CORPORATE PARTICIPANTS

Bill Wilson, *Senior Director, Finance and Corporate Development*

Joe Bartolacci, *President and Chief Executive Officer*

Steve Nicola, *Chief Financial Officer and Secretary*

CONFERENCE CALL PARTICIPANTS

Daniel Moore, *CJS Securities, Inc.*

Liam Burke, *B. Riley Securities*

Justin Bergner, *Gabelli Funds, LLC*

PRESENTATION

Operator: Greetings. Welcome to the Matthews International Second Quarter Fiscal 2023 Financial Results.

At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. (Operator instructions).

Please note, this conference is being recorded.

I will now turn the conference over to your host, Bill Wilson, Senior Director of Corporate Development. You may begin.

Bill Wilson, *Senior Director of Corporate Finance.* Thank you, Shimali. Good morning everyone and welcome to the Matthews International Second Quarter Fiscal Year 2023 Financial Results 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 want 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.

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 will turn the call over to Joe.

Joe Bartolacci, *President, Chief Executive Officer,* Thank you, Bill. Good morning.

Let me first thank all of our employees globally for their contributions to our continuing success last quarter. We are very pleased with our results for the Fiscal 2023 second quarter as we continue to see momentum and interest in our energy solutions business, growth in our warehouse automation business, and strong results in our Memorialization segment despite the significant decline in COVID-related deaths. We are on target to meet our financial guidance for the current year, and we remain focused on continuing to evolve our businesses to meet the opportunities before us.

Consolidated sales increased by almost 8% and Adjusted EBITDA improved by 6% in the second quarter of Fiscal '23 on a year-over-year basis. Importantly, on a constant currency basis compared to prior year, our sales increased 10% and our EBITDA increased almost 9%, a strong performance in a challenging environment.

Looking at our businesses, Industrial Technologies grew by over 60% year-over-year, primarily through higher sales from our energy storage solutions business as well as the acquisitions of OLBRICH and R+S Automotive. The interest in our energy storage offerings remains strong as we engage with many industry leaders in the battery space, including most of the Asia Pacific based battery manufacturers as well as OEMs around the world. We stand positioned to grow this business.

Progress on the over $200 million of energy orders we announced last quarter is on track and going well. We look forward to sharing additional information in detail on new orders over the next few quarters as several of our discussions are approaching the final phase of negotiations.

Although Olbrich has yet to be a contributor to our bottom line, the acquisition was a clear message to the EV market that we now have the skills and the capacity to significantly grow our energy business. But for the Olbrich acquisition, I am doubtful our current and prospective customers would have entrusted us with the orders we have received, let alone the orders and relationships that we are discussing. We are beginning to raise our prices and reduce our costs at Olbrich as we look to position the business as a significant contributor to our overall result going forward.

Our Memorialization business grew despite the return to more normalized death rates following COVID. As stated in our earlier calls, we have evolved this business since COVID to a higher level of overall performance. Through market share gains, tuck-in acquisitions, our growing cremation products business and significant capital investments designed to improve productivity, this business is poised for continuing success.

For example, Memorialization sales grew by 44% when compared to Fiscal 2020 first quarter, the immediately preceding quarter before COVID deaths began to emerge. These improvements assure us of a continued steady cash flow necessary to evolve our overall business and focus on reducing our debt.

We are innovators at our core and this attribute can clearly be seen in our product identification business where we continue to make good progress in the development of our new products. For one of those products, which I have mentioned before, a silicone-based printhead, we have received external third-party revalidation of its value proposition, giving us increased confidence of the opportunity ahead as we move to production. Our external research confirms that the total cost of ownership of this new product can be up to 30% lower over the lifetime of competitive products. When coupled with the ability to meet changing marking and coding demands, like 2D codes or QR codes, and ease of use, our business proposition gets stronger each day.

In our Warehouse Automation business, we are in the early stages of a new phase of evolution at this business as well. As you are aware, we are a leading provider of warehouse execution software and pick-to-light technologies that help companies meet the demands of an ever-expanding e-commerce market. Our latest solution in this business will enable Matthews proprietary autonomous vehicle management solutions to further penetrate the automated warehouse. This solution is still in its early stages, but we have great confidence in our abilities to innovate in this space for further success.

Moving on to SGK, the business continued to be impacted by a variety of elements including unfavorable currency rate changes and difficult market conditions in Europe. However, the reduction actions we initiated in Europe last quarter are beginning to take effect and have mitigated some of the negative impact. Further actions to improve our cost structure in this business, particularly in Europe, are planned in the coming quarters, and we expect margin improvement throughout the remainder of Fiscal ’23 and into ’24.

As we look forward to the remainder of the year, we are expecting continued consolidated growth. We are only in the early stages of the energy solutions orders we announced in January of this year. As a result, we expect these orders to provide some benefit throughout the remainder of Fiscal ’23 and into and through the second quarter of Fiscal ’24. But given the nature of these significant orders, the timing of revenue recognition is subject to change.

Backlog for our Warehouse Automation business remains strong, assuring us of another strong year in this business.

We remain confident that our Memorialization business will continue to perform despite a return to normalized death rates post COVID.

And as for SGK, we do see an improvement of the pricing environment, and as discussed earlier, we are also starting to realize the benefits from recently implemented cost reduction actions.

With these factors in mind, in addition to the continuation of uncertain near-term economic environments, we remain cautious in our outlook. Consequently, we are maintaining our previous guidance for Fiscal 2023 of Adjusted EBITDA of between $215 million to $235 million. Although we have the orders to deliver a strong year, we have chosen to remain cautious on the timing of revenue recognition on the existing energy orders and the timing of future orders in this business.

Let me now hand over the call to Steve who will discuss the financial results for the quarter in greater detail.

Steve Nicola, *Chief Financial Officer and Secretary.* Thank you, Joe, and good morning.

I’ll begin with **Slide 7**.

Consolidated sales for the Fiscal 2023 second quarter were $479.6 million compared to $445 million a year ago, representing an increase of $34.6 million or 7.8%. On a constant currency basis, sales were 10% higher than the same quarter last year. The increase primarily reflected higher sales for the Industrial Technologies segment.

The Industrial Technologies segment reported a sales increase of $47.4 million or 60.6% compared to a year ago, primarily reflecting higher engineering, energy storage solutions sales, and the impact of the acquisitions of Olbrich GmbH and R+S Automotive GmbH in August of last year.

Memorialization segment sales also increased modestly for the current quarter. Sales of the SGK Brand Solutions segment were lower than a year ago. On a consolidated basis changes in currency rates had an unfavorable impact of $9.9 million on current quarter sales compared to a year ago.

On GAAP basis, the Company's net income was $9.1 million or $0.29 per share for the current quarter, compared to a loss of $1.9 million or $0.06 per share for the same quarter last year. The second quarter last year included asset writedowns of approximately $10.3 million or $0.33 per share related to the Russia/Ukraine war.

On a non-GAAP basis, consolidated Adjusted EBITDA, which represents net income before interest expense, income taxes, depreciation and amortization and other adjustments, for the Fiscal 2023 second quarter was $58.4 million compared to $55.2 million a year ago, representing an increase of $3.2 million or 5.9%. The year-over-year change primarily reflected increases for the Memorialization and Industrial Technologies segments, offset partially by lower Adjusted EBITDA for the SGK Brand Solutions segment.

Changes in currency rates had an unfavorable impact of $1.5 million on current quarter consolidated Adjusted EBITDA compared to a year ago.

Adjusted earnings per share for the current quarter was $0.65 compared to $0.74 for the same quarter a year ago. The increase in consolidated Adjusted EBITDA for the current quarter was offset by higher interest expense. The increase in interest expense primarily reflected higher interest rates and higher average debt levels compared to a year ago.

Please refer to the reconciliations of Adjusted EBITDA, non-GAAP adjusted earnings per share, and constant currency sales and Adjusted EBITDA provided in our earnings release.

Please turn to **Slide 8** to begin a review of our segment results.

Sales of the Industrial Technologies segment for the Fiscal 2023 second quarter were $125.5 million compared to $78.2 million a year ago, representing an increase of $47.4 million or 60.6%. The acquisitions of Olbrich and R+S Automotive contributed $33.2 million to the current quarter. The engineering business reported higher sales for the current quarter compared to a year ago, primarily reflecting continued growth on our energy storage solutions business.

Our Warehouse Automation and product identification businesses also reported higher sales for the current quarter compared to last year. Changes in currency rates had an unfavorable impact of $3.3 million on the segment's current quarter sales compared to a year ago.

Adjusted EBITDA for the Industrial Technologies segment for the current quarter was $15.6 million compared to $14.4 million a year ago. The increase primarily reflected the segment's sales growth for the current quarter. The segment's Adjusted EBITDA margin percentage was unfavorably impacted by the Olbrich, R+S Automotive acquisitions. As we previously discussed, these acquisitions were not anticipated to contribute to Adjusted EBITDA immediately.

Changes in currency exchange rates had an unfavorable impact of $1.2 million on the segment's current quarter Adjusted EBITDA compared to year ago.

Please turn to **Slide 9**. Sales for the Memorialization segment for the Fiscal 2023 second quarter were $222.9 million compared to $220 million for the same quarter a year ago. The modest increase primarily reflected the benefits of improved pricing, higher sales of cemetery memorial products, mausoleums and U.S. cremation equipment, and the acquisition of Eagle Granite Company. These increases were partially offset by lower unit sales of caskets, reflecting lower COVID related deaths.

Changes in currency rates had an unfavorable impact of $672,000 on the segment's current quarter sales compared to a year ago.

Memorialization segment Adjusted EBITDA for the current quarter was $48 million compared to $42.9 million for the second fiscal quarter last year. The increase primarily resulted from higher sales, improved pricing and benefits from operational cost savings initiatives. These increases were partially offset by the impact of lower casket sales volumes and increased materials, labor and other inflation related costs.

Pleased turn to **Slide 10**. The SGK Brand Solutions segment reported sales of $131.2 million for the quarter ended March 31, 2023, compared to $146.8 million a year ago. The segment's European businesses continued to be challenged by unfavorable market conditions resulting from the Russia/Ukraine war. In addition, changes in currency rates had an unfavorable impact of $5.9 million on current quarter sales compared to a year ago. Sales for the segment's retail-based businesses were also lower.

Adjusted EBITDA for the SGK Brand Solutions segment was $11 million for the current quarter, compared to $13.5 million a year ago. The decrease primarily reflected lower sales and inflation related cost increases. These impacts were partially offset by benefit from the segment's recent cost reduction actions.

Changes in currency rates had an unfavorable impact of $308,000 on Adjusted EBITDA compared to a year ago.

Please turn to **Slide 11**. Cash flow from operating activities for the Fiscal 2023 second quarter was $80.9 million compared to $99.9 million a year ago. For the six months ended March 31, 2023, operating cash flow was $44.6 million compared to $72.7 million a year ago. Operating cash flow for both year-to-date periods reflected final payouts for the settlement of the Company's U.S. retirement plan obligations. The final payouts of the settlement of the supplemental retirement plans totaled $24.2 million in the Fiscal 2023 first quarter. Final payouts for settlement of the Company's principal U.S. pension plan totaled $35.7 million in the first fiscal quarter last year. In addition, operating cash flow for the current year reflected an increase in working capital, primarily resulting from higher inventories and reduced current liabilities.

Outstanding debt was $778 million at March 31, 2023, representing a decrease of $59.1 million during the current quarter. Outstanding debt was $837 million as of December 31, 2022, and $799 million on September 30, 2022.

At March 31, 2023, the Company's leverage ratio, based on net debt which represents outstanding debt less cash, and the trailing 12-month Adjusted EBITDA was 3.5 compared to 3.85 at the end of December 2022, and 3.5 at September 30, 2022. Based on our projections for the remainder of the fiscal year, we expect these levels to decline further.

Approximately 30.5 million shares were outstanding at March 31, 2023. During the Fiscal 2023 second quarter the Company purchased 7600 shares at a cost of $287,000. The purchases related to withholding tax obligations on equity compensation.

At March 31, 2023, the Company had remaining authorization of approximately 1.2 million shares under its repurchase program.

Finally, earlier this week the Board declared a quarterly dividend of $0.23 per share on the Company's common stock. The dividend is payable May 22, 2023 to stockholders of record May 8, 2023.

This concludes the financial review, and we will now open the call to questions.

Operator

At this time, we will be conducting a question-and-answer session. (Operator instructions).

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, Bill, Steve. Thanks for taking the questions.

Joe Bartolacci: Good morning, Dan.

Daniel Moore: To start with the Industrial piece and specifically energy storage, how much—assuming revenue does approach $500 million, how much of that is represented by energy storage? Maybe just talk about what you're seeing in terms of the pipeline of new opportunities beyond that $200 million of new orders that we took in.

Joe Bartolacci: I think I heard two questions there, so I'll try to get it to you.

If we were approaching $500 million worth of revenue, the timing of our recognition of revenue is going to be determined by how much of that is made up of energy. We expect about half of the $200 million worth of orders to be recognized in this particular fiscal year -- and we have other revenues that we're going to be recognizing. So if we were to achieve half, I would expect it to be about $140 million to $150 million total of energy orders this year. Timing of that is dependent on revenue recognition which is not necessarily in our control.

In terms of what else is happening, you heard in my commentary the ramp up of inquiries is significant. We are in final stages of negotiations for fairly significant orders from several of the OEMs we've mentioned before like ACC and Ola, but we are also in more relationship negotiations with a lot of the APAC related battery manufacturers that could result in significant orders as well.

So, we're pretty bullish, as we have always been, in this innovative technology that we have and where it's going.

Daniel Moore: Very helpful. Obviously, you've discussed this before: margins on Olbrich and R+S are lower than average and that's why margins are a little lower this quarter. Just talk about the past and getting overall segment margins back to maybe double digits and maybe even mid-teens ultimately.

Joe Bartolacci: We expect for the full year to be in double digits from an EBITDA margin standpoint. We are starting to take actions at the latter part of this fiscal quarter, the third fiscal quarter, as it relates to Olbrich and R+S, and those actions are both cost as well as pricing actions that should continue to improve that business for the quarters to come.

We're confident that they're going to be a contributor to the organization in their traditional business, but mind you, we will probably not be able to do some of the orders that we're talking about today on the energy side without them. So, it was a good move on our behalf, I believe, and where we think this business will go.

Daniel Moore: Certainly. Then, to stick with Industrial, you mentioned Warehouse Automation and it sounds like you've got some incremental progress on the new printhead solution, that's one, and two, just overall kind of (inaudible) activity in warehouse solutions, and then I'll jump back into the queue. Thanks.

Joe Bartolacci: Warehouse is full for the year, so we're not expecting any significant—you've been with us for a while, Dan. You understand when economic crises sometimes hit people pause projects. We don't lose those projects; they get paused. In our guidance we're not anticipating a pause of any of those projects. The order activity is a little bit slower than we would like at this time of the year, but we've watched this business change pretty rapidly when it comes to order intakes and given the size of some of these contracts it can change very, very rapidly in terms of where we see going into next year.

On the new product development, we are calling that out specifically because one of the things that we have done is an external third-party validation of our business propositions. That external party validation reconfirms and adds to our confidence, frankly. We are moving our production—we are moving to a new fab lab for production purposes and that is ramping up as we speak. We expect to be in market in '24, and the opportunities get bigger every day. So we're pretty confident right now with all three of those businesses in our Industrial Technologies.

We've been building these little businesses into something fairly significant. We think next year could be another stellar year for us, but clearly the balance of this year should remain strong.

Daniel Moore: Very helpful, Joe. I will jump back in queue with any follow-ups. Thanks.

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

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

Joe Bartolacci: Good morning, Liam.

Steve Nicola: Good morning.

Liam Burke: Steve, in your prepared comments you highlighted lower year-over-year operating–cash from operations, and specifically talked about higher inventories. Could you give us some color? Is it just timing, or what's in that number?

Steve Nicola: Business driven, Liam. Our operating cash flow in the second quarter was still very good. It was $80.9 million, but it was a little bit lower than last year's number and that had to do partly with inventory build, and the two areas that I'd point to are energy-related businesses—those inventories were higher and as you would expect driven by increased revenues, increased demand, increased work—and similarly, our Granite inventories on the Memorialization side of the business because that business has been growing and we've seen volume increases there as well. So, inventory growth to support growth in those two businesses.

Liam Burke: Great. Thanks, Steve. Just sticking with the Granite, it seems like a consistent—the cemetery products seem to be a consistent contributor to revenue growth. Is there something in the business that's changed? It used to be rather variable on a quarter-to-quarter. This seems to be a consistent contributor now.

Joe Bartolacci: Yes. Liam, we've been calling it out for a while. We've had both market share gains in every one of those businesses as well as strong pricing realization that has allowed us to maintain that. As I said in my comments, this business has been reset from where we were pre COVID. Volumes will be back to normal but the revenues and what we anticipate our bottom line to be going forward are materially different than they were before.

The steps we're taking to continue to improve it, if I were to show you images of the automation that we put into businesses, gives us great confidence in our continued ability to generate strong cash flows and improve our margins going forward.

Liam Burke: Great. Thank you. Real quick, on the cemetery, you highlighted U.S. sales on cremation were higher. How has the margin contribution been there?

Joe Bartolacci: Let's put it this way, Liam. On the cremation sales, we sell a little over $125 million of cremation-related products and services and it's growing. I would tell you that the margins over there are consistent in the mid-teens and we hope that over time that gets better. We are moving into some new incineration projects and new incineration goals in the U.K. business that we think will improve our overall margins in our cremation segment as well.

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

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 Bartolacci: Good morning, Justin.

Steve Nicola: Good morning.

Justin Bergner: How are you, Joe? How are you, Steve?

Joe Bartolacci: We're well.

Justin Bergner: Good.

Joe Bartolacci: Early morning.

Justin Bergner: First question relates to the warehouse automation. You mentioned that you're seeing some pausing going on in activity, but you don't expect that to, I guess, affect the current fiscal year. Can you sort of speak to what that might mean for the first half of the next fiscal year, sort of just looking beyond the next couple of quarters?

Joe Bartolacci: It's difficult to tell. We're not anticipating any impact to the current fiscal year unless there is some significant economic disruption that causes a pause. Right now, the orders are in-house and projects are on time to deliver a strong year.

As you might expect, projects of this scale end up being bid and won months in advance. We're seeing a slowing, probably consistent with what I would say the overall market might be feeling, and I would call it more a cautiousness rather than a pause from our customer base as they try to figure out what's happening with the economic environment, we're in. But that changes very, very, very quickly, Justin. Some of these projects can be $5 million to $10 million that you can land relatively quickly that you weren't anticipating necessarily at this time.

We still have four or five months before we begin next year's. Some of the orders we have now will roll into first quarter at least of next year. So, right now we're not anticipating any major challenges into next year, but we'll keep you up to date over the course of the next quarter or two.

Justin Bergner: Okay. Secondly, you alluded to some of the new, I guess, product and technology initiatives on the warehouse automation side. Could you just elaborate a little bit further in terms of the additional areas you're looking to get into?

Joe Bartolacci: One of the projects we're working on that I think has some significant opportunities is the management of what's called AGV, autonomous guided vehicles. Autonomous guided vehicles are basically robotic moving carts that will move around a warehouse autonomously and allow the movement of product without the conveyors. The magic in this whole system is managing multiple AGVs in a warehouse that could be upwards of 1.5 million square feet. We're developing that technology. We got a test model going out here, hopefully in the next six months or so, with a large U.S. customer that I'm not at liberty to speak about. Obviously if that is successful, we'll be rolling it out over the years to come.

The commentary about that is more around we're not stack, and each one of these three businesses in what we call Industrial Technologies, and for that matter in all of our businesses, we continue to evolve them. I think that part of it is lost on a lot of the market. The opportunities that are presented to us, Justin, are things that allow us to continue to grow these businesses and meet market demands and be innovators in that space.

Justin Bergner: Got it. Then in terms of the printhead innovation, any sort of thoughts on timing there?

Joe Bartolacci: In fact, we're off to—it's a European fabrication lab, here in the coming month or two. Our expectation is we're going to start the production levels of that. As you might expect, this is not an overnight production. We have a product. We have found a partner for the development of that product—for the production of that product, excuse me. I would tell you it is a '24 event.

Justin Bergner: Okay. Then lastly, I believe you mentioned the relative cash outflows to settle your pension this year and last. Could you repeat those? I just didn't capture that.

Steve Nicola: Sure. This year we settled our supplemental plans in the first quarter, $24 million. Last year we settled in the first quarter our U.S. pension plan and that was a little over $35 million.

Justin Bergner: Great. Thank you so much.

Steve Nicola: You're welcome.

Joe Bartolacci: Okay, Justin. Thank you.

Operator: We have reached the end of our question-and-answer session. I'll now turn the call back over to Bill Wilson for closing remarks.

Bill Wilson: Very good. Thank you. Again, 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. Enjoy the rest of your day.

Operator: This concludes today's conference, and you may disconnect your line at this time. Thank you for your participation.