

Operator: Greetings, and welcome to the Matthews International Second Quarter Fiscal Year 2022 Conference Call.

At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Bill Wilson, Senior Director of Corporate Development. Thank you. Sir, you may begin.

Bill Wilson, Senior Director, Corporate Development: Thank you, Christine. Good morning, everyone, and welcome to the Matthews International Second Quarter Fiscal Year 2022 Earnings Conference Call.

This is Bill Wilson, Senior Director of Corporate Development. With me 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 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.

In addition, as a reminder, beginning in the first quarter of Fiscal 2022, the Company transferred its surfaces and engineered products businesses from the SGK Brand Solutions segment to the Industrial Technologies segment. Prior period results reflect the new segmentation.

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. In reviewing our results for the Fiscal 2022 Second Quarter, some of the key highlights included:

First, we reported a new record for quarterly sales and another consecutive quarter of year-over-year consolidated sales growth. Consolidated sales increased to \$445 million for the current quarter, compared to \$417.2 million a year ago, representing an increase of \$27.8 million, or 6.7%. Each of our business segments reported sales growth for the quarter.

Second, the Company's Industrial Technologies segment, which includes the energy solutions, warehouse automation and product identification businesses, reported sales of \$78.2 million for the Fiscal 2022 second quarter, compared to \$65.3 million last year, representing an increase of \$12.9 million, or almost 20%. Adjusted EBITDA for this segment grew to \$14.4 million, compared to \$8.3 million last year. These increases were mainly driven by continued growth in our energy solutions business and higher warehouse automation and product identification sales.

Third, with respect to consolidated Adjusted EBITDA, the benefit of higher consolidated sales was significantly mitigated by the unfavorable impact of increased material costs, as well as other inflationary impacts, including increased labor and freight costs.

Fourth, the Company reported an \$83.1 million reduction in the outstanding debt balance during the Fiscal 2022 second quarter. As a result, the Company's net debt, which represents debt less cash, was below \$700 million as of March 31, 2022. During the quarter, the Company replaced its existing receivables securitization facility with a receivables purchase agreement. This resulted in a \$75 million reduction in trade receivables and debt.

Next, I'll provide a summary of our key earnings metrics on a GAAP and non-GAAP adjusted basis for the quarter ended March 31, 2022.

On a GAAP basis, the Company reported a net loss of \$1.9 million, or \$0.06 per share, compared to net income of \$5 million, or \$0.16 per share, for the same quarter last year. GAAP earnings for the current quarter included asset write-downs totaling \$10.5 million related to the Russia/Ukraine conflict. In addition, both periods reflected the impacts of intangible amortization expense, primarily from the acceleration of amortization of certain intangible assets in the SGK Brand Solutions segment. Consolidated intangible amortization expense was \$12 million, or \$0.28 per share, for the Fiscal 2022 second quarter, compared to \$22.9 million, or \$0.52 per share, a year ago.

On a non-GAAP basis, Adjusted EBITDA, which represents net income before interest expense, income taxes, depreciation and amortization, and other adjustments, for the Fiscal 2022 second quarter was \$55.2 million, compared to \$60.9 million last year. The benefit of the Company's consolidated sales growth was offset for the quarter primarily by higher material costs and increased labor and freight costs. In addition, the current quarter was impacted by unfavorable sales mix in the SGK Brand Solutions segment. Adjusted earnings per share were \$0.74 for the current quarter, compared to \$0.89 last year, primarily reflecting the reduction in Adjusted EBITDA.

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

For the six months ended March 31, 2022, consolidated sales increased to \$883.6 million, compared to \$803.8 million a year ago, representing an increase of \$79.7 million, or almost 10%. Similar to the results for the second quarter, each of our business segments reported sales growth on a year-to-date basis.

On a GAAP basis, the Company reported a year-to-date net loss of \$21.7 million, or \$0.68 per share, compared to net income of \$3.2 million, or \$0.10 per share, last year. GAAP earnings for the current year included non-service pension costs of \$31.4 million, which is predominantly related to the settlement of the Company's principal pension plan. In addition, as I noted earlier, the second quarter of this year included asset write-downs totaling \$10.5 million related to the Russia/Ukraine conflict. Both year-to-date periods reflected the impacts of accelerated intangible amortization expense. Consolidated intangible amortization expense was \$33.5 million, or \$0.79 per share, for the first six months of Fiscal 2022, compared to \$38.2 million, or \$0.88 per share, a year ago.

On a non-GAAP basis, Adjusted EBITDA for the six months ended March 31, 2022 was \$108.5 million, compared to \$115.7 million last year. The benefit of the Company's consolidated sales growth was offset primarily by higher material costs and increased labor and freight costs. In addition, the current year was impacted by unfavorable sales mix in the SGK Brand Solutions segment.

Year-to-date adjusted earnings per share was \$1.48 as of March 31, 2022, compared to \$1.57 last year, primarily reflecting the reduction in Adjusted EBITDA. The decline was partially offset by lower interest expense in the current year.

Investment income for the quarter ended March 31, 2022 was a loss of \$327,000, compared to income of \$1 million for the same quarter a year ago. Investment income for the six months ended March 31, 2022 was \$676,000, compared to \$2 million last year. 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 Fiscal 2022 second quarter was \$6.3 million, compared to \$7.2 million a year ago. Year-to-date interest expense was \$12.8 million for Fiscal 2022, compared to \$15 million last year. The declines reflected lower average debt levels and lower average interest rates for the current year.

Other income and deductions net for the quarter ended March 31, 2022 represent pre-tax income of \$562,000, compared with net expense of \$2.6 million a year ago. The significant change primarily reflected a reduction in non-service pension costs as a result of the Company's settlement of its principal pension plan. Year-to-date other income and deductions net for Fiscal 2022 represented net expense of \$31.2 million, compared to net expense of \$4.3 million last year. The year-to-date change primarily reflected a significant first quarter charge in the current year as a result of the settlement of the Company's principal pension plan. Other income and deductions include the non-service portion of pension and post-retirement costs, as well as banking-related fees and the impact of currency revaluation gains and losses on foreign-denominated cash and debt balances.

The Company's consolidated income taxes for the quarter ended March 31, 2022 were \$3.3 million, compared to \$972,000 a year ago. The significant increase for the current quarter primarily reflected the impact of the non-deductible asset write-downs related to the Russia/Ukraine conflict. For the six months ended March 31, 2022, the Company's consolidated income taxes reflected a benefit of \$3.4 million, compared to expense of \$5 million last year. The benefit for the current year primarily reflected the tax benefit of the first quarter pension costs.

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

Sales for the Industrial Technologies segment were \$78.2 million for the Fiscal 2022 second quarter, compared to \$65.3 million a year ago, representing an increase of \$12.9 million, or approximately 20%. The growth resulted primarily from higher sales for the energy solutions business. In addition, warehouse automation and product identification sales improved for the quarter. Backlogs and incoming order rates for these businesses continued to be strong through the Fiscal 2022 second quarter. Year-to-date sales for the Industrial Technologies segment were \$152.5 million for March 31, 2022, compared to \$118.7 million a year ago, representing an increase of \$33.8 million, or approximately 28.5%. As a result of this sales growth, Adjusted EBITDA for the Industrial Technologies segment was \$14.4 million for the Fiscal 2022 second quarter, compared with \$8.3 million a year ago. The increase also reflected improved margins and lower pension costs, which were partially offset by higher labor costs. On a year-to-date basis, Adjusted EBITDA for the Industrial Technologies segment nearly doubled to \$21.6 million, compared with \$11.3 million last year.

Please turn to **Slide 6**. Memorialization segment sales for the Fiscal 2022 second quarter were \$220 million, compared to \$205.5 million a year ago, representing an increase of \$14.5 million, or 7.1%. The growth was primarily the result of higher cemetery memorial product sales and increased prices. Casket unit sales volumes were slightly lower for the current quarter, as the impact of COVID-19 begins to subside. The Company also completed an acquisition of a small cemetery products business during the Fiscal 2021 second quarter. For the first six months of Fiscal 2022, Memorialization segment sales were

\$430.7 million, compared to \$388.7 million a year ago, representing an increase of \$42 million, or 10.8%. Higher unit volumes of caskets and cemetery memorial products, in addition to increased prices, were the primary drivers for the year-to-date sales improvement. Memorialization segment Adjusted EBITDA for the Fiscal 2022 second quarter was \$42.9 million, compared to \$51.6 million a year ago. The favorable effective higher sales was offset by the significant unfavorable impacts of higher material costs, mainly steel, lumber and bronze, compared to a year ago, as well as increased labor and freight costs. Memorialization segment Adjusted EBITDA for the six months ended March 31, 2022 was \$86.3 million, compared to \$95.7 million last year.

Please turn to **Slide 7**. Sales for the SGK Brand Solutions segment improved to \$146.8 million for the quarter ended March 31, 2022, compared to \$146.4 million a year ago. The increase primarily reflected higher merchandising-related sales and growth in the segment's European packaging business. These increases were significantly offset by changes in foreign currency rates, which had an unfavorable impact of \$7 million on the segment's current quarter sales, compared with the same quarter last year. Year-to-date sales for the SGK Brand Solutions segment were \$300.4 million for Fiscal 2022, compared to \$296.4 million last year. Similar to the second quarter, sales growth for our merchandising business and our brand packaging business in Asia was significantly offset by unfavorable currency rate changes. These changes had an unfavorable impact of \$9.4 million on the segment's current year sales, compared to last year. Fiscal 2022 second quarter Adjusted EBITDA for the SGK Brand Solutions segment was \$13.5 million, compared to \$18.4 million a year ago. The decline primarily reflected the impact of an unfavorable change in sales mix from a year ago, increased labor costs, new client onboarding costs, and higher travel and entertainment expenses. The segment's sales mix for the current quarter reflected a reduction in higher margin agency and photography-related sales, which were offset by increased merchandising sales. In addition, production inefficiencies related to remote work environments impacted operating margins for the quarter. Adjusted EBITDA for the SGK Brand Solutions segment was \$28.9 million for the first six months of Fiscal 2022, compared to \$40.2 million last year.

Please turn to **Slide 8**. Outstanding debt was \$753 million at March 31, 2022, compared to \$836.1 million at the end of the first quarter, and \$763.7 million at September 30, 2021. Net debt, which represented debt less cash, at March 31, 2022 was \$699.2 million, and our net leverage ratio was 3.2. The leverage covenant ratio in our domestic credit facility is based on net debt. A significant portion of the debt reduction resulted from the replacement of our existing securitization facility with a receivables purchase agreement that resulted in reductions in our debt and trade receivables balances.

With respect to our balance sheet, it is important to highlight that since the beginning of the pandemic, the quarter ended March 31, 2020, we have reduced our outstanding debt balance by over \$200 million and our accrued pension balance by over \$100 million.

Cash flow provided by operating activities for the Fiscal 2022 second quarter was almost \$100 million, compared to \$56.9 million a year ago. The increase primarily reflected the sale of trade receivables totaling \$75 million under the Company's new receivables purchase agreement, that I just noted. Cash flow provided by operating activities for the six months ended March 31, 2022 was \$72.7 million, compared to \$92.2 million last year. This change included the contributions of the Company's principal pension plan during the Fiscal 2022 first quarter in connection with the plan's termination and settlement.

Approximately 31.3 million shares were outstanding at March 31, 2022. During the recent quarter, the Company purchased approximately 289,000 shares under its share repurchase program. At March 31, 2022, the Company had remaining authorization of approximately 2.3 million shares under the program.

Finally, the Board yesterday declared a dividend of \$0.22 per share on the Company's common stock. The dividend is payable May 23, 2022 to stockholders of record May 9, 2022.

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

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

We are pleased with our second quarter financial results, despite the obvious challenges. Continued supply chain challenges, negative currency movement, rapidly rising costs and the war in the Ukraine combined to make an otherwise strong quarter more challenging than most. Despite those challenges, we delivered good results overall, and exceptionally strong results in several of our businesses. Each of our segments reported higher revenue than prior year, allowing us to report another record revenue for the quarter.

Our revenue growth was both volume- and price-driven, as all businesses have raised prices to mitigate the inflationary pressures, though, as you all know, the timing of our price increases doesn't always match up with the increases in our costs. The price increases in the Memorialization segment will help mitigate the declining volumes resulting from the lower COVID-related deaths.

Again, this quarter, I want to highlight the particularly strong performance in our recast Industrial Technologies segment, which reported almost 20% revenue growth and almost a 75% increase in EBITDA versus prior year. Although our energy storage business was the largest driver of this performance, our warehouse automation and our product identification business continued their strong performance and also delivered significant year-over-year improvement, as well.

As you are aware, this segment represents our fastest growing businesses. We expect these businesses to have an exceptional year, with revenues on track to approach \$300 million, as our backlog in this segment alone still remains over \$200 million.

Interest in our energy storage business remains strong, particularly in our proprietary dry electrode technology. We are in continuing discussions with some of the world's largest auto industry participants who are seeking us out due to our demonstrated ability to produce dry electrode production-level equipment. We believe that dry electrode battery production will be the next generation of batteries to enter the market for many reasons, but, most importantly, dry electrodes offer a significantly lower capital cost and a small footprint to produce, versus wet electrodes. We are very well positioned in this market, with almost a decade of experience, know-how and intellectual property.

Our Memorialization segment's continued strong top line performance, particularly in cemetery and funeral products, was offset by rising commodity, labor and freight costs. Although this business has raised prices significantly, further action may be necessary in the future to mitigate costs, like higher labor, which are becoming a more permanent part of our cost structure.

In SGK, the team continued to deliver top line organic growth, but was challenged by currency changes during the quarter. In addition to currency, EBITDA was impacted by significant product mix shifts and inflationary pressures, affecting both our businesses and those of our most important consumer product companies. As I'm sure you've heard this earnings season, several CPG clients have softened marketing spend, resulting in lower volume for SGK, as they look to offset the rising commodity costs in their own businesses. SGK has also implemented pricing actions to offset the rising cost of labor.

During the quarter, we also took further action to reduce our debt, bringing our total debt reduction during the two years of the pandemic to over \$200 million. Further, as I stated last quarter, we terminated our U.S. defined benefit plan and paid out the benefits to our retirees and employees. This reduced our pension plan since the start of the pandemic by over \$100 million. In total, we have reduced total

Company obligations and debt by over \$300 million, to the benefit of our shareholders, since the beginning of the pandemic.

We are satisfied with our operating performance for the quarter and confident in our ability to continue to deliver solid results. As we look to the balance of the year, there is still even more uncertainty than before. Inflationary pressures do not appear to be subsiding. The war in Ukraine is causing concerns throughout Europe, where we have significant presence, particularly with SGK. Also, significant changes in currency rates are impacting our expectations for the balance of the year. All of these factors, and more, make predicting our performance over the balance of the year very difficult. Despite these challenges, our current estimates remain strong, thanks to our strong backlogs in many of our businesses and the pricing actions taken to date. As a result, we continue to believe that we can deliver at least \$220 million of EBITDA on a full-year basis. If not for some of the uncertainties that we see, including the currency fluctuations, we would expect even better results, but for now this is our best estimate.

Now, let's open it up for questions.

Operator: Thank you. We will now be conducting a question-and-answer session. One moment, please, while we poll for questions.

Thank you. Our first question comes from the line of Daniel Moore with CJS Securities. Please proceed with your question.

Daniel Moore: *CJS Securities:* Thank you. Good morning, Joe. Good morning, Steve. Maybe start with Industrial Technologies, where margins clearly stand out, maybe talk about some of the drivers there. Obviously, mix was favorable, to some extent, but if you could kind of dig in a little bit more and just talk about the sustainability of the margins you generated in this quarter.

Joseph C. Bartolacci: As I said in my comments, Dan, each one of the businesses performed well and we had significant improvement on year-over-year basis. Volume drives our performance on the bottom line. We're expecting all of those businesses to pretty much sustain that kind of profitability and the kind of performance we've talked about for the quarter for the balance of the year. My comments said it, we're going to be approaching \$300 million in this segment and almost \$60 million of EBITDA. We've been talking about this for several years and I think we're just at the beginning. These results do not even include our new product, which we are very, very confident about it, in our product identification business, that comes into market at the end of this calendar year.

Daniel Moore

Very helpful. Then, maybe switching to Memorialization, I think you said funeral home product volumes were down slightly—not a surprise, obviously, given the extremely difficult comp. I'm just trying to get a sense of how quickly volumes are returning to more normal levels on that side of the Memorialization business.

Joseph C. Bartolacci: The volumes are already coming back down to normal. They've been there for about a month now at this point, or better than a month, at least. The issue that I think that the street may be misunderstanding is that the pricing actions that we've taken to date really are going to mitigate, if not offset completely, those volume reductions. That, together with extremely strong backlogs in their cemetery products business, we're expecting another strong year in that segment this year, as well.

Daniel Moore: Got it. Then, the follow-up to that is just in terms of the lag as far as pricing versus the inflationary pressures. When do we expect to see margins maybe start to turn back to more normal levels in that business? Then, I'll jump back into queue. Thanks.

Joseph C. Bartolacci: I would expect that some—we've had some pricing action taken throughout the second quarter that will only benefit a part of the quarter. We'll see some of that benefit going further into this quarter, getting better, and given where our cost structures are, we would expect to see further pricing action throughout the year. So, I would tell you—whatever normal may be in your mind in terms of margins, I would tell you that we'll start to see that more towards the latter part of the year as we move forward, but the volumes will remain elevated—I mean the revenues will remain elevated, excuse me.

Daniel Moore: Understood. Okay, thanks. I'll jump back with a couple follow-ups.

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

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

Steven F. Nicola: Hi, Liam.

Joseph C. Bartolacci: Hello, Liam.

Liam Burke: Joe, could you talk a bit about cremation systems in the Memorialization segment? It wasn't mentioned in any of your comments. How are the sales and how does the backlog look there?

Joseph C. Bartolacci: When we talk about our human cremation unit, we are strong. Our order rates remain strong, elevated orders. We're having some difficulty on the supply chain side of things, getting things out, but we expect that to be a good contributor over the balance of the year, and into next year, as well.

Liam Burke: Okay, great, and what assets had to be written down as a result of the Ukraine conflict?

Steven F. Nicola: Yes, Liam, I'll take that one. We have a facility in Russia that serves primarily the tobacco market in Russia, in our SGK business.

Liam Burke: Okay, and I'm presuming it's uncertain how that's going to shake out.

Joseph C. Bartolacci: Yes, we've taken action to eliminate that at this point in time. Obviously, the facility's still there. Whether it ever comes back online or not is another story.

Liam Burke: Well, I guess my question is can you work around that write-down? I mean, it was pretty sudden for you.

Joseph C. Bartolacci: Obviously, the tobacco company still exists and they were producing product for other parts of Europe from there, as well. We expect that that volume will just be shifted to other locations. But, there has been disruption.

Liam Burke: Great, okay. Thanks, Joe. Thanks, Steve.

Operator: Our next question comes from the line of Chris McGinnis with Sidoti. Please proceed with your question.

Chris McGinnis, *Sidoit*: Good morning. Thanks for taking my questions.

Joseph C. Bartolacci: Good morning, Chris.

Steven F. Nicola: Good morning.

Chris McGinnis: Good morning. If we could just start, maybe, with the inflationary environment related to lithium. Could you just talk about, you know, is that helping drive more customers to seek you out and your option now? Could you just talk a little bit about that dynamic? Thanks.

Joseph C. Bartolacci: Sure. As you know, Chris, we don't produce the battery, so anything I'm going to give you in terms of feedback with respect to that is going to be anecdotal or related, but, obviously, anything that would reduce the overall cost of producing a lithium-ion battery is going to be viewed favorably in an environment where the overall cost of the raw materials are going up. Our solution, the dry electrode solution, amongst the other benefits, clearly is a lower cost to production, and that's going to drive it. As lithium continues to go up, as well as other raw materials associated with the production of the battery goes up, our manufacturers will be looking for a lower cost to produce, and this is the solution. So, we think it's favorable for us.

Chris McGinnis: I guess, just conversations since last quarter to this quarter, have they increased, have they stayed the same? I mean, can you just give a little bit of color around that? Thank you.

Joseph C. Bartolacci: Yes, Chris, we are actively talking to a dozen, or more, auto players, and that includes the actual auto manufacturers, as well as OEM part manufacturers. Those discussions continue on. I would tell you we have interest both in our wet electrode capabilities, as well our dry. There are some timing issues as to when those would actually come online. We continue to sell lab machines, which are the precursors to production machines, as people try to formulate their own solutions for their own batteries. So, discussions continue extremely strong, a lot of interest in us in a few trade shows that we've attended. Obviously, we still remain very, very bullish on where this goes. Is it a direct line up? Probably not. Is it what I would consider a long-term—a mid-term, very, very successful and interesting business? You bet.

Chris McGinnis: Great, I appreciate it. Just a couple more questions around Industrial. With automation, are you running into any supply chain issues in getting product? I was talking to a company yesterday where it's over a year out to get some of the equipment. Can you just talk about the ramp in that business and the expectation there going forward?

Joseph C. Bartolacci: Yes, there clearly is supply chain issues. As we look at our warehouse automation part, obviously, there, we sell software and some hardware into the warehouse automation business for companies around the country. I would not tell you that we have significant issues in that business as much as our suppliers—or, excuse me, our customers. Whether it be conveyors, sorters, whatever it may be, the hardware that they are trying to get their hands on, which is what we overlay our software on, has been challenging. It has delayed some installations and caused us—it's challenging to get the recognized revenue on products. We have backlogs that we have. We have a very, very strong backlog in that business, as well.

When it comes to product identification, the team is struggling with what I would call componentry. Whether it be the wafers that we use to produce our new product, whether it's—or the circuit boards used to produce the drivers of those products, we are having some challenges, but they've done a pretty good job of substituting and finding alternative solutions. Is it perfect? No, it is hampering us. But, that is also what's causing the over \$200 million of backlog in that segment that you see today.

Chris McGinnis: I appreciate that, Joe, and then one just last one on the product identification. It sounds really confident that next year it's going to be a big year for you. Can you just talk about the stage of where we're at with the customer? Are they starting to receive it? Can you just provide a little bit more color around identification? Thanks.

Joseph C. Bartolacci: I would tell you we are in beta plus with respect to our new product, it's out there. The product's been out there for months. It is performing exactly as we expected; in some cases, better. Our movement from what I would call lab production of the silicon chip is going well. We're moving that production line to a Teledyne fab lab, and that fab lab has been very, very, very instrumental for us to understand what our ongoing capabilities are in terms of cost structure, effectiveness and volumes, and we remain bullish. I mean, is it going to be—again, we've cautioned that this was not going to be like we're going to launch it tomorrow and we're going to overtake the world, but the value proposition we have expected is coming true.

Chris McGinnis: Okay, great, I appreciate it. Then, Steve, a question for you just around the inflationary environment and then FX. Maybe, could you just talk about the impact of FX on EBITDA in the quarter, and then just kind of maybe the outlook in general?

Steven F. Nicola: Sure, yes. The impact on EBITDA for the quarter is, I'd say, somewhere around the \$2 million to \$3 million range in total, but from a revenue perspective, on a consolidated basis, it was over \$11 million, so it certainly had a top line impact, Chris. As I mentioned before, it impacted the SGK segment, particularly, because when you look at the absolute reported growth in their top line, it reports very small, but you have to keep in mind that there was a \$7 million top line headwind in that business that masked some growth, particularly on the merchandising side of that business.

Chris McGinnis: Appreciate that.

Steven F. Nicola: And, Chris, I'm sorry, the second part of your question?

Chris McGinnis: Was just, I guess, the impact when you look at your guidance going out there, as well. I mean, it feels like it would have been a little bit stronger if not given the inflation, and then also, obviously, the FX.

Joseph C. Bartolacci: Yes, there's no question about that. From a bottom-line standpoint, our results are a little bit significant, but for the inflation. On a top line standpoint, the interesting thing about that, that we saw, and Steve says, \$11 million, plus or minus, of currency fluctuation largely impacting the SGK side of the business. What is disappointing in that, it reflects what we've been talking about for a while, which has been some client wins that are ramping up as we speak, that would otherwise—being masked by the currency changes we're seeing. We don't know where it's going. I can tell you today, the 29th of April, the euro is further degraded from where it was before. Where that finishes up the year, it's difficult to tell. We're not in the currency business, but it's not helpful.

Chris McGinnis: Sure, no, I understand. Thanks for taking my questions and good luck next quarter. Thank you.

Joseph C. Bartolacci: Thank you.

Steven F. Nicola: Thank you.

Operator: Our next question comes from the line of Justin Bergner with Gabelli Funds. Please proceed with your question.

Justin Bergner, *Gabelli Funds*: Good morning, Joe. Good morning, Steve.

Joseph C. Bartolacci: Good morning.

Steven F. Nicola: Hi, Justin.

Justin Bergner: Apologies, I got on the call a little late, so I may ask questions on areas you've covered, but just to clarify, I guess, the last line of questioning. The currency impact was \$11 million in terms of revenue and \$2 million to \$3 million EBITDA. You mentioned inflation. I wasn't sure ...

Steven F. Nicola: That is correct.

Justin Bergner: Okay.

Steven F. Nicola: No, inflation—I mean, let's put it this way. When we said inflation, obviously, inflation is impacting our bottom line more than we had anticipated, but pricing action is not fully implemented just yet.

Justin Bergner: Okay, but the actual \$11 million and \$2 million to \$3 million, that was currency, that was not ...

Steven F. Nicola: That's hard. Yes, that's a hard number, that's correct. Inflation is much higher than that, I expect.

Justin Bergner: Got it. I guess, secondly, just in the SGK business, could you just, if you haven't already, maybe just talk through what's strong and what's challenged in that business looking into the second half?

Joseph C. Bartolacci: We have seen some of our largest CPGs, that you would know, cut back on their marketing spend, principally in North America and in Europe, as a result of trying to offset their rising commodity costs. I mean, that's just the reality. They're finding ways to maintain their bottom line, and what they're doing is cutting that cost, and that's the challenge we saw this quarter, in particular. Going forward, it's hard to tell whether that does—this cannot be a permanent situation for them. We think marketing in evolutionary times, it goes back and forth. But, we are seeing strong retail experiences. As we said, the reopening trade is coming back. We hope that will continue throughout the balance of the year. We're also seeing a recovery in our private label business as we start to see our retailers again, mostly grocers, get their supply chains in order and begin to refocus on rebranding or remarketing their product on the shelf.

The short story is difficult to tell with the CPGs. We expect that comes back next quarter or the quarter after that, it's difficult, but it does come back, but we're expecting stronger results, as we've seen, in our merchandising and brand experience business, as well as our private label business, than we had prior year.

Justin Bergner: Got it, and when you talk about merchandising, that's synonymous with retail?

Joseph C. Bartolacci: Yes, it is retail. We look at retail in two forms, private label, which is the product on the shelf that is owned by the retailer, as well as in-store marketing and experiences, things like—we do some work for some relatively large brands, in-store displays and marketing efforts inside the store.

Justin Bergner: Got it. All right, great. Then, you did \$108.5 million EBITDA in the first half. Your guide is still better than \$220 million. It seems like you have some headwinds in the second half in parts of your business. Maybe just what gets better to offset those headwinds and deliver a second half that's slightly better than the first half?

Joseph C. Bartolacci: If you had asked me that question, probably, in January of this year, we would have told you it would be a little better than that, but currency has moved the wrong way, so we don't know where currency ends up for the balance of the year, and we need some confirmation that we are able to deliver some of the large products on the energy side within the balance of the second half. That is not in our control. Whether they're facilities that are being built or—our customer readiness to accept product has been on one of the biggest challenges we have. Whether it be on energy, whether it be on warehouse, whether it be in some of the cremation situations that we have, our customer readiness is a precursor to recognizing revenue for us, that we haven't been able to get it all.

Justin Bergner: Got it, that's helpful. One or two more questions, if I may. The step-up in sequential margins in your Industrial Technologies business, clearly you alluded to that as part of, I think, your annual outlook in some prior comments, but was that expected? What triggered that? Is that ...

Joseph C. Bartolacci: As expected. Here's the best way to frame it. It kind of relates to the last question you asked. It is expected and we hope that it is sustainable. The issue is really not so much us, it's the timing of customer readiness. As I said before, we have very strong backlogs in our warehouse automation business, where the issue is really are the warehouses ready to accept software. We're the last—usually the last player into a new warehouse or a reconfigured warehouse. We overlay our software over the underlying hardware, but the hardware has to get there first. Those are the kinds of challenges we're facing, that really don't look to the quality of the business or the kind of revenues—or, excuse me, the kind of profitability we expect. It's timing.

Justin Bergner: Got it. So, it seems like there was a favorable mix impact then on the EBITDA margin for this quarter, but not unexpected.

Joseph C. Bartolacci: Yes, and I assure you that the entire business would have been significantly better than what I would call greater than expected inflationary pressures.

Justin Bergner: Got it, and then lastly, you talked about, I think, securitizing some receivables. I'm assuming those went off-balance sheet. Is that the correct interpretation, can you share that number, or should I just wait for the Q.

Steven F. Nicola: No, Justin, that's entirely correct. In the past, or prior to this year, we had a receivables securitization facility in place. We replaced that with a receivables purchase agreement. Basically, still debt secured by receivables, but it has no cost impact to us, it's the same cost of that debt, the difference being, though, that, you're right, it takes the receivables and related debt off-balance sheet, and that reduction this quarter, that impact was \$75 million.

Justin Bergner: Great, thanks for taking all my questions.

Joseph C. Bartolacci: You're welcome.

Operator: Our next question is a follow-up from Daniel Moore with CJS Securities. Please proceed with your question.

Daniel Moore: Thank you again. Just as a follow-up to that last one, as it relates to cash flow, obviously, the EBITDA guide in the \$220 million range is still the goal. How does that translate—how do you see that translating into cash flow from ops or free cash flow inclusive or exclusive of the \$75 million receivable that you just mentioned. I'm just trying to get a sense of your view for cash generation for the year. Thanks.

Steven F. Nicola: Sure, Dan. It's interesting this year, because when you look at the \$220 million Adjusted EBITDA number relative to a year ago—that's your reference point for cash flow and the cash flow estimates—the receivables securitization actually serves to mitigate a couple of things. One, if you recall, we made a \$35 million plus contribution to our pension plan in the first quarter, so that mitigates the impact of some of that on the balance sheet and reported debt; and, secondly, as you've been seeing in our cash flow information first quarter this year, and as we've talked about, we are expecting a higher level of capital expenditures this year. So, I would use those factors in modeling out the cash flow for the year.

Daniel Moore: Got it. Thank you.

Operator: We have no further questions at this time. Mr. Wilson, I would like to turn the floor back over to you for closing comments.

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

Operator: Ladies and gentlemen, this does conclude today's teleconference, you may disconnect your lines at this time. Thank you for your participation. Have a wonderful day.