

Operator: Greetings, and welcome to the Matthews International Corporation Second Quarter Fiscal 2019 Financial Results. [Operator Instructions] As a reminder, this conference is being recorded. I would now like to turn the conference over to Karen Howard, investor relations for Matthews International. Thank you. Please go ahead.

Karen Howard: Thank you, Brenda, and good morning, everyone. Thank you for joining us to discuss the Matthews International fiscal 2019 second quarter and first half year results for the period ended March 31, 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 Investor Overview 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 the first half of the year, 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 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 accompanying 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, and good morning. As noted in our press release yesterday, in evaluating our fiscal 2019 second quarter operating results, there were several significant factors that affected our consolidated sales compatibility. These included unfavorable changes in foreign currency exchange rates relative to the U.S. dollar, a decline in U.S. casketed deaths relative to the same quarter a year ago and the loss of a significant client account in our U.S. brand business. For the fiscal 2019 second quarter, we reported consolidated sales of \$391 million, representing a decrease of approximately \$23 million compared to the same quarter last year. However, these three factors had a year-over-year unfavorable impact of approximately \$26 million on consolidated sales.

With respect to earnings per share, on a GAAP basis, the Company reported earnings per share of \$0.48 for the current quarter, compared to \$0.57 last year, primarily reflecting the decrease in consolidated sales. In addition, interest expense was higher for this year's quarter, which was offset by higher investment income and lower income taxes.

On a non-GAAP basis, adjusted earnings per share were \$0.90 for the current quarter compared to \$0.93 last year, representing a decrease of \$0.03 per share. The year-over-year unfavorable impact of currency changes, which included both translation and transactional impacts, approximated \$0.06 per share.

Please turn to **Slide 5**. On a year-to-date basis, our consolidated sales were approximately \$766 million compared to \$784 million last year, representing a decrease of almost \$18 million. The year-to-date unfavorable impact of those same factors I noted previously totaled approximately \$36 million. The currency portion of this total was \$18.6 million.

Year-to-date earnings per share on a GAAP basis for the current year were \$0.58 as of March 31, 2019, compared to \$1.68 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 tax. This prior year-to-date net tax benefit was \$0.84 per share. Second, during the fiscal 2019 first quarter, we reported 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, as a result of our \$300 million bond offering in December 2017, our average interest rate is higher in the current year and the primary reason for an increase of \$3.5 million or \$0.08 per share in the Company's interest expense.

For the 6 months ended March 31, 2019, non-GAAP adjusted earnings per share were \$1.40 compared to \$1.57 last year. In addition to the impact of lower sales, the year-over-year change in non-GAAP adjusted earnings per share also reflected higher interest expense and unfavorable currency changes.

Please turn to **Slide 6** for a summary of our second quarter operating results. As I noted earlier, consolidated sales for the quarter ended March 31, 2019, were approximately \$391 million compared to \$414 million for the same quarter a year ago. The principal factors affecting the year-over-year change included an unfavorable impact of \$12.8 million from currency changes compared with the prior year; the loss of a U.S. brand client account, which impacted year-over-year sales compatibility by approximately \$7 million; and a decrease of approximately \$6 million in casket sales, primarily related to an estimated decline in U.S. casketed deaths compared with last year. The aggregate impact of these items on consolidated sales for the current quarter totaled approximately \$26 million. The Company reported organic sales growth for bronze and granite memorial products in the U.S., warehouse fulfillment systems in the Industrial Technologies segment and surfaces and engineered products in the SGK Brand Solutions segment.

In addition, current quarter brand sales in Europe and Asia and sales to the private label brand market were higher than a year ago. Adjusted EBITDA for the fiscal 2019 second quarter was \$56.2 million compared to \$62.5 million a year ago. Lower sales and a \$2.8 million unfavorable impact from currency changes were the primary factors for the decrease. Our consolidated operating margins also reflected higher commodity and transportation costs in our Memorialization segment, which were offset by the impact of the Company's ongoing cost containment initiatives, acquisition synergy realization and lower performance-related compensation costs.

In addition, investment income was higher, reflecting a recovery in the equity markets during our second fiscal quarter. Investment income for fiscal 2019 second quarter was \$2.1 million compared to a loss of \$74,000 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. The increase in the current quarter reflected recovery in the equity markets from the decline experienced in the Company's fiscal 2019 first

fiscal quarter. Interest expense for the fiscal 2019 second quarter was \$10.3 million compared to \$9.3 million for the second 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 March 31, 2019, represented a decrease in pretax income of \$1.1 million compared to \$1.6 million for the same quarter last year. Under new accounting requirements, other income and deductions includes the nonservice portion of pension costs, which was lower than a year ago. Consolidated income taxes for the 3 months ended March 31, 2019, represented a net benefit of \$165,000 compared to expense of \$2.2 million for the same quarter last year. The current period benefit resulted from tax planning efforts completed during the fiscal 2019 second quarter that resulted in a discrete tax benefit.

Please turn to **Slide 7**. Consolidated sales for the six months ended March 31, 2019, were approximately \$766 million compared to \$784 million for the same period a year ago. The principal factors affecting the year-over-year change included the unfavorable impact from currency rate changes compared with the prior year, the loss of a U.S. brand client account and the decrease in casket sales primarily related to an estimated decline in U.S. casketed deaths compared with last year. The aggregate impact of these items on consolidated sales for the current quarter totaled approximately \$36 million.

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

Adjusted EBITDA for the first six months of fiscal 2019 was \$102.7 million compared to \$109 million a year ago, primarily reflecting the impact of the operating results for the fiscal 2019 second quarter.

Year-to-date interest expense was \$20.6 million as of March 31, 2019, compared to \$17.1 million last year, primarily reflecting higher interest rates in connection with the Company's bond offering in December 2017. Other income and deductions, net for the six months ended March 31, 2019, represented a decrease in pretax income of \$2 million compared to \$3.7 million last year, primarily reflecting a decrease in the nonservice portion of pension costs.

Consolidated income tax expense for the six months ended March 31, 2019, was \$440,000, compared to a net benefit of \$23 million last year. The prior year included the 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 and 2018 is approximately 26%.

Please turn to **Slide 8** to begin a review of our segment results. In the SGK Brand Solutions segment, sales for the fiscal 2019 second quarter were approximately \$191 million compared to \$207 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 \$11.1 million, and the client account loss unfavorably impacted sales by approximately \$7 million.

The SGK Brand Solutions segment reported organic sales growth in Europe and Asia in the private label brand market and for surfaces and engineered products. In addition, the current quarter reflected

the impact of the acquisition of Frost Converting Systems, which was acquired in November 2018. Fiscal 2019 second quarter adjusted EBITDA for the SGK Brand Solutions segment was \$29.4 million compared to \$35.1 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 six months ended March 31, 2019, sales for the SGK Brand Solutions segment were \$376 million compared to \$399 million a year ago. Consistent with the second 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 \$15.8 million, and the client account loss unfavorably impacted sales by approximately \$12 million. Year-to-date, the SGK Brand Solutions segment reported organic sales growth in Europe and 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 \$56.7 million compared to \$66 million last year.

Please turn to **Slide 10**. Memorialization segment sales for the fiscal 2019 second quarter were approximately \$162 million compared to \$169 million a year ago. The segment's casket sales were approximately \$6 million lower for the current quarter, reflecting an estimated decline in U.S. casketed deaths compared with a year ago. However, despite the decline in casketed deaths, the segment reported higher sales in bronze and granite memorial products in the U.S. The current quarter also included the benefit of the acquisition of Star Granite & Bronze, which was acquired in February 2018.

Fiscal 2019 second quarter sales for the Memorialization segment were also impacted by the divestiture of a controlling interest in the pet cremation business during the first quarter, and changes in currency rates had an unfavorable impact of nearly \$1 million on the segment sales compared with the same quarter last year.

Memorialization segment adjusted EBITDA for the fiscal 2019 second quarter was \$35 million compared to \$39.5 million a year ago. The year-over-year change for the quarter primarily reflected the impacts of the decline in casket sales, the divestiture of our controlling interest in the pet cremation business and higher commodity and transportation costs, including casket distribution. The segment's adjusted EBITDA for the current year benefited from higher sales of bronze and granite memorials in the U.S., the acquisition of Star Granite & Bronze, acquisition synergies and other cost reduction initiatives.

Please turn to **Slide 11**. Memorialization segment sales for the 6 months ended March 31, 2019, were \$316 million compared to \$314 million a year ago. The acquisition of Star Granite & Bronze and higher sales of bronze and granite memorial products were partially offset by lower casket 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 \$65.3 million at March 31, 2019, compared to \$67.9 million last year.

Please turn to **Slide 12**. Sales for the Industrial Technologies segment were \$38.6 million for the quarter ended March 31, 2019, compared to \$38.3 million a year ago. The segment reported an increase in warehouse automation sales for the current year, which were partially offset by lower product identification sales. Changes in foreign currency rates had an unfavorable impact of \$713 million 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 second quarter was \$4.8 million compared with \$4.9 million a year ago. The benefit of higher sales was offset by an increase in costs

related to the segment's product development project. Total project-related costs were approximately \$2.4 million in the current quarter compared with \$2 million a year ago.

Please turn to **Slide 13**. For the six months ended March 31, 2019, sales for the Industrial Technologies segment were \$73.6 million compared with \$71.1 million last year. Again, an increase in warehouse automation sales for the current year were partially offset by lower product identification sales. Changes in foreign currency rates had an unfavorable impact of \$1.3 million on the segment's year-to-date sales compared with the same period last year. For the six months ended March 31, 2019, adjusted EBITDA for the Industrial Technologies segment was \$8.4 million compared with \$8.6 million last year. The benefit of higher sales was offset by an increase in costs related to the segment's product development project. Year-to-date project-related costs were \$4.6 million versus \$3.9 million a year ago.

Please turn to **Slide 14** for a review of our capitalization and operating cash flows. At March 31, 2019, consolidated long-term debt, including the current portion, was \$976 million compared with \$983 million at December 31, 2018, which represented a decrease of approximately \$7 million for the current quarter. Approximately 31.7 million shares were outstanding at March 31, 2019. During the fiscal 2019 second quarter, the Company purchased approximately 143,000 shares under the share repurchase program and approximately 330,000 shares year-to-date. At March 31, 2019, we have approximately 1.1 million 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 May 20, 2019, to stockholders of record May 6, 2019.

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

Joseph Bartolacci: Thank you, Steve. Good morning. Please turn to **Slide 16** where I'll give you insight into our businesses. During our second quarter, we faced several significant challenges that we could not overcome. Some of those challenges were of our own making, but the more significant ones were not. As Steve noted, we face considerable challenges from unfavorable currency exchange rates, most of which impacted our SGK brand business. But in total, negative currency impacted our overall revenues by \$13 million. We also saw a decline in U.S. casketed deaths versus prior year resulting in a 6% revenue decline in our funeral home products business, while the balance of our Memorialization business saw modest growth.

Finally, as we've 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. When considered collectively, these items unfavorably impacted our second quarter revenue by approximately \$26 million compared to the second quarter of 2018, a difficult hurdle to get over. Despite these challenges, our businesses remained strong, and we saw positive trends in several of our business units.

In our brand business, revenues were impacted by \$11 million in negative currency translation this quarter and \$16 million year-to-date. For the quarter, after considering the negative currency impact and the significant account loss, SGK saw modest growth. That organic growth was largely in Europe and Asia, where our footprint and people continue to be our advantage. Like those of you who follow the CPG market lately, we are beginning to hear the rumbling of increased marketing investment and brand innovation, intending to reinvigorate organic growth from some of our largest clients. This is good news for our business, but I do not expect that increased spending to benefit us this year. Similarly, we have often spoken of the success that Equator, our business focused on private-label

services to global retailers, was having -- adding significant accounts in the private label brand market.

After slow ramp-up in several accounts and the opening of a new studio, this business saw material improvement in performance, particularly towards the end of the quarter, solidifying our expectations of a very strong year in this business. During the past several quarters, our private labeled solutions, in particular, Equator, continue to add up to our list of global retailers, causing us to expect that this market will represent over \$100 million of our global revenue next year, a material change from just a few years ago. The surfaces and engineering business again delivered strong second quarter performance and can be attributed to both acquisition and organic growth as reflected by the strong backlog of orders that we have for everything from technical cylinders to specialty equipment.

We are seeing significant opportunities in our engineered products business where we use gravure cylinder manufacturing expertise to extend into markets like tissues, nonwoven materials, laminated glass and lithium-ion battery manufacturing. Specifically, our unique lithium-ion battery solution is drawing considerable interest, and we hope to report solid orders in this area in the near term. The acquisition of Frost has not yet been a significant contributor to our performance, but we expect it to be an important contributor to our overall strategy of being a leading provider of specialty tooling to the printing industry around the world.

Finally, given the challenges facing this segment, we continue to reduce our cost base to better align with our revenue levels. A key strategy in this group is to effectively reduce our costs while continuing to satisfy our clients' needs by implementing our newly released proprietary production software that will drive this business for years to come.

In our Memorialization segment, despite the decline in casketed deaths, our Funeral Home Products business delivered solid results with adjusted EBITDA margins remaining at 22%, while overall adjusted EBITDA margins in our Memorialization business declined only 1%, remaining at 22%. This team has demonstrated a strong ability to effectively control costs in a difficult environment.

We saw organic growth in our cemetery business, and we see opportunities to gain market share as we expand our penetration in the granite business. We are aware that it is likely that our cemetery products business will feel some volume impact in the coming quarters, resulting from the lower death rate in the past quarter, but we believe our forecast incorporates this risk. Should deaths exceed our expectations, this will favorably impact our second half results.

In the environmental solutions portion of our Memorialization business, we continue to see strong cremator order intake. In addition, during the quarter, we began manufacturing another small municipal waste incinerator for the U.K. market, and are currently participating in an RFP for several more, which can materially impact results of this business unit. This product extension takes advantage of our combustion engineering expertise and has opened new possibilities beyond human and pet cremation. I'll also remind you that last quarter, we divested the majority interest in our pet cremation business that impacted the Memorialization revenue on a year-over-year basis by over \$2 million.

Regarding our warehouse automation business where we again reported organic sales growth, we continue to successfully deliver large-scale automated warehouse designs and software solutions, which leads us to expect another record performance for this business. As for the balance of the Industrial Technologies segment, after a slow start to the quarter, product identification orders have

returned to normal and the successful addition of a couple large accounts bodes well for the balance of the year.

With regard to our investment in the innovative new product for our Industrial Technologies segment, we are pleased to report the success of our beta testing and have had modest sales of early production units. Full launch has been delayed modestly as we work through some early production issues, but we remain convinced of the opportunities presented by this unique product.

Now turn to **Slide 17**, and I will share with you our updated expectations for the remainder of fiscal 2019. First of all, I'll summarize a few underlying assumptions leading to our expectations. In our forecast, we do not expect to make up the second quarter shortfall in casketed deaths, but remain hopeful that we may be surprised to the positive. We're also expecting foreign currency rates to remain to be a headwind but should not impact our margins materially. Our updated expectations for SGK still consider the impact of a loss of our brand client and expect continued client marketing initiatives which can be volatile. Conservatively, we have not included any potential upside in SGK for new client initiatives that we have heard rumors of.

We also expect our warehouse automation business to be able to complete work in process with our client delays, but we did not include any material upside from recent wins, which can benefit 2020. Although, we do not expect any material changes to these assumptions, positive or negative, we want to remind you that these decisions to initiate or curtail projects are sometimes outside of our control.

Lastly, there are potential new significant opportunities for engineered products and incineration equipment, which could materially change our outlook. Although we believe that we're being conservative, our best estimate at this time is that our adjusted EBITDA will be approximately \$240 million to \$250 million for the fiscal year. We expect non-GAAP EPS for the fiscal year to fall in the range of \$3.60 to \$3.75.

Finally, please turn to **Slide 18** where I will want to alert you to block your calendar for Wednesday, June 19 in New York City. Together with other key members of our management team, we'll be hosting an Investor and Analyst Day to provide a deeper understanding of our strategies and goals, our businesses and their drivers. We look forward to your attendance. With that, let's open it up to questions.

Operator: [Operator Instructions] Our first question comes from the line of Daniel Moore with CJS Securities.

Daniel Moore: Just in terms of death rates, one of your competitors earlier this week implied that they expect death rates to normalize to some degree over the next couple of quarters. It sounds like you're taking a slightly more conservative approach regarding your assumptions. What are your assumptions in terms of death rates that are embedded in your revised guide?

Joseph Bartolacci: Our revised guidance would expect to have a modest pickup but not significant, not bringing it back to full year normal. We're still expecting to have a modest decline for the balance for the whole year. If we're surprised, that'd be great. As we said, we're taking a conservative approach on our guidance, given the surprise that we had this quarter. And if it comes back, it'd be better for everybody.

Daniel Moore: Got it. And within memorials, bronze and granite held up pretty well in light of the lower death rates. Was it share gains? Was it timing? Maybe any color you might have there, Joe?

Joseph Bartolacci: Both. The reality is, when you look at the cemetery market across the United States, there are both large opportunities and small. I would tell you on the bronze side, given our market share, the opportunities are generally smaller, and yet we're still picking up some modest share around the country. On the granite side, we still have some larger opportunities represented in geographies that we are beginning to penetrate. So it's going to be share gain, but different percentages in each one of those businesses.

Daniel Moore: Got it. And Steve, you pointed out FX has been an \$0.11 headwind year-to-date, I believe. If rates stay where they are today, what would be the full year impact? And what's the full year impact relative to your prior guide? In other words, of the guidance reduction, how much of that is really truly FX?

Steven Nicola: So Dan, I would tell you the full year impact is going to be close, at least in our projections right now, close to double that. So call it in the \$0.20 range compared to last year. And I don't have the number with respect to how that differed from our earlier guidance, but probably at least \$0.05 to \$0.07.

Daniel Moore: Got it. And shifting gears, just one more. Joe, regarding legacy marking products, a couple of quarters ago, you started to see a slowdown. It sounds like a little bit more constructive, and that tends to be a little bit of a harbinger of economic activity. What are you seeing there, especially as we get into the June quarter?

Joseph Bartolacci: Frankly, Dan, when we had our call in January, we were a little concerned. We saw a pretty significant decline in our order rates, and we called that out as a little bit of a canary in the coal mine because as you know, it's a harbinger of other economics for us and for the rest of the economy. That has returned to normal. In fact, we're starting to see pretty good returned to normal order volumes both in ink and equipment. So I would tell you that our expectation on a full year basis is exactly where we had anticipated at the beginning of the year at this time.

Operator: Next question comes from the line of Liam Burke with FBR.

Liam Burke: Joe, could you give us a sense on the synergies, especially on the Aurora acquisition, if there's any spillover into calendar 2019? And how that was influencing the margins this quarter and will for the rest of the year?

Joseph Bartolacci: So as we've called out in the past, we had one significant remaining action item to take on capturing the synergies on Aurora, which was the closure of one of our manufacturing facilities. We have that modestly delayed due to some things outside of our control. The opportunities are still out there, and we did capture above \$1 million worth of synergies in the second quarter. We still have more to come when that plant closure occurs. But I would tell you that we have some duplicated costs in our margins right now. We expect our casket business to operate in the low 20% for adjusted EBITDA margin as it is right now going forward and maybe a little bit more when we start to see commodities go the other way.

Liam Burke: Great. Then you talked about on the SGK side, the strength in the private brands, and that's been for several quarters now. The national brands, I mean you've touched on it, are they looking like they're starting to show some signs of life?

Joseph Bartolacci: Well, first on the private brands, we continue to pick up share, frankly, I mean, both share and converting people who are not centralized to centralize. I mean, we picked up some literally global markets that we are not servicing at this point in time. That business has turned out to be a bit of a gem. It has a different model than our traditional brands business. We think it is a future opportunity for all of our businesses as we move forward. So a lot of positive things to say about that, and we think that we got a little bit of a tailwind in there. The rest of the brands, we're hearing rumors.

I mean, we're hearing rumors that they're finally starting to break loose some spending on marketing. And importantly, when they talk about reinvesting in the brand that usually means brand SKU proliferation and new products, which all brings new packaging associated with that. We think that is going to bode well for us for years to come. I don't think that happens overnight. You all saw what happened with Kraft Heinz in their announcement where they said that cost cutting has come to an end. It's time to continue to begin to invest. I think that is a bit of an opportunity for everybody in the industry.

Liam Burke: Great. And on the new printer platform that's in beta, do you have any sense as to when you're actually going to get firm orders and actually be able to generate revenue from that product?

Joseph Bartolacci: We actually have orders now. I mean, I wouldn't call them material. We have orders in place, given what we have already produced in beta. They're not huge orders but they are right now based on who we have shared the product with and they've tested, placed enough orders to give us confidence that it's both priced properly and giving us the opportunities we expect. We expect this to hit full rate in the fiscal year of 2020, but start to see some more significant orders towards the end of this quarter.

Operator: [Operator Instructions] Our next question comes from the line of Jamie Clement with Buckingham.

James Clement: Steve, if I could start with you and then I'll go to you, Joe, I'll switch back to you on some bigger picture stuff. So Steve, two things. What's the right level of corporate spending we should expect on a quarter-to-quarter basis? And what was the main driver of the year-over-year decline?

Steven Nicola: So a couple of things, Jamie. You're looking at the corporate portion of adjusted EBITDA.

James Clement: Correct.

Steven Nicola: So a couple of things. One, I'll call it the normal level of corporate spend we'll start there. It is in the neighborhood of -- and this is on an adjusted EBITDA basis, in the neighborhood of about 4% of sales. What impacted the quarter-over-quarter and year-over-year comparisons are two things: One, performance-based compensation; and the second is adjusted EBITDA also captures a couple of below-the-line items, particularly the investment income pickup this past quarter, the recovery from the first quarter.

James Clement: Okay. Got it. The copper market has been very volatile of late. Where do you all stand in terms of your supply agreements and what is that looking like, whether it's more of a headwind, less of a headwind, where we're at?

Joseph Bartolacci: Not material to this year. We'll see how that impacts next year. We're pretty well locked down for several, I'd say, at least a quarter, a quarter and a half. But going into next year, we'll have to reevaluate it again at that time and how much we can lock down. So we bake that assumption into our forecast, Jamie, and don't consider it an issue.

James Clement: Okay. Great. So, Joe, in terms of the guidance, and the revision where you were and where you're at now, it seems to me like maybe it's in the Brand Solutions. But was there business that you thought might be there that didn't quite pan out, just in terms of talking about death rates and currency, adding up some numbers around there, I feel like there's a little something missing.

Joseph Bartolacci: Yes. Well, I would tell you, Jamie, that if you just take into consideration a 6% decline in our casketed death rates, we've got millions of losses with that revenue recognition. So that's one. Second, we had anticipated recoveries from some of the business that we lost, and frankly,

that has not occurred. We always have a hit list of business and contracts that are out there. It's taking time, but it's not ramping up as fast as we would like. And that's just not in our control. So when we gave guidance at the beginning of the year, three principal things: Death rates, currency, and we thought we would get a faster ramp on a number of these accounts that we did not get.

James Clement: Okay, okay. And as you look out, more like 12 to 24 months based on the commentary of the CPGs that are out there, many of whom are large customers of yours, are you starting to see signs that brand extensions, new brand launches, those kinds of things which are historically more lucrative for you all, are you starting to see at least some signs of planning?

Joseph Bartolacci: Well, we're seeing that, but one of the key initiatives of this team has been to expand beyond the package. And we have a number of proposals out there to talk about outsourcing a lot of marketing content in general. That is an avenue of growth for this business as we take over functions for brands that are everything extending beyond the CPGs from banks to TV companies and so forth. There's a lot of marketing content that requires management. And we are venturing into that space, coupled with our existing packaging business. We do a fair amount of that business right now, probably close to \$75 million-or-so, and we think that opportunity continues to be one that we're going to chase.

James Clement: And are you also talking about more of a multichannel approach to traditional packaging customers?

Joseph Bartolacci: No question. So we're looking to pick up more space. When we talk about our packaging customers, I mean, the words we use internally, I wouldn't say it's mission-critical, but it's an essential service. We are the vehicle through which they get that package to market. So how do we extend beyond the package using what we know we do well and extend it to other functions that they need? It may probably be less essential, but frankly more value focused for them when they think about what we can do for them.

Operator: Our next question is from the line of Daniel Moore with CJS.

Daniel Moore: Just housekeeping, Steve. What was the revenue contribution from Frost? And small, but any incremental year-over-year contribution from Star Granite?

Steven Nicola: Well, the contribution from Star Granite would have only been a month. So maybe \$2 million worth of revenue. And then with respect to Frost, Frost is about \$1.5 million.

Joseph Bartolacci: We also need to remind you, Dan, offsetting that was our pet cremation business. It was another \$2 million that came down. So the net contributions from those were nominal.

Daniel Moore: Yes, indeed. And then Joe, little bit unfortunate but a little bit of capacity came out of the industry on the casket side recently. Any comments on opportunity to pick up share as well as any measurable impacts in terms of rationalizing capacity, pricing, et cetera?

Joseph Bartolacci: No. If you're speaking about New England casket, as many people may know, there was a fire unfortunately that the family lost their factory outside of Boston. It was a small player that largely serviced the distributor network. As you might expect, those distributors prefer not to deal with people they compete with. So we'll pick up some share, but it will usually be direct pickups at the funeral home. They made a very good product, and our quality mirrored their quality. So we think there's opportunity to pick that up now that they're no longer in the space at the funeral home, but it's not significant.

Operator: Thank you. This concludes our question-and-answer session. I'd like to turn the floor back to Karen Howard for closing comments.

Karen Howard: Thank you, Brenda. We appreciate everyone's participation this morning. As always, thank you for your interest in Matthews. We look forward to seeing many of you at our Investor and Analyst Day in New York in June and then updating you on our third quarter of fiscal 2019 results in August. Thanks, again, and have a great day.

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