

MATTHEWS INTERNATIONAL CORP  
Form 10-Q  
July 31, 2018  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

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FORM 10 Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the Quarterly Period Ended June 30, 2018

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 0 09115

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MATTHEWS INTERNATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

PENNSYLVANIA 25 0644320

(State or other jurisdiction of (I.R.S. Employer  
Incorporation or organization) Identification No.)

TWO NORTHSORE CENTER, PITTSBURGH, PA 15212 5851

(Address of principal executive offices) (Zip Code)

(412) 442-8200

(Registrant's telephone number, including area code)

NOT APPLICABLE

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller  
reporting company)

Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of June 30, 2018, shares of common stock outstanding were: Class A Common Stock 32,097,422 shares

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## PART I FINANCIAL INFORMATION

## Item 1. Financial Statements

## MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (Unaudited)

(Dollar amounts in thousands)

	June 30, 2018	September 30, 2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$53,715	\$57,515
Accounts receivable, net	327,684	319,566
Inventories, net	184,814	171,445
Other current assets	63,728	46,533
Total current assets	629,941	595,059
Investments	50,236	37,667
Property, plant and equipment: Cost	\$606,257	\$570,879
Less accumulated depreciation	(351,317 )	(335,346 )
	254,940	235,533
Deferred income taxes	3,504	2,456
Other assets	68,208	51,758
Goodwill	953,264	897,794
Other intangible assets, net	452,848	424,382
Total assets	\$2,412,941	\$2,244,649
<b>LIABILITIES</b>		
Current liabilities:		
Long-term debt, current maturities	\$27,567	\$29,528
Trade accounts payable	66,457	66,607
Accrued compensation	53,017	62,210
Accrued income taxes	22,871	21,386
Other current liabilities	136,710	105,401
Total current liabilities	306,622	285,132
Long-term debt	998,852	881,602
Accrued pension	97,028	103,273
Postretirement benefits	19,037	19,273
Deferred income taxes	99,340	139,430
Other liabilities	58,882	25,680
Total liabilities	1,579,761	1,454,390
<b>SHAREHOLDERS' EQUITY</b>		
Shareholders' equity-Matthews:		
Common stock	\$36,334	\$36,334
Additional paid-in capital	126,273	123,432
Retained earnings	1,016,892	948,830
Accumulated other comprehensive loss	(174,575 )	(154,115 )

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Treasury stock, at cost	(172,175 )	(164,774 )
Total shareholders' equity-Matthews	832,749	789,707
Noncontrolling interests	431	552
Total shareholders' equity	833,180	790,259
Total liabilities and shareholders' equity	\$2,412,941	\$2,244,649

The accompanying notes are an integral part of these consolidated financial statements.

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MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)  
(Dollar amounts in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Sales	\$411,621	\$389,630	\$1,195,136	\$1,119,544
Cost of sales	(259,720 )	(245,536 )	(762,570 )	(709,761 )
Gross profit	151,901	144,094	432,566	409,783
Selling expense	(36,226 )	(36,058 )	(110,786 )	(107,688 )
Administrative expense	(69,446 )	(64,886 )	(212,906 )	(202,479 )
Intangible amortization	(8,334 )	(6,364 )	(23,264 )	(16,939 )
Operating profit	37,895	36,786	85,610	82,677
Investment income	538	431	931	1,548
Interest expense	(9,719 )	(6,988 )	(26,782 )	(19,750 )
Other income (deductions), net	(57 )	7,935	(887 )	7,227
Income before income taxes	28,657	38,164	58,872	71,702
Income tax (provision) benefit	(4,312 )	(8,856 )	18,703	(17,318 )
Net income	24,345	29,308	77,575	54,384
Net loss attributable to noncontrolling interests	69	177	201	343
Net income attributable to Matthews shareholders	\$24,414	\$29,485	\$77,776	\$54,727
Earnings per share attributable to Matthews shareholders:				
Basic	\$0.77	\$0.91	\$2.45	\$1.70
Diluted	\$0.77	\$0.91	\$2.44	\$1.68

The accompanying notes are an integral part of these consolidated financial statements.

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)  
(Dollar amounts in thousands)

	Three Months Ended June 30,					
	Matthews		Noncontrolling Interest		Total	
	2018	2017	2018	2017	2018	2017
Net income (loss):	\$24,414	\$29,485	\$(69)	\$(177)	\$24,345	\$29,308
Other comprehensive (loss) income ("OCI"), net of tax:						
Foreign currency translation adjustment	(38,669)	32,261	(23)	121	(38,692)	32,382
Pension plans and other postretirement benefits	1,256	1,422	—	—	1,256	1,422
Unrecognized gain (loss) on derivatives:						
Net change from periodic revaluation	393	(353)	—	—	393	(353)
Net amount reclassified to earnings	(399)	(187)	—	—	(399)	(187)
Net change in unrecognized gain (loss) on derivatives	(6)	(540)	—	—	(6)	(540)
OCI, net of tax	(37,419)	33,143	(23)	121	(37,442)	33,264
Comprehensive (loss) income	\$(13,005)	\$62,628	\$(92)	\$(56)	\$(13,097)	\$62,572

	Nine Months Ended June 30,					
	Matthews		Noncontrolling Interest		Total	
	2018	2017	2018	2017	2018	2017
Net income (loss):	\$77,776	\$54,727	\$(201)	\$(343)	\$77,575	\$54,384
OCI, net of tax:						
Foreign currency translation adjustment	(19,658)	5,027	80	189	(19,578)	5,216
Pension plans and other postretirement benefits	3,296	4,420	—	—	3,296	4,420
Unrecognized gain (loss) on derivatives:						
Net change from periodic revaluation	5,286	6,712	—	—	5,286	6,712
Net amount reclassified to earnings	(570)	(986)	—	—	(570)	(986)
Net change in unrecognized gain (loss) on derivatives	4,716	5,726	—	—	4,716	5,726
OCI, net of tax	(11,646)	15,173	80	189	(11,566)	15,362
Comprehensive income (loss)	\$66,130	\$69,900	\$(121)	\$(154)	\$66,009	\$69,746

The accompanying notes are an integral part of these consolidated financial statements.

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
for the nine months ended June 30, 2018 and 2017 (Unaudited)

(Dollar amounts in thousands, except per share data)

	Shareholders' Equity						Non-controlling interests	Total
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock			
Balance, September 30, 2017	\$36,334	\$123,432	\$948,830	\$ (154,115 )	\$(164,774)	\$ 552	\$790,259	
Net income (loss)	—	—	77,776	—	—	(201 )	77,575	
Minimum pension liability	—	—	—	3,296	—	—	3,296	
Translation adjustment	—	—	—	(19,658 )	—	80	(19,578 )	
Fair value of derivatives	—	—	—	4,716	—	—	4,716	
Total comprehensive income	—	—	—	—	—	—	66,009	
Stock-based compensation	—	10,531	—	—	—	—	10,531	
Purchase of 372,120 shares of treasury stock	—	—	—	—	(20,091 )	—	(20,091 )	
Issuance of 326,827 shares of treasury stock	—	(8,039 )	—	—	13,039	—	5,000	
Cancellations of 5,864 shares of treasury stock	—	349	—	—	(349 )	—	—	
Dividends, \$0.57 per share	—	—	—	—	—	—	—	