Operator: Greetings. Welcome to Matthews International Corporation's First Quarter Fiscal Year 2020 Financial Results. At this time, all participants are in listen-only mode. A question-and-answer session will follow the formal presentation. If anyone today should require Operator assistance during the conference, please press star, zero from your telephone keypad. Please note this conference is being recorded.

At this time, I'll turn the conference over to Bill Wilson, Senior Director of Corporate Development. Mr. Wilson, you may begin.

Bill Wilson, *Senior Director, Corporate Development:* Thank you Rob. Good morning everyone and welcome to the Matthews International First Quarter 2020 Earnings call. This is Bill Wilson, Senior Director of Corporate Development. With us today are Joseph Bartolacci, President and Chief Executive Officer, and Steve Nicola, our Chief Financial Officer.

Before we start, I'd like to remind you that our earnings release was posted on our website, www.matw.com in the Investors section last night. The presentation for our call can also be accessed in the Investors 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. Let's start at **Slide 4.**

For the Fiscal 2020 first quarter, the Company reported consolidated sales of $365 million compared to $374 million a year ago. The Fiscal 2020 first quarter reflected higher sales for the Memorialization and Industrial Technologies segments compared to a year ago offset by lower sales in the SGK Brand Solutions segment. Higher cremation equipment sales and improved price realization on caskets and memorial products were the principal factors in the Memorialization sales increase, and the sales improvement in the Industrial Technologies segment was primarily driven by higher product identification sales.

For our SGK Brand Solutions segment, consistent with the last fiscal year, year-over-year sales comparability was affected by the loss of a significant client account which occurred during the first fiscal quarter last year. In addition, lower sales of cylinders surfaces and engineered products in Europe and unfavorable currency changes contributed to the decline.

On a GAAP basis, the Company reported a loss per share of $0.34 for the current quarter compared to an income of $0.10 per share last year. The loss on a GAAP basis for the current quarter primarily resulted from non-cash intangible amortization of $17.9 million or $0.43 per share. In addition, the current quarter included costs of $10.3 million or $0.24 per share related to strategic initiatives, most of which related to our cost reduction program.

On a non-GAAP basis, adjusted earnings were $0.47 per share for the Fiscal 2020 first quarter compared to $0.50 last year. The decline primarily reflected the decrease in consolidated sales and lower operating income for the current quarter. Adjusted EBITDA for the Fiscal 2020 first quarter was $40 million compared to $46 million a year ago.

Investment income for the Fiscal 2020 first quarter was $1.3 million compared to a loss of $1.4 million a year ago. Investment income primarily reflects the performance of investments held in trust for certain of the Company's benefit plans.

Interest expense for the Fiscal 2020 first quarter was $9.2 million compared to $10.3 million a year ago, reflecting lower average debt and a decline in average interest rates for the current quarter relative to the first quarter last year.

Other income and deductions net for the quarter ended December 31, 2019 represented a decrease in pre-tax income of $2.8 million compared to $924,000 for the same quarter last year. Other income and deductions include the non-service portion of pension and post retirement costs. For the quarter ended December 31, 2019, the non-service portion of pension and post retirement costs was $2.2 million compared to $931,000 last year.

Consolidated income taxes for the three months ended December 31, 2019 were a benefit of $5.4 million compared to an expense of $605,000 for the same quarter last year. The income tax benefit for the current quarter primarily reflected the Company's pre-tax loss on a GAAP basis. Both periods reflected the impact of certain tax items discrete to their respective periods. Excluding these impacts, the Company currently estimates its consolidated effective tax rate at approximately 25% for Fiscal 2020 compared to 23% for Fiscal 2019.

Please turn to **Slide 5** to begin a review of our segment results. For the SGK Brand Solutions segment, sales were $174.9 million for the current quarter compared to $185.3 million a year ago. The decrease primarily reflected the impacts of the previously reported loss of a significant U.S. brand client account which occurred in the first fiscal quarter last year, lower cylinder sales to the European tobacco market, and a decrease in sales of surfaces and engineered products in Europe. These declines were partially offset by higher sales in the Asia Pacific market and increased sales of merchandising solutions in the U.S. Changes in foreign currency exchange rates had an unfavorable impact of $1.9 million on the segment sales compared with the same quarter last year.

Fiscal 2020 first quarter Adjusted EBITDA for the SGK Brand Solutions segment was $18.7 million compared to $27.4 million a year ago. The decline primarily reflected the impact of lower sales combined with an unfavorable product mix shift. Among the various factors impacting product mix, the incremental margin percentages associated with the tobacco sales decline and the brand client account loss were higher than the margin percentages on the increase in merchandising sales.

Please turn to **Slide 6**. Memorialization segment sales for the current quarter were $154.4 million compared to $153.9 million for the same quarter a year ago. Higher cremation equipment sales particularly in the U.K. market and improved price realization for caskets and memorial products were partially offset by the impact of lower unit sales volumes for caskets and memorial products. U.S. casketed deaths were estimated to have declined from the same quarter last year. Changes in foreign currency exchange rates had an unfavorable impact of approximately $322,000 on the segment sales compared with the same quarter last year.

Memorialization segment Adjusted EBITDA for the Fiscal 2020 first quarter was $30.1 million compared to $30.3 million a year ago. The current quarter primarily reflected the benefit of the increase in sales and productivity initiatives offset by higher freight costs and lower margins on equipment primarily due to cost overruns on several waste incineration projects.

Please turn to **Slide 7**. Industrial Technologies segment sales for the Fiscal 2020 first quarter were $35.7 million compared to $35 million a year ago. Higher product identification sales were partially offset by lower sales of warehouse automation systems and applied technologies products. The decline in warehouse automation sales primarily resulted from project delays by customers as backlog in this business continues to grow. Changes in foreign currency exchange rates had an unfavorable impact of $322,000 on the segment sales compared with the same quarter last year. The segment's Adjusted EBITDA for the current quarter was $4.3 million compared with $3.6 million a year ago. The increase in the segment's Adjusted EBITDA for the quarter primarily reflected the sales change.

Please turn to **Slide 8**. Cash flow from operating activities for the Fiscal 2020 first quarter was $5.4 million compared to $8.4 million a year ago. The decline primarily reflected the impact of lower Adjusted EBITDA and costs related to the cost reduction program. At December 31, 2019, consolidated long-term debt, including the current portion, approximated $967 million compared to $941 million at September 30, 2019. The increase during the quarter was anticipated as typically the Company's first fiscal quarter is seasonally the slowest on an operating income and cash flow basis. A year ago, the Company's consolidated long-term debt at December 31, 2018 was $983 million, compared to $961 million at September 30, 2018.

The Company intends to focus Fiscal 2020 cash flow on reducing debt and, consistent with Fiscal 2019, the Company current expects to report debt reduction during Fiscal 2020.

Additionally, on the Company's balance sheet at December 31, 2019, please note the impact of the adoption of the new lease accounting rules. This adoption had the impact of increasing other assets and other liabilities by approximately $80 million on October 1, 2019.

Approximately 31.3 million shares were outstanding at December 31, 2019. During the recent quarter, the Company purchased only approximately 52,000 shares under its share repurchase program, primarily related to fulfilling required withholding tax obligations in connection with equity compensation.

Finally, the Board last week declared a dividend of $0.21 per share on the Company's common stock. The dividend is payable February 17, 2020 to stockholders of record February 3, 2020.

This concludes the financial review, and Joe will now comment on our Company's operations.

Joseph Bartolacci, *President, Chief Executive Officer:* Thank you. Good morning. Our first quarter results were in line with our expectations. Several of our businesses exceeded our expectations while several fell short. Together, however, we met our targets and see some positive trends in several of our businesses.

First, as you are aware, a year ago this quarter we lost a significant SGK account in North America. This past quarter was the last quarter in which we had revenue from that account. With that mind, relative to our expectations, the SGK Brand business reported higher sales in North America and in the APAC region during the quarter.

Unfortunately, our German businesses, particularly our cylinders and our surfaces business slowed as tobacco and surface orders, particularly tissues and flooring, fell short of expectations. Despite these challenges, we remain positive on our business as early signs of increased marketing and product innovation at several of our customers should help us meet our expectations for the balance of the year.

Similarly, as we discussed last quarter, the engineering portion of the business is seeing strong interest in their energy storage solutions from lithium ion batteries and fuel cell production. Our intellectual property and know-how should lead this group to good year-over-year growth this year and beyond.

As I noted last quarter, we have received a large order from a significant customer in the energy storage business. Together with our customer, we are finalizing the design and capabilities of this equipment that we expect to be delivered in the fourth quarter of this year.

Regarding our Memorialization business, despite the decline in casketed deaths, this group delivered solid results. Better price realization, higher cremation equipment sales, and growth in ancillary cremation products allowed this business to grow. We continue to expand our business for stone monuments and especially private mausoleums and cremation solutions. This market has been a good addition to other Memorialization products as we expect to continue to grow our share.

With respect to our cremation and waste incineration equipment business, we had good sales performance but cost overruns associated with early waste energy projects hampered our results for the quarter. We view these costs as part of the learning process for what we believe to be a significant long-term opportunity in incineration. We have learned from our experiences and improved our project management capability as we prepare for what we hope to be a growing opportunity.

In the Industrial Technologies segment, our performance exceeded prior year results and the business looks positioned for a good full-year performance. Specifically, our product identification business exceeded our expectations largely due to orders which were deferred in the prior quarter, but the timing of significant warehouse automation projects, which were deferred last quarter, appear to be more likely in the latter part of our second and into our third quarter.

This business continues to show good opportunity for growth. Our new products in our product identification business have received positive market acceptance, opening accounts which were outside of our scope in the past, and our warehouse automation business participates in a very hot ecommerce market. In our warehouse automation business, we are particularly pleased as our backlog continues to grow and the roster of clients who have chosen our software continues to grow as well. There is no better reflection of the quality of a business than looking at the companies with which it does business.

As we have noted in the past, now that we have substantially completed our ERP implementation, we have kicked off an initiative to capitalize on our investment by better aligning our cost base with our revenue levels. We expect this initiative to largely benefit our brand business but also to reduce our overall back office costs as we centralize more of the back office functions and capitalize on the automation facilitated by our ERP. We expect this initiative to deliver an annual savings run rate of over $25 million in the next couple of years and contribute modestly to this year’s full year results.

Regarding our investment in the new product for our Industrial Technologies segment, we remain confident with our development process and with our strategy and in what we believe to be the final phase of our development. As previously discussed, our full launch will remain delayed most likely into next year. We have validated the effectiveness of the product but we have yet to get to a consistent production level allowing us to feel comfortable with the launch. We will continue to work through some of these early production issues and I hope to report more information throughout the year.

As we look at our full year expectations, we remain positive about our businesses and the opportunities for growth. In our guidance, we are making several assumptions that are critical. We expect modest sales growth in our Memorialization segment largely driven by our new waste to energy incineration projects. Similarly, we expect our Industrial Technologies segment to continue to grow, driven by the new account wins and product identification and continued growth in our warehouse automation business. Finally, we also expect our brand business to have modest sales growth, driven by the energy storage equipment opportunities that I referenced above. Given these expectations, we are maintaining our guidance for fiscal 2020 of mid-single digit non-GAAP EPS and adjusted EBITDA growth.

Finally, despite the usual seasonal increase in debt that we saw this quarter, we remain focused on debt repayment and expect to utilize our current year cash flow and other cash initiatives to reduce our debt. We remain confident that we will finish the year with significantly lower debt as of now.

With that, let's open it up for questions.

Operator: Thank you. At this time, we will be conducting a question-and-answer session. If you would like to ask a question, please press star, one on your telephone keypad and a confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants that are using speaker equipment, it may be necessary to pick up your handset before pressing the star key. One moment please while we poll for questions.

Thank you. Our first question is from the line of Dan Moore with CJS Securities. Please proceed with your questions.

Stefanos Crist, *CJS Securities:* Good morning, this is Stefanos Crist calling for Dan. Could you give us some more detail on the $25 million annual cost savings, maybe where we'll see that on the income statement?

Joseph Bartolacci: Over the course of time, you're going to see it as a reduction in our overall corporate costs, what we call our back office functions. I would tell you out of the $25 million, $5 million to $10 million at most would come out of that. The balance is going to come out of SGK's operating costs.

Stefanos Crist: Got it. Can you go into a little more detail around the energy storage, maybe the potential size of the initial orders going forward?

Joseph Bartolacci: The initial order is upwards of $20 million or more as we finalize our pricing. I can tell you that our backlog continues to grow and we continue to quote extensively for projects ranging from $2 million or $3 million upwards of $10 million to $15 million as well. We've been doing this work for a couple of years. It's not something that is new to us, but I would tell you the industry as a whole has been more in the test phase rather than in the production phase. Now that we're moving more towards production phase, we expect to see a more consistent revenue stream here, although choppy from a quarterly basis, and we expect larger and more production related equipment as we go forward.

Operator: Our next question is from the line of Liam Burke with B. Riley FBR. Please proceed with your question.

Liam Burke, *B. Riley FBR:* Thanks. Good morning Joe, good morning Steve. Joe, Asia Pacific had an influence on the SGK business. How does the coronavirus factor into what you expect out of that business in SGK for the rest of the year?

Joseph Bartolacci: Frankly Liam, that's one of the areas that we are watching. Right now, as many of you know, we do a lot of work in the AsiaPac region. It is the source of a lot of our production, we're very proud of that. We operate in principally four or five locations. One of those locations is China, and China today is small but it is shut down for us. It's been shut down all week. We're cautiously both looking at what the impact is to our P&L's going forward but also taking steps to prepare for any other shutdowns that we might have, having to of course move work to other parts of the world to be able to produce it. We're cautious as everybody else in the world is. It is unfortunate, but it is a part of our focus today.

Liam Burke: Okay. How did private label do this quarter, and what kind of outlook do you have for that business in 2020?

Joseph Bartolacci: We continue to gain accounts. Private label continues to be a significant part of our business and growing, although in the quarter, this is a seasonal business, you're not having a lot of new product launches in the quarter, so our revenue there is not what you would say is stellar. But our expectation on a full year basis is that this business will continue to grow as we take share, and frankly we're the leading provider of private label services for packaging in the globe today, so we're bullish on this part of the market.

Operator: Thank you. As there are no additional questions at this time, I'll turn the floor back to Bill Wilson for any further remarks.

Bill Wilson: Thank you Rob. Again, thank you for joining us today and thank you for your interest in Matthews. For additional information about the Company and our financial results, please visit our website. Thank you and enjoy the rest of your day.

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