in navigating the pandemic has been beneficial to the businesses in more than one way. In our funeral home products business, high client satisfaction reflects our strong performance during the pandemic. In our brand business, the crisis allowed us to adapt to new working models that will continue to reduce our operating costs going forward. While in our Industrial Technology segment, our warehouse automation business has gained market share, as more and more clients realize that e-commerce is a necessary solution to future success.

As we look forward, although our results are exceptional, not all of our businesses are performing at a normalized rate. In much of the world, particularly in the APAC region, we continue to see significant challenges from the pandemic, as many economies remain behind the United States in their ability to vaccinate their citizens. As a result, we continue to operate at lower efficiency, which is impacting our operating performance.

Also, although we see continuing strong revenue trends that give us assurance to finishing off the year strong, we, like other companies, are feeling the impact of inflationary pressures, particularly our raw materials and components. These pressures will impact our margins at least in the near term. We expect those pressures to ease but not soon. In the meantime, we are continuing to take cost and price actions,

where possible, to mitigate these pressures. Although we will work diligently, we do not expect to offset the full impact of the inflationary pressures.

Regarding our operating cash flow performance, the third quarter results were impacted by some unusual payments and the timing of collections. Despite that, given our operating performance, our net debt leverage ratio is fast approaching our target of less than three. I am also happy to report that our cash flow forecast indicates that we should reduce our net debt this coming quarter by over \$40 million, bringing our total debt reduction since January 1 of 2020, when our stock was at \$37 to over \$200 million.

There's no better evidence of the quality of our businesses than are demonstrated ability to generate cash, and I assure you that our businesses are better positioned today than it was on January 1 of 2020. Our conviction and our swift improvement in our debt leverage ratio gives us great flexibility to continue to invest in the business or aggressively buyback our shares at these very low prices. In support of that, the Board has authorized a buyback of an additional 2.5 million shares based on our desire to return value to our shareholders.

Finally, as you may have noted, we are optimistic about our situation for the balance of the year. But we remain cautious as events outside of our control can still arise which can impact our results. Therefore, given our performance to date, and the strength of our order intake, we are raising our target and expectations and we now believe that we will deliver at least \$225 million of Adjusted EBITDA for Fiscal 2021.

Now, let's open it up for questions.

**Operator:** Our first question today is from Daniel Moore of CJS Securities. Please proceed with your question.

**Daniel Moore, CJS Securities:** Thank you. Good morning, Joe. Good morning, Steve. Thanks for taking the questions.

Good morning. Start with warehouse automation. Are you now largely back in your customers' facilities? Should we expect similar revenue in Q4 versus Q3, just trying to see how much more business we can squeeze in before we get kicked out for the holidays.

**Joseph Bartolacci:** We are not back in all of our facilities, and it has less to do with the pandemic than with our customers' ability to get hardware into their facilities. They're feeling the delays that conveyor systems and parts and components are causing on their warehouses. Despite that, though, the revenues that we saw this quarter should be stronger next quarter and our forecasts, it reflects what we're seeing. We also expect to leave the year with very, very strong backlogs given what the trends are at this point, Dan.

**Daniel Moore:** Helpful. Energy Storage closing in on \$50 million in revenue, I believe you said.

**Joseph Bartolacci:** Yes.

**Daniel Moore:** What's the potential size of the opportunity over the next three to five years and maybe a little more detail around the hydrogen fuel cell, your positioning and where you hope to be?

**Joseph Bartolacci:** As it relates to what we project for next year, we're expecting another significant increase year-over-year based on our backlogs, we have strong backlogs, and we don't even have all the orders we expect in house yet. We're feeling pretty comfortable that next year we're going to see another



significant increase. How big that could be, is really not determined by us. We have the orders in house, but we are a component to an overall facility, and the timing of those deliveries will reflect when we can recognize revenues.

When it comes to hydrogen. Again, we are in the rotary processing business, we take material and process it through large cylinders that weigh tons and tons that are hyper-pressurized, hyper-controlled, and precision milled and manufactured and driven by sophisticated PLCs. This is a very, very complex business, but we think we can expand our footprint and our knowledge base into the fuel cell side of business.

We made a small acquisition early in the year, you saw that. They bring know how to the business, we bring our capabilities from the engineering side to manufacture production rate equipment, and our expectation, unlike in the lithium business, is not only to provide equipment to our customers that may want it. We intend to deliver fuel cells if we can, as our own product.

**Daniel Moore:** Helpful. Maybe one more if I could. A lot of comments in just trying to triangulate them all beyond, let's say the next quarter, you said you expect positive momentum across some businesses to mitigate some of the unfavorable impacts of lower caskets and margins. Overall, should we think about EBITDA being maybe net slightly lower, for a few quarters, on a year-over-year basis? Do you think you can offset it and grow a little bit? Just how we should be interpreting those would be greatly helpful.

**Joseph Bartolacci:** Clearly, we like, all the other companies in the world, are feeling the inflationary pressures, many of which we're starting to see to subside, but many have not started to subside. Given how they flow through our inventories, it could take a quarter or two or three as we go through that. We're not prepared today to tell you how that's going to impact us because we do have strength in a lot of our other businesses.

But more importantly, given where our net leverage ratio has gotten to, we now have flexibility that we can do a lot of different things. There's a few acquisitions out there we'd like to talk about, there are other opportunities to continue to improve our business and invest. Or as I said, at these prices, we intend to be aggressive with our share buyback program. A lot of different pieces of the puzzle at this point that will allow us to deliver value to the shareholder.

**Daniel Moore:** All right. Still my last one as well, so I'll jump back in the queue with any follow-ups. Thanks.

**Operator:** The next question is from Liam Burke of B. Riley. Please proceed with your question.

**Liam Burke, B. Riley FBR:** Thank you. Good morning, Joe. Good morning, Steve.

Joe, you had a nice contribution from Cremation and Incineration. Was that the major driver of the revenue growth out of Memorialization and what do the backlog numbers look like with the deliveries in the third quarter?

**Joseph Bartolacci:** You're right, we got modest growth. It's nice growth for that business in and of itself. But the value that was being delivered was out of our cemetery products out of the business. We also saw a pretty good mix of products coming through on our funeral home product side, so as a result, the real drivers were first cemetery products, secondary mix on the funeral products, and third our cremation business.

**Liam Burke:** The backlog on the cremation systems, is that still strong?

**Joseph Bartolacci:** We're out. We're out 15 months to 16 months.

**Liam Burke:** Great, thank you. Then I'm looking at retail. Are you anticipating in store display? Are you anticipating any step up? You reported modestly higher year-over-year revenue, will you expect that revenue growth to accelerate going into the holiday season or the back-to-school season?

**Joseph Bartolacci:** Interestingly enough, Liam, I would say that we would have hoped to but we're seeing reasonable but not what I would call normalized spending in retail just yet. We're not disappointed with how our businesses are operating. They're better than they have been, but not at what I would expect a normal Christmas season, and back to school season to be for in store displays.

That's pretty much the story with all of our retail side of the business, whether it be private label packaging, point of sale, display work, marketing, branding, things of that nature that are more retail in nature, they're still behind, which further buttresses the strength that we had out of SGK, given the performance we have in what we call our core business, which is packaging for CPGs.

**Liam Burke:** Okay and super. Just one more quick one. You mentioned higher development costs in industrial, is that the printer development costs.

**Joseph Bartolacci:** Yes, it is Liam, that is our printhead that is now out in beta testing at several sites. Suffice it to say that we're extremely satisfied with its performance, confirming its value proposition that we've all talked about for a long time. We are in the midst of moving that production from more of a university setting to a professional silicon chip fabrication lab, that process will take a bit of time, and a little bit of expense as we go through that process. But we've confirmed the size, we've confirmed the value proposition, it's now to get it to production.

**Liam Burke:** Great. Thank you, Joe.

**Joseph Bartolacci:** Yes.

**Operator:** The next question is from David Niewood of Phoenix. Please proceed with your question.

**David Niewood, Phoenix Insurance:** Hi, Steve. Hi, Joe, and hi, Bill.

**David Niewood:** Since your last quarterly conference call. There's been a lot of industry press as it relates to your energy storage business, and a lot of the industry press indicates that you are very much connected to what's known as the 4680 cylindrical lithium-ion dry electrode battery process. Since in that news flow, it seems that there are several additional large battery companies that are evaluating the 4680.

My question is, do you know of any 4680 processes or future players who are not doing this dry battery electrode? If they are doing it as dry battery electrode, is it reasonable to assume that you're speaking to all of them? That's my first question, and then I have a follow up.

**Joseph Bartolacci:** Okay, so your first question, David. Interestingly enough, we've talked about this in the past, we are a cylindrical rotary processing equipment manufacturer with specialty knowledge in dry cell lithium processing with some patents around it and other IP that we've done. We've had years of experience in this space. We also operate in what I would call the wet cell process, but to a lower extent.

Our unique selling proposition into the wet cell process is not necessarily unique, unlike in our dry cell world where we are unique. But at the same time, they're—the people we're being contacted by are both



wet and dry cell. Suffice it to say that at least when it comes to the Western European world, we are talking to just about everybody.

**David Niewood:** Okay. Without naming names or customers, the commercialization of the 4680 dry cell lithium-ion battery, there is a large player out there who says that they are not quite there yet, but are very close, and it has to do with the cylindrical performance of those large cylinders. In your mind, how solvable is that final hurdle to commercialization?

**Joseph Bartolacci:** At this point, David, we're not in a position to speak to it because there's a lot of components that are associated with not necessarily just our processes, but also the formulation of the lithium mix, and the feeding of that mix through our process. I can't tell you—what we control is solvable. I can't tell you with respect to everything else.

**David Niewood:** I appreciate that and understand that I got in the weeds for these questions, but I appreciate the answers very much and wish you guys continued success.

**Joseph Bartolacci:** Thank you, David.

**Operator:** The next question is from Scott Blumenthal of Emerald Advisers. Please proceed with your question.

**Scott Blumenthal, Emerald Advisers:** Good morning, Joe, Steve, Bill.

Joe, there's a natural ratio between Cremation, Casket and Memorialization, and over the past year, Memorialization lagged. I know in your comments you said that you thought you might be caught up by maybe by the end of the year here. But it would seem to me that essentially a year of depressed Memorialization sales, you're going to catch up in maybe a quarter, a quarter and a half or two quarters. Do you really think that by the end of the year here Memorialization (audio interference) caught up?

**Joseph Bartolacci:** No, my comment, Scott, were we have strong backlogs, and we expect at least another strong quarter. It's difficult to tell—I would tell you there is a normal ramp to memorialize, and then there will there'll be a tapering off of volumes. I expect that to go through much of 2022, but how much we get done and so forth. Our current forecast reflects what our expectations are today. It could be more, could it be less? Sure, we have strong backlogs at this point.

**Scott Blumenthal:** Understood. You were just providing us with what you think is going to happen for the rest of the year, and not making any commentary on next year?

**Joseph Bartolacci:** Absolutely not.

**Scott Blumenthal:** Okay. I really appreciate that. Okay. Also, can you talk then maybe about incineration and cremation equipment, which would seem to me that that would be something that would be—demand would be strong for worldwide, considering what we've seen happening in certain places. I know you've had some business wins outside of the U.S. and Europe. Have you been able to expand the cremation incineration opportunity, what do you believe that the total TAM is there?

**Joseph Bartolacci:** The market continues to grow, as you might expect. We are the leading provider of human cremation equipment in the world. We sell more equipment than anybody else by a longshot. As a result, our reach gets broader and broader. But I will tell you that outside of the United States, most of the sales are made to municipalities, and as those municipalities have been constrained by what's going on with COVID, in and of itself, you would expect those things to come over time.

Our backlog includes a lot of product in Latin and South America, Australia, and we have a lot of backlog in Europe, Eastern and Western as well. We're pretty comfortable that this is what we expect it to be a strong, long term consistent player that continues to deliver value to the business.

**Scott Blumenthal:** Okay, I know that you haven't given backlog numbers historically. Can you give us an idea, maybe Joe, the flip side of that, as to where you stand, maybe with booked to bill this last quarter or maybe over the last couple of quarters?

**Joseph Bartolacci:** For which business?

**Scott Blumenthal:** For incineration and cremation equipment.

**Joseph Bartolacci:** Oh, as I said earlier, we've got backlog that is almost 15 months to 16 months. The issue is generally not whether we've got product to sell. It's more a question of whether my client is ready to accept the product. These are pieces of equipment to go into other facilities. There's construction, there's permitting and everything else associated with that.

**Scott Blumenthal:** Sure, sure. Can I safely assume then, Joe, that backlog has expanded this past quarter?

**Joseph Bartolacci:** Well, it's expanded over the course of the whole period modestly. But yes, the answer is yes.

**Scott Blumenthal:** Okay.

**Joseph Bartolacci:** One of the areas I think that it has come to fruition during this pandemic has been the deferred maintenance that a lot of these facilities have had, as long as it was operating, they never really did what they should be doing. That those challenges came about throughout the pandemic as much of their equipment was unable to operate the way they would like. We think there's a good service function to come out for the next period of time.

**Scott Blumenthal:** Okay, super. That's great to know. Now, if I might ask one about packaging, we've seen inflation, you're seeing in raw materials. Of course, consumers are seeing that in the grocery store. We've seen inflation impact encouraging the CP, consumer product packaging companies. To maybe change downsize some of the packages, you've seen, instead of increasing prices on some of the products, maybe downsizing the size of the package and charging the same price. Are you seeing these trends and are they accelerating? I would suspect, if so, that it's got to be pretty busy there.

**Joseph Bartolacci:** That's part of the reason what you're seeing coming through in our numbers, Scott, packaging, we do not have huge inflationary pressures in our packaging business, it's principally a service. We have some wage pressures, but not material pressures. But the volumes that we're seeing are very high at this time. We also picked up some new business during the pandemic, given what our performance has been.

Generally, we're very pleased where that is, and the business was going to go through this cycle. As you're right, a lot of these CPGs look to repackage into smaller sizes, and new and improved or whatever it may be.

**Scott Blumenthal:** Right, right. Maybe a last one, if I may. The market opportunity for the printhead, that's not just a new sale, but also a replacement opportunity as well?

**Joseph Bartolacci:** Yes, no question. There's an anticipated life based on the number of prints that are consumed by the printer, or produced by the printer, and then there's a replaceable printhead. Unlike what is historically been out there, a repair and maintenance service.

**Scott Blumenthal:** Then we can safely assume that any existing Matthews installed printer is a candidate for an upgrade?

**Joseph Bartolacci:** Every printer in our competitive space is a potential upgrade opportunity for us. I mean, we consider this a huge market opportunity. Not going to be realized today or tomorrow. This is the technology swing, and we've talked about this for a while. But the opportunity is to take what we consider a great performing small business in our portfolio, make it a significant contributor to our overall portfolio over time.

**Scott Blumenthal:** Got it. Thank you.

**Joseph Bartolacci:** Okay. Thank you.

**Operator:** The next question is from Chris McGinnis of Sidoti & Company. Please proceed with your question.

**Christopher McGinnis, Sidoti & Company:** Good morning. Thanks for taking my question.

**Christopher McGinnis:** Can you just (audio interference), because it seems like there may be a little bit of a change in the cemetery markets or just around memorialization? Have you seen that? Is that maybe changing as people come out of the pandemic are recognizing and celebrating life a little bit differently? Have you seen anything change? Thanks.

**Joseph Bartolacci:** We have not seen much of a significant change. In fact, if you look, some of the larger competitive supply customers of ours have reported very significant pre-need sales of cemetery properties. In our world, we're seeing revenue flows, consistent with what we might expect to be memorialized from their recent death rate.

**Christopher McGinnis:** Yes. Okay. Thanks. Then one other question just around the EV and the demand that you're seeing and thinking about. Can you just talk about any capital needs to support that demand?

**Joseph Bartolacci:** I would say that the capital needs are light, there may be some acquisition candidates—will need to pull into the fray. But at the end of the day, it is not a big Capex function. It's not to say that we're not going to spend money. We are going to absolutely spend money, but not to the degree that you might expect to grow to \$100 million business in the near term.

**Christopher McGinnis:** Right. Thanks for taking my questions, and good luck in Q4.

**Joseph Bartolacci:** Thank you.

**Operator:** There are no additional questions at this time I'd like to turn the call back to Bill Wilson for closing remarks.

**Bill Wilson:** Thank you, Brock.

Thank you for joining us today and your interest in Matthews. For additional information about the Company and our financial results, please contact me or visit our website. Thank you and enjoy the rest of your day.

**Operator:** This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.