

Operator: Ladies and gentlemen, thank you for standing by, and welcome to the Matthews International Second Quarter Financial Results Conference Call. [Operator Instructions] As a reminder, today's call is being recorded.

I'll turn the conference now to Ms. Karen Howard, Investor Relations for Matthews International. Please go ahead.

Karen Howard: Thank you, John, and good morning, everyone. Thank you for joining us to discuss the Matthews International Fiscal 2018 Second Quarter and First Half Year 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. The release is on the Investor News page and the slides, along with additional preliminary financial information, are 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 first half of the fiscal year, 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 and 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. Go ahead, Steve.

Steven F. Nicola: Thank you, Karen, and good morning. I'll start on slide 4. For the quarter ended March 31, 2018, the company reported earnings of \$0.57 per share compared with \$0.46 per share a year ago. On a non-GAAP adjusted basis, earnings per share for the fiscal 2018 second quarter were \$0.93 per share compared with \$0.84 per share a year ago, representing an increase of 10.7%. The increases were primarily driven by the following factors:

- first, higher sales in all three business segments;
- second, the incremental impact of acquisitions completed during the past 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.

In addition, lower acquisition integration costs contributed to the year-over-year increase in operating results on a GAAP basis.

Reconciliations of non-GAAP earnings per share and adjusted EBITDA are provided in the appendix to both our press release and the slides, which were circulated yesterday and are also available on our website. The fiscal 2018 second quarter and year-to-date non-GAAP adjustments primarily included acquisition integration-related costs, intangible amortization expense and the one-time impacts from U.S. Federal income tax law changes. 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 look at slide 5. Consolidated sales for the quarter ended March 31, 2018 were \$414 million compared with \$381 million for the same quarter a year ago, a 9% increase. The Company reported higher sales in all three of its business segments. On a consolidated basis, the increase primarily reflected higher sales of Industrial Technologies products and systems, incremental sales from recently completed acquisitions and the favorable impact of changes in foreign currencies against the U.S. dollar. Changes in foreign currency rates favorably impacted our fiscal 2018 second quarter consolidated sales by \$14.8 million compared with a year ago. Gross profit for the fiscal 2018 second quarter was \$150 million, or 36.2% of sales, compared with \$138.4 million, or 36.3% of sales, for the same quarter last year. The increase in gross profit primarily reflected the impact of higher consolidated sales and the realization of acquisition synergies and other productivity initiatives.

Consolidated adjusted EBITDA for the quarter ended March 31, 2018 was \$62.5 million, or 15.1% of sales, compared with \$58.3 million, or 15.3% of sales, for the same quarter last year. The 7% increase in adjusted EBITDA primarily reflected the benefits of higher consolidated sales, the incremental impact of recent acquisitions and acquisition synergy realization.

Consolidated selling and administrative expenses, excluding intangible amortization, as a percent of sales were 27% for the 3 months ended March 31, 2018 compared with 27.8% for the same quarter last year. The improvement in our consolidated SG&A percentage primarily reflected lower acquisition integration costs.

Investment income represented a loss of \$74,000 for the current quarter compared with income of \$780,000 a year ago. The decline reflected lower returns on investments held in trust for certain of the Company's benefit plans.

Interest expense for the fiscal 2018 second quarter was \$9.3 million compared with \$6.6 million for the second 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.

Our consolidated income taxes for the three months ended March 31, 2018 were \$2.2 million, or 10.9% of pretax income, compared with \$6 million, or 28.7% of pretax income, for the same quarter last year. The lower effective tax rate this year was primarily due to the impact of adopting the U.S. Tax Cuts and Jobs Act.

Please turn to slide 6 for a quick review of the results for the first half of fiscal 2018. As you can see here, consolidated sales grew 7% on a year-to-date basis. Important to note, each segment

posted increases. The decline in the year-to-date gross margin percentage and adjusted EBITDA margin principally resulted from a lower gross margin percentage in our fiscal first quarter. Consolidated income taxes represented a benefit of \$23 million compared with expense of \$8.5 million last year. The income tax provision 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 transition tax charge as a result of the recently enacted U.S. tax legislation. Excluding the impact of these items and other tax credits discreet to the current year, the current consolidated effective income tax run rate is estimated to be approximately 26%.

Please turn to slide 7, where I will begin a review of our segment results. For your convenience, a summary of operating results by segment, including non-GAAP adjustments for the quarter, is posted on our website. In the SGK Brand Solutions segment, sales for the fiscal 2018 second quarter were \$207 million compared with \$190 million a year ago, a 9% increase. The growth was driven by the segment's European and U.K. markets, 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 primarily reflected higher sales of tobacco-related products and engineered solutions.

The U.K. Brand market continued to remain steady for the quarter. Brand sales in North America were lower than a year ago, but improved late in the quarter, with recent new account wins expected to contribute to sales in the second half of this fiscal year. Adjusted EBITDA for the SGK Brand Solutions segment for the second quarter of fiscal 2018 was \$26 million, or 12.5% of sales, compared with \$24.4 million, or 12.8% of sales, for the same period a year ago. The improvement reflected higher sales in Europe, particularly of tobacco-related products, the benefit of recent acquisitions and favorable changes in foreign currencies against the U.S. dollar.

Please turn to slide 8 for a review of the SGK Brand Solutions first half year results. Sales were \$399 million compared with \$366 million a year ago, reflecting 9% growth. Adjusted EBITDA was \$47.4 million, or 11.9% of sales, compared with \$47.8 million, or 13.1%, for the same period a year ago. The lower margin was primarily attributable to first quarter results.

Please turn to slide 9. Memorialization segment sales for the 3 months ended March 31, 2018 were \$169 million compared with \$162 million a year ago, a 4% increase. The growth reflected the acquisition of Star Granite & Bronze and the favorable impact of changes in foreign currency rates. Casket and cremation equipment sales were relatively comparable with a year ago, while memorial product sales declined, primarily reflecting lower pre-need sales. The impact of colder weather conditions on memorial placements was also considered to be a factor on sales for the quarter. Memorialization segment adjusted EBITDA for the fiscal 2018 second quarter was \$33.3 million, comparable with the same quarter last year of \$33.2 million. While we benefited from acquisition synergies and the acquisition of Star Granite & Bronze, those were offset by higher material costs, mainly bronze and steel.

Please turn to slide 10. For the first half of fiscal 2018, Memorialization segment sales were \$314 million compared with \$308 million a year ago, reflecting 2% growth. The increase primarily reflected higher sales of cremation equipment, the acquisition of Star Granite & Bronze and the favorable impact of changes in foreign currency values. Sales of caskets and memorials were lower for the current period, reflecting an estimated decline in U.S. casketed deaths, principally in our first fiscal quarter. In addition, pre-need memorial sales declined for the period. Year-to-date adjusted EBITDA for the Memorialization segment as of March 31, 2018 was \$56.3 million

compared with \$58.5 million last year, reflecting the impact of lower memorial and casket sales in our first fiscal quarter.

Please turn to slide 11. Industrial Technologies segment sales were \$38.3 million for the fiscal 2018 second quarter compared with \$28.7 million a year ago, representing 34% growth. The increase primarily reflected higher sales of marking products, fulfillment systems and OEM solutions, the benefits from recently completed acquisitions, principally Compass Engineering, and the favorable impact of changes in currency values. Adjusted EBITDA for the Industrial Technologies segment for the 3 months ended March 31, 2018 was \$3.2 million, representing a significant increase over the same quarter last year. The increase primarily reflects 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, Industrial Technologies segment sales through March 31, 2018 were \$71.1 million compared with \$56.3 million a year ago, reflecting 26% growth. Year-to-date, adjusted EBITDA nearly doubled to \$5.2 million.

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, is available on our website for your reference.

Total long-term debt at the end of the current quarter, including the current portion, was \$1.05 billion compared with \$1.03 billion at December 31, 2017 and \$911 million at September 30, 2017. The second quarter increase primarily resulted from the acquisition of Star Granite & Bronze, offset partially by debt repayments.

For the fiscal 2018 second quarter, we reported cash flow from operations of \$48.6 million compared with \$28.2 million in the same quarter a year ago. Year-to-date, we reported cash flow from operations of \$56.3 million compared with \$44.3 million last year, representing an increase of 27%. The increase is primarily reflecting higher income for the current year. We had 32.1 million shares outstanding at March 31, 2018. During the fiscal 2018 second quarter, we purchased approximately 261,000 shares at a cost of \$13.9 million under our share repurchase program. Year-to-date through March 31, 2018, we purchased approximately 336,000 shares at a cost of \$18.3 million. As of quarter end, approximately 1.5 million shares remained under the current share repurchase authorization.

Finally, the Board last week declared a cash dividend of \$0.19 per share on the Company's common stock. The dividend is payable May 14, 2018 to stockholders of record April 30, 2018.

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

Joseph Bartolacci: Thank you, Steve, and good morning.

Please turn to slide 15, where I will start with the summary of 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 generally in line with our expectations. We are making good progress on the execution of our growth strategy of differentiating Matthews as a global company, servicing the consumer products, memorialization and industrial markets. Within our SGK Brand Solutions segment, for

the first time in a while, our pipeline of wins and proposals is robust and growing, resulting from stronger economic confidence from our clients and good sales discipline within our team. As expected, during our fiscal second quarter, the EMEA region saw an increase in orders from the tobacco industry, particularly regarding the popular “heat stick”, which is a low temperature burning electronic cigarette. We anticipate revenue contribution from this product branding to grow in the second half of fiscal 2018 and into fiscal 2019.

We're also pleased with several new client wins in the North America and Asia Pacific regions and anticipate they will slowly begin generating revenue for us in the second half of fiscal 2018. Additionally, 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 we expect will contribute growth in the second half of fiscal 2018 and into next year in a market we did not previously serve strongly. And our acquisitions of Ungricht and VCG are also performing well.

I also want to make you aware that, in the spirit of assessing and adjusting our business model as needed, we divested a minor cylinder partnership in the U.K. during the second quarter, reducing our annualized revenues by \$4 million. The U.K. market for cylinder printers has moved to Eastern Europe, thus making this operation less strategic.

Turning now to our Memorialization segment. We believe that the breadth of our product offering is facilitating market share gains, particularly in our stone business. In addition, as previously announced, we acquired Star Granite & Bronze in February of this year. Star is a Georgia-based manufacturer of granite, which also operates a small bronze foundry. Star will provide both operational and revenue synergy opportunities, as we continue to penetrate the upright stone market with our third acquisition in this space. Organically, our environmental solutions group continues to present growth opportunities for us with a growing pet cremation market and opportunities to expand into more industrial incineration markets.

Finally, I want to point out that our Memorialization segment is experiencing commodity cost increases, particularly bronze and steel, which are pressuring our margins today. Although most of these increases will be felt next year and may be mitigated somewhat by our future price increases, we will begin to feel some challenges in our third and fourth quarters.

Now let's focus our attention on our smaller, but significantly growing, Industrial Technologies segment. As you heard me say before, this team has developed a powerful strategic vision, which we are beginning to realize now. All of our principal product lines within this segment, marking products, fulfillment systems and OEM solutions, are experiencing good growth organically. This is resulting from our ability to differentiate Matthews' products through technological solutions that improve our customers' efficiencies and each have the possibility to disrupt the marketplace. These results are being complemented by the acquisition of Compass Engineering and RAF Technology, which are key pieces to our strategic puzzle. We welcome those colleagues to our organization and look forward to what they can contribute.

In addition, we are especially excited about our soon-to-be-announced new industrial marking product that has been under development for the past few years. We plan to begin beta testing this new product this quarter, with the expectation to launch it into the marketplace next calendar year.

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

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

Within the SGK Brand Solutions segment, we acquired three businesses in early calendar 2017: Equator, Ungricht and VCG. These businesses provide us with three different avenues for growth. Equator has launched us strongly into the private label and retailer market with a one-stop shop solution from design to print. This strategy today is primarily focused on the private label market, but we believe it has application and opportunities throughout the consumer product industry. Ungricht 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 calendaring systems used to produce lithium-ion batteries for the auto industry. VCG gives us the opportunity to further consolidate the U.K. printer market and capture 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, as I mentioned a moment ago, Star Granite & Bronze joined us about three months ago. We anticipate significant opportunities for revenue synergies by broadening our collective product portfolio, including expanding our private mausoleum competency, where we were barely present. We also anticipate synergies on the cost side, including supply chain, collaboration opportunities and bronze foundry consolidation. 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 two and one-half years ago. While most of our acquisitions are tuck-ins, this one was transformational and realization of our synergies is continuing. We still have further consolidation to be achieved, but we are being prudent not to disrupt our customer service by moving too quickly to finalize the integration.

Finally, within our Industrial Technologies segment, we acquired Compass and RAF during 2017. These two businesses bring related, but distinctly unique, opportunities to our business. Compass is a 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 consumers' doorstep. RAF helps us with this strategy by offering unique address recognition software to facilitate that strategy.

Now turn to slide 17 please. I simply want to take this opportunity to reiterate the expectation that we provided last quarter 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 in the first half of the year and our outlook for the second half, we believe that our operating cash flow will exceed the record level set in 2017 of \$149 million.

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

Operator: [Operator Instructions] First on the line is Dan Moore with CJS Securities.

Dan Moore: Morning, Jim. Morning, Steve. Thanks for taking the time. I apologize, I just jumped in from another call. What was the organic growth in the quarter? And generally, what's your expectation for organic growth as we think about the balance of fiscal 2018?

Steven Nicola: On a consolidated level, Dan, we had organic growth for the quarter. If I talk

about some of the elements to that, the acquisition component of the Industrial Technologies growth was less than half of that growth for the quarter. On the Brand side of the business, Brand business was relatively flat for the quarter overall, maybe slightly up for the quarter, but that was a combination of Europe being higher, the U.K. being higher and the U.S. lower early in the quarter, but again, as I said in my remarks, a good end of the quarter and good expectations for the second half of the year. On the Memorialization side, in total, organically, a little bit down for the quarter. Caskets and cremation equipment were relatively comparable with a year ago. It was really the pre-need sales and maybe some weather that impacted memorial sales for the quarter. Going forward, we actually expect a combination of organic growth and acquisition growth, so both should be positive.

Daniel Moore: Very helpful. Any sense of the revenue contribution for Compass either in the quarter or full year?

Steven Nicola: Yes. Compass was about a \$3 million, \$3.5 million contribution for the quarter; and then, the other acquisition, RAF Technology, which was acquired in the same quarter a year ago, that contributed less than \$1 million to the year-over-year growth.

Daniel Moore: Very helpful. What's the outlook for memorial sales for Q3, now that the weather seems to be finally breaking a bit in the Northeast and other parts of the country? Do we get back to flatter or even some positive growth there?

Joseph Bartolacci: I would tell you, Dan, that it's a question of a couple of things. First off, we would expect our memorialization products to begin to be set, so the stones and markers move up. Meaning, we should be able to uptick our orders as we have seasonally done before. The other thing I would tell you, one of the aspects of our sales in that business is what's called our certified ownership program for pre-need sales. We are dependent to some extent on our customers being able to free up those orders for us. We expect, and our forecast anticipates, that kind of increase quarter-over-quarter, but with that one, we are somewhat dependent on our customers' ability to release those orders. We would expect, otherwise, our orders in that segment to be up.

Daniel Moore: Got it. That's helpful. Lastly, just in terms of the non-recurrings, the acquisition and strategic cost, strategic initiatives, when do you expect those to wind down based on at least the current operations? Obviously, if you have more M&A, you may have more, but when do we think things get a little bit cleaner? I appreciate the color.

Joseph Bartolacci: If you look at our SGK business, that's essentially done. I mean, we are calling up some of the integration of our ERP system in Europe, which is really not related to the acquisition, but otherwise SGK is completed. Aurora has one significant piece left to be done on some plant consolidation. We have chosen to defer that a little bit here, so we would expect that to drop down over the next year until we announce that final integration. And then, the rest of it is just the smaller acquisitions that we have out there, which will continue to dwindle. My gut tells me that we will be substantially below our current rate going forward, and almost to more nominal numbers in the next year.

Operator: Our next question is from Liam Burke with B. Riley FBR.

Liam Burke: Joe, on the SGK front, the domestic CPGs have been pulling back SKUs. How has that business been shaping up this year? Is it firmed up? Have you seen changes with the

web-based packaging? How has it gone after being down last year?

Joseph Bartolacci: Well, as you heard in my comments, we're seeing some more robust feelings out of our customer base that we have today. And for those of you that participate in what's called the CAGNY (Consumer Analyst Group of New York) Conference, you heard most of the CEOs of the CPGs (Consumer Packaged Goods) talking about how they're going to be reinvesting in growth. Growth for them is new SKUs and new marketing efforts in innovation, which triggers our revenue, frankly, so we're seeing higher levels of expectations going forward. I would not tell you that it's double-digit, but we're expecting to see a return to a more normalized spending in that market over the next 6 to 12 months. You also heard me mention some wins that we have, Liam. We are picking up some share, although it takes time to transition that business.

Liam Burke: Are you picking up share in the traditional CPG market, Joe?

Joseph Bartolacci: Yes.

Liam Burke: Okay. Great. And on the Industrial side, it looks like you have momentum. Is it strength in end markets on both the fulfillment and marketing? Or you mentioned the new management team and what has been going on there? How does that translate to the balance of the year outside of the new product introduction?

Joseph Bartolacci: Our forecast for the balance of the year is a strong full year result that will only get better over the course of the year, Liam. The team, particularly with the addition of Compass and RAF, has had some fairly significant wins, especially on our fulfillment side, which is our warehouse automation solutions business. Our product lines are also selling well, and I think that is as much about our development of technology, as well as more solidified markets around the world for our products today. So economic growth is good for all of us, and that business sees it more than others, I think.

Liam Burke: Great, thanks, Joe.

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

Scott Blumenthal: Joe, could you talk about some of the new Brand account wins, and maybe a comment or two on your expectations for some of the food labeling or SAFLA (Safe and Accurate Food Labeling Act of 2015) stuff that we have been waiting for, for a number of years?

Joseph Bartolacci: Let's start with the easy one. As of right now, the food labeling obligations have been postponed from a requirement standpoint, so we don't have much insight into when the federal government is going to make a definitive date on that. On the account wins, although we are prohibited from talking to you about specific account wins, I'll suffice it to say they are both brand owners that you would recognize as well as retailers that you would walk into your grocery store every single day. I would tell you the growth that we've seen, especially out of our Equator acquisition, which has not contributed significantly in the first half of the year, is expected to be significant for the second half of the year and beyond. There is one you're very familiar with, Scott. I know where you live. So that's a perfect example.

Scott Blumenthal: Okay. Joe, can you comment about your expectations for margins on some of these wins now, because, obviously, as you mentioned, the economy is getting a little bit better

and purse strings are loosening a bit. Can we start to expect as we go forward, particularly in Brand Solutions, that some of these things will pull a little bit more profitability through with them as time goes on?

Joseph Bartolacci: Sure. I think it's important to understand the nature of the business that we have there, Scott. When we look at an acquisition like Equator or if we look at an acquisition like SGK and VCG and Ungricht, they come with significant intangible amortization. As a company today, we're amortizing on an annualized rate close to \$32 million, \$33 million, so we look at these businesses on an adjusted EBITDA basis. You've been around for a long time, Scott. What we call, historically, our merchandising business was in-store display business. That was closer to a 10- or 12-percent EBITDA. And where we are today, we're looking at a business that is, on the SGK side, which is more on the consumer products side, high teens adjusted EBITDA margin. We expect the drop-throughs from those accounts on an adjusted EBITDA basis, as we look at it before our corporate allocation, to be 16%, 17%.

Scott Blumenthal: That's really helpful, Joe. I appreciate that. And then, if I might ask one more question about Industrial Technologies. Obviously, that's been a very, very nice grower, and you have a couple of things there that are going to continue to drive growth throughout the course of the rest of the year. When do we get to the point where we have kind of a replacement parts tail or, I guess, an MRO type of a business with that? Or are we really not anywhere near that?

Joseph Bartolacci: Not anywhere near it, Scott. I mean, the fact of the matter is, given what our market share in that space has historically been and the opportunities that are presented by our new product, it's a long runway for us before it becomes an MRO business. We think our opportunity to capture share over the next several years from this new product is significant. On the, what I would call, warehouse fulfillment side, we continue to land new accounts. Again, we are prohibited from talking about our customers, but they are names that you would recognize every day. Often times, you are ordering from their websites to get that product delivered to your house. As we look at the integration of Compass into our Pyramid business, the ongoing revenues that are derived from being able to have accounts that are very, very large, I would call them the anti-Amazon crowd, we think that's a long-term MRO opportunity there as well, but we're not yet at fulfillment -- excuse me, no pun intended. We're not in a penetration level yet; that market doesn't give us opportunities for continued placement of our services.

Scott Blumenthal: Okay. So you're talking a little bit more there about scale and...

Joseph Bartolacci: No, no. What I'm talking about is, the revenue derived from new placement of orders will continue to be higher than the MRO business for a long time to come.

Scott Blumenthal: Okay. As you plug in some of these acquisitions, Compass and RAF, does that provide you with opportunities into your existing installed base? Or, from the Industrial Technologies, or at least the warehouse fulfillment side of the business, are these all just new projects?

Joseph Bartolacci: No. We have to recognize that these are two different software solutions that our intent will be, over the next 12 to 24 months, to migrate into a single solution. Today, the large CPG or retailer or whatever it may be who's fulfilling your service, loses sight of the shipment when it leaves their warehouse. So the opportunity to bring the logistics side of the solution, which is what Compass does, to that retailer or to that CPG over the course of time would give us cross-selling opportunities we don't have today. It also would be a very, very

unique solution in the marketplace, because today we're the only one that has that opportunity, both in terms of what our customers do and who our customers are, to bring the two solutions together.

Scott Blumenthal: Okay. That's really helpful. Thank you.

Operator: [Operator Instructions] We'll go next to the line of Dave Stratton from Great Lakes Review.

David Stratton: Good morning, Thanks for taking the question. Regarding the Memorialization segment, when we look at the impact of weather and -- maybe positive is the wrong word to use as positive impact of the flu season -- can you break out those individual impacts as far as how they move the needle individually?

Steven Nicola: No, Dave. From where we sit, we wouldn't have access to that data. Those are the indications that we're getting from our customer base, just general indications.

Joseph Bartolacci: David, the easiest way for us to see is, we know we have the same accounts that we had before and their volumes are down year-over-year more than what the decline would normally have been for the decline in deaths for the period. That's the only indication we have, and you can attribute that to cold weather, essentially.

David Stratton: And to the new product, I think last quarter you said that it was going to maybe be commercialized by the end of your fiscal year, and now you're saying the calendar year. Am I reading that right, where there has been a little bit of delay? Can you speak to the delay?

Joseph Bartolacci: Sure. We pushed it out about 3 months, largely due to some supplier issues, so our expectation is to be in beta this quarter. And we should be, if all goes well, in market during the first quarter of calendar 2019.

David Stratton: Alright. Thank you.

Operator: And we do have a follow-up from Dan Moore. Please go ahead.

Daniel Moore: Just a follow-up on your comments around market share gains in the CPG market. Can you maybe just talk about pricing there? What is it that's putting you over the top in terms of differentiation, a product offering or something different driving those new customer wins?

Joseph Bartolacci: Sure, Dan. It's a little bit of everything, frankly. Pricing is competitive, but I wouldn't say we're using pricing as the means to get the business. In some cases, it's a little bit of our ability to be global for accounts. Our countries that we operate around the world have given us opportunity. I'll give you an example. A large North American confectioner, who we did not do a lot of work for in North America, is now taking us to Australia, where we had nothing. They have no other opportunity to go to Australia with, and that's a significant account win for our APAC region.

Equator, on the other side, as I said to you, is a unique offering in this space. Their ability to do everything under one shop, from creation all the way to photo for the web, including plate-making opportunities, which we have not even captured yet, is unique to the marketplace. That is exactly

the solution that private label and retailers are looking for, because they don't have a marketing department like a CPG might have. The ability to bring it all under one roof and facilitate their private label brand to the shelf has given us great opportunities to expand that market share, and that growth is expected to be significant.

Operator: At this point, we have no further questions.

Joseph Bartolacci: All right. Well, thanks again to all of you for joining us this morning and for your interest in Matthews. We look forward to updating you in a few months on our third quarter progress. Have a great day, and a great weekend.

Operator: Ladies and gentlemen, that does conclude your conference for today. Thank you for your participation. You may now disconnect.