

Operator: Greetings, and welcome to the Matthews International Fourth Quarter and Year End Fiscal 2018 Financial Results Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Ms. Karen Howard, Investor Relations for Matthews. Thank you. You may begin.

Karen Howard: Thank you, Michelle, and good morning, everyone. Thank you for joining us to discuss the Matthews International fiscal 2018 fourth quarter and full year results for the period ended September 30, 2018. 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 [Investor Overview](#) page. We have also provided additional preliminary financial information, including our condensed consolidated balance sheet and cash flows information, as well as segment results. Those can be found on the [Investor Financial Reports](#) page of our website.

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 full year fiscal 2018, and Joe will review the business progress, as well as our outlook for fiscal 2019. We will then open the lines for Q&A.

But before we do, I would 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 with other documents filed by the company with the Securities and Exchange Commission. These documents can be found on our website or 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 have provided reconciliations of comparable GAAP to non-GAAP measures in the tables accompanying today's earnings release.

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

Steve Nicola: Thank you, Karen, and good morning. Please turn to slide 4. Beginning with our fourth quarter results on a GAAP basis, the year-over-year increase in earnings per share primarily reflected the following factors. First, higher consolidated sales; second, the incremental impact of acquisitions completed during the past 12 months, primarily Compass Engineering and Star Granite & Bronze; third, continued acquisition synergy realization principally related to the Aurora acquisition; and fourth, lower SG&A costs, including lower acquisition-related and ERP integration costs, as well as the results of our ongoing cost reduction initiatives. Those benefits were partially offset by higher commodity costs, non-cash amortization expense and interest expense.

On a non-GAAP adjusted basis, earnings per share for the fiscal 2018 fourth quarter increased 16% over the prior-year fourth quarter. This increase was primarily driven by the same factors that I just noted, except that we exclude non-cash amortization expense and the acquisition and ERP

integration costs for non-GAAP reporting purposes. We expect acquisition-related and ERP implementation costs to continue to decline in fiscal 2019.

Please turn to slide 5 for a summary of our full year results. On a GAAP basis, the year-over-year increase in earnings per share primarily reflected similar factors that impacted the fourth quarter. Additionally, on a GAAP basis, fiscal 2018 benefited from the adoption of U.S. federal income tax law changes, primarily the impact of the U.S. Tax Cuts and Jobs Act on the company's deferred tax balances and the estimated repatriation transition tax. These one-time tax items were excluded for purposes of our non-GAAP earnings per share. We are pleased to report that our full year non-GAAP earnings per share grew 10% over fiscal 2017.

Please turn to slide 6 for a summary of our fourth quarter operating results. Consolidated sales for the quarter ended September 30, 2018 were up 3% compared with the same quarter a year ago. On a consolidated basis, the increase was primarily driven by higher sales of Industrial Technologies fulfillment systems and marking products and incremental sales from recent acquisitions. These gains for the quarter were unfavorably impacted by \$3.4 million for foreign currency changes compared with the prior period.

Referring to the chart in the lower left, the decline in gross profit, as a percent of sales, included the impact of lower memorial and casket sales and higher commodity costs in our Memorialization segment. The increase in adjusted EBITDA, as shown in the lower right chart, primarily reflected the benefits of higher consolidated sales, the impact of recent acquisitions, and lower selling and administrative costs.

Consolidated selling and administrative expenses, excluding intangible amortization, as a percent of sales, were 22.9% for the quarter ended September 30, 2018 compared to 29.6% for the same quarter last year, with the significant improvement primarily reflecting the benefit of cost reduction initiatives, lower acquisition integration costs, and the benefits of acquisition synergies. In addition, performance-based compensation expense was lower in several of our businesses for fiscal 2018.

Investment income was \$639,000 for the current quarter compared to \$920,000 a year ago. Investment income primarily consists of returns on investments held in trust for certain of the Company's benefit plans.

Interest expense for the fiscal 2018 fourth quarter was \$10.6 million compared to \$6.6 million for the fourth quarter last year. The increase reflected higher average debt levels primarily due to recent acquisitions and higher average interest rates during the current year, primarily reflecting the fixed rate from our December 2017 bond offering.

Other income and deductions, net, for the three months ended September 30, 2018, represented an increase in pre-tax income of \$1.9 million compared to \$360,000 for the same period last year. The current period included gains on the sales of two minority interest investments. Due to their one-time nature, we have deducted these gains as non-GAAP adjustments in determining non-GAAP earnings per share for the current quarter.

Our consolidated income taxes for the three months ended September 30, 2018, were \$9.6 million or 24.5% of pre-tax income compared to \$5 million or 20.5% of pre-tax income for the same quarter last year. Both periods included tax benefits discrete to the respective periods. Excluding these discrete items, the company's fiscal 2018 tax rate was approximately 26% compared to 30% excluding discrete items last year. The lower effective tax rate this year was primarily due to the impact of adopting the U.S. Tax Cuts and Jobs Act and the benefit of other tax planning initiatives.

Please turn to slide 7 for a brief overview of the year ended September 30, 2018. For the current fiscal year, consolidated sales grew 6% compared to last year. Each of our business segments reported

higher sales for the current year. Incremental sales from recent acquisitions, organic growth in Industrial Technologies and the \$26.9 million favorable effect of changes in currency exchange rates contributed to the improvement.

Gross profit and adjusted EBITDA also increased for the current year, primarily reflecting the consolidated sales growth as well as the benefits of acquisition synergy realization. Consolidated selling and administrative expenses, excluding intangible amortization, as a percent of sales, were 26% for the current year, compared to 28.2% last year. The improvement primarily reflects the benefit of cost reduction initiatives, lower acquisition integration costs and the benefits of acquisition synergies. In addition, performance-related compensation expense was lower in several of our businesses for fiscal 2018. Integration costs continue to decline as many of those projects are nearing completion.

For the full year, consolidated income taxes represented a benefit of \$9.1 million compared to expense of \$22.4 million last year. The income tax benefit for the current year included the favorable tax impact of the reduction in our net deferred tax liability from lower U.S. federal tax rates, which was offset partially by an estimated repatriation tax charge as a result of the recently enacted U.S. tax legislation. As I noted earlier, excluding the impact of these items and other tax credits discrete to the current year, the current consolidated effective income tax rate was approximately 26% compared to 30% excluding discrete items last year.

Please turn to slide 8 to begin a review of our segment results. For your convenience, a summary of operating results by segment, including non-GAAP adjustments for the quarters and the fiscal years, are posted on our website.

In the SGK Brand Solutions segment, sales for the fiscal 2018 fourth quarter were \$203.5 million compared to \$203.7 million last year. The segment reported modest organic sales growth for the current quarter compared to the same quarter a year ago, reflecting higher sales in Europe, primarily in the surfaces and engineered solutions businesses, the UK and Asia. This growth was offset partially by lower sales in North America. The segment also benefited from recent acquisitions. However, changes in foreign currency exchange rates had an unfavorable impact of \$2.6 million on the segment's sales compared with the same quarter last year.

As shown in the lower left chart, fiscal 2018 fourth quarter adjusted EBITDA for the SGK Brand Solutions segment increased \$7.7 million, or 26%, from a year ago. The significant increase primarily reflected the impact of the benefit of cost reduction initiatives and lower performance-related compensation expense. The segment's fourth quarter adjusted EBITDA margin was 18.5% for 2018, compared with 14.7% a year ago.

Please turn to slide 9. For the year ended September 30, 2018, sales for the SGK Brand Solutions segment grew 5%. The segment reported higher sales in Europe, the UK, and Asia. In addition, acquisitions contributed to the current year's sales growth. Sales of merchandising displays were lower in the current year as last year included the benefit of a significant project, representing an impact of approximately \$18 million. Changes in currency rates had a favorable impact of \$22.8 million on the segment's sales compared to a year ago.

Fiscal 2018 adjusted EBITDA for the SGK Brand Solutions segment increased \$6 million, or 6%, over last year, primarily reflecting the impact of higher sales, the benefit of cost reduction initiatives, and lower performance-related compensation expense. The segment's full-year adjusted EBITDA margin was 14.1% for 2018, compared with 13.9% a year ago.

Please turn to slide 10. Memorialization segment sales for the three months ended September 30, 2018 increased 2% compared to a year ago. The growth primarily reflected the acquisition of Star Granite & Bronze. Sales of caskets and memorials were lower than a year ago,

reflecting the impact of an estimated decline in U.S. casketed deaths. In addition, pre-need memorial sales were lower than a year ago. Changes in foreign currency exchange rates had an unfavorable impact of approximately \$300,000.

Memorialization segment adjusted EBITDA for the fiscal 2018 fourth quarter increased \$3.9 million or 14% compared with the same quarter last year. The current quarter benefited from acquisition synergies and higher sales, partially offset by higher material costs, primarily steel. The segment's fourth quarter adjusted EBITDA margin was 20.3% for 2018 compared with 18.3% a year ago.

Please turn to slide 11. For the year ended September 30, 2018, Memorialization segment sales were up 3% compared to last year. The increase primarily reflected higher sales of cremation equipment and the acquisition of Star Granite & Bronze. Sales of caskets and memorials were lower for the current year, reflecting an estimated decline in U.S. casketed deaths. In addition, pre-need memorial sales declined for the year. Changes in foreign currency exchange rates had a \$2.8 million favorable impact.

Adjusted EBITDA for the Memorialization segment for fiscal 2018 increased \$3.5 million, or 3%, compared to last year, reflecting the benefit of higher sales and acquisition synergies, partially offset by an increase in material costs. The segment's full year adjusted EBITDA margin was 19.4% for 2018, compared with 19.3% a year ago.

Please turn to slide 12. Industrial Technologies segment sales for the fiscal 2018 fourth quarter increased \$8 million, or 20%, compared with a year ago. Approximately half of the increase reflects organic sales growth, consisting primarily of fulfillment systems and marking products. The remaining growth primarily resulted from the acquisition of Compass Engineering.

These were partially offset by the \$473,000 unfavorable impact of changes in foreign currency exchange rates. As a result of the significant sales growth, as shown here in the lower left chart, the segment's adjusted EBITDA for the quarter increased 18% compared to the same quarter last year. The segment's fourth quarter adjusted EBITDA margin was 15.8% for 2018 compared with 16.2% a year ago.

Please turn to slide 13. For the 2018 fiscal year, the Industrial Technologies segment reported sales of \$165.9 million, representing growth of \$36.4 million, or 28%, over fiscal 2017. Similar to the fourth quarter, approximately half of the increase for the year primarily reflected higher sales of fulfillment systems and marking products, with the remainder primarily related to acquisitions. Additionally, changes in foreign currency exchange rates favorably contributed \$1.2 million to the increase for the year.

The segment's adjusted EBITDA for the current year increased \$7 million, or 56%, compared to last year. Like the quarter, the increase primarily reflected the benefit of higher sales, partially offset by an increase in investments in the segment's product development project. The segment's full year adjusted EBITDA margin increased to 11.8% for 2018, compared to 9.7% a year ago.

Please turn to slide 14 for a review of our capitalization and operating cash flows. Please note that preliminary balance sheet information, including consolidated accounts receivable and inventories, and preliminary cash flow data, including depreciation and amortization and capital expenditures, are available on our website for your reference.

The long-term debt at September 30, 2018, including the current portion, was \$961 million, representing a reduction of \$65.8 million during the fourth fiscal quarter. The decline primarily resulted from debt repayments, reflecting strong fourth quarter operating cash flow. Long-term debt was \$911 million at September 30, 2017. The increase from a year ago resulted from acquisitions.

For the year ended September 30, 2018, we reported cash flow from operations of \$148 million compared to our record level of \$149 million last year. Operating cash flow last year included loss recoveries of approximately \$10 million. Excluding those loss recoveries, operating cash flow increased during the current year, primarily driven by higher sales.

We had approximately 32.1 million shares outstanding at September 30, 2018. During the fiscal 2018 fourth quarter, we purchased approximately 22,000 shares at a cost of \$1.1 million under our share repurchase program. For the year, we purchased approximately 394,000 shares at a cost of \$21.2 million. As of our fiscal 2018 year-end, approximately 1.4 million shares remained under the current share repurchase authorization.

Finally, the board yesterday declared a dividend of \$0.20 per share on the Company's common stock, representing an increase of 5.3%. The dividend is payable December 10, 2018 to stockholders of record November 26, 2018. This represents our 24th consecutive annual dividend increase since becoming a publicly traded company.

This concludes the financial review, and Joe will now comment on the business climate and our Company's operations, as well as our outlook for fiscal 2019.

Joe Bartolacci: Thank you, Steve. Good morning. Let me apologize in advance, winter has started in Pittsburgh, and I have my cold already, so just in time for our earnings call. So if I have a little bit of a problem, you'll understand why.

Please turn to slide 16, where I'll start with an update of our business highlights and the market climate. As many of you recall, in January, we raised our EPS guidance for fiscal 2018 from a modest growth rate to at least 10% growth. At that time, with the visibility that we had, we were comfortable that we would have exceeded our target. Unfortunately, things changed quickly.

Tariffs were announced shortly thereafter, that impacted steel and many of the commodities used in our businesses. Strong casketed death rates early in the calendar year reversed quickly and, in fact, turned sharply negative in the fiscal fourth quarter. Anticipated tobacco volume and new account wins were expected to add nicely to the year for SGK but ultimately were delayed by no fault of our own.

The impact of all these headwinds mitigated what would have been an exceptional year. Nevertheless, we met our target through great efforts by all of our businesses. Several of our businesses reported record levels of adjusted EBITDA despite those challenges. As a whole, I'm very proud of our team for achieving our results, which included record annual sales and adjusted EBITDA. These are significant milestones in our 168-year history and accomplished as a result of a lot of hard work and commitment by our associates around the globe.

We continue to make good progress on the execution of our strategy of differentiating Matthews as a global company servicing the brand, memorialization and industrial markets. We are focused on delivering shareholder value through several strategies for our businesses. These include effectively managing our SGK Brand Solutions and Memorialization businesses, where we expect modest growth and active cost management, while continuing to generate very strong cash flow.

Another key strategy is investing in and commercializing new products for our Industrial Technologies segment, where we participate in two strong and growing markets. One of these markets is the traditional product identification market, where we provide printing equipment and consumables, which are used to print things like production dates, expiration dates, lot numbers and other logistical marks, while those products are moving quickly on production lines.

The second market that our Industrial Technologies business participates in is the automated warehouse market, where we design software and equipment solutions to aid in retail store

replenishment and consumer e-commerce order fulfillment. Both of these markets are large, robust markets that are expected to continue to grow.

Our third key strategy is filling product service and geographic gaps via acquisition and organically to adjust to and capitalize on changing trends in the industries we serve. The outcome of our strategies will be to continue to improve our balance sheet by paying down debt and capitalizing on what we view as an undervaluation of our stock price.

As many of you know, our SGK Brand Solutions segment is primarily a marketing services business that serves consumer products companies and retailers around the world. Our business is driven largely by marketing spend and product innovation efforts which lead to new packaging needs globally. It is important to understand that we don't do the printing, so our revenues are not driven by the volume of consumer products sold. Instead, this segment is driven by the need for product differentiation, market segmentation and government regulation.

Lately, this segment has been impacted by slowness in the CPG (consumer packaged goods) market, which has contracted over the past several years as many major global brands have reduced their SKU count and cut back on their marketing budgets. We believe this to be a cycle which will inevitably reverse as large brands begin to promote and differentiate products to compete in an ever more challenging packaged goods market.

In addition, we unfortunately have lost some work from a significant client in our Chicago photo studio, which will impact our fiscal 2019 revenues. But this is a normal part of the business cycle as clients are won and lost, but the business adjusts. We expect recent account wins to substantially mitigate this loss and more new wins are expected.

On the positive side, more recently, as many CPGs are working to reinvigorate their brands, we hear of plans to differentiate their product offerings with new packaging, which will benefit Matthews going forward. For example, an historic client of the group recently informed us that, going forward, they expect to refresh every product package on a rolling three-year cycle. We believe that nothing is more effective in promoting brand equity than the package.

As stated a moment ago, we have recently seen some new wins, as clients understand and appreciate the differentiated value proposition that we provide, but the ramping up has been at a far more measured pace than we had anticipated. This impacted our margins during 2018, but despite these challenges, SGK posted improved EBITDA margins this year.

Geographically, while North American business has lost an account, our international business saw positive trends from many of its clients. Finally, our Equator business that we acquired in 2017 caters to retailers to promote private label and had good success in gaining market share. Having said that, the staffing necessary to ramp up these wins has greatly impacted Equator's contribution for fiscal 2018. We are expecting to be over that hurdle early in fiscal 2019 and have seen evidence of better performance during this past quarter.

Turning now to the Memorialization segment, we know that we have the broadest product and service offering in the industry, which should allow us to take advantage of whatever opportunities this market can present. As many of you know, casketed deaths in the United States declined again this year as the growth in cremation has exceeded the growth in the overall death rate. Over time, this casketed death rate trend is expected to be offset by an increase in the actual number of annual deaths, resulting in a closer to flat burial rate.

Despite those dynamics, our breadth of products and services, including cremation offerings for cemeteries, cremation equipment and services, a new private mausoleum offering and the continued opportunity to roll up small distributors across the United States allows us to believe that, over time,

we can continue to deliver modest growth. Also, as an industry leader, we expect to benefit from annual price realization that we achieve, which should allow us to offset and recover inflationary costs.

From an operational perspective, our margins continue to improve in each of our business units, delivering among industry-leading EBITDA margins available. Nevertheless, during fiscal 2018, this segment was challenged by significant unanticipated cost increases caused by tariffs. As a matter of fact, our steel costs are at the highest level we have seen in the last 10 years and will be fully felt in fiscal 2019. To partially offset these costs, we have diligently implemented strong cost controls within this segment and we expect the remaining synergy capture from Aurora and Star Granite acquisitions to buffer those increases.

Next, I'm excited to update you on our fastest-growing segment, Industrial Technologies. As Steve reported to you, revenue grew 20% in the fourth quarter and 28% for the year. And our adjusted EBITDA margin is improving as we grow our top line and leverage our fixed costs. The growth is being driven by increasing demand for products and services from both of our revenue streams in this segment, our product identification business and our warehouse fulfillment software systems.

In addition to the growth currently experienced by the automated warehouse industry, we are gaining traction in the marketplace. For example, in the first half of 2019, we expect to successfully complete our first turnkey warehouse project for a major global retail customer. We were asked to pause by the client midway through their project because of the holiday season and we will pick it back up again in early 2019. Our success with this highly visible client so far has led to work on a second facility and we are hopeful that these projects will lead to more opportunities with this customer and others.

Our Compass Engineering acquisition, which closed early in fiscal 2018 is also picking up steam with its traditional logistics clients. Our products and services are gaining recognition and attention due to our efficient and flexible solutions. We expect to continue to add pieces to this successful puzzle in the coming years.

Finally, as I mentioned to you on last quarter's call, we placed some beta units of our newly developed product with customers in the field and have gained valuable information from the results. That information has left us confident to move into pilot production later this month, with expectations to have more products in the field and testing our ability to produce products in scale.

The feedback has been positive and we still expect to commercialize it in early calendar 2019. And importantly, we remain confident of the overwhelming value proposition presented by the product and the prospects for continued organic growth we see. So, there is a lot to be excited about within our businesses.

Let's turn now to slide 17. As acquisitions have been an integral part of Matthews' growth strategy, I will, once again, provide you with an update on the progress of our recent acquisitions. As a reminder, in our SGK Brand segment, we have added four bolt-on acquisitions in the last 24 months. The most recent just closed within the past couple of weeks, Frost Converting Systems.

Based in North Carolina, Frost is a leading supplier of cutting, creasing and embossing tooling for the packaging industry. Together with our capacity at Saueressig, last year's acquisition of Ungricht, and now Frost, we are a leading provider of these products, which are essential to producing everything from packaging to tissue paper. With global converters and large CPGs as our customers, we offer broad products and services globally from a unified group.

Equator has been very complementary to our global brand business, playing into the trend of consumers who favor private label over global brands. As retailers look for ways to increase their margins, private label has become a growth opportunity for them and us. Thus, packaging for private

label products has gotten very sophisticated and competitive with global brands, which is benefiting our business.

Other than Ungricht and Frost, our integration activity is substantially complete for these acquisitions. They are progressing nicely, contributing to the segment's successful performance and improving our margins and cash flows for this segment.

Within our Memorialization segment, you may recall that Star Granite & Bronze joined us earlier this year. We are in the early stages of integrating Star. We have identified strong synergy opportunities from the integration of their bronze foundry, integration of our previously existing granite business with Star and expanded product offerings like private mausoleum, which is a perfect complement to our cemetery products business.

Regarding Aurora, this one was significant and the realization of our synergies has been long, but has been very successful. Upon completion, we will have achieved \$20 million of net synergies and added over \$40 million of EBITDA on a net purchase price of \$200 million. We expect to finish the integration in the middle of 2019, upon completion of the final plant consolidation.

Finally, our latest acquisitions within our Industrial Technologies segment were Compass and RAF, both completed in 2017. These two businesses added related, but distinctly unique, opportunities to our business. Compass is the leading provider of warehouse control software to logistics and trucking companies. Together with our current warehouse control software business, Pyramid, we expect to be able to manage e-commerce orders from our customers' websites to the consumers' doorsteps.

RAF address-recognition software is used in over 70% of the world's postal services and will offer us a unique solution to fulfill our strategy in the e-commerce market. Together with our warehouse solutions, we are building a leading position in the North American warehouse automation markets and we expect to begin to look outside of our borders.

Now turning to slide 18, it's where we talk a little bit about our expectations for fiscal 2019. First of all, I want to summarize a few key underlying assumptions based on current business activity, which presents us with both opportunities and challenges. One is that our orders for fulfillment systems and engineered solutions remain strong. Another is our expectation that recent brand account wins and our latest acquisition, Frost, will contribute favorably to our performance. From a cost standpoint, unfortunately, it appears that commodity cost increases will continue to pressure margins but we seek opportunities to mitigate them to the extent possible.

Similarly, as interest rates rise, the U.S. dollar has strengthened and we are expecting currency to negatively impact our results in fiscal 2019. As we enter the final phase of our ERP implementation, we expect to see a substantial decline in the non-GAAP adjustments we make to our EPS, especially in the latter half of fiscal 2019. And finally, our effective tax rate for fiscal 2019 will be higher than in fiscal 2018, as tax benefits discrete to fiscal 2018 will not repeat in 2019.

Given those factors, we expect our fiscal 2019 adjusted EBITDA will grow at a solid pace, realizing a mid-to-high single digit growth rate. We also expect to deliver very strong cash flow, which we will deploy to our shareholders' benefit next year.

Additionally, we expect that our fiscal 2019 adjusted EPS will grow at a mid-single digit rate while we expect our pre-tax income will grow at a higher rate. As I mentioned a moment ago, our tax rate will be higher in fiscal 2019 than it was in fiscal 2018.

And with that I'm going to open it up for questions.

Operator: Thank you. We will now 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: Good morning. Thanks for taking the questions and thanks for the color. I wanted to start with the revenue outlook. You gave a lot of great detail, Joe, but what range of organic growth across the segments is embedded in your fiscal 2019 guidance as well as for Matthews overall?

Joe Bartolacci: If you look at the various businesses, you're going to have different aspects to them. Each business is going to be modestly different. I mentioned that we had lost a fairly significant account on the SGK side. We have some ramp-up with new accounts going on there that could be challenging, and that shows in top line growth, but we are expecting to manage our costs to be able to deliver the results we wanted there.

Memorialization, we still have some overlapping with the acquisitions there, some price increases, we expect to get modest 1%, maybe 1.5% top line growth. But our Industrial Technologies segment continues to grow very nicely. We expect our overall consolidated growth rate to be about 1% to 2%.

Daniel Moore: Helpful. And then on the cost side, SG&A controls were strong, you mentioned performance comp a couple of times being down, and SG&A declined fairly significantly in the quarter. How sustainable are those levels you saw in Q4? And how do we think about a good adjusted run rate going forward? Steve, if you have any thoughts there.

Steve Nicola: Well, as Joe said, I think, we expect margins to expand again next year. So with the low-single digit top line growth, we still expect EBITDA margins in our businesses to expand, which should drive that mid-to-high single digit EBITDA growth on an adjusted basis.

Joe Bartolacci: Dan, the one other thing I forgot to mention one thing, at the beginning of this fiscal year, we sold an interest in some pet cremation facilities that we operated. We had about six or seven pet crematories that provided the actual service of cremation for pets. We've carved those out and sold a portion of that business to our partner, but we intend to continue to expand them across the United States. Since we own only about 49% of that, you will see that coming out of our numbers in our Memorialization segment. I failed to address that and I wanted to catch up for you.

Daniel Moore: Helpful. Appreciate it. One more, may be a two-parter, and then I'll jump back in queue. Number one, free cash flow, you generated over \$100 million this year, about \$3.25 per share. You mentioned strong cash flow. How should we think about free cash in fiscal 2019 relative to this year's generation, maybe some details on CapEx? And then, two, just strategically, I think, Joe, you mentioned debt pay-down is a priority. In the current environment, where stocks are getting punished for having higher leverage, how have your capital allocation priorities changed, if at all? Thanks.

Joe Bartolacci: So there's a couple of questions, I'm going to make sure I get the right ones. The first one on the cash generation, we're expecting a nice increase in our cash flow year-over-year as we have demonstrated over the last several years. As you can tell, this past quarter in particular, Dan, we generated a lot of cash and paid down about \$66 million of debt in a single quarter; that is a pretty good lift for a company of our size. So we expect that we will continue to do that over the course of the next year. But frankly, at our current stock price, we also find it far more attractive to be out in the marketplace to buy back our shares. We think that we are undervalued. So, I'm not suggesting to you that we won't be paying down debt, but we will also be looking very closely at what our stock price is out there.

Steve Nicola: And, Dan, with respect to your question about capital expenditures, our current estimates are similar to fiscal 2018, in the mid-40s range. With our ERP implementation activities for the last couple of years, I expect some spending in the technology area this year as we're optimizing

those implementations. And, in addition to that, we have a casket plant integration going on this year that will involve some capital expenditures as well.

Daniel Moore: Got it. Thank you again for the color. I'll jump back out.

Operator: Thank you. [Operator Instructions] Our next question comes from the line of Liam Burke with B. Riley FBR. Please proceed with your question.

Liam Burke: Thank you. Good morning, Joe. Good morning, Steve.

Joe Bartolacci: Good morning, Liam.

Steve Nicola: Good morning, Liam.

Liam Burke: Joe or Steve, your acquisition-related items as broken out here, were north of \$20 million in fiscal 2017, but it looks like they're trending down, just over \$16 million in fiscal 2018. How does that look for next year in terms of where you are in your integration processes on some of the past large acquisitions?

Joe Bartolacci: Well, let me kindly take that one, Liam, because I think we want to clarify a couple things. First off, what you're seeing that is out there are still the remaining pieces of a large part of our ERP implementation globally. So it includes the acquisition-related ERP implementations. This is part of our ongoing business and we expected to update our software platforms around the world. And the last piece of it goes live here in January, February of next year. So I would expect that part of it, which is upwards of \$5 million to \$6 million, to come off at the end of our fiscal second quarter.

As a whole, those acquisition-related integration costs will come down over the year and we expect that to be more normalized going into the next year. The only thing we see of significance is we do have one final plant closure to occur on the Aurora side. We have some severance associated, particularly when you look outside the United States, where severance is substantially higher than it is in North America. So, as we go forward, we expect both the costs to come down and then to get past it permanently when it comes to the ERP implementation.

Liam Burke: Okay. And as I look, either on an adjusted operating margin or EBITDA margin basis, at the SGK business, it looks like you had a very healthy step-up on a year-over-year and sequential basis. Do you feel you have that type of momentum going into 2019, understanding that you did have a customer loss, but you've got a fair amount of backlog going into fiscal 2019?

Joe Bartolacci: So, as we look at our results for fiscal 2018, there are a couple of factors to be considered. One, we did have a good, strong fourth quarter, but we also had the reversal of some compensation that was related to performance that did not realize in the fourth quarter. So that helped the fourth quarter. Nevertheless, the business continues to improve on a performance basis. Probably not fair to say that fourth quarter results will continue into the next couple of quarters, but we look at this business on an annual basis, on a pre-corporate basis, as somewhere around 16%, 17% EBITDA margin.

Liam Burke: Okay, great. And then just looking into the start of the year, is everything progressing the way you had anticipated, understanding casketed burials is a variable, but on the Industrial side, particularly on traction of the printer and on the new contracts for SGK?

Joe Bartolacci: As I look at the Industrial Technologies segment, they have, as I mentioned on the call just a minute ago, we continue to have a strong backlog and we have a wonderful team on that side that has done a great job of moving forward. They are robust markets that are continuing to grow, so we are floating with them as well. But nevertheless, we deliver a solution that is in demand and with nameplate customers that a lot of people give us credit for. We'll talk a little bit more about that in

the future as we try to educate our investors on who we are doing this work for. But that part of the business is robust.

What is also really getting a great deal of traction in the marketplace, we've talked about new product development before, one of those products is a controller system called MPERIA. MPERIA is gaining traction in markets where we have never been before. For those of you that have owned our shares for a long time, you know that our product identification business principally operated in the heavy industrial segment. We talked about gypsum board and lumber and cabling and auto parts, things of that nature. The growth has been in the CPG market, and that is a market we rarely played in. There our nameplates of customers in that market recently read like a who's who, just like they do on the SGK side, with brands across the world. And that is with our MPERIA product line, which is the precursor to what we want to put into the marketplace with our new product, which we expect to be in market by the end of the second quarter of fiscal 2019.

Now, I will forewarn you, do not expect to see exponential growth as we start to launch this product. As you might expect, we're new into that particular space. It's going to take time for customers to test it, evolve it, and basically get credibility that this is a product that they can rely on. But the work we've done over the last several years of penetrating the CPG market with our new products will give us a lot more head start than we would have had if we had started from scratch. So our faith in where we go, in the strategy of the team that we put together, to go forward into that market gives us great faith on our outlook in the coming years.

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

Steve Nicola: Thanks, Liam.

Operator: Thank you. Our next question comes from the line of David Stratton with Great Lakes Review. Please proceed with your question.

David Stratton: Thanks for taking the questions this morning. Really quick, you talked about tax rate being higher in 2019, did you quantify that at all or would you?

Steve Nicola: We estimate we exited fiscal 2018 with an effective rate excluding items discrete to the year at about 26%. So that, for modeling purposes, that would be the percentage I would use going forward.

David Stratton: All right. And then back to the debt, did you give your current leverage ratio?

Steve Nicola: We calculated our leverage ratio at September 30 based on our new debt level, our net leverage ratio at around 3.6x.

David Stratton: And then what are you targeting going forward as you highlighted your desire and ability to pay off the debt rapidly, where would you like to see that and how quickly would you like to get there?

Joe Bartolacci: Well, longer term, again, longer term and our cash priorities include good reinvestments in the businesses and I guess more recently favoring the debt repayment versus share repurchase, but longer term, we'd like to target 3x or less than 3x.

David Stratton: Got you. And then any color you can give on the recent acquisition, that'd be helpful. And given that you're citing that you're now a leader in that packaging area, should we expect more acquisitions going forward?

Joe Bartolacci: Well, I'm assuming you're referring to Frost and we did not call out Frost because it was a very, very small acquisition, under \$10 million, but strategically it was a critical acquisition for us. We have, in what we call "surfaces" space, which is part of our SGK Brand Solutions segment,

we're approaching about \$100 million worth of revenue. And this is our first foray into that part of the business in North America. It does literally everything from an embossing tool used to put the marks on your towel paper sitting on your kitchen shelf, to the cutting and creasing tools that are used on a rotary basis to mark and fold cartons and boxes or whatever it maybe that you see on your store shelf. It is an integral part of the process.

You can't produce a package if you have a printer without this tooling, and we have a leading position on a global basis delivering products now into the two largest markets there are, which are the North American and European markets. We think that there will be continued opportunity both to export product but more importantly as the only player that has multiple sites around the world, to be able to service this with the greatest product capacity. We produce cylinders that are measured in meters not in centimeters and in some cases we're the only provider of that kind of technology. We think we can continue to expand this and look for other opportunities to grow.

Do I think there's another opportunity in North America? There are a couple little ones we'd like to do. This is an opportunity where we think we can continue to grow organically. In North America, some of this product is produced internally but we think it's best served with the best technology by outside suppliers like us.

David Stratton: All right. Thank you.

Operator: Thank you. There are no further questions at this time. I would like to turn the call back over to Ms. Karen Howard for any closing remarks.

Karen Howard: Yes. Thank you, Michelle. We appreciate everyone's participation this morning. And we then look forward to updating you on our first quarter fiscal 2019 results in about two-and-a-half months or so. Thanks again and have a great day.

Operator: Thank you. This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation and have a wonderful day