

Operator: Greetings. Welcome to Matthews International Corporation Third Quarter Fiscal Year Financial Results.

At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. If anyone should require Operator assistance during the conference, please press star, zero on your telephone keypad. As a reminder, this conference is being recorded.

I will now turn the conference over to Mr. Bill Wilson, Director of Finance, Corporate Development. Thank you, sir. You may begin.

Bill Wilson, Senior Director, Corporate Development: Thank you, Latanya. Good morning, everyone. Welcome to the Matthews International Third Quarter Fiscal Year 2020 Conference Call. This is Bill Wilson, Senior Director of Corporate Development. With us today are Joe Bartolacci, President and Chief Executive Officer, and Steve Nicola, our Chief Financial Officer.

Before we start, I would like to remind you that our earnings release was posted on our website, www.matw.com, in investors section last night. The presentation for our call can be accessed in the investors section of the website as well.

As a reminder, any forward-looking statements in connection with this discussion are being made pursuant to the Safe Harbor provisions of the Private Securities Litigations Reform Act of 1995. Factors that could cause the Company's results to differ from those discussed today are set forth in the Company's Annual Report on Form 10-K and other periodic filings with the SEC.

In addition, we will be discussing non-GAAP financial metrics and encourage you to read the disclosures and reconciliation tables carefully as you consider these metrics. In connection with any forward-looking statements in non-GAAP financial information, please read the disclaimer included in today's presentation materials located on our website.

Now I will turn the call over to Steve Nicola, our Chief Financial Officer.

Steven Nicola, Chief Financial Officer: Thank you, Bill. Good morning. Please turn to **Slide 4**. As you read in our earnings announcement yesterday, the Company generated strong cash flow from operations during the Fiscal 2020 third quarter and reported a significant reduction in outstanding debt. Our consolidated earnings for the quarter, combined with our working capital management efforts and proceeds from the divestiture of an investment, facilitated debt reduction of \$104.9 million for the three months ended June 30, 2020.

With respect to our operating results for the Fiscal 2020 third quarter, the Company reported consolidated sales of \$359 million compared to \$379 million a year ago. Year-to-date Fiscal 2020 consolidated sales were \$1.1 billion compared to \$1.14 billion last year.

For both the quarter and year-to-date periods, Fiscal 2020 reflected higher sales for the Memorialization segment compared to a year ago, offset by lower sales in the SGK Brand Solutions and Industrial Technology segments. All segments continue to experience some level of commercial impact from COVID-19 during the third quarter, although these impacts remain difficult to quantify.

On a GAAP-basis, the Company reported earnings per share at \$0.07 for the current quarter compared to \$0.46 per share last year. A significant portion of the decrease related to non-cash charges, including the acceleration beginning in the Fiscal 2019 fourth quarter of the amortization of certain discontinued trade names in the SGK Brand Solutions segment and a \$10.6 million reserve for a letter of credit in connection with a previous incineration equipment project in Saudi Arabia.

Intangible asset amortization expense was \$17.8 million or \$0.43 per share for the Fiscal 2020 third quarter compared to \$9.5 million or \$0.24 per share a year ago. In addition, the decline in that income reflected charges related to the Company's cost reduction program. Net income for the current quarter also reflected a gain of \$11.2 million on the divestiture of the Company's ownership interest in a pet cremation business.

For the nine months ending June 30, 2020, the Company reported a GAAP loss per share of \$3.04 compared to income of \$1.05 per share last year. In addition to the items impacting the third quarter, the year-to-date decline reflected the second quarter write down of \$90.4 million of goodwill for the SGK Brand Solutions segment.

Adjusted EBITDA, which represents net income before interest expense, income taxes, depreciation and amortization and other adjustments, for the Fiscal 2020 third quarter was \$49.4 million compared to \$59 million a year ago. The decrease primarily reflected the impacts of lower consolidated sales and unfavorable changes in currency rate. In addition, performance-based compensation expense approximated more normal levels for the current quarter compared to lower expense for the same quarter last year. These items were partially offset by realized savings from the Company's recent cost reduction program and lower travel-related expenses. Year-to-date Adjusted EBITDA was \$139 million compared to \$161.6 million last year.

On a non-GAAP adjusted basis, earnings for the Fiscal 2020 third quarter were \$0.80 per share compared to \$0.90 per share a year ago. Lower Adjusted EBITDA was partially offset by tax benefits for the current quarter and a decrease in interest expense. Please see the reconciliations of Adjusted EBITDA and non-GAAP adjusted earnings per share on our website. Year-to-date adjusted earnings per share were \$1.90 as of June 30, 2020 compared to \$2.30 last year.

Interest expense for the Fiscal 2020 third quarter was \$8.1 million compared to \$10.5 million a year ago reflecting lower average debt and a decline in average interest rates for the current quarter relative to the same quarter last year. For the nine months ended June 30, 2020, interest expense was \$26.9 million compared to \$31.1 million last year.

Other income and deductions net for the quarter ended June 30, 2020 represented a decrease in pre-tax income of \$2.8 million compared to \$1.4 million for the same quarter last year. Other income and deductions net for the nine months ended June 30, 2020 represented a decrease in pre-tax income of \$7.4 million compared to \$3.4 million last year. Other income and deductions include the non-service portion of pension and post-retirement cost. For the quarter ended June 30, 2020, the non-service portion of pension and post-retirement cost was \$2.2 million compared to \$951,000 last year. For the nine months ended June 30, 2020, the non-service portion of pension post-retirement cost was \$6.7 million compared to \$2.9 million last year.

Consolidated income taxes for the three months ended June 30, 2020 were a benefit of \$6.2 million compared to expense of \$4 million for the same quarter last year. The income tax benefit for the current quarter primarily reflected an expected net operating loss carry-back to tax years with higher federal tax rates. Consolidated income taxes for the nine months ended June 30, 2020 were a benefit of \$22.7 million compared to expense of \$4.4 million last year.

Please turn to **Slide 5** to begin a review of our segment results. Memorialization segment sales for the current quarter were \$162 million compared to \$158 million for the third fiscal quarter last year, representing an increase of \$3.9 million or 2.5%. The increase primarily reflected higher sales of caskets and cremation equipment, partially offset by lower cemetery memorial product sales. The increase in casket sales primarily resulted from the increase in U.S. deaths due to COVID-19. Cemetery memorial product sales were impacted by local stay-at-home orders related to COVID-19 which limited families access to cemeteries to order their memorials.

For the nine months ended June 30, 2020, Memorialization segment sales were \$478 million compared to \$474 million last year. Changes in foreign currency exchange rates had a unfavorable impact of approximately \$369,000 on the segment sales compared with the same quarter last year and \$1.1 million on a year-to-date basis.

Memorialization segment Adjusted EBITDA for the Fiscal 2020 third quarter was \$37.7 million compared to \$36.1 million a year ago. For the nine months ended June 30, 2020, Memorialization segment Adjusted EBITDA was \$103 million compared \$101.4 million last year. The current year's results primarily reflected the benefits of higher revenues, productivity initiatives, and lower travel-related expenses, offset partially by higher material cost and performance-based compensation expense.

Please turn to **Slide 6**. For the SGK Brand Solutions segment, sales were \$166 million for the current quarter compared to \$182 million a year ago. The decline primarily reflected lower brand packaging sales in the segment's North America and European markets. Competitive pricing was a factor for the current quarter as volumes declined only modestly from a year ago. In addition, sales of cylinders and surfaces products decreased from the same quarter last year. All regions reported some level of commercial impact from COVID-19 although it remains difficult to quantify. These declines were partially offset by an increase in sales of engineered products in Europe and higher sales for our merchandising solutions business compared to the same quarter last year, partly the result of new sales of face shields.

For the nine months ended June 30, 2020, sales for the SGK Brand Solutions segment were \$514 million compared to \$558 million last year. Changes in foreign currency rates had an unfavorable impact of \$3.4 million on the segment's third quarter sales compared with the same quarter a year ago and \$8.5 million on a year-to-date basis.

Fiscal 2020 third quarter Adjusted EBITDA for the SGK Brand Solutions segment was \$20.8 million compared to \$29.9 million a year ago. The segment's Adjusted EBITDA for the nine months ended June 30, 2020 was \$61.8 million compared to \$86.6 million last year. The quarter and year-to-date declines primarily reflected the impact of lower sales combined with an unfavorable product mix shift and pricing. The unfavorable shift in product mix partly reflected lower tobacco-related sales in our cylinders business which generally have higher incremental margins. In addition, as I noted earlier, performance-based compensation expense for the current quarter was higher than the same quarter a year ago.

Realized savings from the segment's recent cost reduction initiatives and lower travel-related expenses favorably impacted Adjusted EBITDA for the current quarter and year-to-date periods.

Please turn to **Slide 7**. Sales for the Industrial Technologies segment for the Fiscal 2020 third quarter were \$31.5 million compared to \$39.1 million a year ago. The decrease reflected lower sales in each of the segment's principal product lines, primarily reflecting the global economic downturn resulting from COVID-19. For the nine months ended June 30, 2020, Industrial Technologies sales for Fiscal 2020 were \$107.3 million compared to \$112.7 million a year ago. Higher product identification sales were partially offset by lower sales of warehouse automation systems. The declines in warehouse automation sales for the quarter and year-to-date were primarily attributable to project delays by customers as backlog in this business continues to remain solid. Changes in foreign currency exchange rates had a unfavorable impact of \$166,000 on the segment sales compared to the same quarter last year and \$824,000 on a year-to-date basis.

Adjusted EBITDA for the Industrial Technologies segment for the current quarter was \$4.7 million compared to \$7.3 million a year ago. Year-to-date, the segment's Adjusted EBITDA was \$15.2 million compared to \$15.7 million last year. The decrease in the segment's Adjusted EBITDA for the current quarter and year-to-date periods primarily reflected the impact of lower sales which was offset partially by lower travel-related expenses.

Please turn to **Slide 8**. Cash flow from operating activities for the Fiscal 2020 third quarter was \$57.6 million compared to \$44.1 million a year ago. Cash flow from operating activities for the nine months

ended June 30, 2020 was \$123.6 million compared to \$89.4 million a year ago. The significant increase in operating cash flow compared to last year primarily reflected favorable changes in the Company's working capital, particularly from our accounts receivable collection efforts. Also during the quarter, the Company sold its ownership interest in a pet cremation business which resulted in cash proceeds of \$42.2 million plus preferred stock of \$15 million. The Company recorded a gain of \$11 million on the sale.

As a result of the Company's strong operating cash flow and proceeds from this sale, the Company reduced its outstanding debt during the Fiscal 2020 third quarter by \$104.9 million. Outstanding debt was \$860.9 million on June 30, 2020 with net debt, which represents outstanding debt less cash, at \$818 million. The leverage ratio covenant in our domestic credit facility is based on net debt. At June 30, 2020, the Company was well within this bank covenant as our net leverage ratio for bank covenant purposes approximated 4.0 compared to the covenant limit at June 30, 2020 of 5.0. As you may recall, in the renewal of the revolving credit facility last quarter, the Company proactively negotiated a temporary increase in the net leverage ratio covenant threshold due to the global economic uncertainties of COVID-19. This limit reduces to 4.75 at September 30, 2020. However, the Company has remained well within the original 4.5 net leverage ratio limit. The Company intends to continue to focus Fiscal 2020 cash flow primarily on debt reduction.

As previously reported, we renewed our domestic revolving credit facility and accounts receivable securitization facility in March 2020. The renewed revolving credit facility provides for borrowings up to \$750 million and has a five-year term. The renewed revolving credit facility generally maintains the same terms and interest rate structure of the previous facility.

Approximately 31.3 million shares were outstanding at June 30, 2020. During the recent quarter, as our primary focus was on debt reduction, the Company purchased only 722 shares under its share repurchase program. Year-to-date, the Company has purchased only approximately 74,000 shares. With the reduction in debt during the third quarter and the recent stock price, the Company will likely consider repurchasing shares to some degree in the fourth quarter.

Finally, the Board last week declared a dividend of \$0.21 per share on the Company's common stock. The dividend is payable August 17, 2020 to stockholders of record August 3, 2020.

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

Joseph Bartolacci, President, Chief Executive Officer: Thank you, Steve. Good morning.

We are very pleased by our results for the quarter, particularly given the challenging circumstances in which we operated. Notwithstanding what we think is very good performance, our reported results belie even better performance within the business segments which give us confidence in the quarters to come.

Several of our business outperformed prior year results but all of our businesses stepped up their efforts to manage their operating cash flow so as to deliver very strong operating results for the quarter. The combined efforts of good operating performance and strong cash management have allowed us to reduce our gross debt by \$105 million during the most challenging times in modern history. We did all this while maintaining a high level of compliance with strict safety protocols which are designed to protect the health and safety of our employees. We are extremely proud of our colleagues and the performance on an all fronts. We believe that this quarter, like no other quarter, demonstrates the significant underlying value of our consolidated business which is not reflected in our stock price today.

Let's talk about some of those businesses. In our Memorialization segment for the quarter, our funeral home products business ramped up casket production early and thanks to the sheer dedication of that team we delivered revenue that was 17% higher than prior year. This team worked endless hours from manufacturing through distribution and sales to meet the needs of families during the pandemic. The performance of our funeral home products business helped to offset a 17% decline in cemetery product

review which resulted from the various states shut down orders and the general concern of the public to attend gatherings such as funerals and burial services.

We strongly believe that the lower cemetery products revenue is only deferred and not lost. In fact, during the month of July we have seen a return to normal cemetery product order rates and a slight recover of some of those deferred sales while funeral home products revenue remains elevated but not to the same degree as the third quarter.

Similarly, our Environmental Solutions business saw strong sales of North American cremation equipment, allowing them to deliver solid year-over-year results despite delays in service revenues caused by the inability to travel and delays in large incineration projects which are expected to add to the otherwise strong results. Again, in this business, backlog of cremator sales, service and large incineration projects grew during the quarter, which bodes well for the quarters to come.

In our SGK Brand Solutions business we had solid volumes in North America and the Asia Pacific region, particularly in our core packaging businesses as brands invested strongly in new products and updated packaging, particularly in our packaged food segment. The core packaging business has held up very well in this environment, but portions of the overall brand segment has seen deferral of projects. In particular, our cylinders business has been impacted by slow tobacco revenues, as tobacco brands have all but shut down marketing efforts in Europe, while our surfaces business, which produces high dollar cylinders which are often part of larger capital expenditures, has seen a slower order rate during the quarter. Again, these results belie the underlying performance of the cylinders, surfaces and engineering business as we have had strong results in our engineering business which continues to make progress on projects for the energy storage industry. That opportunity continues to grow. Also, our surfaces business provides large scale cylinders to the non-woven industry like tissues, medical gowns, and masks which is an area we are seeing increased interest and expect long-term demand to grow. SGK, including cylinders, surfaces and engineering business, is expected to deliver normalized results for the fourth quarter and is positioned to deliver a strong recovery into next year.

Also, during the quarter, we made good progress in our cost reduction efforts in all our businesses and we see significant opportunity to continue to improve the profitability of our entire business with particular emphasis on our SGK Brand business. During the quarter, those efforts made a significant impact on the segment's results, which were matched by normalized incentive compensation in SGK when compared to prior year.

Our Industrial Technologies business typifies the comment I made earlier that the reported results belie the underlying performance of the business. Within this segment, in our warehouse automation business our inability to get into several client warehouses due to shut-down orders resulted in deferral of projects which were well underway. As a result, the business showed lower year-over-year revenue but currently is approaching record backlogs and has nothing but opportunity before it.

Similarly, our product identification business reported lower sales versus prior year but also saw the deferral of several large projects due to the inability to travel. Much of these deferred revenues were expected to be realized in our fourth quarter and beyond, but again, the results in this business belied the underlying performance as we made significant strides in the development of our new product despite reduced R&D spending. We have gained further confidence in our new product and the opportunities that it presents.

Looking forward, our ability to forecast has improved but we remain cautious as events can still arise which can impact our results. Although to date we have not had any experience of significant disruption in our businesses, broad exposure to the virus can cause plant shut-downs in our facilities or those of our clients which can impact our performance at any time.

Having said that, our businesses have remained operational and we remain confident that we have demonstrated an ability to manage during these uncertain times which will ultimately be reflected in our

stock price. Demand for our products and services remain solid and our leading market positions and stable end-markets will ultimately allow us to not only to survive but to thrive in this environment.

All in all, our colleagues and our Company remain strong and healthy. During this next quarter, we expect continued focus on cost containment and cash generation which should allow us to again perform well.

Although we will not be providing guidance because the uncertainties of the current environment, our expectations for the fourth quarter are that our results will be better than our third quarter. We have the orders to have a stronger quarter but cannot be sure of our ability to deliver due to matters outside of our control. Nevertheless, we expect further significant liability reductions during the balance of the year.

Now let's open it up for questions.

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

Our first question comes from Daniel Moore with CJS Securities. Please proceed with your question.

Daniel Moore, CJS Securities: Joe, Steve, Good morning.

Joe Bartolacci: Hi, Dan, good morning.

Daniel Moore, Let's start with Brand Solutions SGK, seemingly held up better than I think some people feared in general, but can you elaborate on some of the incremental pricing pressure you are seeing? Is that more U.S., Europe? Is it both? Is it in the core, pre-press and creative? Just pockets of where you are seeing that and how long we would expect that to linger?

Joe Bartolacci: Much of what you are seeing in pricing pressure are contracts that were negotiated over the last 12 months. We don't price on a day-to-day basis, so much of what we are seeing has been contractually anticipated. But when you look at the overall business, Dan, if I can break it down a little better for you. Just assume it this, simply: that in that brand business there are multiple segments of businesses that we serve. When you look at anything retail related, whether it be point of sale, whether it be private label, we were challenged and that is why when we say our core packaging business has performed better than most people have expected but consistent with what we have always said that, in challenging times, brands often spend more. We are seeing that because we do expect that, that private label and retail business will come back and if our rest of our brand business remains intact as we expect it will, we should have a good recovery into next year.

The other side of it, as we talked about earlier—and these are pieces of the puzzle that are hard to discern—when we look at tobacco. Tobacco all but fell off the cliff and that has everything to do with their unwillingness to do any marketing initiatives in this environment. It isn't that they didn't need to. That business was significantly down year-over-year. We expect that to come back, albeit maybe at slower rates but the pricing pressure is not something that is day-to-day. It is contractually anticipated, and we adjust our cost for that and that is what you are seeing in our bottom line.

Daniel Moore: Got it. That is helpful. I think I heard you say, Joe, that you expect more “normal results” in Q4 and a strong recovery next year. Should we think of that as closer to flat in terms of revenue and EBITDA for Q4 or still down modestly and (inaudible) get back to growth?

Joe Bartolacci: I would tell you it's down modestly in the fourth quarter, Dan. We are not seeing a strong recovery in retail yet. That portion of the business remains a little bit under pressure, but the results

should be better than this quarter and right now we would say they are. Going into next year, I would say that the recovery in retail would be critical to the top line of our business as we move forward. We made some gains in that from a client and opportunity side because of our ability to deliver in these uncertain times. Until those come to fruition, we are not going to be able to give you a look into next year.

Daniel Moore: Understood. If we look beyond COVID, I know this is a tougher question but what is the long-term growth algorithm for these businesses from your perspective and what are the drivers that might get us there?

Joe Bartolacci: Were you speaking specifically of SGK?

Daniel Moore: Correct. Yes.

Joe Bartolacci: Okay. When you look at SGK, what you are seeing is a good example of when brands choose to go back into the investment of new packaging, new products and new SKUs. Our growth algorithms would predict what we've always said, which is volumes should increase maybe 3% a year. Pricing has been little bit of a challenge as they have constrained their cost but in these uncertain times we have seen that we have been able to deliver and some of our competitors have not. We are hoping that will ultimately result in a better market share of us as we move forward. That could give us some additional bump as well. But we are dependent on our brands' willingness and abilities to invest in new products and new SKUs.

Daniel Moore: Helpful. Okay. Switching gears, Joe, warehouse automation, sounds like backlog's building. When would we expect to see growth pick up and how large do you think that opportunity can be over the next two to three years?

Joe Bartolacci: Well, that business is working in an environment where everything you talk about is e-commerce and with the client base that we have which reads like a who's who of retail and consumer brands, we see that business operating in a segment that is high single, low double digit opportunity for us over time. It is not going to be on a quarter-to-quarter basis, it is subject to the whims and timings of being able to warehouses and you are not going to see it in our first quarter of next year because we are not able to get into people's warehouses during the Christmas season, but the demand for that product continues to grow and we have the reputation in the marketplace as being a leader, to be able to deliver that for them. We are really confident of that business.

Daniel Moore: One more topic for me and I will jump out. Very nice, obviously, strides on debt paydown. Leverage seems to be the number one focus on investors' minds these days. It sounds like you expect leverage to tick lower into Q4 as you generate more cash, but on the flip side, EBITDA may be down a little bit year-over-year so do we see that 4.0 ticking slightly higher, slightly lower this coming quarter and maybe over the next two to three years, Steve, what kind of ratios do you think are achievable to get down to?

Joe Bartolacci: Right now, Dan, based on what we see in the fourth quarter and what we see in our typical strong quarter operating cash generation quarter, if I can say it that way, I would expect at least relatively stable on the leverage ratio itself and maybe tickdown a little bit depending on how successful we are on some of our cash flow efforts. Again, that's as we continue to primarily focus on debt reduction but I will say, and I will refer to what I said in my comments earlier, that because of the strides we have been able to make and given the recent stock price, you may see us back in the market this quarter as well, so that obviously has an impact on where our cash flow is going for the quarter.

Then as we go forward, as hopefully as the whole country and world normalizes, we start to see growth on the EBITDA part of that equation and that certainly helps the leverage ratio decline.

Daniel Moore: Just a follow-up. Would you like to keep leverage at a minimum somewhere in this level, just getting a sense for how aggressive you could be on buybacks?

Joe Bartolacci: Well, I would tell you that we will be prudent on our capital allocation. If the price of our stock gets unreasonably low, as it has been, we will become more aggressive. We are comfortable with our ability to paydown our debt and we have demonstrated that in this quarter. I expect that if it gets silly out there, we will be there but otherwise we will be focused on what we have committed at the beginning of the year which is paying down debt. Our long-term target still remains to get under 3.0.

Daniel Moore: Okay. I will jump back queue with any follow ups. Thank you.

Operator: At this time, I return it back over to Management, there are no questions in queue, for closing comments.

Bill Wilson: Thank you, Latanya. Thank you for joining us today and thank you for your interest in Matthews. For additional information about the Company and our financial results, please visit our website. Thank you and enjoy the rest of your day.

Operator: Ladies and gentlemen, thank you for your participation. You may disconnect your line at this time and have a great day.