

**Operator:** Greetings, and welcome to today's conference titled Matthews International Corporation First Quarter Fiscal 2021 Financial Results Conference Call.

At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. If anyone should require operator assistance during today's conference, please press star, zero on your telephone keypad. As a reminder, this conference is being recorded. I would now like to turn this conference over to your host, Mr. Bill Wilson, Senior Director of Corporate Development. Please go ahead, sir.

**Bill Wilson, Senior Director, Corporate Development:** Good morning. Thank you, Laura. Good morning, everyone. Welcome to the Matthews International First Quarter Fiscal Year 2021 Financial Results 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 was posted on our website, [www.matw.com](http://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 and materials located on our website.

Now I'll turn the call over to Steve.

**Steven Nicola, Chief Financial Officer:** Thank you, Bill, and good morning. Please start with **Slide 4**.

As provided in our earnings release yesterday, the Company reported consolidated sales of \$386.7 million and a net loss on a GAAP basis of \$1.8 million or \$0.06 per share for the quarter ended December 31, 2020 compared to sales of \$364.9 million and a GAAP net loss of \$10.5 million or \$0.34 per share for the same quarter last year.

The main financial highlights for the Fiscal 2021 first quarter were as follows. First, the Company's consolidated sales increased by \$21.8 million compared to the same quarter last year, representing growth of 5.9%. Second, consolidated Adjusted EBITDA for the quarter ended December 31, 2020 was \$54.8 million compared to \$40.2 million last year, representing a year-over-year increase of 36%. Third, adjusted earnings per share for the Fiscal 2021 first quarter was \$0.68 per share compared with \$0.47 for the Fiscal 2020 first quarter, representing 45% growth. Fourth, the Company again reported strong operating cash flow as we continue to emphasize cash generation in this challenging environment. For the Fiscal 2021 first quarter, the Company generated cash flow from operations of \$35.3 million compared to \$5.4 million for the same quarter a year ago.

Lastly, during the recent quarter, the Company again reduced its outstanding debt and leverage ratio. Although our Fiscal first quarter tends to be our slowest quarter seasonally, our cash flow this year allowed us to further reduce outstanding debt by almost \$10 million compared to the first quarter a year ago, where our outstanding debt increased by \$26 million. As a result, our leverage ratio fell to 3.6 at December 31, 2020 compared to 3.9 at September 30, 2020.

With respect to COVID-19, all segments continued to experience some level of varying commercial impacts from COVID-19 during the first quarter. These impacts remain difficult to project, and as the pandemic has continued into calendar 2021, we expect ongoing impact in our Fiscal 2021 year.

On a GAAP basis, the Company reported a loss per share of \$0.06 for the current quarter compared to \$0.34 last year. Earnings per share on a GAAP basis for both quarters included the impact of the intangible amortization, primarily from the acceleration of the amortization of certain discontinued trade names 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 \$15.2 million or \$0.36 per share for the Fiscal 2021 first quarter compared to \$17.9 million or \$0.43 per share a year ago. On a non-GAAP adjusted basis, earnings for the Fiscal 2021 first quarter were \$0.68 per share compared to \$0.47 per share a year ago. The increase primarily reflected higher Adjusted EBITDA, offset partially by higher income tax expense.

Adjusted EBITDA, which represents net income before interest expense, income taxes, depreciation and amortization and other adjustments for the Fiscal 2021 first quarter was \$54.8 million compared to \$40.2 million a year ago, representing an increase of 36%. The improvement primarily reflected the impacts of higher consolidated sales, particularly in the Memorialization segment, in addition to realized savings from the Company's cost reduction program and lower travel-related expenses. Please see the reconciliations of Adjusted EBITDA and non-GAAP adjusted earnings per share in our earnings release.

Investment income for the Fiscal 2021 first quarter was \$1.1 million compared to \$1.3 million a year ago. 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 2021 first quarter was \$7.7 million compared to \$9.2 million a year ago, reflecting lower average debt and a decline in average interest rates for the current quarter relative to the same quarter last year.

Other income and deductions net for the quarter ended December 31, 2020 represented a decrease in pretax income of \$1.7 million compared to \$2.8 million for the same quarter last year. Other income and deductions include the non-service portion of pension and post-retirement cost. For the current quarter, the non-service portion of pension and post-retirement cost was \$1.9 million compared to \$2.2 million last year. Other income deductions net also includes 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 December 31, 2020 were an expense of \$4 million compared to a benefit of \$5.4 million a year ago. The differences between the Company's consolidated income taxes for the first three months of Fiscal 2021 versus the same period for Fiscal 2020, primarily resulted from the Fiscal 2021 first quarter having consolidated pretax income, while the first quarter of Fiscal 2020 had a pretax loss. Additionally, Fiscal 2021 included discrete tax expenses related to foreign operating losses, while Fiscal 2020 included discrete tax benefits resulting from the closure of several tax audits.

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

Memorialization segment sales for the Fiscal 2021 first quarter were \$183.3 million compared to \$154.4 million a year ago. The increase resulted mainly from increased sales of caskets due to the impact of the pandemic on death rates.

In addition, sales of cremation equipment, mausoleums and cemetery memorial products also increased. Although cemetery memorial product sales increased, the business continued to be impacted by local stay-at-home orders, limiting many families access with cemeteries to arrange for their memorials, but we

anticipate most of these orders are deferred to a future date. Changes in foreign currency exchange rates had a favorable impact of \$843,000 on current quarter sales compared to a year ago.

Memorialization segment Adjusted EBITDA for the Fiscal 2021 first quarter was \$44.1 million compared to \$30.1 million a year ago. The increase primarily reflected the benefits of higher sales, productivity initiatives and lower travel-related expenses, offset partially by higher performance-based compensation expense.

Please turn to **Slide 6**. Sales for the SGK Brand Solutions segment were \$168.1 million for the quarter ended December 31, 2020 compared to \$174.9 million a year ago. The decrease primarily resulted from declines in merchandising and other retail-based sales and lower sales for our cylinder surfaces and engineered products, much of which was attributable to the impact of COVID-19. Our U.S. and European core brand packaging businesses reported sales growth compared to a year ago, reflecting the essential nature of our global client account base and additional photography sales.

In addition, we won several new accounts during the recent quarter. Changes in foreign currency exchange rates had a favorable impact of \$3.3 million on the segment sales compared with the same quarter last year. Fiscal 2021 first quarter Adjusted EBITDA for the SGK Brand Solutions segment was \$21.3 million compared to \$18.7 million a year ago. Despite lower sales, the segment reported an increase in Adjusted EBITDA, primarily as a result of realized savings from the segment's recent cost reduction initiatives and lower travel-related expenses.

Please turn to **Slide 7**. Sales for the Industrial Technologies segment were \$35.2 million for the quarter ended December 31, 2020 compared to \$35.7 million a year ago. The segment's product identification sales were slightly higher than the same quarter a year ago, which were offset by lower warehouse automation sales. Incoming orders for our warehouse automation solutions continued to build, but access to job sites to complete these orders remained limited due to the pandemic. Changes in currency rates had a favorable impact of \$578,000 on the segment sales compared with the same quarter last year.

Adjusted EBITDA for the Industrial Technologies segment for the current quarter was \$3.5 million compared with \$4.3 million a year ago, primarily reflecting the impact of lower warehouse sales, offset partially by the benefits of recent cost reduction initiatives and lower travel-related expenses.

Please turn to **Slide 8**. Cash flow from operating activities for the Fiscal 2021 first quarter was \$35.3 million compared to \$5.4 million a year ago. The significant increase in operating cash flow compared to last year, primarily reflected the Company's improved operating results and continued working capital management efforts. The Company's Fiscal first quarter is typically the slowest due to seasonality in several of our businesses and with the holidays.

In addition, cash outlays during the first Fiscal quarter can include year-end performance-based compensation payouts, tax payments and the semiannual interest payment on our bonds. Despite these factors, the Company further reduced its outstanding debt during the quarter by \$9.9 million. During the 2020 calendar year, the Company reduced its outstanding debt by \$142.3 million. Outstanding debt was \$824.6 million at December 31, 2020 with net debt, which represents outstanding debt less cash, at \$783.5 million. The leverage ratio covenant in our domestic credit facility is based on net debt. Our net debt leverage ratio declined to 3.6 at December 31, 2020 compared to 3.9 at September 30, 2020.

Approximately 31.7 million shares were outstanding at December 31, 2020. During the recent quarter, the Company purchased approximately 162,000 shares under its share repurchase program. The Company has remaining authorization of approximately 376,000 shares under the current program.

Finally, the Board this week declared a dividend of \$0.215 per share on the Company's common stock. The dividend is payable February 22, 2021 to stockholders of record at February 8, 2021.

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.

As you might expect, we are very pleased with our results and we are off to a strong start to what we hope will be a good year. As expected, our Memorialization business delivered very strong results, driven by exceptional performance from our Funeral Home Products business, while the balance of the businesses remained steady despite the challenging environment. Overall, the Company's total consolidated revenues were higher than prior year by about \$22 million while Adjusted EBITDA was up almost \$15 million, a 66% incremental margin reflecting the operating leverage in our business, the excellent operating performance in our Funeral Home Products business and the ongoing cost reduction programs that we've previously discussed. While we are grateful for the hard work of our Funeral Home Products team, just about every business reported higher operating margins when compared to prior year.

As I just mentioned, our Memorialization results were driven by Funeral Home Products. We have yet to see any significant pandemic-related increase in our Cemetery Products business because of stay-at-home orders and other state safety guidelines, which have reduced funeral service attendance. This bodes well for the post pandemic future of our Memorialization division, as a whole, as we expect cemetery products orders from past COVID-related deaths to increase as casket volumes moderate when society normalizes.

Similarly, our Environmental Solutions business also saw improved results for the quarter and landed several incineration products, which had been postponed earlier in the pandemic. These orders should also help to mitigate any decline in casketed deaths.

In SGK Brand Solutions, again, this quarter, our core packaging business, particularly in North America and Europe, remain strong. Moreover, the team has continued down the path of positioning the organization with lower operating costs, which has added nicely to the operating leverage and operating margins of the business.

Again, this quarter, several businesses in the SGK segment continue to be challenged. Our retail and private label businesses struggled, but we expect these businesses to deliver much improved results when the pandemic subsides.

In the cylinders, surfaces and engineering portion of this segment, packaging, tobacco and services orders remained soft during the quarter. But, we are seeing a significant increase in recent order intake, particularly in tobacco, driven by European single-use plastics regulations, which require new labeling on cigarette and other packaging.

The most exciting news in our portfolio comes from the energy storage business of our Saueressig subsidiary, where we have seen a significant increase in orders when compared to prior years. Our expectations are that some of these orders will be recognized during the balance of Fiscal '21. We continue to have high expectations for our Energy Storage business and we hope that this year, we will demonstrate the value of our unique position in this fast-growing space.

In our Industrial Technologies segment, we delivered stable results, but have also watched our warehouse order rate double when compared to prior year. This segment continues to deliver in these challenging times, which bodes well for when the pandemic subsides as we begin to deliver on our increased orders.

Regarding our new product in this segment, we expect to begin on-site testing this quarter with an expected launch date later this calendar year. As noted in our press release, the combined results of

good operating performance and strong cash management have allowed us to reduce our gross debt again this quarter.

What we are most proud of and what we believe best demonstrates the cash generating capabilities of our business is the fact that during the last 12 months, we have reduced gross debt by over \$140 million. Although this will be difficult to match during the next 12 months, we fully expect to significantly reduce our debt while continuing to pay our dividend. We continue to have our eye on our goal of achieving a three times debt coverage ratio, and that is coming into focus as we speak.

Regarding the balance of 2021, our ability to forecast remains difficult. Thus, we remain somewhat cautious as events outside of our control can still arise, which can impact our results.

As mentioned, we are very encouraged by the recent increase in order activity, which I have noted and which should buffer any challenges to our overall results. This is not to say that any one business will not face difficulties in this unprecedented and fluid environment, but instead, it is to say that our businesses remain strong and that, as a whole, should allow us to deliver on our expectations. Therefore, as you'll recall, last quarter, we announced that we expected to deliver EBITDA results in Fiscal 2021, which were relatively similar to Fiscal 2019 of \$203 million. We expect that the EBITDA improvement achieved in our first quarter should be additive to our earlier expectations.

Like we said last quarter, we have the orders to have a strong year but uncertainties remain, and there are many factors which we do not control.

Now, let's open it up for questions.

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

Our first question comes from the line of Daniel Moore with CJS Securities. You may proceed with your question.

**Daniel Moore, CJS Securities:** Joe, Steve, good morning. Thanks for taking the question. I'll start with a quick clarification. I think I heard you right, Joe. It sounds like in terms of expectations for the remainder of the year, we should sort of be thinking about the last three quarters' EBITDA being relatively flat with the last three quarters' EBITDA of Fiscal '20. Is that the right way to think about it?

**Joseph Bartolacci:** In total, yes. I mean the quarters might switch in terms of value, but we expect our total EBITDA to be consistent for the next three quarters.

**Daniel Moore:** Understood. Okay. That's helpful. Then in terms of Memorialization, what are your expectations for Funeral Home Products volumes for the current quarter relative to what we experienced in the December quarter?

**Joseph Bartolacci:** So, I mean, I don't have to tell you, I mean, there's plenty of literature out there and a lot of people reporting on it. Our month of January is probably our highest in the entire pandemic period. The question will depend on how quickly that declines. There is an expected decline. I would tell you that today we will have similar results, if not better, in our Funeral Home Products for the quarter.

**Daniel Moore:** Helpful, thank you. As it relates to the pent-up demand on the memorial side, are you seeing orders now, but placement later? Or, do you expect both orders and revenue to pick up as restrictions ease? Just trying to understand the visibility there.

**Joseph Bartolacci:** Sure. Our orders are relatively flat. I mean, modestly up, which has not seen—we're not seeing those orders. What we are hearing, anecdotally, however, is we have situations across the country. I'll give you just one location, which is sitting on 1,100 deceased to be buried, waiting to be marked and waiting to be buried and waiting to go forward. So, our expectation, those will be marked at some point in time. So although we don't have the orders yet, we know they're out there.

**Daniel Moore:** Got it. Switching gears, maybe for one. Warehouse automation, nice to see; it continues to pick up and it sounds like it's accelerating. Any way to quantify the level of orders? I think you said they doubled. Do you have sort of a backlog figure? Just trying to understand the type of growth we should think about over the next 12 to 14 months—or 12 to 24 months?

**Joseph Bartolacci:** Generally, we're not going to comment our actual levels. Our reference to double really relates to where we were last year. We were expecting a good year last year in our forecast for that business. We're sitting on twice the level of orders that we had at this same time last year, and we're entering a period where we generally build for the backlog. So it's significant for us. I mean, I'm not going to tell you we're going to knock the socks off the ball because of it, but it is further evidence that whenever we get through this pandemic, we'll come back with the same stronger business than we had before.

**Daniel Moore:** Okay. Any visibility or it's just too early to know when you'd be able to sort of get back into the facilities?

**Joseph Bartolacci:** No. I mean, look, I'll give you a perfect example. We have a rather significant project in Canada. How do I get into Canada? I can't even cross the border. So, it's really in somebody else's control.

**Daniel Moore:** Understood. Okay. I'll jump back into queue with any follow-ups. Thank you.

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

**Liam Burke, B. Riley FBR:** Thank you. Good morning gentlemen. Good morning Steve. Joe, you mentioned good sales—solid sales in cremation systems, two new orders on incinerators. What does the cremation systems backlog look like when considering you've turned some of that into sales? Is it continuing to grow?

**Joseph Bartolacci:** Yes, we still have—from a pure cremation equipment standpoint, we're still looking at 14 months' worth of backlog. So I mean, look, we are the largest and the number one provider globally. That, right now, has served us well. We continue to deliver, but we continue to add. So, I think this pandemic—all that has done is emphasize the importance of making sure the equipment that our clients have on-site is functional, is up-to-date and those who don't have it continue to invest.

**Liam Burke:** Okay. You touched on the new product introduction, but what about the core identification business underneath the Industrial segment? How did that do? Or how is it doing?

**Joseph Bartolacci:** Modestly better, but I mean it was not significant. It was relatively flat. But I mean, it shows the same consistency we've seen in a lot of our other businesses. It is flat. Our order rates are a bit challenged, but they're coming up as we speak. The big question is going to be consumption. We track our ink sales and ink backlogs as indicative of economic robustness, they're relatively flat. They're not seeing big time increases anywhere we look at them. But we expect that business to do well as well as we finish out the year.

**Liam Burke:** Okay. And lastly, again, on warehouse management. Have you lost any orders based on the fact that you cannot get access to facilities or all those customers that have placed orders are just waiting for better conditions for you to install the systems?

**Joseph Bartolacci:** To put it in perspective, we lost one \$10 million order early in the pandemic period. It was solely because of their financial situation and their ability to do the work. It was a large retailer that you all would be aware of. We've replaced that and obviously, a lot more in that process, more indicative of how our business has grown during the pandemic to. We've lost a \$10 million order, replaced that and still more than doubled, is pretty good.

**Liam Burke:** Fair enough. Thank you, Joe.

**Operator:** Our next question comes from the line of David Niewood with Phoenix Insurance. You may proceed with your question.

**David Niewood, Phoenix Insurance:** Hi gentlemen. Again, another sequentially impressive quarter. Again, I'm going to focus on the area that excites me the most, which is the lithium-ion battery and particularly the dry electrode. Two questions as it relates to that. Can you talk at all in terms of progress in that product being in terms of throughput or further advancement of the product, number one? Number two, given the increasing size and increasing appetite, are there plans at any point to break that out as a separate business line? I'm going to throw in—but I'm wary. I saw a recent video of someone else's production facility, and I'm wondering if you recognize any of the equipment in that. I'll stop here.

**Joseph Bartolacci:** Thank you, David. Well, I will go one by one. With regard to production, as you might expect, we continue to work down the path of increasing our capacity to produce lithium sheet as quickly as possible for the clients that we're serving. Demand continues to grow. We're making progress. We feel comfortable that we can achieve our targets. That will be demonstrated over the course of the year. We're not going to speak about how much that is, how fast that is. But suffice it to say that if you wonder why we're in this business—well, how we got into this business, lithium is expected to be produced just like printed paper as fast as you can. So, that's our speed targets. We'll continue to work towards that. Once we get there, the whole cost of the lithium-ion battery will come down as well as capacity in the space. Remind me, again, what the second question was?

**David Niewood:** If you plan on breaking this out as a separate line item?

**Joseph Bartolacci:** So, I mean, the reality is, this is part of our Saueressig Group in Germany. It is integrated today into the group. We are working diligently to find a way to kind of separate out. We do share some competencies and some equipment within the business over there. We'll probably consider some form of a rate breakout once we see some significance to the order rate, which we expect to see. I would expect it maybe to be in a year or two as we kind of see this come into something. So, it's hard to tell at this point in time. Suffice it to say, we'll start to call out more as we have in terms of numerics as time goes on.

**David Niewood:** Fantastic.

**Joseph Bartolacci:** Last one, I can't recognize that video because it doesn't have our name on it.

**David Niewood:** Okay. I appreciate you taking my question. Thank you very much.

**Joseph Bartolacci:** Not a problem.

**Operator:** Our next question comes from the line of Scott Blumenthal with Emerald Advisers. You may proceed with your question.

**Scott Blumenthal, Emerald Advisers:** Good morning Joe. Good morning Steve. Great quarter. Thank you. Joe, can you talk about the mix in Memorialization? It looks like you may be over-earning a bit in casket and obviously under earning in memorialization with some strength in cremation there. In normal times, I guess, casket is x and the rest of the segment is y, can you give us an idea as to how that might be skewed a little bit differently now, and what you expect with regard to margins when it goes back to normal?

**Joseph Bartolacci:** So the simple—you can do the math in a lot of different ways. But, the fact of the matter is, we're currently operating at somewhere around 350,000 COVID-related deaths. You can do that math right off a number of different charts over the course of time. If you're expecting 2.5 million, 2.6 million deaths annually, you're going to see 12% to 13% increases in Memorialization products as a whole. We're seeing better than that in our casket business and far less than that in our Cemetery Products business. So, the expectation is that we're going to pick up as the casketed business begins to moderate. For society's sake, we hope it does. We still think there's a fairly significant backlog of Memorialization products. I remind you all that we are the largest provider by a long shot of bronze products and a leading provider, if not number one, of stone products in the United States. So, that should bode well for when—although, albeit not as quick as—when you talk about a casket, you're talking about delivery within 12 to 24 hours, a marker can be longer. But we just don't know how quick it's going to be but it's there.

**Scott Blumenthal:** That's usually—or is expected to be a six to nine month period between the burial and when things can get marked?

**Joseph Bartolacci:** Well, I mean, when it can get marked can be very, very quickly, but we've not been in this kind of an environment before of this significance, so it's hard for us to predict. I think our fairest statement is we're going to get those marked or those markers in near-term period. Is it 6, 9, 12, 24 months, I can't tell you that. We'll see.

**Scott Blumenthal:** Sure. Sure. But, I guess guidance kind of implies that we're going to be in a similar environment, at least until the end of your Fiscal year being...

**Joseph Bartolacci:** No. Our guidance actually is anticipating a slowdown in our caskets—that is material from where we are right now. But we have a number of things that I've called out on the call today from our warehouse automation business, to our energy storage business, to some new account wins on SGK, to backlog in our cemetery products, which gives us comfort on the balance of the year, no matter what happens in our Funeral Home Products business. It would have to materially fall off to zero for all practical purposes.

**Scott Blumenthal:** Okay, super. That's really helpful. Thanks Joe.

I'm a little bit surprised that the surfaces business isn't a bit stronger since housing has been very, very strong. I know that some of the surfaces that you guys work on, the flooring, etc., that tends to be kind of the last thing installed in a home. Do you expect—or do you have any visibility into those types of things?

**Joseph Bartolacci:** Sure. Yes, the reality is that when we talk about what we call decorative, which is the portion of services that does things like wallpaper and flooring and other things, those are global trade show directed businesses. In other words, you present your solution at the trade shows, you make contacts, you follow-up and you go forward. The decline in trade shows has materially impacted, what I would call, our stronger expected sales in that business. We are continuing—it's not as if that portion of the business has gone to zero. It continues to be there, just not as strong as we would like. The other portions of the business continue to be strong. When we talk about non-wovens, for example, the masks and the gowns and things that are related to that, that continues to be strong. We have good backlog in that part of it. It's just not—the surfaces portion as a whole is still soft but pockets within are still strong and otherwise.



**Steven Nicola :** Yes. Scott, one of the bigger challenges that we continue to face in that portion of the business is really on the packaging side. The cylinders that we do the packaging for, the tobacco market continued to be challenged during the quarter.

**Scott Blumenthal:** Okay. All right, Steve. That's really helpful. Can I squeeze one more in here?

**Joseph Bartolacci:** Please do.

**Scott Blumenthal:** Okay. Steve, maybe can you give us some idea as to what you're thinking about cap ex for this year. I know that Joe mentioned, we're going to be investing in the calendar in the lithium business. Any other pressing needs at this point?

**Steven Nicola:** Scott, I would say, overall, I think we entered the year with a rough estimate of \$40 million. I'd say even considering some of what Joe mentioned, I still think that's a fair estimate for the year. We just continue to emphasize cash management. But you've seen the results on our operating cash flow. You've seen the results on our leverage ratio. As the year progresses, that might change. But right now, I would say that's still a reasonable target for modeling.

**Joseph Bartolacci:** Yes. I would tell you, Scott, the most telling part of that conversation when you're trying to get to cash flows, we have a clear focus on our three times debt coverage ratio. It is something we're going to approach maybe by the end of the year, maybe into the first quarter or the year after, and that will tell you what we think our cash flow is going to look like.

**Scott Blumenthal:** Okay, terrific. Great job. Thank you.

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

**Operator:** Ladies and gentlemen, we have reached the end of today's question-and-answer session. I would like to turn this call back over to Mr. Bill Wilson for closing remarks.

**Bill Wilson:** Thank you, Laura, and thank you, everyone, 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 have a good day.

**Operator:** This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation, and enjoy the rest of your day.