

# Matthews

I N T E R N A T I O N A L

*A Tradition of Quality Since 1850*

## THIRD QUARTER REPORT

For the Period Ended June 30, 2014

Matthews reported consolidated sales of \$280.0 million for the fiscal 2014 third quarter, compared to \$250.7 million a year ago, representing an increase of 11.7%. A significant merchandising display project and waste incineration project contributed to the year-over-year sales growth. Net income attributable to the Company for the current quarter was \$19.3 million, or \$0.70 per share, compared to \$18.0 million, or \$0.65 per share, for the third fiscal quarter last year. On a non-GAAP adjusted basis, earnings for the fiscal 2014 third quarter were \$0.86 per share, compared to \$0.72 per share a year ago, representing an increase of 19.4%. Current period operating results were impacted by costs in connection with the Company's pending acquisition of Schawk, Inc., strategic cost initiatives, and expenses in connection with certain litigation in the Funeral Home Products segment.

Sales for the Brand Solutions group increased to \$142.1 million for the fiscal 2014 third quarter, compared to \$119.8 million for the same quarter last year. The increase resulted primarily from a significant merchandising display project during the current quarter. Marking and Fulfillment Systems sales for the current quarter increased on higher volume, and the Graphics Imaging segment reported higher sales for the fiscal 2014 third quarter compared to a year ago. The Memorialization group reported sales of \$137.9 million for the fiscal 2014 third quarter, compared to \$130.8 million a year ago, representing an increase of \$7.1 million. A significant waste incineration project was the principal factor in the year-over-year sales growth.

We are pleased with the consolidated results for the fiscal 2014 third quarter. We continue to be encouraged by the opportunities for our merchandising solutions capabilities, and customer interest in our waste incineration products

continues to develop. In our Brand Solutions group, third quarter sales for the Marking and Fulfillment Systems segment increased almost 9% from a year ago, reflecting organic growth for our traditional marking equipment, as well as strong order rates for the segment's fulfillment systems products for deliveries into fiscal 2015. For Graphics Imaging, the segment's European sales remained relatively stable during the current quarter and we were encouraged by sales improvement in North America. Memorial and casket sales for the current quarter were below prior year, reflecting the impact of U.S. casketed, in-ground burial death rates. These businesses are continuing to realize benefits from our cost structure initiatives (including lean and strategic sourcing).

We have a significant level of effort focused on the recently completed acquisition of Schawk, Inc., which closed on July 29, 2014. Costs associated with the acquisition (including transaction and integration costs) and the impact resulting from acquisition valuation and related step-up expense will impact our results for the fourth quarter. However, our existing businesses are currently projecting to meet our initial fiscal 2014 consolidated expectations, on a non-GAAP adjusted basis.



**Joseph C. Bartolacci**  
President and Chief Executive Officer  
**August 7, 2014**

## Consolidated Statements of Income (Unaudited)

Amounts in thousands, except per share data

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2014	2013	2014	2013
Sales	<b>\$279,983</b>	\$250,652	<b>\$756,765</b>	\$732,651
Cost of sales	<b>(175,753)</b>	(159,261)	<b>(480,977)</b>	(466,420)
Gross profit	<b>104,230</b>	91,391	<b>275,788</b>	266,231
Selling and administrative expenses	<b>(72,038)</b>	(60,631)	<b>(207,708)</b>	(193,902)
Operating profit	<b>32,192</b>	30,760	<b>68,080</b>	72,329
Investment income	<b>456</b>	634	<b>1,683</b>	1,474
Interest expense	<b>(2,785)</b>	(3,486)	<b>(8,240)</b>	(9,784)
Other income (deductions), net	<b>(897)</b>	(986)	<b>(2,669)</b>	(3,158)
Income before income taxes	<b>28,966</b>	26,922	<b>58,854</b>	60,861
Income taxes	<b>(9,327)</b>	(9,024)	<b>(20,058)</b>	(20,905)
Net income	<b>19,639</b>	17,898	<b>38,796</b>	39,956
Net (income) loss attributable to noncontrolling interests	<b>(376)</b>	93	<b>(286)</b>	482
<b>Net income attributable to</b>				
<b>Matthews shareholders</b>	<b>\$ 19,263</b>	\$ 17,991	<b>\$ 38,510</b>	\$ 40,438
<b>Earnings per share attributable to</b>				
<b>Matthews shareholders:</b>				
Basic	<b>\$ .70</b>	\$ .65	<b>\$ 1.41</b>	\$1.47
Diluted	<b>\$ .70</b>	\$ .65	<b>\$ 1.40</b>	\$1.46
<b>Dividends per share</b>	<b>\$ .11</b>	\$ .10	<b>\$ .33</b>	\$ .30
<b>Weighted-average number of common shares outstanding:</b>				
Basic	<b>27,294</b>	27,299	<b>27,223</b>	27,303
Diluted	<b>27,491</b>	27,460	<b>27,450</b>	27,419

## Condensed Consolidated Balance Sheets

*Dollar amounts in thousands*

June 30, 2014<sup>1</sup>

September 30, 2013

### ASSETS

#### Current assets:

Cash and cash equivalents	\$ 80,616	\$ 58,959
Accounts receivable, net	199,472	188,405
Inventories	141,908	130,768
Other current assets	32,839	28,823

<b>Total current assets</b>	<b>454,835</b>	406,955
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Investments	23,550	22,288
Property, plant and equipment, net	175,030	180,731
Deferred income taxes and other assets	16,090	16,273
Goodwill and other intangible assets, net	589,365	589,653

<b>Total assets</b>	<b>\$1,258,870</b>	\$1,215,900
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### LIABILITIES

#### Current liabilities:

Long-term debt, current maturities	\$ 22,812	\$ 23,587
Accounts payable	53,389	45,232
Accrued compensation	40,326	41,916
Accrued income taxes	7,439	5,910
Other current liabilities	68,095	68,334

<b>Total current liabilities</b>	<b>192,061</b>	184,979
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Long-term debt	345,407	351,068
Accrued pension	64,903	61,642
Postretirement benefits	18,278	17,956
Deferred income taxes	20,491	20,332
Other liabilities	28,023	26,993

<b>Total liabilities</b>	<b>669,163</b>	662,970
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### SHAREHOLDERS' EQUITY

#### Shareholders' equity – Matthews:

Common stock	36,334	36,334
Additional paid-in capital	48,581	47,315
Retained earnings	805,154	775,762
Accumulated other comprehensive loss	(21,998)	(26,940)
Treasury stock, at cost	(282,016)	(283,006)

<b>Total shareholders' equity – Matthews</b>	<b>586,055</b>	549,465
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Noncontrolling interests	3,652	3,465
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<b>Total shareholders' equity</b>	<b>589,707</b>	552,930
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<b>Total liabilities and shareholders' equity</b>	<b>\$1,258,870</b>	\$1,215,900
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<sup>1</sup>Unaudited.