

Operator: Greetings, and welcome to the Matthews International Corporation third quarter fiscal 2019 financial results conference call. At this time, all participants are in listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] Please note, this conference call is being recorded.

I would now like to turn the call over to your host today, Karen Howard, Investor Relations for Matthews. Please proceed.

Karen Howard: Thank you, Latonya, and good morning, everyone. Thank you for joining us to discuss the Matthews International fiscal 2019 third quarter and year-to-date results for the period ended June 30, 2019. We certainly appreciate your time today. You should have a copy of the news release that crossed the wire yesterday afternoon detailing Matthews' results. We also have slides associated with the commentary that we're providing here today. If you don't have the release or the slides, you can find them on the Company's website at www.matw.com, on the Financial Information page.

On the call with me today are Joe Bartolacci, our President and Chief Executive Officer; and Steve Nicola, our Chief Financial Officer. Steve will review the financial results for the quarter and year-to-date, and Joe will review the business progress as well as our outlook for the remainder of fiscal 2019. We will then open the lines for Q&A.

But before we do, I'd like to highlight our safe harbor statement, which is on **Slide 2** of our presentation as well as within our release. As you are aware, we may make some forward-looking statements during this discussion as well as during the Q&A. These statements apply to future events and are subject to risks and uncertainties, as well as other factors, which could cause actual results to differ materially from what is stated on this call.

These risks and uncertainties and other factors are provided in the earnings release and in the slide deck, as well as in other documents filed by the Company with the Securities and Exchange Commission. These documents can be found on their website at www.sec.gov.

I also want to point out that, during today's call, we will discuss some non-GAAP financial measures, which we believe are useful in evaluating our performance. You should not consider the presentation of this additional information in isolation or as a substitute for results prepared in accordance with GAAP. We've provided reconciliations of comparable GAAP to non-GAAP measures in the tables accompany today's earnings release.

And with that, it's my pleasure to turn the call over to Steve to begin. Please go ahead, Steve.

Steven Nicola: Thank you, Karen. Good morning. Please turn to **Slide 4**. Consistent with our fiscal 2019 second quarter, there were several significant factors that affected our consolidated sales comparability for the most recent quarter. These include unfavorable changes in foreign currency exchange rates relative to the U.S. dollar, the loss of a significant client account in our U.S. brand business, and a decline in U.S. casketed deaths relative to the same quarter a year ago.

For the fiscal 2019 third quarter, we reported consolidated sales of \$379 million, compared to \$412 million a year ago. In addition to these three factors, current quarter sales were also impacted by delays in several warehouse automation projects.

However, consolidated sales for the current quarter were favorably impacted by sales growth in the private label brand market and higher sales of cremation and incineration equipment in the U.K.

With respect to earnings per share on a GAAP basis, the Company reported \$0.46 per share for the current quarter, compared to \$0.77 last year. On a non-GAAP basis, adjusted earnings per share were \$0.90 for the current quarter, compared to \$1.16 last year. These declines primarily reflected a decrease in consolidated sales as I described a moment ago and higher interest expense.

Please turn to **Slide 5**. On a year-to-date basis, our consolidated sales were approximately \$1.14 billion, compared to \$1.2 billion last year, representing a decrease of approximately \$50 million. The impact of the previously reported brand client account loss, continued slowness in casketed deaths, and significant currency headwinds unfavorably affected sales by an estimated \$54 million.

Although U.S. brand market conditions remain slow, and several warehouse automation projects were delayed by customers during the recent quarter, the private label brand business continued to grow, European brand sales increased, and sales of cremation and incineration equipment in the U.K. were higher. Year-to-date earnings on a GAAP basis were \$1.05 per share as of June 30, 2019, compared to \$2.44 per share a year ago.

In addition to the consolidated sales impacts I just noted, the change in earnings per share primarily reflected the following factors. First, the significant income tax benefit recorded in the first quarter last fiscal year from the U.S. Tax Cuts and Jobs Act. The new law had the immediate impact of a significant reduction in the Company's deferred tax balances, net of an estimated repatriation transition tax. This prior year-to-date net tax benefit was \$0.84 per share. Second, during the fiscal 2019 first quarter, we recorded a pretax loss of \$4.5 million, or \$0.10 per share, on the sale of a controlling interest in the pet cremation business. And third, our year-to-date interest expense increased \$4.3 million, or \$0.10 per share, compared to last year, partially reflecting our \$300 million bond offering in December 2017.

For the 9 months ended June 30, 2019, non-GAAP adjusted earnings per share were \$2.30, compared with \$2.72 last year. In addition to the impact of lower sales and higher interest expense, the year-over-year change in non-GAAP adjusted earnings per share also reflected unfavorable currency changes.

Please turn to **Slide 6** for a summary of our third quarter operating results. As I noted earlier, consolidated sales for the quarter ended June 30, 2019, were approximately \$379 million, compared to \$412 million for the same quarter a year ago. The principle factors affecting the year-over-year change included an unfavorable impact of approximately \$9 million from foreign currency changes compared with last year; the loss of a significant U.S. brand client account, which impacted year-over-year sales comparability by approximately \$7 million; a decrease in casket sales, primarily reflecting an estimated decline in U.S. casketed deaths compared with last year; and a decline in warehouse automation sales resulting principally from projects delayed by customers.

The Company reported sales growth in the private label brand market and higher sales of cremation and incineration equipment in the U.K. during the fiscal 2019 third quarter compared to a year ago.

Adjusted EBITDA for the fiscal 2019 third quarter was \$59 million, compared to \$69.2 million a year ago. The decline resulted principally from lower sales and higher commodity and transportation costs, which were partially offset by the impact of the Company's ongoing cost containment initiatives, acquisition synergy realization, and lower performance-related compensation costs.

Investment income for the fiscal 2019 third quarter was \$655,000, compared to \$538,000 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 2019 third quarter was \$10.5 million, compared to \$9.7 million for the third quarter last year, primarily reflecting higher average interest rates and higher average borrowings for the current quarter.

Other income and deductions, net, for the quarter ended June 30, 2019, represented a decrease in pretax income of \$1.4 million, compared to \$1.5 million for the same quarter last year. Under new accounting requirements, other income and deductions includes the non-service portion of pension costs, which was lower than a year ago.

Consolidated income tax expense for the three months ended June 30, 2019, was \$4 million, compared to \$4.3 million for the same quarter last year. The reduction in income tax expense primarily resulted from lower pretax income.

Please turn to **Slide 7**. Consolidated sales for the nine months ended June 30, 2019, were \$1.14 billion, compared to \$1.2 billion for the same period a year ago. The principle factors affecting the year-over-year change included the unfavorable impact from currency rate changes, the loss of a U.S. brand client account, and a decrease in casket sales primarily related to the estimated decline in U.S. casketed deaths. The aggregate impact of these items on consolidated sales for the current quarter totaled \$54 million.

Year-to-date, the Company reported organic sales growth for the warehouse fulfillment systems in the Industrial Technologies segment, cremation and incineration equipment in the Memorialization segment, and surfaces and engineered products in the SGK Brand Solutions segment. In addition, current year sales to the private label brand market were higher than a year ago.

Adjusted EBITDA for the first 9 months of fiscal 2019 was \$161.6 million, compared to \$178.2 million a year ago, primarily reflecting the year-over-year sales change. Year-to-date interest expense was \$31.1 million as of June 30, 2019, compared to \$26.8 million last year, primarily reflecting higher average interest rates and higher average borrowings for the current year.

Other income and deductions net for the nine months ended June 30, 2019 represented a decrease in pretax income of \$3.4 million, compared to \$5.2 million last year, primarily reflecting a decrease in the non-service portion of pension costs.

Consolidated income tax expense for the nine months ended June 30, 2019, was \$4.4 million, compared to a net benefit of \$18.7 million last year. The prior year included a net benefit of \$26.7 million related to the impact of the U.S. tax regulation changes. The current year included a benefit of \$300,000 related to these changes. In addition, both periods included tax benefits discrete to their respective periods. Excluding these discrete items, the Company's estimated consolidated effective tax rate for fiscal 2019 is approximately 24%, compared to 26% for fiscal 2018.

Please turn to **Slide 8** to begin a review of our segment results. In the SGK Brand Solutions segment, sales for the fiscal 2019 third quarter were approximately \$182 million, compared to \$203 million a year ago. This decline was mainly driven by unfavorable currency rate changes and the previously disclosed brand client account loss.

Compared to the same quarter a year ago, changes in foreign currency exchange rates had an unfavorable impact of \$7.1 million, and the brand client account loss unfavorably impacted sales by approximately \$7 million. However, the segment reported higher sales in the private label brand market for the fiscal 2019 third quarter. In addition, the current quarter reflected the impact of the acquisition of Frost Converting Systems, which was acquired in November 2018.

Fiscal 2019 third quarter adjusted EBITDA for the SGK Brand Solutions segment was \$29.9 million, compared with \$37 million a year ago. The year-over-year change primarily reflected the impact of sales and unfavorable currency changes, partially offset by lower performance-based compensation expense.

Please turn to **Slide 9**. For the nine months ended June 30, 2019, sales for the SGK Brand Solutions segment were \$558 million, compared to \$602 million a year ago. Consistent with the trailing quarter, this decline reflected unfavorable currency rate changes and the previously disclosed brand client account loss. Changes in foreign currency exchange rates had an unfavorable impact of \$22.9 million, and the client account loss unfavorably impacted sales by approximately \$19 million year-to-date.

Year-to-date, the SGK Brand Solutions segment reported organic sales growth in Europe, in the private label brand market, and for surfaces and engineered products. In addition, the current year reflected the impact of the acquisition of Frost. Year-to-date, adjusted EBITDA for the SGK Brand Solutions segment was \$86.6 million, compared to \$103 million last year.

Please turn to **Slide 10**. Memorialization segment sales for the fiscal 2019 third quarter were approximately \$158 million, compared to \$162 million a year ago. The segment's casket sales were lower for the current quarter, reflecting an estimated decline in U.S. casketed deaths compared with a year ago. In addition, mausoleum sales also declined. However, the segment reported higher sales of cremation and incineration equipment, primarily in the U.K. market. The current quarter also included the benefit of the acquisition of Star Granite & Bronze, which was acquired in February 2018.

Fiscal 2019 third quarter sales for the memorialization segment were also impacted by the divestiture of a controlling interest in the pet cremation business during the fiscal 2019 first quarter. And changes in currency rates had an unfavorable impact of \$837,000 on the segment sales compared with the same quarter last year.

Memorialization segment adjusted EBITDA for the fiscal 2019 third quarter was \$36.1 million, compared to \$39.7 million a year ago. The current quarter primarily reflected the impact of the decline in U.S. casketed deaths, the divestiture of a controlling interest in the pet cremation business, and higher commodity and transportation costs. These declines were partially offset by the acquisition of Star Granite & Bronze, acquisition synergies, and other cost reduction initiatives.

Please turn to **Slide 11**. Memorialization segment sales for the nine months ended June 30, 2019 were \$474 million, compared to \$476 million a year ago. The acquisition of Star Granite & Bronze and higher sales of cremation and incineration equipment were offset by lower casket and mausoleum sales, the divestiture of a controlling interest in the pet cremation business, and unfavorable currency rate changes compared to last year.

Year-to-date adjusted EBITDA for the memorialization segment was \$101.4 million at June 30, 2019, compared to \$107.6 million last year.

Please turn to **Slide 12**. Sales for the Industrial Technologies segment were \$39.1 million for the quarter ended June 30, 2019, compared to \$46.7 million a year ago. The segment reported a decrease in warehouse automation sales for the current quarter, primarily reflecting projects delayed by customers. Changes in foreign currency rates had an unfavorable impact of \$616,000 on the segment's current quarter sales compared with the same period last year.

Adjusted EBITDA for the Industrial Technologies segment for the fiscal 2019 third quarter was \$7.3 million, compared with \$8.2 million a year ago, primarily reflecting the sales change and an increase in costs related to the segment's product development project.

Please turn to **Slide 13**. For the nine months ended June 30, 2019, sales for the Industrial Technologies segment were \$112.7 million, compared to \$117.8 million last year. Higher warehouse automation sales were offset by lower product identification and applied technology sales. The acquisition of Compass Engineering in November 2017 contributed to current year-to-date sales. Changes in foreign currency rates had an unfavorable impact of \$1.9 million on the segment's year-to-date sales, compared with the same period last year.

Year-to-date, adjusted EBITDA for the Industrial Technologies segment was \$15.7 million as of June 30, 2019, compared with \$16.8 million last year, primarily reflecting lower sales and an increase in costs related to the segment's product development project.

Please turn to **Slide 14** for a review of our capitalization and operating cash flow. For the quarter, cash flow from operating activities was \$44.1 million, compared to \$26.5 million a year ago. For the

nine months ended June 30, 2019, cash flow from operating activities was \$89.4 million, compared to \$82.8 million last year.

At June 30, 2019, consolidated long-term debt, including the current portion, was \$980 million, compared with \$976 million at March 31, 2019, primarily reflecting additional investments in the pet cremation joint venture during the recent quarter.

Approximately 31.5 million shares were outstanding at June 30, 2019. During the fiscal 2019 third quarter, the Company purchased approximately 240,000 shares under the share repurchase program, included in approximately 570,000 shares repurchased year-to-date. At June 30, 2019, we have approximately 853,000 shares remaining under the current share repurchase authorization.

Finally, the Board last week declared a dividend of \$0.20 per share on the Company's common stock. The dividend is payable August 19, 2019, to stockholders of record as of August 5, 2019.

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

Joseph Bartolacci: Thank you, Steve. Good morning. Please turn to **Slide 16**, and I'll update you on our businesses and market environments. As we indicated last quarter, fiscal 2019 is proving to be a very challenging year for Matthews, and this is evident in our third quarter and year-to-date results. I'm proud of our teams for their actions in managing through these challenges, including positioning ourselves for strength in future years, and we remain very focused on growth, improving profitability and cash flows.

As you may recall, the more significant challenges we have been facing resulted from factors beyond our control. As Steve noted, the impact of unfavorable currency exchange rates has been a considerable headwind, most of which was impacting our SGK Brand Solutions segment. Also, U.S. casketed deaths continued to decline, resulting in lower casket sales during the quarter versus prior year. Finally, as we mentioned in the past, during the quarter, our SGK Brand business felt the impact from the loss of a significant account, which transitioned their work internally.

Despite these challenges, we see positive trends in several of our business units, providing us with encouragement for the remainder of 2019 and beyond.

In the meantime, we have begun an initiative to right-size our cost structure, focusing on the businesses where revenue growth has been the most challenging. In addition to the operating level, we are evaluating our back-office administrative costs, especially in light of the efficiencies derived from the implementation of our global ERP system, which will be complete in the fourth quarter. We're at the early stages of this process and intend to speak more about this initiative when we report next quarter.

With that consolidated overview, allow me to touch on each of our segments. In our SGK Brand Solutions segment, as I mentioned a moment ago, changes in currency exchange rates and the significant account loss continued to have an unfavorable impact on the sales comparisons versus prior year.

Additionally, while many of our customers have talked about and developed plans to accelerate their marketing efforts, including updated packaging, many have been slow to make this happen. In fact, we have seen information suggesting that new SKU launches have recently been at a 10-year low and well below historical averages.

Despite this fact, we have seen several large accounts begin to invest in innovation, which has significantly improved their top-line performance and favorably benefited us as well. Nevertheless, there remains caution amongst many of our largest accounts, who continue to slow their marketing efforts.

Recently, widely-publicized failures by brands who have under-invested in innovation may change our clients' willingness to invest in their brands. Unfortunately, many of our largest CPGs in North America have been slow to change direction. As a matter of fact, discussions within the industry, including some of the largest agencies in the world, have been pointing to difficult headwinds in North America, so we are not alone in our challenges. But we are working through it.

On the positive side, we have seen modest increases in our order rates, and billable hours continue to build, but it's still early to call this a trend. As evidence of the importance of packaging, Equator, our business focused on private label brands, continues to convert strong account wins and is expected to deliver a strong fourth quarter due to our retailer clients who are focused on packaging refresh. Encouragingly, this trend is expected to continue into next year as retailers acknowledge the value of investing in their private label brands.

The surfaces and engineering business continues to build a strong backlog of orders for technical cylinders and purpose-build equipment, but we have faced some near-term headwinds there as well. Chinese tariffs have forced work into the U.S. at lower margins, causing our profitability to be challenged.

However, we continue to extend into markets like tissues, nonwoven materials, laminated glass, and energy storage devices, which are expected to be strong next year. Specifically, our unique solution for the energy storage industry, like fuel cells and lithium-ion batteries, is drawing considerable attention, and we expect to sign a significant contract by year end. We also expect our recently acquired Frost business will be an important contributor to our overall strategy of being a leading provider of specialty tooling to the printing industry around the world, as we have finally entered the North American market.

In our Memorialization segment, the decline in U.S. casketed deaths has continued to unfavorably impact our casket sales. Additionally, the pricing environment in this part of the business has been challenging, as competitors fight for volume. While input costs in this segment were impacted by increased commodities and Chinese tariffs, further sales comparability in this segment was unfavorably impacted by the divestiture of our pet cremation business earlier this year.

Despite these headwinds, recent market share gains and an increase in cremation and incineration equipment sales are expected to offset those declines. Our U.K. cremation business is seeing good interest from large cremation operators, which is encouraging as that market begins a renewal cycle. We have also begun to work on a large incineration project and are in final negotiations for others.

As discussed during our Investor Day, we are filling a gap as a niche provider for small incinerators, where the competitive landscape is limited, so that part of our business represents a growing opportunity which will benefit us in fiscal 2020 and beyond. Overall, we have a nice strategic balance in this segment, allowing us to mitigate the trend of U.S. casketed deaths and allow our Memorialization segment to grow.

Turning now to our Industrial Technologies segment, we realized lower than expected revenue in the quarter as a result of customer timing. Our warehouse automation backlog remains strong, but the timing of some specific projects has been pushed out.

We remain encouraged as we continue to be awarded new work with an ever-increasing list of blue-chip clients with growing opportunities in our pipeline, but this quarter's revenue was impacted by customer delays. Also, product identification orders slowed again this quarter, especially in Europe, so we remain cautious about our near-term order trends in this part of the business.

However, it is important to note that, based on feedback from our customers, this does not appear to be a significant concern beyond this quarter. In fact, some recent wins bode well for a stronger fourth quarter and fiscal 2020.

With regard to our investment in innovative new products for our Industrial Technologies segment, we have received favorable customer feedback on our beta units. We are working on resolving production issues, which has delayed our launch. Although this puts us behind our initial launch schedule, this is a very normal part of a new and innovative product development initiative, and we remain convinced of the opportunities presented by this unique product.

Now turn to **Slide 17**, and I will share with you our current expectations for the remaining quarter of fiscal 2019. First of all, I'll summarize a few underlying assumptions leading to our expectations.

We expect foreign currency rates to continue to be a year-over-year comparability headwind, but should not impact our margins materially. In our operating forecast, we expect to partially offset the expected decline in casketed sales by some recent wins, but the summer months are always our slowest months. Our updated expectations for SGK still consider the year-over-year comparability impact of the loss of our brand client account and general slow conditions in the U.S. brand market.

In our warehouse automation business, we expect to begin work on another significant project that we have won and to be able to complete work that is in process today. Our incineration project currently in process is expected to continue as I noted a moment ago, and there are potential new significant opportunities for these engineered products, which could add to our quarterly results.

Although we do not expect any material changes to these assumptions positive or negative, we want to remind you that decisions to initiate or curtail projects are generally outside of our control and may impact our ability to achieve our guidance.

So to summarize, despite the headwinds that we have been working through, we are encouraged with our growing opportunities and cautiously maintain our targets as we complete fiscal 2019. To reiterate, those targets include adjusted EBITDA of approximately \$240 million to \$250 million for the fiscal year and non-GAAP EPS in the range of \$3.60 to \$3.75.

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

Karen Howard: I'd like to remind our questioners to please limit your time to one question and a follow up. Thank you.

Operator: [Operator Instructions] Our first question comes from Daniel Moore with CJS Securities. Please proceed with your question.

Daniel Moore: Joe, you did give good color on SGK Brand Solutions, what you're seeing there. So maybe it's beating a dead horse, but I want to drill down a little bit more. Obviously, year-to-date, Fx has been a headwind, and you had the one client loss, but if we adjust for those, how are you thinking about growth as we look out into fiscal 2020, given the cautionary comments that you described around the macro and maybe just juxtaposed to what you're seeing in North America versus Europe?

Joseph Bartolacci: Sure. So when we look at our business for the last nine months, the business is essentially flat on a top-line basis if we take out currency and the loss of our significant account. We have, within the remaining business, interesting mix. In Europe, we've seen a little better performance, Asia we continue to see a little better performance, and in North America we continue to see slowness.

However, we do have a couple of large accounts, and if I were able to use their names, you would clearly understand who they are, but all you need to do is listen to the recent color on some large CPGs in the beverage industry and you'd understand where I'm speaking. We've seen good growth in those accounts as they've continued to invest in their brands and relaunch products. We have heard from a number of accounts an expectation that they will reinvest into their brands, and continue to grow them.

Our expectations next year are for modest growth, because we don't have that kind of outlook. We've had some account wins. We have had no significant account losses. So I would look in North America to be modestly up, Europe and APAC to remain relatively stable on their performance that they've had in the past. So, overall, I would look at SGK to be a modest contributor next year.

Daniel Moore: On the product ID side, sales are up, typically a good harbinger of industrial activity. Maybe just talk about the cadence of orders and demand through the quarter and what you're seeing early in the September quarter.

Joseph Bartolacci: So on the product ID, for those of you that have been around for a while, that's our historical marking products business. That's the product line that puts the identification mark on products coming down the production line. As we said, our orders, particularly in Europe, slowed during the quarter, but we see strong order rates coming into this quarter, so we're expecting a good year from that business overall. And we've had a couple of account wins, especially on the consumables side that should bode well for 2020 as well.

So we remain bullish. We think our solutions in the marketplace continue to convince customers of a better product offering than our competitors, and we haven't even launched our new product line yet.

Daniel Moore: Lastly, then I'll jump out, but just as it relates to the guidance, should we be thinking that your goal/hope is to get to the low end of the range, given the fact you didn't actually change it. I know that there are a lot of variables outside of your control, but what are your expectations as you look at the rest of the year and the quarter? Thanks.

Joseph Bartolacci: So as the guy sitting in the seat, you'd like everything to fall your way, right? But the fact of the matter is that some of these projects that we speak of are in the millions of dollars of potential operating profit, so the probability of each one of those accounts hitting or exceeding what our expectations are is probably low. But I would expect us to be beyond our low end of the range at this point in time, although, Dan, I don't have that kind of clear visibility on the timing of it. They're big accounts, so they're big projects that are often mission-critical situations for our clients, so we'll see.

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

Liam Burke: Joe, could you give us a little color on bronze memorial and if you are seeing any kind of step-up in activity, taking advantage of the trend in increased cremation?

Joseph Bartolacci: So as we look at our cremation business, it is growing modestly every year on what we would call the ancillary products, so that would be the urns and the mementos and other things associated with that. Albeit small, we have seen good growth this quarter on a year-over-year basis, and it's been a focus for us. So I wouldn't suggest it is in bronze memorials itself. It is mixed throughout the various parts of Memorialization, so we wouldn't be able to tell you exactly whether it's bronze or urns on this call, Liam.

Liam Burke: And on your reconciliation of EBITDA, you've got acquisition costs and ERP integration as two big add-backs. How is that trending through the end of the year? And do you look at any kind of move into 2020 on those expenses?

Steven Nicola: So on the ERP side, Liam, particularly, it should start trending downward. We just completed the last of what I'll call the more significant implementations in our European SGK business, so we should start to see that trailing off as we move out. We do have a couple of smaller ones still ahead of us very, very early in next fiscal year, but, again, not to the significance that we had, so we are in very much the final stages of that significant implementation. And then the same thing on the acquisition costs side. We're months past the most recent acquisition, so those should be trailing off as well.

Joseph Bartolacci: Yes, the most significant part of those acquisition integrations remains the last of the casket factory shut-downs that we're in the process of as we speak, Liam.

Operator: [Operator Instructions] Our next question comes from Greg Hillman with First Wilshire Securities. Please proceed with your question.

Gregg Hillman: Could you talk about what happened to the business's organic growth during the last recession, please?

Joseph Bartolacci: It's an interesting question, because part of our businesses were not part of our portfolio ten years ago. So if we look at our Memorialization business, as you might expect, we saw some modest down shift in mix, but generally a fairly stable business environment. When it comes to our traditional Brand business, back then it was relatively stable, down modestly but not collapsing. SGK, based on our conversations with the team, weathered that very well. They were not part of our group at that time, so it's hard for us to tell. I would tell you that our warehouse automation business was the most impacted by that. Their capital spends did slow down, but they're the smallest part of our business today.

Gregg Hillman: And just one more question, Joe. In terms of your sales for the capacitor market or for fuel cells, I think in product-related tooling, basically, when do you think that could become material? And could that ramp up faster than the dot-matrix printer thing?

Joseph Bartolacci: Well, as we indicated during our Investor Day, it is a very, very, very hot market, and we are leading providers of tooling in that space. We have interest around the world from a number of players that we're waiting for a couple to pull triggers on. We have a significant contract that's in the works right now that is a proving ground for the solution. We expect to see some of those results next year. So, I mean, we're a \$1.5 billion, \$1.6 billion company. Is it going to move the needle that materially next year? Most likely not, but it will be a growing opportunity for us for years to come, as that market continues to expand.

Operator: We have a follow-up question from Daniel Moore with CJS Securities. Please proceed with your question.

Daniel Moore: Just an update on how you're thinking about capital allocation. Obviously, you bought back a decent amount of stock, another 240,000 shares this quarter. Given where the stock is trading today relative to your cash generation, and your comfort level with maintaining current leverage ratios, how are you thinking about the weighting of debt reduction versus investing in your own stock?

Joseph Bartolacci: Dan, the fourth fiscal quarter tends to be seasonally our strongest quarter with respect to earnings and cash flow. So debt reduction, reduction on our leverage ratio remains a priority, and I expect that we will be paying down some debt during the quarter, but also, given the strong cash flow and the stock price, I would also expect us to be in the market as well.

Operator: Thank you. At this time, there are no further questions. I would like to turn the call back over to Ms. Howard for closing comments.

Karen Howard: Thank you, Latonya. We appreciate everyone's participation this morning. As always, thank you for your interest in Matthews. We look forward to updating you on our fourth quarter and fiscal year end 2019 results in November. Thank you, and have a great day.

Operator: Thank you. This does conclude today's teleconference. You may disconnect your lines at this time, and have a great day.