

MATTHEWS INTERNATIONAL CORP  
Form 10-Q  
January 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 December 31, 2017

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 Smaller reporting company

Accelerated filer Emerging growth company

Non-accelerated filer (Do not check if a smaller reporting 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 December 31, 2017, shares of common stock outstanding were: Class A Common Stock 32,291,571 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)

	December 31, 2017	September 30, 2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$60,142	\$57,515
Accounts receivable, net	320,115	319,566
Inventories	179,336	171,445
Other current assets	53,784	46,533
Total current assets	613,377	595,059
Investments	49,946	37,667
Property, plant and equipment: Cost	\$596,107	\$570,879
Less accumulated depreciation	(342,263 )	(335,346 )
	253,844	235,533
Deferred income taxes	1,890	2,456
Other assets	58,887	51,758
Goodwill	948,687	897,794
Other intangible assets, net	455,744	424,382
Total assets	\$2,382,375	\$2,244,649
<b>LIABILITIES</b>		
Current liabilities:		
Long-term debt, current maturities	\$31,390	\$29,528
Trade accounts payable	57,267	66,607
Accrued compensation	45,471	62,210
Accrued income taxes	31,211	21,386
Other current liabilities	127,332	105,401
Total current liabilities	292,671	285,132
Long-term debt	994,255	881,602
Accrued pension	104,341	103,273
Postretirement benefits	19,366	19,273
Deferred income taxes	101,449	139,430
Other liabilities	39,664	25,680
Total liabilities	1,551,746	1,454,390
<b>SHAREHOLDERS' EQUITY</b>		
Shareholders' equity-Matthews:		
Common stock	\$36,334	\$36,334
Additional paid-in capital	120,294	123,432
Retained earnings	977,939	948,830
Accumulated other comprehensive loss	(143,904 )	(154,115 )

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Treasury stock, at cost	(160,577 )	(164,774 )
Total shareholders' equity-Matthews	830,086	789,707
Noncontrolling interests	543	552
Total shareholders' equity	830,629	790,259
Total liabilities and shareholders' equity	\$2,382,375	\$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 December 31,	
	2017	2016
Sales	\$369,454	\$348,998
Cost of sales	(238,755 )	(221,731 )
Gross profit	130,699	127,267
Selling and administrative expenses	(112,775 )	(108,204 )
Operating profit	17,924	19,063
Investment income	467	337
Interest expense	(7,801 )	(6,148 )
Other income (deductions), net	(659 )	(555 )
Income before income taxes	9,931	12,697
Income tax benefit (provision)	25,227	(2,489 )
Net income	35,158	10,208
Net loss attributable to noncontrolling interests	22	114
Net income attributable to Matthews shareholders	\$35,180	\$10,322
Earnings per share attributable to Matthews shareholders:		
Basic	\$1.11	\$0.32
Diluted	\$1.10	\$0.32

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 December 31,					
	Matthews		Noncontrolling Interest		Total	
	2017	2016	2017	2016	2017	2016
Net income (loss):	\$35,180	\$10,322	\$(22)	\$(114)	\$35,158	\$10,208
Other comprehensive income (loss) ("OCI"), net of tax:						
Foreign currency translation adjustment	7,598	(31,342)	13	59	7,611	(31,283)
Pension plans and other postretirement benefits	1,018	1,536	—	—	1,018	1,536
Unrecognized gain on derivatives:						
Net change from periodic revaluation	1,633	5,100	—	—	1,633	5,100
Net amount reclassified to earnings	(38)	493	—	—	(38)	493
Net change in unrecognized gain on derivatives	1,595	5,593	—	—	1,595	5,593
OCI, net of tax	10,211	(24,213)	13	59	10,224	(24,154)
Comprehensive income (loss)	\$45,391	\$(13,891)	\$(9)	\$(55)	\$45,382	\$(13,946)

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
for the three months ended December 31, 2017 and 2016 (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)	—	—	35,180	—	—	(22 )	35,158	
Minimum pension liability	—	—	—	1,018	—	—	1,018	
Translation adjustment	—	—	—	7,598	—	13	7,611	
Fair value of derivatives	—	—	—	1,595	—	—	1,595	
Total comprehensive income	—	—	—	—	—	—	45,382	
Stock-based compensation	—	5,474	—	—	—	—	5,474	
Purchase of 75,765 shares of treasury stock	—	—	—	—	(4,415 )	—	(4,415 )	
Issuance of 223,971 shares of treasury stock	—	(8,922 )	—	—	8,922	—	—	
Cancellations of 5,214 shares of treasury stock	—	310	—	—	(310 )	—	—	
Dividends, \$0.19 per share	—	—	(6,071 )	—	—	—	(6,071 )	
Balance, December 31, 2017	\$36,334	\$120,294	\$977,939	\$ (143,904 )	\$(160,577)	\$ 543	\$830,629	
	Shareholders' Equity							
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Non-controlling interests	Total	
Balance, September 30, 2016	\$36,334	\$117,088	\$896,224	\$ (181,868 )	\$(159,113)	\$ 669	\$709,334	
Net income (loss)	—	—	10,322	—	—	(114 )	10,208	
Minimum pension liability	—	—	—	1,536	—	—	1,536	
Translation adjustment	—	—	—	(31,342 )	—	59	(31,283 )	
Fair value of derivatives	—	—	—	5,593	—	—	5,593	
Total comprehensive loss	—	—	—	—	—	—	(13,946 )	
Stock-based compensation	—	6,097	—	—	—	—	6,097	
Purchase of 95,229 shares of treasury stock	—	—	—	—	(6,499 )	—	(6,499 )	
Issuance of 205,623 shares of treasury stock	—	(7,893 )	—	—	7,907	—	14	
Dividends, \$0.17 per share	—	—	(5,389 )	—	—	—	(5,389 )	
Balance, December 31, 2016	\$36,334	\$115,292	\$901,157	\$ (206,081 )	\$(157,705)	\$ 614	\$689,611	

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





MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)  
 (Dollar amounts in thousands)

	Three Months Ended December 31,	
	2017	2016
Cash flows from operating activities:		
Net income	\$35,158	\$10,208
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17,238	15,159
Stock-based compensation expense	5,474	6,097
Deferred tax benefit	(38,052 )	(1,861 )
(Gain) loss on sale of assets	(576 )	55
Unrealized gain on investments	(489 )	(809 )
Changes in working capital items	(9,999 )	(12,808 )
Increase in other assets	(5,336 )	(1,177 )
Decrease in other liabilities	(1,931 )	(928 )
Increase in pension and postretirement benefits	2,833	3,318
Other operating activities, net	3,317	(1,208 )