

Operator: Greetings and welcome to Matthews International Corporation First Quarter Fiscal 2022 Financial Results Conference Call.

At this time, all participants are in listen-only mode. A question-and-answer session will follow the formal presentation. As a reminder, this call is being recorded.

I would now like to turn the conference over to your host, Steve Nicola, CFO. Please go ahead.

Steven Nicola, Chief Financial Officer: Thank you, Hamed. Good morning and welcome to our call. I'm Steve Nicola, the Company's CFO, and with me today is Joe Bartolacci, President and Chief Executive Officer.

Before we start, I would like to remind you that our earnings release was posted last night on our website, www.matw.com in the Investors section. The presentation for our call can also be accessed in the Investors section of the website. In addition, beginning this quarter the Company is reporting its surfaces and engineered products businesses in the Industrial Technologies segment. It was previously reported in the SGK Brand Solutions segment. This new segment reporting was filed via Form 8-K with the SEC in December. Prior period amounts have been adjusted for comparability.

As a reminder, any forward-looking statements in connection with this discussion are being made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Factors that could cause the Company's results to differ from those discussed today are set forth in the Company's Annual Report on Form 10-K and other periodic filings with the SEC. In addition, we will be discussing non-GAAP financial metrics and encourage you to read our disclosures and reconciliation tables carefully as you consider these metrics. In connection with any forward-looking statements and non-GAAP financial information, please read the disclaimer included in today's presentation materials located on our website.

Now, please turn to **Slide 4**. To start the financial review today, here are some of the key highlights from the Fiscal 2022 first quarter. First, our consolidated sales were \$438.6 million for the current quarter compared to \$386.7 million a year ago, representing an increase of \$51.9 million, or 13.4%. Each of our business segments reported sales growth for the Fiscal 2022 first quarter.

Second, the Company's Industrial Technologies segment, which includes the energy solutions, warehouse automation, and product identification businesses, reported sales of \$74.3 million for the Fiscal 2022 first quarter compared to \$53.4 million last year, representing an increase of \$20.9 million, or almost 40%. Adjusted EBITDA for this segment more than doubled to \$7.2 million compared to \$3 million last year. These increases were mainly driven by continued growth in our energy solutions business and higher warehouse automation sales.

Third, with respect to consolidated Adjusted EBITDA, the benefit of higher consolidated sales was significantly mitigated by the unfavorable impacts of increased material cost, as well as increased labor and freight costs.

Fourth, the Company completed the termination and settlement of its principal U.S. defined benefit plant. This was a significant factor in the reported GAAP net loss of \$0.62 for the quarter, but resulted in a reduction in the Company's accrued pension liabilities of over \$50 million from September 30, 2021.

Fifth, the Company reported an increase in adjusted earnings per share to \$0.74 for the current quarter compared to \$0.68 for the same quarter a year ago.

Next, the summary of our consolidated financial results for the quarter ended December 31, 2021, is as follows. As I noted, the Company's consolidated sales were \$438.6 million for the quarter ended

December 31, 2021, compared to \$386.7 million a year ago, representing an increase of \$51.9 million, or 13.4%. Each of our business segments reported higher sales. On a GAAP basis, the Company reported a net loss of \$19.8 million, or \$0.62 per share, compared to a net loss of \$1.8 million, or \$0.06 per share, for the same quarter last year. GAAP earnings for the current quarter included nonservice pension cost of \$31.1 million, which is mainly related to the settlement of the Company's principal pension plan.

In addition, the reported net loss on a GAAP basis for both years included the impact of intangible amortization expense. Primarily from the acceleration of the amortization of certain intangible assets in the SGK Brand Solutions segment. Consolidated intangible amortization expense was \$21.5 million, or \$0.51 per share, for the Fiscal 2022 first quarter compared to \$15.2 million, or \$0.36 per share, a year ago. Both periods also included charges in connection with our cost reduction initiatives and COVID-19-related costs.

On a non-GAAP adjusted basis, Adjusted EBITDA, which represents net income before interest expense, income taxes, depreciation, amortization and other adjustments for the Fiscal 2022 first quarter, was \$53.3 million compared to \$54.8 million last year. The benefit of the Company's consolidated sales growth was offset for the quarter, primarily by higher material cost and increased labor and freight costs. In addition, the current quarter was impacted by unfavorable sales mix in the SGK Brand Solutions segment.

Although Adjusted EBITDA was slightly lower, adjusted earnings per share increased to \$0.74 for the current quarter compared to \$0.68 last year. Lower interest expense and income taxes contributed to the increase in adjusted earnings per share from a year ago. Please see the reconciliations of Adjusted EBITDA and non-GAAP adjusted earnings per share in our earnings release.

Investment income for the quarter ended December 31, 2021, was \$1 million compared to \$1.1 million for the same quarter a year ago. Investment income primarily reflects the changes in the value of investments held in trust for certain of the Company's benefit plans. Interest expense for the Fiscal 2022 first quarter was \$6.5 million compared to \$7.7 million a year ago. The decline reflected lower average debt levels and lower interest rates for the current year.

Other income and deductions net for the quarter ended December 31, 2021, represented a reduction to pretax income of \$31.7 million compared to \$1.7 million a year ago. This significant change primarily reflected an increase in nonservice pension cost as a result of the settlement of the Company's principal pension plan. Other income and deductions include the nonservice portion of pension and postretirement cost, as well as banking-related fees and the impact of currency revaluation gains and losses on foreign denominated cash and debt balances.

The Company's consolidated income taxes for the quarter ended December 31, 2021, were a benefit of \$6.6 million compared to expense of \$4 million a year ago. Income taxes for the current quarter primarily reflected the benefit of the pretax consolidated loss. The prior year primarily reflected additional tax charges in connection with items discrete to the first quarter last year.

Please turn to **Slide 5** to begin a review of our segment results. Sales for the Industrial Technologies segment were \$74.3 million for the Fiscal 2022 first quarter compared to \$53.4 million a year ago, representing an increase of \$20.9 million, or 39%. The growth resulted from higher sales for both the energy solutions and warehouse automation businesses. In addition, product identification sales improved for the quarter. Backlogs and incoming order rates for these businesses continued to be strong through the Fiscal 2022 first quarter. Adjusted EBITDA for the Industrial Technologies segment more than doubled to \$7.2 million for the Fiscal 2022 first quarter compared with \$3 million a year ago. The increase primarily reflected the impact of higher sales for the current quarter, which was partially offset by higher labor costs.

Please turn to **Slide 6**. Memorialization segment sales for the Fiscal 2022 first quarter were \$210.7 million compared to \$183.3 million a year ago, representing an increase of \$27.4 million, or 15%. The increase was primarily attributable to higher unit sales of caskets, cemetery memorial products, and cremation equipment. Higher unit sales for the current quarter primarily reflected COVID-related deaths. In addition, improved price realization contributed to the segment sales for the current quarter. The Company also completed an acquisition of a small cemetery products business during the Fiscal 2021 second quarter. Memorialization segment Adjusted EBITDA for the Fiscal 2022 first quarter was \$43.4 million compared to \$44.1 million a year ago. The favorable effective higher sales was offset by the significant unfavorable impacts of higher material cost, mainly steel, lumber, and bronze compared to a year ago, as well as increased labor and freight costs.

Please turn to **Slide 7**. Sales for the SGK Brand Solutions segment were \$153.5 million for the quarter ended December 31, 2021, compared to \$150 million a year ago, representing an increase of 2.4%. The increase primarily reflected higher sales for the segment's core brand packaging business and an increase in retail-based sales. The segment's retail-based sales for the quarter reflect continued recovery in these markets. As you will recall, the segment's retail-based businesses were significantly impacted by the pandemic. Changes in foreign currency rates had an unfavorable impact of \$2.4 million on the segment's current quarter sales compared with the same quarter last year.

Fiscal 2022 first quarter Adjusted EBITDA for the SGK Brand Solutions segment was \$15.4 million compared to \$21.8 million a year ago. The decline primarily reflected the impact of an unfavorable change in sales mix from a year ago and higher material costs. The segment's sales mix for the current quarter reflected a reduction in higher-margin photography related sales, which were offset by increased core brand packaging and merchandising sales. In addition, production inefficiencies related to remote work environments impacted operating margins for the quarter. Travel and entertainment costs also increased during the quarter, reflecting some recovery in business travel.

Please turn to **Slide 8**. Cash flow used in operating activities for the Fiscal 2022 first quarter was \$27.2 million compared to cash flow provided by operating activities of \$35.3 million a year ago. The year-over-year change primarily reflected the Company's pension contribution during the current quarter in connection with planned termination. In addition, the current quarter reflected an increase in performance-based compensation payments. Inventories were also higher than a year ago, reflecting in part the impact of recent commodity cost increases.

Outstanding debt was \$836.1 million at December 31, 2021, compared to \$763.7 million at September 30, 2021. Net debt at December 31, 2021, was \$765.1 million compared to \$714.5 million at September 30, 2021. The leverage ratio covenant in our domestic credit facility is based on net debt. The increase primarily reflected the impacts of the pension funding and working capital changes I just mentioned. Our leverage ratio was 3.4 at December 31, 2021. In addition, as a result of the termination-related funding of our pension plan, the Company's accrued pension liabilities declined \$51 million during the current quarter from \$85 million at September 30, 2021, to \$34 million at December 31, 2021. This liability was \$149.8 million at September 30, 2020.

Approximately 31.6 million shares were outstanding at December 31, 2021. During the recent quarter, the Company purchased approximately 63,000 shares under its share repurchase program. At December 31, 2021, the Company had remaining authorization of approximately 2.6 million shares under the program. Finally, the Board yesterday declared a quarterly dividend of \$0.22 per share on the Company's common stock. The dividend is payable February 21, 2022, to stockholders of record February 7, 2022.

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

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

We started off the year very well. Each of our segments delivered strong revenue growth during the quarter, which helped offset the inflationary pressures that we felt on the bottom line. I want to highlight the particularly strong performance in our newly-cast Industrial Technologies segment and our Memorialization segment where the businesses delivered double-digit top-line growth. This was a record first quarter revenue performance for the Company despite the many challenges of the current operating environment.

During the quarter, we saw very good top-line and bottom-line performance in our newly-cast Industrial Technologies segment thanks to the continued strong performance of our warehouse automation business and the growth of our energy storage business. This segment grew top line 39% and EBITDA more than doubled, reflecting the fast-growing markets that we serve. Remember, starting this quarter, we have included our energy storage and our surfaces business in this segment. Prior periods have been adjusted to allow for comparability.

Together with our product identification business, these businesses represent the fastest growing parts of our Company, and we expect to begin to demonstrate that growth this year as we work to deliver exceptionally high backlogs of over \$200 million in the combined Industrial Technologies segments, of which the backlog of our energy storage business represents over \$100 million. In fact, we expect this segment to have revenues of well over \$300 million and Adjusted EBITDA margins of over 15%, which will help us mitigate the impact of inflationary pressures elsewhere in the Company. It is important to note that this performance is without what we believe will be yet another leg to this growth story, our new product in the product identification business, which is expected to have revenues next calendar year.

In our energy storage business, we continue to have great interest in our proprietary solution for dry cell lithium-ion batteries. Although we only delivered \$20 million of revenue during the quarter for our energy storage business, which was a significant increase from last year, we are still on track to deliver over \$100 million for Fiscal '22. In fact, during the quarter our solution has proven its ability to produce dry lithium battery electrode material at high rates of speed, a critical step in the development of our opportunity in this business.

Also, during the quarter, we continued to see strong demand in all the businesses that make up our Memorialization segment, driven by the impact of the pandemic. But also, we have previously warned, inflationary pressures depressed the profitability of our funeral home products business, which reported a decline in profitability despite higher revenues, while exceptional performance in our cemetery products business helped this segment deliver relatively flat year-over-year EBITDA performance. Our backlog in our cemetery products and our environmental solutions business remains at historically high, elevated levels. Pricing actions to help address the commodity cost inflation at all of the Memorialization businesses should help us achieve another strong year for this segment.

In SGK, the team successfully replaced an anticipated decline in volume from a very profitable account; but COVID-related inefficiencies, European slowness, and a revenue mix resulted in a challenging EBITDA performance. The business is expecting to deliver a solid year going forward as revenues from newly acquired accounts begin to ramp up and a return to normal levels in the European markets contribute to the overall performance. All in all, we are very satisfied with our performance for the quarter and confident in our ability to continue to deliver solid results.

During the quarter, we realized the termination of our principal U.S. defined benefit pension plan and distributed the funds to the participants, thus ending any further liability to the Company. At one point not long ago, our outstanding pension liabilities \$150 million. In order to effectuate this final closure of the plan, we were required to make a \$35 million contribution to the plan this quarter. Because of this contribution, our net debt increased by more than normal for the first quarter. However, we remain focused on reducing our debt over the balance of the year.

As we look to the balance of the year, there is still a great deal of uncertainty. The ongoing impact of the pandemic is yet to be determined. What death rate we can anticipate for the balance of the year is unclear. Inflationary pressures do not appear to be subsiding. Our expectation is that retail traffic will continue to normalize, but we are uncertain of when and to what extent. The timing of several significant deliveries in our energy storage business are subject to customer readiness for delivery. All of these factors and more make predicting our performance for the balance of the year difficult.

Despite these challenges, however, our current estimates have improved thanks to our strong backlogs and pricing actions taken in our businesses. As a result, we believe that we can deliver at least \$220 million of EBITDA on a full year basis. We also expect our free cash flow for the year to remain relatively consistent with prior year. Although our hope is that we will over deliver, we remain cautious at this time.

Now, let's open it up for questions.

Operator: Thank you. At this time, we will be conducting a question-and-answer session.

Daniel Moore: *CJS Securities:* Good morning, Joe. Good morning, Steve. Thanks for taking the questions and the color. Appreciate it.

Joseph Bartolacci: Good morning, Dan.

Daniel Moore: Start with Memorization. I'm sure we'll talk a lot about the Industrials as well, but what was the contribution of the tuck-in cemetery products acquisition? Was that meaningful at all?

Joseph Bartolacci: It was modest. It was not a significant contributor. It was a tuck-in out in California that added maybe \$600,000, \$700,000, \$800,000 on a year-over-year basis, on a full year basis.

Daniel Moore: That's fine. Okay and then maybe talk about pricing versus volume growth, both for caskets or funeral home products, as well as memorials on a year-over-year basis.

Joseph Bartolacci: Well, without getting into great detail, Dan, let's put it this way. We've raised prices in all of our segments. The prices that we raised in our funeral home products as of October 1 were insufficient to cover our commodity cost. Recent pricing action taking effect here in February should help further mitigate that, and it's a large part of our upward guidance or upward estimation for the balance of the year. Suffice it to say that when it comes to the cemetery products, we've covered our commodity cost. Recent action in the funeral home products allows us to be assured that we've got most of that back going forward.

Daniel Moore: Got it. Would it be fair to say that it's more than 50/50 volume price, or the other way around? Or you'd rather not comment?

Joseph Bartolacci: I think it depends.

Daniel Moore: Okay, fine.

Joseph Bartolacci: Volume is up as well. Yes, volume is up as well as price.

Daniel Moore: Got it. Then you mentioned backlogs remained strong. Obviously, it's only a sample size of a few weeks, but have death rates started to normalize or revert to the mean since the end of the quarter, or do we expect volumes to remain pretty elevated in the memorial side for next quarter or so?

Joseph Bartolacci: From that perspective, Dan, as you know the business quite well, the funeral home products business is an at need sale. We are still seeing higher volumes than we would have anticipated

early in our budgeting process that we believe will start to subside. As at this point in time we're still relatively elevated. But we expect, based on all the published information, that we'll start to see a decline in those volumes, beginning latter part of March, if not into April at the latest. But that does not tell us what we think is going to happen with cemetery, which typically occurs several months afterwards; so much of what has occurred over the last 60 to 90 days has yet to be memorialized in a cemetery, particularly with the cold weather in the north. As we're seeing it right now, cemeteries are not setting markers or stones, so we expect that to continue well into the summer.

Daniel Moore: Perfect, okay. Then one or two on energy storage and I'll turn it over. But you mentioned the number. What was the revenue contribution in the quarter? I missed it. I'm sorry.

Joseph Bartolacci: It's \$20 million for the quarter, but we have over \$100 million of backlog.

Daniel Moore: Exactly, perfect. Okay. Then can you update us and maybe talk about if not specificity, orders that you booked or dialogs that you're having with EV, electric vehicle, OEMs beyond the first flagship customer, kind of looking out beyond this year. Just trying to get a better sense of how you're gaining traction. Thank you.

Joseph Bartolacci: Sure, Dan. I mean, the reality is we are in discussions with just about every major European auto manufacturer or parts manufacturer associated with that. They're at varying degrees of development. We hope. We announced last quarter, I believe it was last or the one before that, that we landed Salesforce, which is a Porsche. That one we can speak openly about. That will hopefully be delivered over the course of the year. Recognize, however, that in all these cases we're not in a sales function. We are the solution once they choose to go through a dry cell battery decision.

The timing of some of these deliveries are dependent on facilities that have to be built yet, and it also has to be, they're dependent on the formulations that they're going to use for their dry cell. We are active, to say the least. We are also active, quite frankly, on the fuel cell side, the hydrogen fuel cell side. There is a lot of activity on that side of it as well that's beginning to ramp up. It won't necessarily be meaningfully impactful this year. We expect that to be more meaningful next year.

Daniel Moore: All right, very good. I'll jump back with any follow-ups. Thanks.

Operator: Thank you. The next question is from Liam Burke with B. Riley Securities. Please go ahead.

Liam Burke, B. Riley Securities: Yes, good morning, Joe. Good morning, Steve.

Joseph Bartolacci: Good morning, Liam.

Steven Nicola: Good morning.

Liam Burke: Joe, on the warehouse management software, there was a tremendous amount of backlog built up for COVID-related reasons and your techs didn't have access to the facilities. How much of the backlog now is related to that, and how much of that is just order growth?

Joseph Bartolacci: Both. I would tell you that we are sitting on very, very high backlogs relative to that size of that business. We have a full year and we haven't even started the sales function. Typically, this business starts to get active on the sales front after the holiday season. As you know, we just finished up here on the January month almost. We will continue to have sales order intakes, but our backlog is consistent with both an increase in sales and delays from prior period deliveries.

Liam Burke: Okay, great. On Memorialization products, during COVID you had obviously minimal visitations, which deferred a lot of these sales. How much has the variance created a situation where

you're seeing more deferrals? Or is that starting to normalize? Understanding that this quarter is seasonally low for the business.

Joseph Bartolacci: Difficult for us to tell, Liam when we talk about that. But what we can tell you is that the most recent Omicron spike that occurred for the last 60 to 90 days, whatever it may be, we don't believe most of that has been memorialized yet. Given weather, given timing, we expect that's what's going to flow through the latter part of the year, and we still think there's opportunity beyond that. We picked up market share, both in the stone side as well as on the memorial side. We have seen during, throughout the crisis, a delayed investment in mausoleum construction. That has picked up as well. We're still projecting at this point in time a strong, overall delivery in our Memorialization segment.

Liam Burke: Great. Thank you, Joe.

Operator: Thank you. The next question is from David Niewood with The Curator Fund. Please go ahead.

David Niewood, *The Curator Fund*: Hi, guys. At a recent investor conference presentation you made, I believe you said that you are working primarily on the energy storage side with western OEMs and manufacturers, and not Asians. Partly for IP protection reasons, as well as other things. I think you also indicated that you are well protected and the only one with dry cell technology out there, such that if anyone else was doing a cylindrical dry cell you believe it would be in violation of your patent portfolio. My understanding is that dry cell primary uses for that application is with 4680 batteries. A couple of Asian manufacturers have announced that they are attempting to commercialize 4680. The question is, if they are, is it fair to assume that they are using wet cell technology, or is there a potential that they may be in violation of your patents?

Joseph Bartolacci: Thanks, Dave. We're getting pretty deeply into the woods. I'd be glad to get you as far as I can. 4680 is nothing more than dimensional size of the actual battery cell. Whether it's wet cell or dry cell, it doesn't matter. It's a 46 by 80 millimeter battery cell, so we are not in the business of producing the actual battery. But from what I know, that is the preferred size of the battery cell that all of the auto folks are moving towards. Now, having said that, we don't believe there is anybody in the marketplace today that is producing a dry cell electrode battery at this time for market purposes. We are obviously very comfortable that we are a leader in that space.

When it comes to our IP protection, let me clarify exactly where we are. We have filed patent applications around the world that are publicly available for just about anybody to see. Those patent applications largely relate to the dry cell technology that we've been speaking about, and while those patents are being prosecuted, we have taken the position that we have a freedom to operate.

More importantly, we know that we have been working in this space longer than many, if not everybody in the world. We started these projects years ago through the development, some research and development, we've done in our German businesses. We think our head start in this space is significant, and then how the patents get prosecuted and ultimately be issued, we will tell.

David Niewood: Excellent. I appreciate the color on the deep in the woods question. Thank you very much.

Operator: Thank you. The next question is from Chris McGinnis with Sidoti & Company. Please go ahead.

Christopher McGinnis, *Sidoti & Company*: Good morning. Thanks for taking my questions, and nice quarter.

Joseph Bartolacci: Good morning, Chris.

Christopher McGinnis: Sorry. Just a follow-up on energy. You talked about the hydrogen fuel side. I thought that was a few years out. If you just, I guess, explain the difference between the two and the timing that you think. It sounds like hydrogen may be revenue producing next year. Is that correct?

Joseph Bartolacci: Well, it's revenue producing at this point in time, albeit at a much lower level than our battery cells. We have about \$1 million of revenue that we're expecting this fiscal year as we do development projects for a lot of OEMs. But it's a similar rotary processing technology that we have experience with that ends up embossing the bipolar plate, which is the key component, one of the key components, of a hydrogen fuel cell stack. We are working with the same OEMs that we work with on the other side.

All of them are exploring in some form or fashion hydrogen as well as lithium as an alternative solution for green energy. As we understand it, and let me clarify, we are not the OEM. I don't know what their intent is; but as we understand it, hydrogen will have a different application. Maybe over the road trucking or local delivery trucks, versus a battery which is more the passenger side. But I give you that with a caveat to let you kind of explore beyond that.

Christopher McGinnis: I appreciate that. Thank you. Then just a couple more questions. Just on Memorization and the margin profile, it sounds like your pricing is catching up. Does that mean that the margin profile there should revert back to kind of historical averages? Or how long do you think that it takes to get there?

Joseph Bartolacci: We expect that to be closer to historical averages this quarter. The one we're in, excuse me.

Christopher McGinnis: Right. That's right. Exactly, that's what I was thinking. Then a similar question, just around SGK. Any changes in that market that make you think that historical margin there is still achievable?

Joseph Bartolacci: Yes, we are seeing some life, increased life. We saw it this quarter. We're starting to see more life maybe into the spring, early summer on the in-store side of the business, whether it be private label packaging and/or the in-store display work. We are expecting that to pick up nicely over the balance of the year, which will help offset a lot of what we've seen from a struggle in the last couple years.

Christopher McGinnis: Great, and then just I understand that you ended the pension payment this quarter. Just on share repurchase, do you still expect now that maybe you're past that; that share repurchase becomes more of a use of cash going forward? Just your thoughts around that, given the size of the authorization.

Steven Nicola: Chris, yes. I think it does. I think it does become a part. We still plan to prioritize debt repayment during the year, during the balance of the year, but I do think that share repurchases certainly becomes a bigger part of that capital allocation.

Joseph Bartolacci: Clearly, Chris, what we believe is a 12% free cash flow yield. Our stock's a pretty good investment for us to make. At a minimum, I think you'll find us out there supporting our price if we think it gets unreasonable out there. I think today is unreasonable, so.

Christopher McGinnis: Great. I really appreciate the time, and good luck in Q3.

Joseph Bartolacci: Thank you.

Operator: Thank you. The next question is from Justin Bergner with Gabelli Funds, LLC. Please go ahead.

Justin Bergner, Gabelli Funds, LLC: Good morning, Steve. Good morning, Joe.

Steven Nicola: Good morning.

Joseph Bartolacci: Good morning, Justin.

Justin Bergner: Nice first quarter. I just wanted to ask about the \$220 million-plus EBITDA guide. Clearly, you didn't quantify the guide before, but you suggested that the \$220 million-plus number was an improvement. Should I infer from your comments that most or all of that improvement in your outlook is coming from better performance in Memorialization segment and sort of an unchanged view on SGK and Industrial Technologies, or is it something (inaudible)?

Joseph Bartolacci: I would tell you, Justin, that it's twofold. I would tell you the large part of it is going to be better pricing on the Memorialization side, which gives us comfort that we're going to get there. But I would also tell you we've built backlog in some of the most profitable businesses that we have, including Memorialization. You know, when we gave what we won't even call guidance here in November, if you recall, we had not really entered the Omicron crisis that we face or to the extent that we face it. We have seen significantly higher than anticipated deaths during that period, and we think that will flow through and that's what's improved our guidance as well.

Justin Bergner: Great, thanks for that color. My second question relates to your comment about improving the speed for the dry lithium battery electrodes in your prepared remarks. Maybe just for the benefit of the listeners, could you maybe provide a little bit more detail on what you've accomplished there in terms of the production process?

Joseph Bartolacci: Yes, without getting into very much the specifics, frankly, you know, the key for this whole industry is really getting into production level equipment. The equipment, it's one thing to be able to produce dry lithium electrode material in a laboratory that you can produce one or two or three batteries to test. It's another thing to get it into production rates. Suffice it to say that we are now at production rates with our equipment, which means we've proven that it is a functional piece of equipment that can help produce dry cell lithium for the industry going forward.

We're a lot more confident today than we have been before, and I think that confidence will be demonstrated as more and more OEMs start to realize that we are that solution that they can go to.

Justin Bergner: Got it. Thank you. Then lastly, with the 10% EBITDA margin in Industrial Technologies in the first quarter and sort of the guide for more of a mid-teens-type margin, what are the drivers of that improved margin in Industrial Technologies as the year progresses to get to that 15% average level?

Joseph Bartolacci: Sure. I mean, we knew that by deduction here. We had \$20 million worth of energy storage business that was delivered during the quarter, and I said we're going to deliver around \$100 million. We have \$80 million yet to be delivered over the next couple of quarters, which right now is producing at pretty good margins in that range that we spoke about.

Secondly, what we are seeing in the order rate of our warehouse automation business is fairly significant software related business. We have some modest hardware related sales in that business. We are much more driven by the software. But sometimes in any given quarter we may have more than anticipated hardware related sales, which come at a lower margin. Software generates a better margin for us, as you might expect, and we have more software sales coming through the balance of the year.

Justin Bergner: Great, thank you. That takes care of my questions. Appreciate it.

Operator: Thank you. The next question comes from Scott Blumenthal with Emerald Advisers. Please go ahead.

Scott Blumenthal, Emerald Advisers: Good morning, Joe and Steve.

Steven Nicola: Good morning, Scott.

Joseph Bartolacci: Good morning, Scott.

Scott Blumenthal: Hi, I want to kind of step back here, because there were a couple of things that you guys mentioned, and I was trying to do a few things at the same time. Joe, did you mention that we're not going to see meaningful revenues from the new identification, new merching system until next year? Or am I mistaken?

Joseph Bartolacci: Yes, that is correct. That is correct. What we've done, Scott, is over the course of the year we've had product in beta testing that has been very successful, and, much like the lithium-ion battery business, we're taking it out of the laboratory and sending it to a silicon flagship manufacturer who will do this more professionally to produce the kind of scale necessary to produce mass quantities of silicon chips. That is expected to take the better part of this fiscal and calendar year, so we expect to be in market with quantity.

It doesn't mean we're not selling it today. We're getting very, very, very modest. It's just hand built machines at this point.

Scott Blumenthal: Okay, and the margins, Joe, on that that you expect compared to the current generation of marching systems, I suppose they would be much better, right.

Joseph Bartolacci: Well, there's two aspects to the product. First off, obviously we expect the proprietary nature of the solution to bring better margins on the equipment itself; but this is a little bit of the razor and the razorblade type of industry, as many of you know. There is a proprietary ink delivery system that is part of the new product which requires you to buy our ink. Ink is a very profitable part of our business. Once we get to scale and get to volumes, the delivery of ink will drive the margins where we want it to be.

Scott Blumenthal: Okay, super and can you kind of characterize or frame the market opportunity there for us?

Joseph Bartolacci: We've talked about it publicly in the past. The market is about a \$1.6 billion, \$1.7 billion market. We play a very, very, very small part of that market today. Our product that is currently in market is very specific to a heavy industrial setting, more for the lumber and the gypsum board and construction related products. It's rugged. It operates very well. It is hard to displace and very profitable for us.

The new product will operate, we have a product currently that operates in what's called the fast-moving consumer goods, things like the bottoms of a can of a beer, or food products, or fast-moving consumer goods coming down lines at high rates of speed. Our product, albeit qualitatively competitive, we do not have the service team that's necessary on a global basis to be able to confront them. The team has confronted that market with a much easier, self-maintained product.

If you take a look at the \$1.6 billion, \$1.7 billion market we referred to earlier, about a third of it is product. About a third of it is ink, and about a third of it is repair and maintenance. We've attacked that one third,

or roughly \$500 million to \$600 million worth of revenue, with a disposable front-end print head that will make it easier for operators to do the maintenance without us having to build a repair and maintenance team around the world. We think our market share could be significant over time. It's going to take some time to get some credibility in the market, having to not have a service team around the world to be able to do that for them. But we believe once it catches hold it could be significant.

Scott Blumenthal: Okay, that's great color. Thank you. I appreciate that. This is going to broaden the market for that product and also enable you to service your equipment using fewer people.

Joseph Bartolacci: That's the game.

Scott Blumenthal: Got it. Okay, thank you. Steve, can you maybe answer a couple of questions about what happens next with regard to the pension? I know that you booked a liability. You guys settled and terminated. What happens next? Do you find an insurance company then to administer it, or is there anything left to do here?

Steven Nicola: There is one small piece, Scott, that's left to take place, and that will happen in October. There's a portion of our plans that is still left to be liquidated. But the heavy lifting, the main U.S. pension plan that you're referring to, we've already completed those settlement activities.

Scott Blumenthal: Right.

Steven Nicola: We had offered employees the choice between lump sum and annuitizations. The lump sum payments have been made and the annuitization purchases have already been made as well. Those are all completed. That was really what took the funding if you will. We completed the funding for that in the first quarter.

Where we sit today with approximately \$34 million in liabilities. The U.S. main plan, that's already out of that number. There's one supplemental plan in the U.S. that will be settled in October of next year. Then we will be left with one overseas plan that will be permanent, \$10 million in accrued liability.

Joseph Bartolacci: Yes, Scott. I think the most underappreciated part of this whole process over this entire COVID pandemic is, together with that \$150 million liability we took off our books, we've had \$200 million plus of revolver. We've improved our balance sheet by \$350 million during this time period, and this is bringing closure on a significant liability hang that's been on our books for quite a while. For us, it's a big item.

Scott Blumenthal: Many of us have noted, Joe, and we really, really do appreciate all of the work that you guys have done there. Maybe we can—

Joseph Bartolacci: Noting it and driving the stock price is another discussion, Scott.

Scott Blumenthal: Well, hopefully we've informed a few other people here in the last couple of minutes to at least pay attention to that. Steve have you changed or what's the leverage target at this point where I know that we've come down a turn and a half or so over the last six to eight quarters here. Ultimately, what's the target here where we're going to be comfortable where you may then pivot to more of the share repurchase that you referred to earlier?

Steven Nicola: Scott, yes. Our emphasis still this year is going to be on de-levering. We exited the quarter at a net leverage ratio of 3.4, which is up from the 3.1 at the end of September. Our emphasis is still going to be to drive that down closer to 3, again, by the end of this fiscal year. But having said that, we do plan. We do think at these levels we feel we can be more flexible and more active in the repurchase program this year.

Scott Blumenthal: Okay. That's fair enough, Steve. And I guess my last one here if I might, you mentioned a little bit of a currency headwind, I believe, during the quarter. I'm wondering what your thoughts are for the year here. Do you expect that to turn around, or how are you looking at that?

Steven Nicola: Right, Scott, in total for the Company on revenues, it was about a \$4 million headwind compared to a year ago. I think the outlook for the year, it's hard to say. You might have a better feel on currency movements; but keeping in mind that our principle currencies outside the U.S. dollar would be the Euro and the British Pound, I really think with interest rate movements in the U.S. and how the economy reacts for the rest of the year is going to drive that. I really couldn't say beyond that.

Scott Blumenthal: Okay, Steve. Fair enough. Thank you. Great quarter.

Joseph Bartolacci: Thanks, Scott.

Operator: Thank you. The next question comes from Daniel Moore with CJS Securities. Please go ahead.

Daniel Moore: Thank you again. Just really housekeeping stuff, and maybe this is self-evident, but what's the quarterly run rate for pretax pension expense going forward? Is it next to nil, still meaningful just in terms of the adjustments?

Steven Nicola: It should be next to nil relatively speaking, Dan. It should be insignificant.

Daniel Moore: Okay.

Steven Nicola: Certainly, less than \$1 million per quarter for the rest of the year.

Daniel Moore: Going forward, great. Same for amortization, there was a couple different numbers. I think you mentioned \$21.5 million. Is that sort of a good run rate, or is there some one-times in there? What's a good run rate for amortization going forward?

Steven Nicola: In the near term, that's still going to be the run rate. Although, as we get closer to the end of the year and into next year you should start to see that decline as we fully amortize some of the accelerated amortization.

Daniel Moore: Got it. Okay. I'll jump back. That's it for me. Thanks again.

Steven Nicola: Okay.

Operator: Thank you. Ladies and gentlemen, we have reached the end of question-and-answer session. I would like to turn the call back to Steve Nicola, CFO, for closing remarks. Over to you, sir. Thank you.

Steven Nicola: Hamed, thank you.

Thank you to everyone for joining us today and your interest in Matthews. As a reminder, please visit our website for additional information about the Company and our quarter's financial results. Enjoy the rest of your day.

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