

# Matthews

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SEGMENT OPERATING RESULTS  
FISCAL 2018 AND 2017 QUARTER AND YEAR-TO-DATE INFORMATION

# Segment Operating Results

**Matthews**  
INTERNATIONAL®

Quarter-to-Date and Annual Segment Sales and Adjusted EBITDA Historical Information

(Dollars in thousands) (unaudited)	Fiscal 2018					Fiscal 2017				
	December 31	March 31	June 30	September 30	September 30	December 31	March 31	June 30	September 30	September 30
	QTD	QTD	QTD	QTD	YTD	QTD	QTD	QTD	QTD	YTD
<b>Sales:</b>										
SGK Brand Solutions	\$ 191,766	\$ 207,052	\$ 202,976	\$ 203,480	\$ 805,274	\$ 175,801	\$ 190,120	\$ 200,606	\$ 203,654	\$ 770,181
Memorialization	144,889	168,689	161,979	155,835	631,392	145,622	162,108	155,837	152,315	615,882
Industrial Technologies	32,799	38,320	46,666	48,129	165,914	27,575	28,688	33,187	40,095	129,545
<b>Consolidated Sales</b>	<b>\$ 369,454</b>	<b>\$ 414,061</b>	<b>\$ 411,621</b>	<b>\$ 407,444</b>	<b>\$ 1,602,580</b>	<b>\$ 348,998</b>	<b>\$ 380,916</b>	<b>\$ 389,630</b>	<b>\$ 396,064</b>	<b>\$ 1,515,608</b>
<b>Adjusted EBITDA:</b>										
SGK Brand Solutions	\$ 30,852	\$ 35,099	\$ 37,003	\$ 47,279	\$ 150,233	\$ 31,538	\$ 33,117	\$ 39,495	\$ 40,633	\$ 144,783
Memorialization	28,443	39,478	39,677	37,889	145,487	29,151	38,230	37,857	33,954	139,192
Industrial Technologies	3,687	4,881	8,241	9,055	25,864	3,324	2,162	4,896	8,099	18,481
Corporate and Non Operating	(16,486)	(17,003)	(15,709)	(17,272)	(66,470)	(13,378)	(15,179)	(16,633)	(18,583)	(63,773)
<b>Total Adjusted EBITDA<sup>(1)</sup></b>	<b>\$ 46,496</b>	<b>\$ 62,455</b>	<b>\$ 69,212</b>	<b>\$ 76,951</b>	<b>\$ 255,114</b>	<b>\$ 50,635</b>	<b>\$ 58,330</b>	<b>\$ 65,615</b>	<b>\$ 64,103</b>	<b>\$ 238,683</b>

Beginning in Fiscal 2019, the Company changed its primary measure of segment profitability from operating profit to adjusted EBITDA on a pre-corporate cost allocation basis. This presentation is consistent with how the Company's chief operating decision manager evaluates the results of operations and makes strategic decisions about the business. The Fiscal 2018 and 2017 segment operating results have been revised to present this information on a comparable basis.

(1) Total adjusted EBITDA is defined by the Company as earnings before interest, taxes, depreciation, amortization and certain non-cash and/or non-recurring items that do not contribute directly to management's evaluation of its operating results. See reconciliation at Appendix A.

# Appendix A

## Total Adjusted EBITDA

### Non-GAAP Reconciliation

**Disclaimer:**

Included in this report are measures of financial performance that are not defined by generally accepted accounting principles in the United States ("GAAP"). The Company uses non-GAAP financial measures to assist in comparing its performance on a consistent basis for purposes of business decision-making by removing the impact of certain items that management believes do not directly reflect the Company's core operations including acquisition costs, ERP integration costs, strategic initiative and other charges (which includes non-recurring charges related to operational initiatives and exit activities), stock-based compensation and the non-service portion of pension and postretirement expense. Management believes that presenting non-GAAP financial measures is useful to investors because it (i) provides investors with meaningful supplemental information regarding financial performance by excluding certain items that management believes do not directly reflect the Company's core operations, (ii) permits investors to view performance using the same tools that management uses to budget, forecast, make operating and strategic decisions, and evaluate historical performance, and (iii) otherwise provides supplemental information that may be useful to investors in evaluating the Company's results. The Company believes that the presentation of these non-GAAP financial measures, when considered together with the corresponding GAAP financial measures and the reconciliations to those measures, provided herein, provides investors with an additional understanding of the factors and trends affecting the Company's business that could not be obtained absent these disclosures.

The Company believes that adjusted EBITDA provides relevant and useful information, which is used by the Company's management in assessing the performance of its business. Adjusted EBITDA is defined by the Company as earnings before interest, taxes, depreciation, amortization and certain non-cash and/or non-recurring items that do not contribute directly to management's evaluation of its operating results. These items include stock-based compensation, the non-service portion of pension and postretirement expense, acquisition costs, ERP integration costs, and strategic initiatives and other charges. Adjusted EBITDA provides the Company with an understanding of earnings before the impact of investing and financing charges and income taxes, and the effects of certain acquisition and ERP integration costs, and items that do not reflect the ordinary earnings of the Company's operations. This measure may be useful to an investor in evaluating operating performance. It is also useful as a financial measure for lenders and is used by the Company's management to measure business performance. Adjusted EBITDA is not a measure of the Company's financial performance under GAAP and should not be considered as an alternative to net income or other performance measures derived in accordance with GAAP, or as an alternative to cash flow from operating activities as a measure of the Company's liquidity. The Company's definition of adjusted EBITDA may not be comparable to similarly titled measures used by other companies.

(Dollars in thousands) (unaudited)	Fiscal 2018					Fiscal 2017				
	December 31	March 31	June 30	September 30	September 30	December 31	March 31	June 30	September 30	September 30
	QTD	QTD	QTD	QTD	YTD	QTD	QTD	QTD	QTD	YTD
<b>Net Income</b>	<b>\$ 35,158</b>	<b>\$ 18,072</b>	<b>\$ 24,345</b>	<b>\$ 29,536</b>	<b>\$ 107,111</b>	<b>\$ 10,208</b>	<b>\$ 14,868</b>	<b>\$ 29,308</b>	<b>\$ 19,549</b>	<b>\$ 73,933</b>
Income tax provision (benefit)	(25,227)	2,212	4,312	9,585	(9,118)	2,489	5,973	8,856	5,036	22,354
<b>Income before income taxes</b>	<b>9,931</b>	<b>20,284</b>	<b>28,657</b>	<b>39,121</b>	<b>97,993</b>	<b>12,697</b>	<b>20,841</b>	<b>38,164</b>	<b>24,585</b>	<b>96,287</b>
Net loss attributable to noncontrolling interests	22	110	69	59	260	114	52	177	92	435
Interest expense	7,801	9,262	9,719	10,645	37,427	6,148	6,614	6,988	6,621	26,371
Depreciation and amortization	17,238	19,748	20,066	19,922	76,974	15,159	17,135	18,516	17,171	67,981
Acquisition costs <sup>(1)</sup>	1,931	3,859	3,519	1,609	10,918	6,101	5,820	2,224	3,577	17,722
ERP integration costs <sup>(2)</sup>	2,027	3,541	2,710	2,586	10,864	2,014	2,754	700	2,558	8,026
Loss recoveries, net of costs <sup>(3)</sup>	-	-	-	-	-	-	-	(9,358)	(1,325)	(10,683)
Strategic initiatives and other charges <sup>(4)</sup>	647	1,568	647	(1,367)	1,495	111	-	3,173	5,925	9,209
Stock-based compensation	5,474	2,658	2,399	2,929	13,460	6,097	2,920	2,837	2,708	14,562
Non-service pension and postretirement <sup>(5)</sup>	1,425	1,425	1,426	1,447	5,723	2,194	2,194	2,194	2,191	8,773
<b>Total Adjusted EBITDA</b>	<b>\$ 46,496</b>	<b>\$ 62,455</b>	<b>\$ 69,212</b>	<b>\$ 76,951</b>	<b>\$ 255,114</b>	<b>\$ 50,635</b>	<b>\$ 58,330</b>	<b>\$ 65,615</b>	<b>\$ 64,103</b>	<b>\$ 238,683</b>

(1) Includes certain non-recurring costs associated with recent acquisition activities.

(2) Represents costs associated with global ERP system integration efforts.

(3) Includes certain non-recurring costs associated with productivity and cost-reduction initiatives intended to result in improved operating performance, profitability and working capital levels.

(4) Represents loss recoveries, net of related costs, related to the theft of funds by a former employee.

(5) Non-service pension and postretirement expense includes interest cost, expected return on plan assets and amortization of actuarial gains and losses. These benefit cost components are excluded from adjusted EBITDA since they are primarily influenced by external market conditions that impact investment returns and interest (discount) rates. The service cost and prior service cost components of pension and postretirement expense are included in the calculation of adjusted EBITDA, since they are considered to be a better reflection of the ongoing service-related costs of providing these benefits. Please note that GAAP pension and postretirement expense or the adjustment above are not necessarily indicative of the current or future cash flow requirements related to these employee benefit plans.