Operator: Greetings, and welcome to the Matthews International Corporation Third Quarter Fiscal 2018 Conference Call. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Karen Howard, Investor Relations for Matthews International Corporation. Please go ahead, Karen.

Karen Howard: Thank you, Kevin, and good morning, everyone. Thank you for joining us to discuss the Matthews International fiscal 2018 third quarter and year-to-date results. We certainly appreciate your time today. You should have a copy of the news release that crossed the wire yesterday afternoon detailing Matthews' results. We also have slides associated with the commentary that we're providing here today. If you don't have the release or the slides, you can find them on the company's website at www.matw.com on the Investor Overview page. We also have provided additional preliminary financial information on the Investor Financial Reports page.

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

But before we do, I would like to highlight our safe harbor statement, which is on Slide 2 of our presentation, as well as within our release. As you are aware, we may make some forward-looking statements during this discussion, as well as during the Q&A. These statements apply to future events and are subject to risks and uncertainties as well as other factors which could cause actual results to differ materially from what is stated on this call. These risks, uncertainties and other factors are provided in the earnings release and in the slide deck, as well as with other documents filed by the company with the Securities and Exchange Commission. These documents can be found on our website or at www.sec.gov.

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

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

Steve Nicola: Thank you, Karen, and good morning. I'm going to start on Slide 4.

So beginning with our results on a GAAP basis, the year-over-year change in earnings per share was impacted by higher intangible amortization expense in the current quarter related to recent acquisitions. In addition, last year's third quarter earnings included loss recoveries, which were recorded in other income.

On a non-GAAP adjusted basis, I'm pleased to report that earnings per share for the fiscal 2018 third quarter grew 10.5% over the prior year third quarter. This increase was primarily driven by the following

factors: first, higher sales in all three business segments; second, the incremental impact of acquisitions completed during the last 12 months; third, acquisition synergies, principally related to the Aurora acquisition; fourth, benefits from recent U.S. tax legislation; and finally, the impact of favorable changes in currency rates.

Reconciliations of non-GAAP earnings and adjusted EBITDA are provided in our press release and the slides which were circulated yesterday, and they're also available on our website.

The fiscal 2018 third quarter and year-to-date non-GAAP adjustments primarily included acquisition integration-related costs, such as our ERP integration and noncash intangible amortization expense. On the year-to-date basis, the one-time impacts from U.S. Federal Income tax law changes were also a non-GAAP adjustment. The non-GAAP adjustments for tax law changes primarily included the impact of implementing the U.S. Tax Cuts and Jobs Act on the company's deferred tax balances and foreign tax credits and the estimated repatriation transition tax.

Please turn to Slide 5. Consolidated sales for the quarter ended June 30, 2018, were up 5.6% compared to the same quarter a year ago. The company reported higher sales in all three of its business segments, which I'll review in a few moments. On a consolidated basis, the increase primarily reflected higher sales of Industrial Technologies products and systems, incremental sales from recent acquisitions and the favorable impact of currency changes.

Referring to the chart in the lower left, the increase in gross profit primarily reflected higher consolidated sales, the impact of recent acquisitions and acquisition synergies, which were partially offset by higher commodity costs in our Memorialization segment. Similarly, the increase in adjusted EBITDA, shown in the lower right chart, primarily reflected the benefits of higher consolidated sales, the impact of recent acquisitions and acquisition synergy realization, which were partially offset by higher commodity costs.

Consolidated selling and administrative expenses, excluding intangible amortization, as a percent of sales, were 25.7% for the quarter ended June 30, 2018, compared to 25.9% for the same quarter last year, primarily reflecting the benefit of cost reduction initiatives and acquisition synergies.

Investment income was $538,000 for the current quarter compared to income of $431,000 a year ago. The increase reflected higher returns on investments held in trust for certain of the company's benefit plans.

Interest expense for the fiscal 2018 third quarter was $9.7 million compared to $7 million for the third quarter last year. The increase reflected higher average debt levels, primarily due to recent acquisitions and higher average interest rates during the current year, reflecting our December 2017 bond offering.

Other income and deductions, net, for the three months ended June 30, 2018, represented a decrease in pretax income of $57,000 compared to an increase in pretax income of $7.9 million for the same period last year. Fiscal 2017 other income included loss recoveries related to a previously disclosed theft identified in fiscal 2015.

Our consolidated income taxes for the three months ended June 30, 2018, were $4.3 million or 15% of pretax income compared to $8.9 million or 23.2% of pretax income for the same quarter last year. The lower effective tax rate this year was primarily due to the impact of adopting U.S. Tax Cuts and Jobs Act and the benefit of other tax planning initiatives.

Please turn to Slide 6 for a brief review of the results for the nine months ended June 30, 2018. On the year-to-date basis, consolidated sales grew 6.8% compared with the prior period. Each of our business segments reported higher sales for the period. Incremental sales from recent acquisitions and the favorable effect of changes in currency exchange rates contributed to the improvement.

Gross profit and adjusted EBITDA also increased on the year-to-date basis, primarily reflecting the consolidated sales growth, as well as the benefits of acquisition synergy realization.

Consolidated selling and administrative expenses, excluding intangible amortization, as a percent of sales were 27.1% for the current year compared to 27.7% for the same period last year, primarily reflecting lower acquisition integration costs as many of those projects are nearing completion.

Year-to-date consolidated income taxes represented a benefit of $18.7 million compared to expense of $17.3 million last year. The income tax benefit for the current year included the favorable tax impact of the reduction in our net deferred tax liability from lower U.S. Federal tax rates, which was offset partially by an estimated repatriation tax charge as a result of the recently enacted U.S. tax legislation. Excluding the impact of these items and other credits discrete to the current year, the current consolidated effective income tax run rate is estimated to be in the 26% range.

Please turn to Slide 7 to begin a review of our segment results. For your convenience, a summary of operating results by segment, including non-GAAP adjustments for the quarter, are posted on our website.

In the SGK Brand Solutions segment, sales for the fiscal 2018 third quarter increased modestly compared to a year ago. The increase was primarily driven by the segment's European operations, benefits from recently completed acquisitions and the favorable impact of changes in foreign currency values against the U.S. dollar. The sales increase in Europe reflected higher brand sales and increased sales of surfaces and engineered solutions. Year-over-year comparability for the segment's North American sales were challenged due to a significant merchandising display project during last year's third quarter. Revenues from this project in last year's third quarter exceeded $10 million. Excluding this project, total sales for the segment were higher on an organic basis, primarily reflecting sales growth in Europe and the impact of recent new account wins in North America, which are starting to contribute to sales.

Regarding adjusted EBITDA for the SGK Brand Solutions segment, the decline shown in the lower left chart primarily reflected the impact of last year's merchandising project on comparability and startup costs related to new accounts.

Please turn to Slide 8. For the nine months ended June 30, 2018, sales in the SGK Brand Solutions segment grew 6%. However, adjusted EBITDA declined modestly compared to the same period a year

ago. The lower margin was primarily attributable to the segment's results in our first quarter of this fiscal year and the impact of last year's merchandising display project on year-over-year compatibility.

Please turn to Slide 9. Memorialization segment sales for the three months ended June 30, 2018, increased 4% compared to a year ago. The growth reflected the acquisition of Star Granite & Bronze and an increase in cremation equipment sales. Casket sales were lower than a year ago, reflecting an estimated decline in U.S. casketed deaths. Also, Memorial product sales declined, primarily reflecting lower pre-need sales.

Memorialization segment adjusted EBITDA for the fiscal 2018 third quarter increased 5% compared with the same quarter last year. The current quarter benefited from acquisition synergies and the acquisition of Star Granite & Bronze, which were partially offset by higher material costs, mainly steel and bronze.

Please turn to Slide 10. For the first nine months of fiscal 2018, Memorialization segment sales were up 2.6% compared to the same period a year ago. The increase primarily reflected higher sales of cremation equipment and the acquisition of Star Granite & Bronze. Sales of caskets were lower for the current period, reflecting an estimated decline in U.S. casketed deaths. In addition, pre-need Memorial sales declined for the period. Year-to-date adjusted EBITDA for the Memorialization segment as of June 30, 2018, was slightly down compared to last year, reflecting the benefit of higher sales and acquisition synergies, offset by an increase in material costs.

Please turn to Slide 11. Leading the company's consolidated growth for the quarter and fiscal year-to-date, the Industrial Technologies segment sales for the fiscal 2018 third quarter grew more than 40% compared with a year ago. The increase reflected higher sales of marking products, fulfillment systems and OEM solutions, and the acquisition of Compass Engineering. As a result, as shown here in the lower left chart, the segment's adjusted EBITDA for the current quarter nearly doubled compared with the same quarter last year. The increase primarily reflected the benefit of higher sales, partially offset by an increase in investments in the segment's product development project.

Please turn to Slide 12. Year-to-date, the Industrial Technologies segment reported 32% growth over the prior year. Similar to the results for the quarter, year-to-date adjusted EBITDA was nearly double the level reported for the same period last year.

Please turn to Slide 13 for a review of our capitalization and operating cash flows. Please note that preliminary balance sheet information – including consolidated accounts receivable and inventories – and preliminary cash flow data – including depreciation and amortization and capital expenditures – are available on our website for your reference.

Total long-term debt at June 30, 2018, including the current portion, was $1.03 billion, representing a reduction of approximately $20 million during the third quarter. Long-term debt was $911 million at September 30, 2017. The increase from the end of September primarily resulted from recent acquisitions.

Year-to-date through June 30, 2018, we reported cash flow from operations of $82.8 million compared to $95.8 million in the same period a year ago. Our most recent quarter included a pension contribution of $10 million and the prior year third quarter included loss recoveries of $10 million. Those two significant factors contributed to the lower year-to-date cash flow from operations shown here in the upper right chart.

We had 32.1 million shares outstanding at June 30, 2018. During the fiscal 2018 third quarter, we purchased approximately 36,000 shares at a cost of $1.8 million under our share repurchase program. Year-to-date through June 30, 2018, we purchased approximately 372,000 shares at a cost of $20.1 million. As of quarter end, approximately 1.4 million shares remained under the current share repurchase authorization.

Finally, the Board last week declared a dividend of $0.19 per share on the company's common stock. The dividend is payable August 13, 2018, to stockholders of record July 30, 2018.

This concludes the financial review, and Joe will now comment on the business climate and our company's operations.

Joe Bartolacci: Thank you, Steve. Good morning.

Please turn to Slide 15, where I will start with an update on our business highlights and the market climate. First of all, let me say that we are pleased with the results for the quarter, which were ahead of our internal expectations. I'm proud of our team for achieving a new quarterly record for non-GAAP EPS and also for setting new third quarter records for both sales and adjusted EBITDA.

We continue to make good progress on the execution of our growth strategy of differentiating Matthews as a global company servicing the consumer products, memorialization, and industrial markets, focused on driving shareholder value.

Within our SGK Brand Solutions segment, our pipeline of wins and proposals continues to be robust and growing, resulting from stronger economic confidence from our customers and good sales discipline within our team.

We have positioned ourselves well to support both global brand updates, as well as a growing private label market. We're seeing strong performance from our Surfaces and Engineering business in Europe, as well as the recently acquired Ungricht business, both of which are expected to perform well through the remainder of fiscal 2018 and beyond, as we continue to benefit from the operational synergies that we expected.

While our business supporting the EMEA tobacco industry slowed during the quarter, it is expected to pick up during our September quarter.

Recent new client wins that we mentioned during our last quarterly earnings teleconference have started to roll in. We expect that the revenue from these projects will help to offset and outpace some of the lumpiness that we realize in this segment, as some of our historic clients remain challenged. We are winning new work as clients understand and appreciate the differentiated value we provide,

ensuring the quality and consistency of their brand image on a global basis, whether they be well-known brands or private labels.

For example, our recent acquisition of Equator is successfully employing its one-stop-shop approach, resulting in wins, especially in the retailer and hot private label sector, which is contributing to growth in a market we wanted to grow. Whether in private label or consumer brand, the packaging is one of the factors that continues to drive consumer demand, so it is very important to our clients' success.

As Steve mentioned, I want to reiterate that this segment realized growth this quarter, despite a difficult comparison to last year, when we completed a significant North American merchandising display project valued in excess of $10 million, or over 5% of the segment's third quarter sales, in fiscal 2017. I want to remind you that we divested a minor cylinder partnership in the U.K. earlier this fiscal year, reducing our annualized revenue by about $4 million. The U.K. market for cylinder printers has moved to Eastern Europe, thus making our former operation less strategic. This change will modestly impact the comparability of our financial results over the next few quarters.

On the operational side, we have taken some actions in this segment to remove excess cost and to improve our operating performance. We're starting to see the benefits of those activities, including shut downs and staff realignments.

Turning now to our Memorialization segment. We believe that the breadth of our product offering is facilitating market share gains in our bronze and stone business, while we await the return of pre-need marker sales, which tend to be a little bit lumpy. Our recent acquisition of Star Granite & Bronze, in February of this year, is driving Matthews' products through technological solutions and adjusted EBITDA, helping to offset market declines in certain other sectors of this business. Organically, our environmental solutions group also continues to contribute sales and adjusted EBITDA growth on a comparable basis. Equipment orders remain strong with backlogs extending beyond one year. We are pleased to report, during the quarter, we installed our first cremator with filtration equipment in the United States, which sold at a price that was substantially more than our traditional U.S. equipment.

Operationally, margins in our Memorialization segment are being pressured by commodity cost increases, particularly bronze and steel. We expect that these increases will continue into next year and we have plans to mitigate the impact. Generally, we are able to mitigate commodity cost increases with our annual price increases, which are scheduled to occur later this year.

Now let's focus our attention on our smaller, but significantly growing Industrial Technologies segment. As you have heard me say before, this team has developed a powerful strategic vision, which we began realizing just a few quarters ago. All of our principal product lines within this segment, marking products, fulfillment systems, and OEM solutions are experiencing good organic growth. This is resulting from our ability to differentiate Matthews' products through technological solutions that improve our customers' efficiencies, while also capitalizing on the growing e-commerce trend. For example, most of you are aware that we have traditionally sold software solutions to the automated warehouse market. We recently, however, won an opportunity with a significant retailer to provide a

turnkey automated warehouse, including the specification of the conveyor systems. This is a step change for this group, which could enhance the opportunities that we can pursue.

Our organic results in this business are also being complemented by the recent acquisitions of Compass Engineering and RAF Technology, which are key pieces to our strategic puzzle.

Looking to future organic growth, we are especially excited about our soon-to-be-announced new product that has been under development for the past few years. We began beta testing it during this third quarter and expect to place more betas in September. We remain on track with the expectation to launch it into the marketplace in early calendar 2019.

So there's a lot to be excited about within all of our businesses.

Now please turn to Slide 16. For those of you that know Matthews well, you know that acquisitions are an integral part of our growth strategy. Accordingly, I will provide you some color on the progress of our acquisitions.

In our SGK segment, we have added three bolt-on acquisitions in the last 12 months. As I discussed earlier, we are pleased with the Equator acquisition, but their year-to-date results have been hampered by startup costs on new client wins. We expect a very strong fourth quarter from this group as they continue to contribute.

Ungricht, as most of you know, solidifies our global leadership position in web-based solutions for everything from large-scale embossing cylinders – used to produce vinyl flooring and synthetic leathers – to industrial applications, such as the calendaring systems used to produce lithium-ion batteries for the auto industry. We now refer to this business, combined with portions of our Saueressig business as Surfaces and Engineering. VCG solidified our leading position in the U.K. printer tooling market and has successfully captured the operational synergies that we do very well. All of these acquisitions are performing as expected and will be strong contributors to our results.

Within our Memorialization segment, Star Granite & Bronze joined us earlier this year. We anticipate significant opportunities for operational and revenue synergies by broadening our collective product portfolio, including expanding our private mausoleum competency and consolidating the small bronze foundry. We are at the early stages of integration and synergy capture, but we are confident of our opportunities.

On the other hand, we acquired Aurora about 2.5 years ago. While most of our acquisitions are tuck-ins, this one was transformational and the realization of our synergies is continuing. We still have further plant consolidation to be achieved, but we are being prudent not to disrupt our customer service by moving too quickly to finalize the integration. We expect to have achieved all of our synergies during fiscal 2019.

Since the acquisition of Aurora, one of our major initiatives has been to reduce our excess inventory on hand by $14 million, thus reducing our net purchase price. We have continued to make progress along

those lines with casket inventories $5 million lower than a year ago. When integration is completed, Aurora will have added $40 million of EBITDA on a net purchase price of less than $200 million.

Finally, within our Industrial Technologies segment, we acquired Compass and RAF during fiscal 2017. These two businesses bring related, but distinctly unique, opportunities to our business. Compass is the leading provider of warehouse control software to logistics and trucking companies. Together with our current warehouse control software business, Pyramid, we expect to be able to manage e-commerce orders from our customers' websites to the consumer's doorstep. RAF helps by offering unique address recognition software to facilitate our strategy. Together with our turnkey warehouse solution that we are delivering today, we have a leading position in the North American warehouse automation market.

Now turn to Slide 17, please. I want to reiterate the expectation that we have been providing over the past couple of quarters regarding fiscal 2018. We remain confident of our ability to deliver year-over-year growth in our non-GAAP earnings per share of at least 10%. Further, given the results generated year-to-date and our outlook for the fourth quarter, we currently expect that our operating cash flow will exceed $150 million for the year.

And with that, I'd like to open it up for questions.

Operator: [Operator Instructions] Our first question today is coming from Liam Burke from B. Riley FBR.

Liam Burke: Joe, if I adjust the North American revenues for the merchandising project delivered a year ago, when I'm looking at North American organic growth, looking at how the CPGs are pulling back on SKUs, what does the growth profile look like in North America for SGK?

Joe Bartolacci: Well, as you look at SGK, particularly in North America, the quarter was relatively flat when you exclude that merchandising solutions project that we talked about. That, for us, is a very positive turn. It's relatively stable for the quarter. We are starting to see better investment from our clients. We expect fourth quarter to be a very strong quarter for us as we start to ramp-up some of those wins that we talked about.

Liam Burke: Okay. If we're looking at contract ramp in North America, how about others in the world, Asia Pacific and Europe, particularly tobacco in Europe?

Joe Bartolacci: So as we look at our business, let me break it out for you – $800 million is the number for our annualized revenue, about $100 million, plus or minus, is our merchandising; about $350 million is North America; a little more than $300 million is in the U.K. and mainland Europe; and a little less than $50 million is the APAC region. We've seen good growth out of the other two regions as we continued to expand our market shares in those areas. So I would tell you that we're pretty pleased with the results, particularly outside the United States. Tobacco was slow this quarter, no question about that. But despite that, they delivered good results. We're expecting a good quarter from them in the fourth quarter.

Operator: Our next question is coming from Dan Moore from CJS Securities.

Daniel Moore: Great color on the acquisitions. That was a very helpful review. Maybe dig into Industrial Technologies – run rate approaching $200 million of revenue, obviously becoming a bigger contributor. Can you bucket that just as you did with the Brand Solutions business, in terms of marking products versus warehouse solutions versus other, and what am I missing. Then maybe talk about the relative growth rates and margin profiles of each to the extent possible.

Joe Bartolacci: Sure. First, let me call out the success of that team. We've been talking about them for several years, and they are delivering exactly what we have expected them to deliver. Let me break it down into buckets for you. I'm going to ask Steve to correct me as I'm walking through this. When we look at our OEM solutions, it's the smallest part of our business at this point in time, and it is about $5 million to $7 million. It is a nicely profitable business with a limited market for us to participate in.

We project this year to be about $160 million of revenue. I would tell you that about $80 million of that is going to be what we call our traditional marking products. For those of you who have been shareholders for a long, long time, it's really product identification. That's the industrial printers that put a mark on the product coming down a production line at high speeds. That business is a good business for us. It is our historic business that we've always operated in. Margins in that business are in the high-teens. Then there's roughly $70 to $80 million in our warehouse control systems business, particularly with the acquisition of Compass. That's approaching 20% margins. What you're seeing in the business is the final throws of the R&D development cost. We expect to incur $7.5 million or so this year in R&D development for this new product. We look at this business excluding the majority of that spend because we do not view it as a long-term level of spending. I would tell you without that, this business as a whole is a mid-to high-teens EBITDA margin business for us.

Daniel Moore: And obviously you expect faster growth rates as it relates to those warehouse control systems going forward?

Joe Bartolacci: We would hope. You understand the market that we're in. We're fortunate to be in a market that continues to expand. We have some very, very good new account wins. The one thing that is positive, despite what we think is a very, very strong backlog in that group and some very good successes, we're at the whim of some of our customers. For example, we won't be in anybody's warehouse during the Christmas period. Starting at the end of September, generally, we're kicked out. So it goes to radio silent a little bit more and the opportunity to postpone is really in the control of our customers. Generally, we've not lost any projects. They tend to be deferred as they move from period to period. That will create some lumpiness in that market for us.

Daniel Moore: Got it. Appreciate it. One quick follow-up. Maybe just remind us of the amount of cost synergies still to come from Aurora and in total from more recent acquisitions still ahead for fiscal '19 and maybe in '20.

Steve Nicola: Dan, this is Steve. I think from Aurora, we still probably have synergies remaining in the $3 million to $5 million range, and potentially up to $10 million in total from all acquisitions.

Operator: Our next question is coming from Jason Rodgers from Great Lakes Review.

Jason Rodgers: Joe, I think you mentioned that SGK was flat in the quarter if you take out that merchandising solutions project?

Joe Bartolacci: That was only North America.

Jason Rodgers: So is there -- could you quantify the start-up cost for the new account wins?

Joe Bartolacci: It is difficult to quantify because there are people costs, and they start to work early on. As we go through, some costs get hung up in WIP, some costs do not get hung up in WIP. All I can tell you is that, in particular, many of these significant wins have been in the Equator business, and they are not contributing what we expect them to for the first nine months. We expect that to change in the fourth quarter. It's very simple to get to our expectations. If you look at our performance on the first three quarters, and we're telling you that we're going to have plus 10% adjusted EPS for the full year over fiscal 2017, then we're expecting a very strong fourth quarter and a lot of that is coming from the ramp-up on that side.

Jason Rodgers: And I'm sorry, what's the plus 10% figure?

Joe Bartolacci: Year-over-year adjusted EPS improvement.

Jason Rodgers: Okay. And then in the Industrial segment, do you have a figure for the organic growth?

Joe Bartolacci: Steve, you may have that. We're flipping through a few pages, as our businesses have become more complex.

Steve Nicola: Yes, Jason, more than half of our sales growth for the quarter was organic.

Jason Rodgers: What was the impact of commodity costs in the quarter? And are you increasing prices to help offset that? And then what's the outlook for the price-cost dynamic going forward.

Joe Bartolacci: Jason, for multiple reasons, we try to stay away from talking about actual commodity costs. But suffice it to say, I think we know where steel has gone over the last 12 months, and copper year-over-year, although recently copper has softened a little bit. The ability to mitigate those potentially comes from the annual price adjustments we do typically in the calendar fourth quarter. It's the October and January timeframes.

Jason Rodgers: All right. And if I could squeeze one more in here. Looking at the M&A environment, just what are the opportunities you're seeing across the segments? And specifically in Industrial, looks like the opportunities are expanding there. Do you see any holes you need to fill in that business with the expanded market opportunities? Or you're satisfied with your current offering?

Joe Bartolacci: Well, let's talk specifically about Industrial. It's a two-sided story in that business. When it comes to our traditional product identification business, I would tell you that we're really relying on the organic growth that comes from our new product as we roll that into the future quarters and years as we move forward. On the automation side, which is more the warehouse control business, I

would tell you that there are always bits and pieces we would like to add, some small, some relatively large. This is a story of cobbling together a great strategic plan where all these bits and pieces lead to a bigger story. As you heard in my comments, we took our first step into what I would call the general contractor stage, where we are specifying the entire warehouse rather than just warehouse control software solutions that are associated with that. If that bodes well, we expect it to be very successful. We have more projects behind it, and we may need more capacity to be able to fulfill it.

Operator: Our next question today is coming from Scott Blumenthal from Emerald Advisers.

Scott Blumenthal: Lots of really good information on the call. Joe, obviously, the growth engine here looks like it's switched to Industrial Technologies. It sounds like you're going to be in the Industrial engineering business with this new opportunity that you have. Can you talk about staffing and your ability to attract talent to that business?

Joe Bartolacci: That is always going to be a challenge, Scott. We range from mechanical engineers to software engineers throughout the business. The focus of that business has shifted to some extent, particularly in the warehouse automation side of the business, to more the Cincinnati area and off to Portland, where we are more attuned with that type of talent that we need. So, talent is always an issue, but we pay competitive rates, and we have a good culture in that group to continue to be able to fulfill that.

Scott Blumenthal: Okay. And you alluded to your OEM solutions business. Can you give us a little bit of detail as to what that actually is? And you said you're working on a new product, although you really didn't specify exactly what that is. I understand there may be some competitive reasons not to do so but maybe give us a little bit more of an idea as to what that might be?

Joe Bartolacci: OEM is a small business that principally focuses on the fracking business as it relates to oil production. We have a wonderful client there. We're very much dependent on their needs and demands, but we don't see a great expansion possibility. The new product we're talking about is in product identification, and we've been talking about it for a while. We think it is disruptive. We don't expect it to disrupt the market overnight, but we are very, very confident of where we're going with this new product. Our early results from beta market testing give us the confidence that we'll be out in the January - February period with the product for the first time. We'll be able to speak more specifically about it at that point in time, but I would tell you that we are tackling some of the challenges that have kept us from being a more competitive player in that space.

Scott Blumenthal: All right. Fair enough. You did mention that this is approaching $160 million, $170 million annual business. I suspect that the total addressable market in this segment is pretty darn large, particularly if we're looking at a worldwide customer base. Have you any idea, or can you give us any idea as to what you guys believe that might be?

Joseph C. Bartolacci: So we believe that the product identification market is probably closer to $1.5 billion to $2 billion, broken up into three portions: one is the product itself, the printers; two is the consumables, including ink; and three is service and repairs. We think those are the three elements of

that business and we will be attacking each one of those with its own solution. Then, the warehouse automation is significant on a global basis. We don't have a number, but suffice it to say, today we are only a North American provider. There are both organic and acquisition opportunities outside the United States that we think will be an opportunity to continue to grow that portion of the business. It's a big market, Scott. I don't have that number for you. We could probably get it for you though.

Scott Blumenthal: Okay. And Joe, you have a new printer, a new high-speed printing product, I don't know what we call that, but was that a meaningful contributor to the segment this quarter?

Joe Bartolacci: The new printer is actually a detractor. That's the R&D spend we're talking about, Scott. We'll spend about $7.5 million this year that's running through our P&L on that. We're going to always have some R&D as we continue to expand the opportunities presented by this new product, but it won't be anywhere near $7.5 million going forward as we continue to launch and get the revenues associated with that. So I would tell you that this quarter, no revenues were derived from that. We're expecting future orders starting in mid-'19, really of any significance, to be benefiting from that.

Scott Blumenthal: Okay, super. And last one, if I may. Can you give us an update if there's any movement or any news on some of the SAFLA (Safe and Accurate Food Labeling Act of 2015) or FLMA (Federal Label Modernization Act) stuff that we've been waiting for?

Joe Bartolacci: We now have a date. It is early '21. We're starting to see some of that come through. We'll see, as it gets closer to that date, whether we have a big, big push, or this is a slow ramp to that date. What we have been seeing, as new products are being launched through the marketing process, the CPGs go through their process, and new products and new solutions, are being complied with FLMA during that process rather than the big push that we were expecting earlier on. But the good news, Scott, is we've heard from multiple sources that a lot of these CPGs have come to the realization that they have to invest for growth. They're not going to be able save themselves to success, and we hope to be able to see that throughout.

Scott Blumenthal: We're starting to see some of that come through and you expect it to slowly ramp through 2021 when the requirements are implemented?

Joe Bartolacci: We would expect that, but we don't control it. That's a reasonable expectation versus what we've seen for the last several years in North America.

Scott Blumenthal: Okay. Well that's better than nothing, I guess.

Joe Bartolacci: Still makes a lot of money, Scott.

Operator: Our next question today is coming from Kincade Webster from Solas Capital Management.

Kincade Webster: My first one, just following up on some of the segmentation you guys did and SGK. How big is U.K. in the context of your European sales?

Joe Bartolacci: U.K. is about $125 million and mainland Europe about $200 million.

Kincade Webster: Okay. Great. That's very helpful. And I know you guys had some back and forth with the SEC earlier this year in February. Is that all finished? Or, what would be the status of that?

Steve Nicola: The SEC sends comment letters on a routine basis once every 3 or 4 years to all filers. We received the routine comment letter with some questions. We answered those questions, and there were no issues. It's done.

Kincade Webster Okay. So that's all set.

Steve Nicola: Like I said, it was fairly routine. We had no issues whatsoever. So just questions that we answered and apparently answered to their satisfaction.

Operator: We've reached the end of our question-and-answer session. I'd like to turn the floor back over to management for any further closing comments.

Steve Nicola: All right. Well, thank you, Kevin. We appreciate everyone's participation this morning, and we look forward to our next call in November with our fourth quarter announcement. Thank you. Have a good day and good weekend.

Operator: Thank you. That does conclude the teleconference. You may disconnect your lines at this time, and have a wonderful day. We thank you for your participation today.