**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D. C. 20549**

# 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, 2020**

**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**

# MATTHEWS INTERNATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Pennsylvania** | **25-0644320** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**Two Northshore 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)

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|---|---|---|
| Class A Common Stock, $1.00 par value | MATW | Nasdaq Global Select Market |

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 every Interactive Data File required to be submitted 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 | ☐ | 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, 2020, shares of common stock outstanding were: Class A Common Stock 31,264,907 shares.

**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Unaudited)
(Dollar amounts in thousands)

| | June 30, 2020 | | September 30, 2019 | |
|---|---|---|---|---|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | | $ 42,904 | | $ 35,302 |
| Accounts receivable, net | | 271,238 | | 318,756 |
| Inventories, net | | 182,351 | | 180,274 |
| Other current assets | | 73,175 | | 49,384 |
| Total current assets | | 569,668 | | 583,716 |
| Investments | | 62,068 | | 85,501 |
| Property, plant and equipment, net | | 239,070 | | 237,442 |
| Deferred income taxes | | 4,756 | | 5,032 |
| Other assets | | 105,793 | | 31,455 |
| Goodwill | | 756,056 | | 846,807 |
| Other intangible assets, net | | 347,205 | | 400,650 |
| Total assets | | $ 2,084,616 | | $ 2,190,603 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Long-term debt, current maturities | | $ 23,114 | | $ 42,503 |
| Trade accounts payable | | 75,654 | | 74,558 |
| Accrued compensation | | 43,300 | | 42,545 |
| Accrued income taxes | | 3,044 | | 5,997 |
| Other current liabilities | | 159,920 | | 114,276 |
| Total current liabilities | | 305,032 | | 279,879 |
| Long-term debt | | 837,770 | | 898,194 |
| Accrued pension | | 139,046 | | 133,762 |
| Postretirement benefits | | 19,880 | | 19,963 |
| Deferred income taxes | | 92,707 | | 102,482 |
| Other liabilities | | 88,439 | | 37,087 |
| Total liabilities | | 1,482,874 | | 1,471,367 |
| SHAREHOLDERS' EQUITY | | | | |
| Shareholders' equity-Matthews: | | | | |
| Common stock | $ 36,334 | | $ 36,334 | |
| Additional paid-in capital | 145,814 | | 137,774 | |
| Retained earnings | 858,220 | | 972,594 | |
| Accumulated other comprehensive loss | (235,691) | | (228,361) | |
| Treasury stock, at cost | (203,570) | | (200,235) | |
| Total shareholders' equity-Matthews | | 601,107 | | 718,106 |
| Noncontrolling interests | | 635 | | 1,130 |
| Total shareholders' equity | | 601,742 | | 719,236 |
| Total liabilities and shareholders' equity | | $ 2,084,616 | | $ 2,190,603 |

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

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

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| Sales | $ 359,422 | $ 379,294 | $ 1,099,166 | $ 1,144,871 |
| Cost of sales | (238,469) | (242,116) | (737,722) | (745,001) |
| Gross profit | 120,953 | 137,178 | 361,444 | 399,870 |
| Selling expense | (28,508) | (32,857) | (93,953) | (102,238) |
| Administrative expense | (69,374) | (65,087) | (208,238) | (200,346) |
| Intangible amortization | (17,825) | (9,543) | (53,639) | (27,165) |
| Goodwill write-down | — | — | (90,408) | — |
| Operating profit (loss) | 5,246 | 29,691 | (84,794) | 70,121 |
| Investment income | 1,252 | 655 | 1,443 | 1,394 |
| Interest expense | (8,082) | (10,508) | (26,935) | (31,068) |
| Other deductions, net | (2,776) | (1,425) | (7,438) | (3,416) |
| (Loss) income before income taxes | (4,360) | 18,413 | (117,724) | 37,031 |
| Income tax benefit (provision) | 6,209 | (3,989) | 22,672 | (4,429) |
| Net income (loss) | 1,849 | 14,424 | (95,052) | 32,602 |
| Net losses attributable to noncontrolling interests | 420 | 205 | 491 | 541 |
| Net income (loss) attributable to Matthews shareholders | $ 2,269 | $ 14,629 | $ (94,561) | $ 33,143 |
| Earnings (loss) per share attributable to Matthews shareholders: | | | | |
| Basic | $ 0.07 | $ 0.47 | $ (3.04) | $ 1.05 |
| Diluted | $ 0.07 | $ 0.46 | $ (3.04) | $ 1.05 |

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 | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Net income (loss): | $ 2,269 | $ 14,629 | $ (420) | $ (205) | $ 1,849 | $ 14,424 |
| Other comprehensive income (loss) ("OCI"), net of tax: | | | | | | |
| Foreign currency translation adjustment | 11,240 | 2,639 | — | (5) | 11,240 | 2,634 |
| Pension plans and other postretirement benefits | 1,743 | 705 | — | — | 1,743 | 705 |
| Unrecognized loss on derivatives: | | | | | | |
| Net change from periodic revaluation | (509) | (2,372) | — | — | (509) | (2,372) |
| Net amount reclassified to earnings | 330 | (660) | — | — | 330 | (660) |
| Net change in unrecognized loss on derivatives | (179) | (3,032) | — | — | (179) | (3,032) |
| OCI, net of tax | 12,804 | 312 | — | (5) | 12,804 | 307 |
| Comprehensive income (loss) | $ 15,073 | $ 14,941 | $ (420) | $ (210) | $ 14,653 | $ 14,731 |

| | Nine Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | Matthews | | Noncontrolling Interest | | Total | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Net (loss) income: | $ (94,561) | $ 33,143 | $ (491) | $ (541) | $ (95,052) | $ 32,602 |
| OCI, net of tax: | | | | | | |
| Foreign currency translation adjustment | (8,297) | (9,791) | (4) | 1 | (8,301) | (9,790) |
| Pension plans and other postretirement benefits | 5,297 | 2,168 | — | — | 5,297 | 2,168 |
| Unrecognized loss on derivatives: | | | | | | |
| Net change from periodic revaluation | (4,248) | (6,074) | — | — | (4,248) | (6,074) |
| Net amount reclassified to earnings | (82) | (1,879) | — | — | (82) | (1,879) |
| Net change in unrecognized loss on derivatives | (4,330) | (7,953) | — | — | (4,330) | (7,953) |
| OCI, net of tax | (7,330) | (15,576) | (4) | 1 | (7,334) | (15,575) |
| Comprehensive (loss) income | $ (101,891) | $ 17,567 | $ (495) | $ (540) | $ (102,386) | $ 17,027 |

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

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

| | Shareholders' Equity | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive (Loss) Income | Treasury Stock | Non-controlling Interests | Total |
| Balance, September 30, 2019 | $ 36,334 | $ 137,774 | $ 972,594 | $ (228,361) | $ (200,235) | $ 1,130 | $ 719,236 |
| Net (loss) income | — | — | (10,466) | — | — | 160 | (10,306) |
| Minimum pension liability | — | — | — | 1,727 | — | — | 1,727 |
| Translation adjustment | — | — | — | 11,111 | — | (5) | 11,106 |
| Fair value of derivatives | — | — | — | 291 | — | — | 291 |
| Total comprehensive income | | | | | | | 2,818 |
| Stock-based compensation | — | 2,031 | — | — | — | — | 2,031 |
| Purchase of 52,104 shares of treasury stock | — | — | — | — | (1,845) | — | (1,845) |
| Issuance of 11,225 shares of treasury stock | — | (450) | — | — | 450 | — | — |
| Cancellations of 17,509 shares of treasury stock | — | 1,171 | — | — | (1,171) | — | — |
| Dividends, $0.21 per share | — | — | (6,535) | — | — | — | (6,535) |
| Balance, December 31, 2019 | $ 36,334 | $ 140,526 | $ 955,593 | $ (215,232) | $ (202,801) | $ 1,285 | $ 715,705 |
| Net loss | — | — | (86,364) | — | — | (231) | (86,595) |
| Minimum pension liability | — | — | — | 1,827 | — | — | 1,827 |
| Translation adjustment | — | — | — | (30,648) | — | 1 | (30,647) |
| Fair value of derivatives | — | — | — | (4,442) | — | — | (4,442) |
| Total comprehensive loss | | | | | | | (119,857) |
| Stock-based compensation | — | 2,508 | — | — | — | — | 2,508 |
| Purchase of 20,750 shares of treasury stock | — | — | — | — | (506) | — | (506) |
| Dividends, $0.21 per share | — | — | (6,648) | — | — | — | (6,648) |
| Balance, March 31, 2020 | $ 36,334 | $ 143,034 | $ 862,581 | $ (248,495) | $ (203,307) | $ 1,055 | $ 591,202 |
| Net income (loss) | — | — | 2,269 | — | — | (420) | 1,849 |
| Minimum pension liability | — | — | — | 1,743 | — | — | 1,743 |
| Translation adjustment | — | — | — | 11,240 | — | — | 11,240 |
| Fair value of derivatives | — | — | — | (179) | — | — | (179) |
| Total comprehensive income | | | | | | | 14,653 |
| Stock-based compensation | — | 2,539 | — | — | — | — | 2,539 |
| Purchase of 722 shares of treasury stock | — | — | — | — | (22) | — | (22) |
| Issuance of 900 shares of treasury stock | — | (36) | — | — | 36 | — | — |
| Cancellations of 4,616 shares of treasury stock | — | 277 | — | — | (277) | — | — |
| Dividends, $0.21 per share | — | — | (6,630) | — | — | — | (6,630) |
| Balance, June 30, 2020 | $ 36,334 | $ 145,814 | $ 858,220 | $ (235,691) | $ (203,570) | $ 635 | $ 601,742 |

| | Shareholders' Equity | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive (Loss) Income | Treasury Stock | Non-controlling Interests | Total |
| Balance, September 30, 2018 | $ 36,334 | $ 129,252 | $ 1,040,378 | $ (164,298) | $ (173,315) | $ 363 | $ 868,714 |
| Net income (loss) | — | — | 3,097 | — | — | (113) | 2,984 |
| Minimum pension liability | — | — | — | 729 | — | — | 729 |
| Translation adjustment | — | — | — | (12,564) | — | (13) | (12,577) |
| Fair value of derivatives | — | — | — | (2,901) | — | — | (2,901) |
| Total comprehensive loss | | | | | | | (11,765) |
| Stock-based compensation | — | 3,647 | — | — | — | — | 3,647 |
| Purchase of 186,417 shares of treasury stock | — | — | — | — | (7,751) | — | (7,751) |
| Issuance of 2,822 shares of treasury stock | — | (115) | — | — | 115 | — | — |
| Cancellations of 19,433 shares of treasury stock | — | 891 | — | — | (891) | — | — |
| Dividends, $0.20 per share | — | — | (6,414) | — | — | — | (6,414) |
| Acquisition | — | — | — | — | — | 1,760 | 1,760 |
| Cumulative tax adjustment for intra-entity transfers | — | — | (4,176) | — | — | — | (4,176) |
| Balance, December 31, 2018 | $ 36,334 | $ 133,675 | $ 1,032,885 | $ (179,034) | $ (181,842) | $ 1,997 | $ 844,015 |
| Net income (loss) | — | — | 15,417 | — | — | (223) | 15,194 |
| Minimum pension liability | — | — | — | 734 | — | — | 734 |
| Translation adjustment | — | — | — | 134 | — | 19 | 153 |
| Fair value of derivatives | — | — | — | (2,020) | — | — | (2,020) |
| Total comprehensive income | | | | | | | 14,061 |
| Stock-based compensation | — | 1,366 | — | — | — | — | 1,366 |
| Purchase of 143,092 shares of treasury stock | — | — | — | — | (5,535) | — | (5,535) |
| Cancellations of 41 shares of treasury stock | — | 14 | — | — | (14) | — | — |
| Dividends, $0.20 per share | — | — | (6,446) | — | — | — | (6,446) |
| Balance, March 31, 2019 | $ 36,334 | $ 135,055 | $ 1,041,856 | $ (180,186) | $ (187,391) | $ 1,793 | $ 847,461 |
| Net income (loss) | — | — | 14,629 | — | — | (205) | 14,424 |
| Minimum pension liability | — | — | — | 705 | — | — | 705 |
| Translation adjustment | — | — | — | 2,639 | — | (5) | 2,634 |
| Fair value of derivatives | — | — | — | (3,032) | — | — | (3,032) |
| Total comprehensive income | | | | | | | 14,731 |
| Stock-based compensation | — | 1,156 | — | — | — | — | 1,156 |
| Purchase of 240,155 shares of treasury stock | — | — | — | — | (8,529) | — | (8,529) |
| Dividends, $0.20 per share | — | — | (6,394) | — | — | — | (6,394) |
| Balance, June 30, 2019 | $ 36,334 | $ 136,211 | $ 1,050,091 | $ (179,874) | $ (195,920) | $ 1,583 | $ 848,425 |

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)

| | Nine Months Ended June 30, 2020 | Nine Months Ended June 30, 2019 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net (loss) income | $ (95,052) | $ 32,602 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | |
| Depreciation and amortization | 88,418 | 60,759 |
| Stock-based compensation expense | 7,078 | 6,169 |
| Deferred tax benefit | (11,986) | (4,031) |
| Gain on sale of assets, net | (229) | (210) |
| (Gain) loss on sale of ownership interests in a subsidiary | (11,208) | 4,465 |
| Unrealized gain on investments in mutual funds | (1,161) | (406) |
| Loss from equity-method investments | 3,542 | 1,086 |
| Goodwill write-down | 90,408 | — |
| Changes in working capital items | 41,726 | (14,543) |
| Decrease (increase) in other assets | 5,076 | (379) |
| Increase in other liabilities | 2,960 | 3,042 |
| Other operating activities, net | 4,036 | 860 |
| Net cash provided by operating activities | 123,608 | 89,414 |
| Cash flows from investing activities: | | |
| Capital expenditures | (25,486) | (31,963) |
| Acquisitions, net of cash acquired | — | (11,525) |
| Proceeds from sale of assets | 398 | 1,508 |
| Proceeds from sale of ownership interests in a subsidiary | 42,210 | 8,254 |
| Investments and advances | (9,723) | (33,073) |
| Net cash provided by (used in) investing activities | 7,399 | (66,799) |
| Cash flows from financing activities: | | |
| Proceeds from long-term debt | 971,399 | 424,842 |
| Payments on long-term debt | (1,063,459) | (408,447) |
| Purchases of treasury stock | (2,372) | (21,815) |
| Dividends | (19,813) | (19,254) |
| Acquisition holdback and contingent consideration payments | (4,689) | (3,350) |
| Other financing activities | (4,156) | (2,139) |
| Net cash used in financing activities | (123,090) | (30,163) |
| Effect of exchange rate changes on cash | (315) | (421) |
| Net change in cash and cash equivalents | 7,602 | (7,969) |
| Cash and cash equivalents at beginning of year | 35,302 | 41,572 |
| Cash and cash equivalents at end of period | $ 42,904 | $ 33,603 |

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

**Note 1. Nature of Operations**

Matthews International Corporation ("Matthews" or the "Company"), founded in 1850 and incorporated in Pennsylvania in 1902, is a global provider of brand solutions, memorialization products and industrial technologies. Brand solutions consists of brand management, pre-media services, printing plates and cylinders, engineered products, imaging services, digital asset management, merchandising display systems, and marketing and design services primarily for the consumer goods and retail industries. Memorialization products consist primarily of bronze and granite memorials and other memorialization products, caskets, and cremation and incineration equipment primarily for the cemetery and funeral home industries. Industrial technologies include marking and coding equipment and consumables, industrial automation products and order fulfillment systems for identifying, tracking, picking and conveying consumer and industrial products.

The Company has facilities in North America, Europe, Asia, Australia, and Central and South America.

**Note 2. Basis of Presentation**

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information for commercial and industrial companies and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The year-end consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the nine months ended June 30, 2020 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2020. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended September 30, 2019. The consolidated financial statements include all domestic and foreign subsidiaries in which the Company maintains an ownership interest and has operating control. Investments in certain companies over which the Company exerts significant influence, but does not control the financial and operating decisions, are accounted for as equity method investments. Investments in certain companies over which the Company does not exert significant influence are accounted for as cost method investments. All intercompany accounts and transactions have been eliminated.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**New Accounting Pronouncements:**

*Issued*

In August 2018, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20)*, which modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This ASU is effective for the Company beginning in interim periods starting in fiscal year 2021. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326)*, which provides financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each report date. Subsequently, the FASB issued ASU No. 2019-11, C*odification Improvements to Topic 326, Financial Instruments—Credit Losses* and ASU No. 2020-02, *Financial Instruments—Credit Losses (Topic 326) and Leases (Topic 842),* that provide certain amendments to the new guidance. These ASUs are effective for the Company beginning in interim periods starting in fiscal year 2021. The adoption of these ASUs are not expected to have a material impact on the Company's consolidated financial statements.

**Note 2. Basis of Presentation (continued)**

*Adopted*

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740) which simplifies the accounting for income taxes. The amendments in this update remove certain exceptions to the general principles in Topic 740 and also simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The amendments in this ASU will be applied using different approaches depending on what the specific amendment relates to and, for public entities, are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company early adopted this ASU in the quarter ended March 31, 2020. The adoption of this ASU had no significant impact on the Company's consolidated financial statements, but modifies the methodology to assess certain tax principles in Topic 740 prospectively.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements on fair value measurements including the consideration of costs and benefits. The adoption of this ASU in the first quarter ended December 31, 2019 had no impact on the Company's consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815)*, which provides new guidance intended to improve the financial reporting of hedging relationships to better portray the economic results of an entity’s risk management activities in its financial statements. The adoption of this ASU in the first quarter ended December 31, 2019 had no impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which provides new guidance on how an entity should account for leases and recognize associated lease assets and liabilities. This ASU requires lessees to recognize assets and liabilities that arise from financing and operating leases on the Consolidated Balance Sheet. Subsequently, the FASB issued several ASUs that address implementation issues and correct or improve certain aspects of the new lease guidance, including ASU 2017-13, *Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842),* ASU 2018-01, *Leases (Topic 842) Land Easement Practical Expedient for Transition to Topic 842*, ASU 2018-10, *Codification Improvements to Topic 842, Leases*, ASU 2018-11, *Leases (Topic 842): Targeted Improvements,* ASU 2018-20, *Leases (Topic 842): Narrow-Scope Improvements for Lessors,* and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. These ASUs do not change the core principles in the lease guidance outlined above. ASU No. 2018-11 provides an additional transition method to adopt ASU No. 2016-02. Under the transition method, an entity initially applies the new leases standard at the adoption date versus at the beginning of the earliest period presented and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Company adopted the standard using the transition method as of October 1, 2019. Under this approach, the Company recognized and recorded right-of-use ("ROU") assets and related lease liabilities on the Consolidated Balance Sheet of approximately $80 million with no impact to retained earnings. Reporting periods prior to October 1, 2019 continue to be presented in accordance with previous lease accounting guidance under GAAP. As part of the adoption, the Company elected the package of practical expedients permitted under the transition guidance which includes the ability to carry forward historical lease classification. Refer to Note 8, “Leases,” for a further discussion.

**Note 3. Revenue Recognition**

The Company delivers a variety of products and services through its business segments. The SGK Brand Solutions segment delivers brand management, pre-media services, printing plates and cylinders, engineered products, and imaging services for consumer goods and retail customers, merchandising display systems, and marketing and design services primarily to the consumer goods and retail industries. The Memorialization segment produces and delivers bronze and granite memorials and other memorialization products, caskets, and cremation and incineration equipment primarily for the cemetery and funeral home industries. The Industrial Technologies segment delivers marking and coding equipment and consumables, industrial automation products and order fulfillment systems for identifying, tracking, picking and conveying consumer and industrial products for the warehousing and industrial industries.

(Dollar amounts in thousands, except per share data)

**Note 3. Revenue Recognition (continued)**

The Company disaggregates revenue from contracts with customers by geography, as it believes geographic regions best depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Disaggregated sales by segment and region for the three and nine months ended June 30, 2020 and 2019 were as follows:

| | SGK Brand Solutions | | Memorialization | | Industrial Technologies | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | Three Months Ended June 30, | | Three Months Ended June 30, | | Three Months Ended June 30, | | Three Months Ended June 30, | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| North America | $ 81,852 | $ 77,223 | $ 151,160 | $ 146,131 | $ 25,038 | $ 31,589 | $ 258,050 | $ 254,943 |
| Central and South America | 1,571 | 1,619 | — | — | — | — | 1,571 | 1,619 |
| Europe | 68,702 | 89,254 | 9,163 | 9,847 | 5,647 | 7,076 | 83,512 | 106,177 |
| Australia | 2,865 | 2,912 | 1,795 | 2,239 | — | — | 4,660 | 5,151 |
| Asia | 10,790 | 10,922 | — | — | 839 | 482 | 11,629 | 11,404 |
| Total Sales | $ 165,780 | $ 181,930 | $ 162,118 | $ 158,217 | $ 31,524 | $ 39,147 | $ 359,422 | $ 379,294 |

| | SGK Brand Solutions | | Memorialization | | Industrial Technologies | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | Nine Months Ended June 30, | | Nine Months Ended June 30, | | Nine Months Ended June 30, | | Nine Months Ended June 30, | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| North America | $ 233,530 | $ 235,975 | $ 447,458 | $ 440,865 | $ 85,717 | $ 90,291 | $ 766,705 | $ 767,131 |
| Central and South America | 4,767 | 4,316 | — | — | — | — | 4,767 | 4,316 |
| Europe | 234,130 | 275,842 | 24,629 | 26,611 | 20,026 | 20,448 | 278,785 | 322,901 |
| Australia | 8,804 | 8,772 | 6,255 | 6,803 | — | — | 15,059 | 15,575 |
| Asia | 32,284 | 32,976 | — | — | 1,566 | 1,972 | 33,850 | 34,948 |
| Total Sales | $ 513,515 | $ 557,881 | $ 478,342 | $ 474,279 | $ 107,309 | $ 112,711 | $ 1,099,166 | $ 1,144,871 |

**Note 4. Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three level fair value hierarchy is used to prioritize the inputs used in valuations, as defined below:

Level 1: Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets.
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

(Dollar amounts in thousands, except per share data)

**Note 4. Fair Value Measurements (continued)**

The fair values of the Company's assets and liabilities measured on a recurring basis are categorized as follows:

| | June 30, 2020 | | | | September 30, 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | | | | | |
| Derivatives [(1)] | $ — | $ 1,244 | $ — | $ 1,244 | $ — | $ 845 | $ — | $ 845 |
| Equity and fixed income mutual funds | — | 24,119 | — | 24,119 | — | 22,986 | — | 22,986 |
| Life insurance policies | — | 4,100 | — | 4,100 | — | 4,030 | — | 4,030 |
| Total assets at fair value | $ — | $ 29,463 | $ — | $ 29,463 | $ — | $ 27,861 | $ — | $ 27,861 |
| Liabilities: | | | | | | | | |
| Derivatives [(1)] | $ — | $ 7,513 | $ — | $ 7,513 | $ — | $ 1,379 | $ — | $ 1,379 |
| Total liabilities at fair value | $ — | $ 7,513 | $ — | $ 7,513 | $ — | $ 1,379 | $ — | $ 1,379 |

[(1)] Interest rate swaps are valued based on observable market swap rates and are classified within Level 2 of the fair value hierarchy.

**Note 5. Inventories**

Inventories consisted of the following:

| | June 30, 2020 | September 30, 2019 |
|---|---|---|
| Raw materials | $ 38,076 | $ 35,616 |
| Work in process | 83,552 | 76,297 |
| Finished goods | 60,723 | 68,361 |
| | $ 182,351 | $ 180,274 |

**Note 6. Investments**

Non-current investments consisted of the following:

| | June 30, 2020 | September 30, 2019 |
|---|---|---|
| Equity and fixed income mutual funds | $ 24,119 | $ 22,986 |
| Life insurance policies | 4,100 | 4,030 |
| Equity-method investments | 386 | 39,761 |
| Other investments | 33,463 | 18,724 |
| | $ 62,068 | $ 85,501 |

During the first six months of fiscal 2020, the Company made $9,482 of additional investments in a non-consolidated subsidiary that was being accounted for as an equity-method investment. During the third quarter of fiscal 2020, the Company sold its ownership interest in this subsidiary for $42,210 of cash and $15,000 of senior preferred shares. The senior preferred shares earn a yield based on an escalating rate ranging from 6% to 14% and are expected to be redeemed before the end of calendar year 2022. In connection with this sale transaction, the Company recognized a pre-tax gain of $11,208 which has been recorded as a component of administrative expenses. The senior preferred shares are included within other investments in the table above along with ownership interests in various entities of less than 20%, which are recorded under the cost-method of accounting.

(Dollar amounts in thousands, except per share data)

**Note 7. Debt**

The Company has a domestic credit facility with a syndicate of financial institutions that was amended and restated in March 2020. The amended and restated loan agreement includes a $750,000 senior secured revolving credit facility, which matures in March 2025, and a $35,000 senior secured amortizing term loan, which matures in July 2021. A portion of the revolving credit facility (not to exceed $350,000) can be drawn in foreign currencies. The term loan requires scheduled quarterly principal payments through its maturity date. Borrowings under both the revolving credit facility and the term loan bear interest at LIBOR (Euro LIBOR for balances drawn in Euros) plus a factor ranging from 0.75% to 2.00% (1.50% at June 30, 2020) based on the Company's secured leverage ratio. The secured leverage ratio is defined as net secured indebtedness divided by EBITDA (earnings before interest, income taxes, depreciation and amortization) as defined within the domestic credit facility agreement. The Company is required to pay an annual commitment fee ranging from 0.15% to 0.30% (based on the Company's leverage ratio) of the unused portion of the revolving credit facility. The Company incurred debt issuance costs of approximately $2,000 in connection with the amended and restated agreement, which was deferred and is being amortized over the term of the facility.

The domestic credit facility requires the Company to maintain certain leverage and interest coverage ratios. A portion of the facility (not to exceed $35,000) is available for the issuance of trade and standby letters of credit. Outstanding U.S. dollar denominated borrowings on the revolving credit facility at June 30, 2020 and September 30, 2019 were $275,000 and $325,638, respectively. Outstanding Euro denominated borrowings on the revolving credit facility at June 30, 2020 and September 30, 2019 were €125.0 million ($140,371) and €125.0 million ($136,470), respectively. Outstanding borrowings on the term loan at June 30, 2020 and September 30, 2019 were $28,563 and $53,497, respectively. The weighted-average interest rate on the outstanding borrowings for the domestic credit facility (including the effects of interest rate swaps and Euro denominated borrowings) at June 30, 2020 and June 30, 2019 was 2.44% and 2.75%, respectively.

The Company has $300,000 of 5.25% senior unsecured notes due December 1, 2025 (the "2025 Senior Notes"). The 2025 Senior Notes bear interest at a rate of 5.25% per annum with interest payable semi-annually in arrears on June 1 and December 1 of each year. The Company's obligations under the 2025 Senior Notes are guaranteed by certain of the Company's direct and indirect wholly-owned domestic subsidiaries. The Company is subject to certain covenants and other restrictions in connection with the 2025 Senior Notes. The Company incurred direct financing fees and costs in connection with the 2025 Senior Notes. Unamortized costs were $2,879 and $3,284 at June 30, 2020 and September 30, 2019, respectively.

The Company has a $115,000 accounts receivable securitization facility (the "Securitization Facility") with certain financial institutions. The Securitization Facility, which had a maturity date of April 2020, was amended in March 2020 to extend the maturity date until March 2022. Under the Securitization Facility, the Company and certain of its domestic subsidiaries sell, on a continuous basis without recourse, their trade receivables to Matthews Receivables Funding Corporation, LLC (“Matthews RFC”), a wholly-owned bankruptcy-remote subsidiary of the Company. Matthews RFC in turn assigns a collateral interest in these receivables to certain financial institutions, and then may borrow funds under the Securitization Facility. The Securitization Facility does not qualify for sale treatment. Accordingly, the trade receivables and related debt obligations remain on the Company's Consolidated Balance Sheet. Borrowings under the Securitization Facility bear interest at LIBOR plus0.75%. The Company is required to pay an annual commitment fee ranging from 0.25% to 0.35% of the unused portion of the Securitization Facility. Outstanding borrowings under the Securitization Facility at June 30, 2020 and September 30, 2019 were $85,270 and $93,950, respectively. At June 30, 2020 and 2019, the interest rate on borrowings under this facility was 0.91% and 3.15%, respectively.

The following table presents information related to interest rate contracts entered into by the Company and designated as cash flow hedges:

| | June 30, 2020 | | September 30, 2019 | |
|---|---|---|---|---|
| Pay fixed swaps - notional amount | $ | 343,750 | $ | 293,750 |
| Net unrealized loss | $ | (6,269) | $ | (534) |
| Weighted-average maturity period (years) | | 2.6 | | 1.9 |
| Weighted-average received rate | | 0.16 % | | 2.02 % |
| Weighted-average pay rate | | 1.33 % | | 1.41 % |

(Dollar amounts in thousands, except per share data)

**Note 7. Debt (continued)**

The Company enters into interest rate swaps in order to achieve a mix of fixed and variable rate debt that it deems appropriate. The interest rate swaps have been designated as cash flow hedges of future variable interest payments, which are considered probable of occurring. Based on the Company's assessment, all of the critical terms of each of the hedges matched the underlying terms of the hedged debt and related forecasted interest payments, and as such, these hedges were considered highly effective.

The fair value of the interest rate swaps reflected an unrealized loss, net of unrealized gains, of $6,269 ($4,733 after tax) at June 30, 2020 and an unrealized loss, net of unrealized gains, of $534 ($403 after tax) at September 30, 2019, that is included in shareholders' equity as part of accumulated other comprehensive income (loss) ("AOCI"). Assuming market rates remain constant with the rates at June 30, 2020, a loss (net of tax) of approximately $2,234 included in AOCI is expected to be recognized in earnings over the next twelve months.

At June 30, 2020 and September 30, 2019, the interest rate swap contracts were reflected in the Consolidated Balance Sheets as follows:

| Derivatives | June 30, 2020 | September 30, 2019 |
|---|---|---|
| Current assets: | | |
| Other current assets | $ 249 | $ 548 |
| Long-term assets: | | |
| Other assets | 995 | 297 |
| Current liabilities: | | |
| Other current liabilities | (3,207) | (484) |
| Long-term liabilities: | | |
| Other liabilities | (4,306) | (895) |
| Total derivatives | $ (6,269) | $ (534) |

The (losses) gains recognized on derivatives were as follows:

| Derivatives in Cash Flow Hedging Relationships | Location of (Loss) Gain Recognized in Income on Derivative | Amount of (Loss) Gain Recognized in Income on Derivatives | | Amount of Gain Recognized in Income on Derivatives | |
|---|---|---|---|---|---|
| | | Three Months Ended June 30, | | Nine Months Ended June 30, | |
| | | 2020 | 2019 | 2020 | 2019 |
| Interest rate swaps | Interest expense | $ (438) | $ 874 | $ 108 | $ 2,489 |

The Company recognized the following (losses) gains in AOCI:

| Derivatives in Cash Flow Hedging Relationships | Amount of Loss Recognized in AOCI on Derivatives | | Location of Gain Reclassified From AOCI into Income (Effective Portion*) | Amount of Gain Reclassified from AOCI into Income (Effective Portion*) | |
|---|---|---|---|---|---|
| | June 30, 2020 | June 30, 2019 | | June 30, 2020 | June 30, 2019 |
| Interest rate swaps | $ (4,248) | $ (6,074) | Interest expense | $ 82 | $ 1,879 |

*There is no ineffective portion or amount excluded from effectiveness testing.

The Company, through certain of its European subsidiaries, has a credit facility with a European bank, which is guaranteed by Matthews. The maximum amount of borrowing available under this facility is €35.0 million ($39,304). The credit facility matures in December 2020 and the Company intends to continue to extend this facility. Outstanding borrowings under the credit facility totaled €12.1 million ($13,617) and €12.8 million ($14,024) at June 30, 2020 and September 30, 2019, respectively. The weighted-average interest rate on outstanding borrowings under this facility at June 30, 2020 and 2019 was 1.25%.

**Note 7. Debt (continued)**

The Company's German subsidiary, Matthews Europe GmbH, had €15.0 million ($16,376 at September 30, 2019) of senior unsecured notes with European banks. The notes matured in November 2019 at which point they were paid. The weighted-average interest rate on the notes at June 30, 2019 was 1.40%.

Finance lease liabilities included as a component of debt totaled $10,235 and $3,631 at June 30, 2020 and September 30, 2019, respectively. See Note 8, "Leases" for further discussion on the Company's lease obligations. Other debt totaled $10,707 and $395 at June 30, 2020 and September 30, 2019 respectively. The weighted-average interest rate on other debt was 2.14% and 5.81% at June 30, 2020 and June 30, 2019, respectively.

The Company uses certain foreign currency debt instruments as net investment hedges of foreign operations. Currencylosses of $374 (net of income taxes of $121) and $3,320 (net of income taxes of $1,077), which represent effective hedges of net investments, were reported as a component of AOCI within currency translation adjustment at June 30, 2020 and September 30, 2019, respectively.

In September 2014, a claim was filed by a customer seeking to draw upon a letter of credit issued by the Company of £8,570,000 ($10,566 at June 30, 2020) with respect to a performance guarantee on an incineration equipment project in Saudi Arabia. Management assessed the customer's demand to be without merit and initiated an action with the court in the United Kingdom (the "U.K. Court"). Pursuant to this action, an order was issued by the U.K. Court in January 2015 requiring that, upon receipt by the customer, the funds were to be remitted by the customer to the U.K. Court pending resolution of the dispute between the parties. As a result, the Company made payment on the draw to the financial institution for the letter of credit and the funds were ultimately received by the customer. The customer did not remit the funds to the U.K. Court as ordered. On June 14, 2016, the U.K. Court ruled completely in favor of Matthews following a trial on the merits. However, the ongoing dispute involves litigation in multiple foreign jurisdictions because the contract between the parties includes a venue clause requiring the venue for any litigation to be in the United Kingdom, while the enforcement of any final judgment is required to be executed in Saudi Arabia. The Company continues to pursue a trial on the merits in Saudi Arabia; however, given the recent coronavirus disease 2019 ("COVID-19") pandemic, the trial is now not likely to conclude until calendar year 2021. As the Company has successfully completed the project and subsequently operated the equipment, the Company remains confident regarding the pending trial on the merits in Saudi Arabia and expects to be in a position to enforce the judgment and initiate collection efforts following completion of that trial. However, the Company's level of success in recovering funds from the customer will depend upon several factors including a successful completion of the pending trial on the merits in Saudi Arabia, the availability of recoverable funds, and the subsequent level of support of the Saudi Arabian government to enforce a potential judgment against the customer.

During the third quarter of fiscal 2020, the Saudi Arabian government implemented restrictions on travel to Mecca due to the COVID-19 pandemic. As a result, the Company will not be able to support the operation of the incineration equipment for the local agency responsible for its operation during the current year Hajj Pilgrimage. Consequently, the Company is now concerned regarding the level of anticipated support from the government in its collection efforts. Therefore, when considered collectively with the extended delay in the trial date and other collectability risks, the Company established a reserve for the full value of the funded letter of credit as of June 30, 2020. The funded letter of credit was previously classified within other assets on the Consolidated Balance Sheet as of September 30, 2019. The Company will continue to assess the accounting and collectability related to this matter as facts and circumstances evolve.

As of June 30, 2020, the market value of the Company's 2025 Senior Notes was approximately 10% less than the carrying value. The fair value of the Company's remaining long-term debt, including current maturities, approximated the carrying value included in the Consolidated Balance Sheets. As of September 30, 2019, the fair value of the Company's long-term debt, including current maturities, approximated the carrying value included in the Consolidated Balance Sheets. The Company was in compliance with all of its debt covenants as of June 30, 2020.

**Note 8. Leases**

The Company's lease portfolio includes various contracts for real estate, vehicles, information technology and other equipment. At contract inception, a lease exists if the contract conveys the right to control an identified asset for a period of time in exchange for consideration. Control is considered to exist when the lessee has the right to obtain substantially all of the economic benefits from the use of an identified asset, as well as the right to direct the use of that asset. If a contract is considered to be a lease, the Company recognizes a lease liability based on the present value of the future lease payments, and a corresponding right-of-use asset. As a majority of the Company's leases do not provide an implicit interest rate within the

(Dollar amounts in thousands, except per share data)

**Note 8. Leases (continued)**

lease, an incremental borrowing rate is used to determine the ROU asset and lease liability which is based on information available at the commencement date. Options to purchase, extend or terminate a lease are included in the ROU asset and lease liability when it is reasonably certain an option will be exercised. Renewal options are most prevalent in the Company's real estate leases. In general, the Company has not included renewal options for leases in the ROU asset and lease liability because the likelihood of renewal was not determined to be reasonably certain. In addition, leases may include variable lease payments, for items such as maintenance and utilities, which are expensed as incurred as variable lease expense.

There are two types of leases, operating leases and finance leases. Lease classification is determined at lease commencement. Leases not meeting the finance lease criteria are classified as operating leases. Effective October 1, 2019, ROU assets and corresponding lease liabilities are recorded on the Consolidated Balance Sheet. ROU assets for operating leases are classified in other assets, and ROU assets for finance leases are classified in property, plant and equipment, net on the Consolidated Balance Sheet. For operating leases, short-term lease liabilities are classified in other current liabilities, and long-term lease liabilities are classified in other liabilities on the Consolidated Balance Sheet. For finance leases, short-term lease liabilities are classified in long-term debt, current maturities, and long-term lease liabilities are classified in long-term debt on the Consolidated Balance Sheet. Leases with an initial lease term of twelve months or less have not been recognized on the Consolidated Balance Sheet. Reporting periods prior to October 1, 2019 continue to be presented in accordance with previous lease accounting guidance under GAAP.

The following table presents the balance sheet and lease classification for the Company's lease portfolio:

| Balance Sheet Classification | Lease Classification | | June 30, 2020 |
|---|---|---|---|
| Non-current assets: | | | |
| Property, plant and equipment, net | Finance | $ | 8,338 |
| Other assets | Operating | | 73,650 |
| Total lease assets | | $ | 81,988 |
| | | | |
| Current liabilities: | | | |
| Long-term debt, current maturities | Finance | $ | 3,414 |
| Other current liabilities | Operating | | 23,591 |
| Non-current liabilities: | | | |
| Long-term debt | Finance | | 6,821 |
| Other liabilities | Operating | | 51,039 |
| Total lease liabilities | | $ | 84,865 |

Lease expense for operating leases is recognized on a straight-line basis over the lease term as an operating expense, while the expense for finance leases is recognized as depreciation expense and interest expense using the interest method of recognition. On the cash flow statement, payments for operating leases are classified as operating activities. Payments for finance leases are classified as a financing activity, with the exception of the interest component of the payment which is classified as an operating activity.

The following table presents the components of lease cost:

| | | Three months ended June 30, 2020 | | Nine months ended June 30, 2020 |
|---|---|---|---|---|
| Finance lease cost: | | | | |
| Amortization of ROU assets | $ | 895 | $ | 1,246 |
| Interest on lease liabilities | | 72 | | 149 |
| Operating lease cost | | 5,430 | | 18,527 |
| Variable lease cost | | 1,225 | | 4,106 |
| Sublease income | | (250) | | (649) |
| Total lease cost | $ | 7,372 | $ | 23,379 |

(Dollar amounts in thousands, except per share data)

**Note 8. Leases (continued)**

Supplemental information regarding the Company's leases follows:

| | Nine months ended June 30, 2020 |
|---|---|
| Cash paid for finance and operating lease liabilities: | |
| Operating cash flows from finance leases | $ 149 |
| Operating cash flows from operating leases | $ 22,519 |
| Financing cash flows from finance leases | $ 1,196 |
| ROU assets obtained in exchange for new finance lease liabilities | $ 2,165 |
| ROU assets obtained in exchange for new operating lease liabilities | $ 11,297 |

| | June 30, 2020 |
|---|---|
| Weighted-average remaining lease term - finance leases (years) | 4.68 |
| Weighted-average remaining lease term - operating leases (years) | 4.33 |
| Weighted-discount rate - finance leases | 2.81 % |
| Weighted-discount rate - operating leases | 2.82 % |

The Company elected the practical expedient to not separate lease components from non-lease components for all asset classes. In addition, the Company elected the practical expedient to utilize a portfolio approach for certain equipment asset classes, primarily information technology, as the application of the lease model to the portfolio would not differ materially from the application of the lease model to the individual leases within the portfolio.

Maturities of lease obligations by fiscal year were as follows as of June 30, 2020:

| | Operating Leases | Finance Leases |
|---|---|---|
| 2020 (remainder) | $ 6,738 | $ 957 |
| 2021 | 24,211 | 3,721 |
| 2022 | 17,818 | 2,808 |
| 2023 | 11,952 | 1,119 |
| 2024 | 8,113 | 408 |
| Thereafter | 10,148 | 2,100 |
| Total future minimum lease payments | 78,980 | 11,113 |
| Less: Interest | 4,350 | 878 |
| Present value of lease liabilities: | $ 74,630 | $ 10,235 |

**Note 9. Share-Based Payments**

The Company maintains an equity incentive plan (the "2017 Equity Incentive Plan") that provides for grants of stock options, restricted shares, restricted share units, stock-based performance units and certain other types of stock-based awards. Under the 2017 Equity Incentive Plan, which has a ten-year term, the maximum number of shares available for grants or awards is an aggregate of 1,700,000. At June 30, 2020, there were 1,700,000 shares reserved for future issuance under the 2017 Equity Incentive Plan. 558,200 restricted share units have been granted under the 2017 Equity Incentive Plan and are outstanding as of June 30, 2020. The 2017 Equity Incentive plan is administered by the Compensation Committee of the Board of Directors.

With respect to the restricted share grants, generally one-half of the shares vest on the third anniversary of the grant, one-quarter of the shares vest in one-third increments upon the attainment of pre-defined levels of adjusted earnings per share, and the remaining one-quarter of the shares vest in one-third increments upon attainment of pre-defined levels of appreciation in the market value of the Company's Class A Common Stock. Additionally, restricted shares cannot vest until the first anniversary of the grant date. Unvested restricted shares generally expire on the earlier of three or five years from the date of grant, upon employment termination, or within specified time limits following voluntary employment termination (with the consent of the Company), retirement or death. The Company issues restricted shares from treasury shares.

(Dollar amounts in thousands, except per share data)

**Note 9. Share-Based Payments (continued)**

With respect to the restricted share unit grants, units generally vest on the third anniversary of the grant date. The number of units that vest depend on certain time and performance thresholds. Approximately 38% of the shares vest based on time, while the remaining vest based on pre-defined performance thresholds. The Company issues common stock from treasury shares once vested.

For the three-month periods ended June 30, 2020 and 2019, stock-based compensation cost totaled $2,539 and $1,156, respectively. For the nine-month periods ended June 30, 2020 and 2019, stock-based compensation cost totaled $7,078 and $6,169, respectively. The stock-based compensation cost that was recognized for retirement-eligible employees was $625 for the three-month period ended June 30, 2020, and $1,564 and $1,849 for the nine-month periods ended June 30, 2020 and 2019, respectively. The associated future income tax benefit recognized for stock-based compensation was $622 and $283 for the three-month periods ended June 30, 2020 and 2019, respectively, and $1,415 and $1,153 for the nine-month periods ended June 30, 2020 and 2019, respectively.

The transactions for restricted shares and restricted share units for the nine months ended June 30, 2020 were as follows:

| | Shares /Units | Weighted-average Grant-date Fair Value |
|---|---|---|
| Non-vested at September 30, 2019 | 615,635 | $ 49.61 |
| Granted | 296,000 | 35.29 |
| Vested | (128,795) | 64.08 |
| Expired or forfeited | (36,492) | 56.55 |
| Non-vested at June 30, 2020 | 746,348 | $ 41.09 |

As of June 30, 2020, the total unrecognized compensation cost related to unvested restricted stock was $10,801 and is expected to be recognized over a weighted average period of 1.9 years.

The Company maintains the 2019 Director Fee Plan, the Amended and Restated 2014 Director Fee Plan and the 1994 Director Fee Plan (collectively, the "Director Fee Plans"). There will be no further fees or share-based awards granted under the Amended and Restated 2014 Director Fee Plan and the 1994 Director Fee Plan. Under the 2019 Director Fee Plan, non-employee directors (except for the Chairman of the Board) each receive, as an annual retainer fee for fiscal 2020, either cash or shares of the Company's Class A Common Stock with a value equal to $85. The annual retainer fee for fiscal 2020 paid to the non-employee Chairman of the Board is $185. Where the annual retainer fee is provided in shares, each director may elect to be paid these shares on a current basis or have such shares credited to a deferred stock account as phantom stock, with such shares to be paid to the director subsequent to leaving the Board. The total number of shares of stock that have been authorized to be issued under the 2019 Director Fee Plan or credited to a deferred stock compensation account for subsequent issuance is 150,000 shares of Common Stock (subject to adjustment upon certain events such as stock dividends or stock splits). The value of deferred shares is recorded in other liabilities. A total of 30,574 shares and share units had been deferred under the Director Fee Plans as of June 30, 2020. Additionally, non-employee directors each receive an annual stock-based grant (non-statutory stock options, stock appreciation rights and/or restricted shares or units) with a value of $125 for fiscal 2020. 241,378 restricted shares and restricted share units have been granted under the Director Fee Plans,68,149 of which were issued under the 2019 Director Fee Plan. 68,149 restricted shares and restricted share units are unvested at June 30, 2020.

**Note 10. Earnings Per Share Attributable to Matthews' Shareholders**

The information used to compute earnings (loss) per share attributable to Matthews' common shareholders was as follows:

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Net income (loss) attributable to Matthews shareholders | $ 2,269 | $ 14,629 | $ (94,561) | $ 33,143 |
| Weighted-average shares outstanding (in thousands): | | | | |
| Basic shares | 31,145 | 31,347 | 31,143 | 31,487 |
| Effect of dilutive securities | 87 | 147 | — | 138 |
| Diluted shares | 31,232 | 31,494 | 31,143 | 31,625 |

Anti-dilutive securities excluded from the dilution calculation were insignificant for the three and nine months ended June 30, 2020 and 2019.

**Note 11. Pension and Other Postretirement Benefit Plans**

The Company provides defined benefit pension and other postretirement plans to certain employees.Net periodic pension and other postretirement benefit cost for the plans included the following:

| | Three months ended June 30, | | | |
|---|---|---|---|---|
| | Pension | | Other Postretirement | |
| | 2020 | 2019 | 2020 | 2019 |
| Service cost | $ 2,170 | $ 2,000 | $ 64 | $ 61 |
| Interest cost * | 1,933 | 2,301 | 140 | 180 |
| Expected return on plan assets * | (2,232) | (2,596) | — | — |
| Amortization: | | | | |
| Prior service cost | (47) | (46) | (23) | (49) |
| Net actuarial loss (gain) * | 2,386 | 1,081 | — | (15) |
| Net benefit cost | $ 4,210 | $ 2,740 | $ 181 | $ 177 |

| | Nine months ended June 30, | | | |
|---|---|---|---|---|
| | Pension | | Other Postretirement | |
| | 2020 | 2019 | 2020 | 2019 |
| Service cost | $ 6,510 | $ 6,000 | $ 192 | $ 183 |
| Interest cost * | 5,799 | 6,903 | 420 | 540 |
| Expected return on plan assets * | (6,696) | (7,788) | — | — |
| Amortization: | | | | |
| Prior service cost | (141) | (138) | (69) | (147) |
| Net actuarial loss (gain) * | 7,159 | 3,242 | — | (45) |
| Net benefit cost | $ 12,631 | $ 8,219 | $ 543 | $ 531 |

* Non-service components of pension and postretirement expense are included in other income (deductions), net.

Benefit payments under the Company's principal retirement plan are made from plan assets, while benefit payments under the postretirement benefit plan are made from the Company's operating funds. In response to COVID-19, the federal government passed a modified relief bill, which provides additional funding measures associated with IRS regulations. In accordance with this bill, the Company is no longer required to make contributions for fiscal 2020 to its principal retirement plan. The Company currently expects to make a contribution of approximately $15,000 to its principal retirement plan during the fourth quarter of fiscal 2020, which may consist of cash and/or shares of Matthews Class A Common Stock. The Company is also currently evaluating potential additional cash and/or stock contributions to its principal retirement plan during fiscal 2020.

(Dollar amounts in thousands, except per share data)

**Note 11. Pension and Other Postretirement Benefit Plans (continued)**

Contributions made and anticipated for fiscal year 2020 are as follows:

| Contributions | Pension | Other Postretirement |
|---|---|---|
| Contributions during the nine months ended June 30, 2020: | | |
| Supplemental retirement plan | $ 589 | $ — |
| Other postretirement plan | — | 726 |
| | | |
| Additional contributions expected in fiscal 2020: | | |
| Principal retirement plan * | $ 15,000 | $ — |
| Supplemental retirement plan | 293 | — |
| Other postretirement plan | — | 263 |

* Amount represents expected contribution of cash and/or stock (see above).

**Note 12. Accumulated Other Comprehensive Income**

The changes in AOCI by component, net of tax, for the three-month periods ended June 30, 2020 and 2019 were as follows:

| | Post-retirement benefit plans | | Currency translation adjustment | Derivatives | | Total |
|---|---|---|---|---|---|---|
| Attributable to Matthews: | | | | | | |
| Balance, March 31, 2020 | $ (68,189) | | $ (175,751) | $ (4,555) | | $ (248,495) |
| OCI before reclassification | — | | 11,240 | (509) | | 10,731 |
| Amounts reclassified from AOCI | 1,743 | (a) | — | 330 | (b) | 2,073 |
| Net current-period OCI | 1,743 | | 11,240 | (179) | | 12,804 |
| Balance, June 30, 2020 | $ (66,446) | | $ (164,511) | $ (4,734) | | $ (235,691) |
| Attributable to noncontrolling interest: | | | | | | |
| Balance, March 31, 2020 | $ — | | $ 371 | $ — | | $ 371 |
| OCI before reclassification | — | | — | — | | — |
| Net current-period OCI | — | | — | — | | — |
| Balance, June 30, 2020 | $ — | | $ 371 | $ — | | $ 371 |

| | Post-retirement benefit plans | | Currency translation adjustment | Derivatives | | Total |
|---|---|---|---|---|---|---|
| Attributable to Matthews: | | | | | | |
| Balance, March 31, 2019 | $ (36,413) | | $ (147,390) | $ 3,617 | | $ (180,186) |
| OCI before reclassification | — | | 2,639 | (2,372) | | 267 |
| Amounts reclassified from AOCI | 705 | (a) | — | (660) | (b) | 45 |
| Net current-period OCI | 705 | | 2,639 | (3,032) | | 312 |
| Balance, June 30, 2019 | $ (35,708) | | $ (144,751) | $ 585 | | $ (179,874) |
| Attributable to noncontrolling interest: | | | | | | |
| Balance, March 31, 2019 | $ — | | $ 473 | $ — | | $ 473 |
| OCI before reclassification | — | | (5) | — | | (5) |
| Net current-period OCI | — | | (5) | — | | (5) |
| Balance, June 30, 2019 | $ — | | $ 468 | $ — | | $ 468 |

(a) Amounts were included in net periodic benefit cost for pension and other postretirement benefit plans (see Note 11).
(b) Amounts were included in interest expense in the periods the hedged item affected earnings (see Note 7).

(Dollar amounts in thousands, except per share data)

**Note 12. Accumulated Other Comprehensive Income (continued)**

The changes in AOCI by component, net of tax, for the nine-month periods ended June 30, 2020 and 2019 were as follows:

| | Post-retirement benefit plans | | Currency translation adjustment | Derivatives | | Total |
|---|---|---|---|---|---|---|
| Attributable to Matthews: | | | | | | |
| Balance, September 30, 2019 | $ (71,743) | | $ (156,214) | $ (404) | | $ (228,361) |
| OCI before reclassification | — | | (8,297) | (4,248) | | (12,545) |
| Amounts reclassified from AOCI | 5,297 | (a) | — | (82) | (b) | 5,215 |
| Net current-period OCI | 5,297 | | (8,297) | (4,330) | | (7,330) |
| Balance, June 30, 2020 | $ (66,446) | | $ (164,511) | $ (4,734) | | $ (235,691) |
| Attributable to noncontrolling interest: | | | | | | |
| Balance, September 30, 2019 | $ — | | $ 375 | $ — | | $ 375 |
| OCI before reclassification | — | | (4) | — | | (4) |
| Net current-period OCI | — | | (4) | — | | (4) |
| Balance, June 30, 2020 | $ — | | $ 371 | $ — | | $ 371 |

| | Post-retirement benefit plans | | Currency translation adjustment | Derivatives | | Total |
|---|---|---|---|---|---|---|
| Attributable to Matthews: | | | | | | |
| Balance, September 30, 2018 | $ (37,876) | | $ (134,960) | $ 8,538 | | $ (164,298) |
| OCI before reclassification | — | | (9,791) | (6,074) | | (15,865) |
| Amounts reclassified from AOCI | 2,168 | (a) | — | (1,879) | (b) | 289 |
| Net current-period OCI | 2,168 | | (9,791) | (7,953) | | (15,576) |
| Balance, June 30, 2019 | $ (35,708) | | $ (144,751) | $ 585 | | $ (179,874) |
| Attributable to noncontrolling interest: | | | | | | |
| Balance, September 30, 2018 | $ — | | $ 467 | $ — | | $ 467 |
| OCI before reclassification | — | | 1 | — | | 1 |
| Net current-period OCI | — | | 1 | — | | 1 |
| Balance, June 30, 2019 | $ — | | $ 468 | $ — | | $ 468 |

(a) Amounts were included in net periodic benefit cost for pension and other postretirement benefit plans (see Note 11).
(b) Amounts were included in interest expense in the periods the hedged item affected earnings (see Note 7).

(Dollar amounts in thousands, except per share data)

**Note 12. Accumulated Other Comprehensive Income (continued)**

Reclassifications out of AOCI for the three and nine-month periods ended June 30, 2020 were as follows:

| | Amount reclassified from AOCI | | | |
|---|---|---|---|---|
| **Details about AOCI Components** | **Three Months Ended June 30, 2020** | | **Nine Months Ended June 30, 2020** | **Affected line item in the Statement of income** |
| Postretirement benefit plans | | | | |
| Prior service (cost) credit | $ 70 | (a) | $ 210 | |
| Actuarial losses | (2,386) | (a) | (7,159) | |
| | (2,316) | (b) | (6,949) | Income before income tax |
| | 573 | | 1,652 | Income taxes |
| | $ (1,743) | | $ (5,297) | Net income |
| Derivatives | | | | |
| Interest rate swap contracts | $ (438) | | $ 108 | Interest expense |
| | (438) | (b) | 108 | Income before income tax |
| | 108 | | (26) | Income taxes |
| | $ (330) | | $ 82 | Net income |

Reclassifications out of AOCI for the three and nine-month periods ended June 30, 2019 were as follows:

| | Amount reclassified from AOCI | | | |
|---|---|---|---|---|
| **Details about AOCI Components** | **Three Months Ended June 30, 2019** | | **Nine Months Ended June 30, 2019** | **Affected line item in the Statement of income** |
| Postretirement benefit plans | | | | |
| Prior service credit | $ 95 | (a) | $ 285 | |
| Actuarial losses | (1,066) | (a) | (3,197) | |
| | (971) | (b) | (2,912) | Income before income tax |
| | 266 | | 744 | Income taxes |
| | $ (705) | | $ (2,168) | Net income |
| Derivatives | | | | |
| Interest rate swap contracts | $ 874 | | $ 2,489 | Interest expense |
| | 874 | (b) | 2,489 | Income before income tax |
| | (214) | | (610) | Income taxes |
| | $ 660 | | $ 1,879 | Net income |

(a) Prior service cost amounts are included in the computation of pension and other postretirement benefit expense, which is reported in both cost of goods sold and selling and administrative expenses. Actuarial losses are reported in other income (deductions), net. For additional information, see Note 11.

(b) For pre-tax items, positive amounts represent income and negative amounts represent expense.

**Note 13. Income Taxes**

Income tax provisions for the Company's interim periods are based on the effective income tax rate expected to be applicable for the full year. The Company's consolidated income taxes for the nine months ended June 30, 2020 were a benefit of $22,672, compared to an expense of $4,429 for the first nine months of fiscal 2019. The differences between the Company’s consolidated income taxes for the first nine months of fiscal 2020 versus the same period for fiscal 2019 primarily resulted from

(Dollar amounts in thousands, except per share data)

**Note 13. Income Taxes (continued)**

the fiscal 2020 consolidated loss before income taxes, which reflected the goodwill write-down recorded during the second quarter of fiscal 2020, which was partially non-deductible, as well as a benefit for an expected net operating loss ("NOL") carryback. The NOL will be carried back five years allowing it to offset income that was previously taxed at a federal statutory rate of 35.0%. The Company's fiscal 2020 nine-month effective tax rate varied from the U.S. statutory tax rate of 21.0% primarily due to state taxes, foreign statutory rate differentials, tax credits, the goodwill write-down, the expected NOL carryback, and discrete tax benefits recognized during the current year. The Company's fiscal 2019 nine-month effective tax rate varied from the U.S. statutory tax rate of 21.0% primarily due to tax planning completed during the second quarter of fiscal 2019 that resulted in a discrete tax benefit.

The Company had unrecognized tax benefits (excluding penalties and interest) of $11,834 and $15,526 on June 30, 2020 and September 30, 2019, respectively, of which $8,620 and $11,417 would impact the annual effective rate at June 30, 2020 and September 30, 2019, respectively. It is reasonably possible that the amount of unrecognized tax benefits could decrease by approximately $9,034 in the next 12 months primarily due to the completion of audits and the expiration of the statute of limitations.

The Company classifies interest and penalties on tax uncertainties as a component of the provision for income taxes. Total penalties and interest accrued were $2,424 and $2,880 at June 30, 2020 and September 30, 2019, respectively. These accruals may potentially be applicable in the event of an unfavorable outcome of uncertain tax positions.

The Company is currently under examination in several tax jurisdictions and remains subject to examination until the statute of limitations expires for those tax jurisdictions. As of June 30, 2020, the tax years that remain subject to examination by major jurisdiction generally are:

| | |
|---|---|
| United States – Federal | 2017 and forward |
| United States – State | 2015 and forward |
| Canada | 2016 and forward |
| Germany | 2015 and forward |
| United Kingdom | 2018 and forward |
| Australia | 2015 and forward |
| Singapore | 2016 and forward |

**Note 14. Segment Information**

The Company manages its businesses under three segments: SGK Brand Solutions, Memorialization and Industrial Technologies. The SGK Brand Solutions segment consists of brand management, pre-media services, printing plates and cylinders, engineered products, imaging services, digital asset management, merchandising display systems, and marketing and design services primarily for the consumer goods and retail industries. The Memorialization segment consists primarily of bronze and granite memorials and other memorialization products, caskets, and cremation and incineration equipment primarily for the cemetery and funeral home industries. The Industrial Technologies segment includes marking and coding equipment and consumables, industrial automation products and order fulfillment systems for identifying, tracking, picking and conveying consumer and industrial products.

The Company's primary measure of segment profitability is adjusted earnings before interest, income taxes, depreciation and amortization ("adjusted EBITDA"). Adjusted EBITDA is defined by the Company as earnings before interest, income 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. This presentation is consistent with how the Company's chief operating decision maker (the "CODM") evaluates the results of operations and makes strategic decisions about the business. For these reasons, the Company believes that adjusted EBITDA represents the most relevant measure of segment profit and loss.

(Dollar amounts in thousands, except per share data)

**Note 14. Segment Information (continued)**

In addition, the CODM manages and evaluates the operating performance of the segments, as described above, on a pre-corporate cost allocation basis. Accordingly, for segment reporting purposes, the Company does not allocate corporate costs to its reportable segments. Corporate costs include management and administrative support to the Company, which consists of certain aspects of the Company’s executive management, legal, compliance, human resources, information technology (including operational support) and finance departments. These costs are included within "Corporate and Non-Operating" in the following table to reconcile to consolidated adjusted EBITDA and are not considered a separate reportable segment. Management does not allocate non-operating items such as investment income, other income (deductions), net and noncontrolling interest to the segments.

The following table sets forth information about the Company's segments, including a reconciliation of adjusted EBITDA to net income.

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| Sales: | | | | |
| SGK Brand Solutions | $ 165,780 | $ 181,930 | $ 513,515 | $ 557,881 |
| Memorialization | 162,118 | 158,217 | 478,342 | 474,279 |
| Industrial Technologies | 31,524 | 39,147 | 107,309 | 112,711 |
| Consolidated Sales | $ 359,422 | $ 379,294 | $ 1,099,166 | $ 1,144,871 |
| | | | | |
| Adjusted EBITDA: | | | | |
| SGK Brand Solutions | $ 20,846 | $ 29,891 | $ 61,808 | $ 86,612 |
| Memorialization | 37,734 | 36,075 | 103,020 | 101,361 |
| Industrial Technologies | 4,679 | 7,278 | 15,205 | 15,665 |
| Corporate and Non-Operating | (13,862) | (14,290) | (41,009) | (42,015) |
| Total Adjusted EBITDA | $ 49,397 | $ 58,954 | $ 139,024 | $ 161,623 |
| | | | | |
| Acquisition costs (1)** | (304) | (2,980) | (2,912) | (8,386) |
| ERP integration costs (2)** | (745) | (2,355) | (2,160) | (6,337) |
| Strategic initiatives and other charges (3)** | (5,570) | (1,037) | (25,040) | (3,149) |
| Gain (loss) on sale of ownership interests in a subsidiary(4) | 11,208 | — | 11,208 | (4,465) |
| Legal matter reserve (5) | (10,566) | — | (10,566) | — |
| Non-recurring / incremental COVID-19 costs (6) | (1,871) | — | (2,534) | — |
| Goodwill write-down (7) | — | — | (90,408) | — |
| Joint Venture depreciation, amortization, interest expense and other charges (8) | (2,473) | (866) | (4,732) | (866) |
| Stock-based compensation | (2,539) | (1,156) | (7,078) | (6,169) |
| Non-service pension and postretirement expense (9) | (2,227) | (951) | (6,682) | (2,852) |
| Depreciation and amortization * | (30,168) | (20,483) | (88,418) | (60,759) |
| Interest expense | (8,082) | (10,508) | (26,935) | (31,068) |
| Net loss attributable to noncontrolling interests | (420) | (205) | (491) | (541) |
| (Loss) income before income taxes | (4,360) | 18,413 | (117,724) | 37,031 |
| Income tax benefit (provision) | 6,209 | (3,989) | 22,672 | (4,429) |
| Net income (loss) | $ 1,849 | $ 14,424 | $ (95,052) | $ 32,602 |

**Note 14. Segment Information (continued)**

(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 a gain (loss) on the sale of ownership interests in a subsidiary within the Memorialization segment.

(5) Represents a reserve established for a legal matter involving a letter of credit for a customer in Saudi Arabia within the Memorialization segment (see Note 7, "Debt").

(6) Includes certain non-recurring direct incremental costs (such as costs for purchases of computer peripherals and devices to facilitate working-from-home, additional personal protective equipment and cleaning supplies and services, etc.) incurred in response to COVID-19. This amount does not include the impact of any lost sales or underutilization due to COVID-19.

(7) Represents the goodwill write-down for two reporting units within the SGK Brand Solutions segment (see Note 16, "Goodwill and Other Intangible Assets").

(8) Represents the Company's portion of depreciation, intangible amortization, interest expense, and other non-recurring charges incurred by non-consolidated subsidiaries accounted for as equity-method investments within the Memorialization segment.

(9) 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.

* Depreciation and amortization was $ 21,833 and $12,757 for the SGK Brand Solutions segment, $ 5,549 and $4,840 for the Memorialization segment, $1,450 and $1,545 for the Industrial Technologies segment, and $1,336 and $1,341 for Corporate and Non-Operating, for the three months ended June 30, 2020 and 2019, respectively. Depreciation and amortization was $ 65,274 and $37,364 for the SGK Brand Solutions segment, $15,024 and $14,898 for the Memorialization segment, $4,320 and $4,630 for the Industrial Technologies segment, and $3,800 and $3,867 for Corporate and Non-Operating, for the nine months ended June 30, 2020 and 2019, respectively.

** Acquisition costs, ERP integration costs, and strategic initiatives and other charges were $ 1,794 and $449 for the SGK Brand Solutions segment and $ 4,128 and $5,923 for Corporate and Non-Operating, for the three months ended June 30, 2020 and 2019, respectively. Acquisition costs, ERP integration costs, and strategic initiatives and other charges were $697 for the Memorialization segment for the three months ended June 30, 2020. Acquisition costs, ERP integration costs, and strategic initiatives and other charges were $9,058 and $3,858 for the SGK Brand Solutions segment and $ 19,032 and $14,014 for Corporate and Non-Operating, for the nine months ended June 30, 2020 and 2019, respectively. Acquisition costs, ERP integration costs, and strategic initiatives and other charges were $1,754 for the Memorialization segment and $268 for the Industrial Technologies segment, for the nine months ended June 30, 2020.

**Note 15. Acquisitions and Divestitures**

Fiscal 2019:

On November 1, 2018 the Company acquired 80% ownership of Frost Converting Systems, Inc. ("Frost") for a purchase price of approximately $7,162 (net of cash acquired and holdback amounts). Frost is a leading global supplier of high-performance rotary dies for embossing, creasing and cutting of paperboard packaging and is included in the Company's SGK Brand Solutions segment. The Company finalized the allocation of the purchase price related to the Frost acquisition in the fourth quarter of fiscal 2019, resulting in an immaterial adjustment to certain working capital accounts.

During fiscal 2019, the Company completed small acquisitions in the Memorialization segment for a combined purchase price of $3,094 (net of cash acquired and holdback amounts). The Company finalized the purchase price allocations related to these acquisitions in the first quarter of fiscal 2020, resulting in an immaterial adjustment to certain working capital accounts.

During fiscal 2019, the Company completed the sale of a 51% ownership interest in a small Memorialization business. Net proceeds from this sale totaled approximately $8,254, and the transaction resulted in the recognition of a $4,465 loss for the nine months ended June 30, 2019, which is included as a component of administrative expenses. Immediately following the transaction, the Company retained a non-controlling interest in this business.

(Dollar amounts in thousands, except per share data)

**Note 16. Goodwill and Other Intangible Assets**

A summary of the carrying amount of goodwill attributable to each segment as well as the changes in such amounts are as follows:

| | SGK Brand Solutions | Memorialization | Industrial Technologies | Consolidated |
|---|---|---|---|---|
| Net goodwill at September 30, 2019 | $ 395,704 | $ 359,737 | $ 91,366 | $ 846,807 |
| Additions during period | — | — | — | — |
| Divestiture during period | — | — | — | — |
| Translation and other adjustments | (1,100) | 688 | 69 | (343) |
| Goodwill write-down | (90,408) | — | — | (90,408) |
| Net goodwill at June 30, 2020 | $ 304,196 | $ 360,425 | $ 91,435 | $ 756,056 |

The net goodwill balances at June 30, 2020 and September 30, 2019 included $178,732 and $88,324 of accumulated impairment losses, respectively. Accumulated impairment losses at June 30, 2020 were $173,732 and $5,000 for the SGK Brand Solutions and Memorialization segments, respectively. Accumulated impairment losses at September 30, 2019 were $83,324 and $5,000 for the SGK Brand Solutions and Memorialization segments, respectively.

The Company performed its annual impairment review of goodwill and indefinite-lived intangible assets in the second quarter of fiscal 2020 (January 1, 2020) and determined that the estimated fair values for all goodwill reporting units exceeded their carrying values. The estimated fair values for two reporting units within the SGK Brand Solutions segment (Graphics Imaging and Cylinders, Surfaces and Engineered Products) exceeded their carrying values (expressed as a percentage of carrying value) by less than 10% as of January 1, 2020.

On January 30, 2020, the World Health Organization declared an outbreak of COVID-19 to be a Public Health Emergency of International Concern, and subsequently recognized COVID-19 as a global pandemic on March 11, 2020. Widespread efforts have been deployed by multiple countries around the world to prevent the virus from spreading, including temporary closures of non-essential businesses, event cancellations, travel restrictions, quarantines, and other disruptive actions. Substantially all of the Company's operations have remained open during the COVID-19 pandemic, as they have been considered "essential" businesses during this time. However, the Company has experienced some commercial impact and business disruptions in certain segments and geographic locations as a result of COVID-19.

In its assessment of the potential impacts of COVID-19 on the estimated future earnings and cash flows for the SGK Brand Solutions segment, and in light of the limited excess fair values for its two reporting units (discussed above), management determined that COVID-19 represented a triggering event, resulting in a re-evaluation of the goodwill for its reporting units within the SGK Brand Solutions segment (Graphics Imaging and Cylinders, Surfaces and Engineered Products), as of March 31, 2020. As a result of this interim assessment, the Company recorded a goodwill write-down totaling $90,408 during the fiscal 2020 second quarter. Subsequent to this write-down, the fair values of the two reporting units within the SGK Brand Solutions segment (Graphics Imaging and Cylinders, Surfaces and Engineered Products) approximated their carrying values at March 31, 2020. The fair values for these reporting units were determined using level 3 inputs (including estimates of revenue growth, EBITDA contribution and the discount rates) and a combination of the income approach using the estimated discounted cash flows and a market-based valuation methodology. If current projections are not achieved or specific valuation factors outside the Company's control (such as discount rates and continued economic and industry impacts of COVID-19) significantly change, additional goodwill write-downs may be necessary in future periods.

(Dollar amounts in thousands, except per share data)

**Note 16. Goodwill and Other Intangible Assets (continued)**

The following tables summarize the carrying amounts and related accumulated amortization for intangible assets as of June 30, 2020 and September 30, 2019, respectively.

| | Carrying Amount | Accumulated Amortization | Net |
|---|---|---|---|
| **June 30, 2020:** | | | |
| Indefinite-lived trade names | $ 30,540 | $ — | $ 30,540 |
| Definite-lived trade names | 148,672 | (53,941) | 94,731 |
| Customer relationships | 374,448 | (158,819) | 215,629 |
| Copyrights/patents/other | 20,420 | (14,115) | 6,305 |
| | $ 574,080 | $ (226,875) | $ 347,205 |
| **September 30, 2019**: | | | |
| Indefinite-lived trade names | $ 30,540 | $ — | $ 30,540 |
| Definite-lived trade names | 148,628 | (22,653) | 125,975 |
| Customer relationships | 374,515 | (137,330) | 237,185 |
| Copyrights/patents/other | 20,463 | (13,513) | 6,950 |
| | $ 574,146 | $ (173,496) | $ 400,650 |

The net change in intangible assets during the nine months ended June 30, 2020 included the impact of foreign currency fluctuations during the period and additional amortization.

Amortization expense on intangible assets was $17,825 and $9,543 for the three-month periods ended June 30, 2020 and 2019, respectively. For the nine-month periods ended June 30, 2020 and 2019, amortization expense was $53,639 and $27,165, respectively. Amortization expense is estimated to be $17,844 for the remainder of fiscal 2020, $60,156 in 2021, $46,766 in 2022, $27,833 in 2023 and $26,214 in 2024.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

**CAUTIONARY STATEMENTS REGARDING FORWARD LOOKING STATEMENTS AND NON-GAAP FINANCIAL MEASURES:**

The following discussion should be read in conjunction with the consolidated financial statements of Matthews International Corporation ("Matthews" or the "Company") and related notes thereto included in this Quarterly Report on Form 10-Q and the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2019. Any forward-looking statements contained herein are included pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks and uncertainties that may cause the Company's actual results in future periods to be materially different from management's expectations. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct. Factors that could cause the Company's results to differ materially from the results discussed in such forward-looking statements principally include changes in domestic or international economic conditions, changes in foreign currency exchange rates, changes in the cost of materials used in the manufacture of the Company's products, changes in mortality and cremation rates, changes in product demand or pricing as a result of consolidation in the industries in which the Company operates, changes in product demand or pricing as a result of domestic or international competitive pressures, ability to achieve cost-reduction objectives, unknown risks in connection with the Company's acquisitions, cybersecurity concerns, effectiveness of the Company's internal controls, compliance with domestic and foreign laws and regulations, technological factors beyond the Company's control, impact of pandemics or similar outbreaks, such as coronavirus disease 2019 ("COVID-19") or other disruptions to our industries, customers or supply chains, and other factors described in Item 1A - "Risk Factors" in this Form 10-Q and Item 1A - "Risk Factors" in the Company's Form 10-K for the fiscal year ended September 30, 2019. In addition, although the Company does not have any customers that would be considered individually significant to consolidated sales, changes in the distribution of the Company's products or the potential loss of one or more of the Company's larger customers are also considered risk factors. Matthews cautions that the foregoing list of important factors is not all inclusive. Readers are also cautioned not to place undue reliance on any forward looking statements, which reflect management's analysis only as of the date of this report, even if subsequently made available by Matthews on its website or otherwise. Matthews does not undertake to update any forward looking statement, whether written or oral, that may be made from time to time by or on behalf of Matthews to reflect events or circumstances occurring after the date of this report.

Included in this report are measures of financial performance that are not defined by generally accepted accounting principles in the United States ("GAAP"). These non-GAAP financial measures assist management in comparing the Company's 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. For additional information and reconciliations from the consolidated financial statements see "Non-GAAP Financial Measures" below.

**RESULTS OF OPERATIONS:**

The Company manages its businesses under three segments: SGK Brand Solutions, Memorialization and Industrial Technologies. The SGK Brand Solutions segment consists of brand management, pre-media services, printing plates and cylinders, engineered products, imaging services, digital asset management, merchandising display systems, and marketing and design services primarily for the consumer goods and retail industries. The Memorialization segment consists primarily of bronze and granite memorials and other memorialization products, caskets, and cremation and incineration equipment primarily for the cemetery and funeral home industries. The Industrial Technologies segment includes marking and coding equipment and consumables, industrial automation products and order fulfillment systems for identifying, tracking, picking and conveying consumer and industrial products.

The Company's primary measure of segment profitability is adjusted earnings before interest, income taxes, depreciation and amortization ("adjusted EBITDA"). Adjusted EBITDA is defined by the Company as earnings before interest, income 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. This presentation is consistent with how the Company's chief operating decision maker (the "CODM") evaluates the results of operations and makes strategic decisions about the business. For these reasons, the Company believes that adjusted EBITDA represents the most relevant measure of segment profit and loss.

In addition, the CODM manages and evaluates the operating performance of the segments, as described above, on a pre-corporate cost allocation basis. Accordingly, for segment reporting purposes, the Company does not allocate corporate costs to its reportable segments. Corporate costs include management and administrative support to the Company, which consists of certain aspects of the Company's executive management, legal, compliance, human resources, information technology (including operational support) and finance departments. These costs are included within "Corporate and Non-Operating" in the following table to reconcile to consolidated adjusted EBITDA and are not considered a separate reportable segment. Management does not allocate non-operating items such as investment income, other income (deductions), net and noncontrolling interest to the segments.

The following table sets forth the sales and adjusted EBITDA for the Company's three reporting segments for the three and nine-month periods ended June 30, 2020 and 2019. Refer to Note 14, "Segment Information" in Item 1 - "Financial Statements" for the Company's financial information by segment.

| | **Three Months Ended June 30,** | | **Nine Months Ended June 30,** | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| Sales: | *(Dollar amounts in thousands)* | | | |
| SGK Brand Solutions | $ 165,780 | $ 181,930 | $ 513,515 | $ 557,881 |
| Memorialization | 162,118 | 158,217 | 478,342 | 474,279 |
| Industrial Technologies | 31,524 | 39,147 | 107,309 | 112,711 |
| Consolidated Sales | $ 359,422 | $ 379,294 | $ 1,099,166 | $ 1,144,871 |
| | | | | |
| Adjusted EBITDA: | | | | |
| SGK Brand Solutions | $ 20,846 | $ 29,891 | $ 61,808 | $ 86,612 |
| Memorialization | 37,734 | 36,075 | 103,020 | 101,361 |
| Industrial Technologies | 4,679 | 7,278 | 15,205 | 15,665 |
| Corporate and Non-Operating | (13,862) | (14,290) | (41,009) | (42,015) |
| Total Adjusted EBITDA [(1)] | $ 49,397 | $ 58,954 | $ 139,024 | $ 161,623 |

[(1)] Total Adjusted EBITDA is a non-GAAP financial measure. See the "Non-GAAP Financial Measures" section below.

Beginning in the second quarter of fiscal 2020, sales were unfavorably impacted by the global outbreak of COVID-19, which has caused some commercial impact and business disruptions in certain of the Company's segments and geographic locations. While substantially all of the Company's operations have remained open during the COVID-19 pandemic, management expects COVID-19 to unfavorably impact its sales and results of operations in the short-term and for the remainder of fiscal 2020 (see "Forward Looking Information" below).

Sales for the nine months ended June 30, 2020 were $1.10 billion, compared to $1.14 billion for the nine months ended June 30, 2019, representing a decrease of $45.7 million. The decrease in fiscal 2020 sales reflected lower sales in the SGK Brand Solutions and Industrial Technologies segments, partially offset by increased sales in the Memorialization segment. Changes in foreign currency rates were estimated to have an unfavorable impact of $10.4 million on fiscal 2020 consolidated sales compared to a year ago.

In the SGK Brand Solutions segment, sales for the first nine months of fiscal 2020 were $513.5 million, compared to $557.9 million for the first nine months of fiscal 2019. The decrease primarily resulted from lower brand sales in the U.S. and the U.K., sales declines in the private label brand market, and lower sales of cylinders, surfaces and engineered products in Europe. These decreases were partially offset by sales growth in the Asia-Pacific region and increased sales for the merchandising solutions business. Changes in foreign currency exchange rates had an unfavorable impact of $8.5 million on the segment's sales compared to the prior year. Memorialization segment sales for the first nine months of fiscal 2020 were $478.3 million, compared to $474.3 million for the first nine months of fiscal 2019. The increase in sales primarily resulted from increased unit sales of caskets and higher sales of cremation and incineration equipment. These increases were partially offset by lower unit sales of cemetery memorial products, which were impacted by COVID-19 related stay-at-home orders that limited families' access with cemeteries to arrange for their memorials. Changes in foreign currency exchange rates had an unfavorable impact of $1.1 million on the segment's sales compared to the prior year. Industrial Technologies segment sales were $107.3 million for the first nine months of fiscal 2020, compared to $112.7 million for the first nine months of fiscal 2019. The decrease reflected lower sales of warehouse automation systems and decreased applied technologies sales, partially offset by higher product identification sales. Orders for warehouse automation solutions remained strong, but access to job sites to complete these projects has been restricted due to COVID-19. Changes in foreign currency exchange rates had an unfavorable impact of $824,000 on the segment's sales compared to the prior year. Gross profit for the nine months ended June 30, 2020 was $361.4 million, compared to $399.9 million for the same period a year ago. Consolidated gross profit as a percent of sales was 32.9% and 34.9% for the first nine months of fiscal 2020 and fiscal 2019, respectively. The decrease in gross profit primarily reflected lower sales, unfavorable changes in product mix, ongoing price competition in the brand market, and unfavorable changes in margins for cylinders, surfaces and engineered products within the SGK Brand Solutions segment. These declines were partially offset by the realization of productivity improvements and cost-reduction initiatives. Gross profit also included acquisition integration costs and other charges totaling $6.6 million and $1.5 million for the nine months ended June 30, 2020 and 2019, respectively.

Selling and administrative expenses for the nine months ended June 30, 2020 were $302.2 million, compared to $302.6 million for the first nine months of fiscal 2019. Consolidated selling and administrative expenses, as a percent of sales, were 27.5% for the nine months ended June 30, 2020, compared to 26.4% for the same period last year. Selling and administrative expenses included acquisition integration and related systems-integration costs, and other charges primarily in connection with cost-reduction initiatives totaling $25.6 million in fiscal 2020, compared to $16.3 million in fiscal 2019. Fiscal 2020 selling and administrative expenses also included a $10.6 million charge for a legal matter involving a letter of credit for a customer in Saudi Arabia (see "Liquidity and Capital Resources" below). These increases in selling and administrative expenses were partially offset by the impact of lower sales in fiscal 2020, reduced travel and entertainment costs resulting from the COVID-19 pandemic, and benefits from ongoing cost-reduction initiatives. Selling and administrative expenses also included an $11.2 million gain and a $4.5 million loss recognized on the sales of ownership interests in a Memorialization business completed in fiscal 2020 and 2019, respectively. Intangible amortization for the nine months ended June 30, 2020 was $53.6 million, compared to $27.2 million for the nine months ended June 30, 2019. The increase in intangible amortization primarily reflected $25.0 million of incremental amortization resulting from the fiscal 2019 reduction in useful lives for certain trade names that are being discontinued. During the second quarter of fiscal 2020, the Company recorded a goodwill write-down totaling $90.4 million related to its two reporting units within the SGK Brand Solutions segment (Graphics Imaging and Cylinders, Surfaces and Engineered Products) Refer to Note 16, "Goodwill and Other Intangible Assets" in Item 1 - "Financial Statements" for further details.

Adjusted EBITDA was $139.0 million for the nine months ended June 30, 2020 and $161.6 million for the nine months ended June 30, 2019. Adjusted EBITDA for the SGK Brand Solutions segment was $61.8 million for the first nine months of fiscal 2020 compared to $86.6 million for the same period a year ago. The decrease in segment adjusted EBITDA primarily reflected the impact of lower sales, unfavorable changes in product mix, ongoing price competition, and a decline in margins for cylinders, surfaces and engineered products. Changes in foreign currency exchange rates had an unfavorable impact of $1.5 million on the segment's adjusted EBITDA compared to the prior year. These decreases were partially offset by the impact of sales growth in the Asia-Pacific region and benefits from cost-reduction initiatives. Memorialization segment adjusted EBITDA was $103.0 million for the first nine months of fiscal 2020 compared to $101.4 million for the first nine months of fiscal 2019. The increase in segment adjusted EBITDA reflected the impact of higher sales and benefits from productivity initiatives, partially offset by lower margins on sales of cremation and incineration products. Adjusted EBITDA for the Industrial Technologies segment for the nine months ended June 30, 2020 was $15.2 million, compared to $15.7 million for the same period a year ago. Industrial Technologies segment adjusted EBITDA reflected the impact of lower sales of warehouse automation systems and decreased applied technologies sales, partially offset by the impact of higher product identification sales.

Investment income was $1.4 million for both the nine months ended June 30, 2020 and the nine months ended June 30, 2019. Investment income for both periods primarily reflected changes in the value of investments (primarily marketable securities) held in trust for certain of the Company's benefit plans. Interest expense for the first nine months of fiscal 2020 was $26.9 million, compared to $31.1 million for the same period last year. The decrease in interest expense reflected lower average interest rates and a decrease in average borrowing levels in the current fiscal year. Other income (deductions), net, for the nine months ended June 30, 2020 represented a decrease in pre-tax income of $7.4 million, compared to a decrease in pre-tax income of $3.4 million for the same period last year. Other income (deductions), net includes the non-service components of pension and postretirement expense, which totaled $6.7 million and $2.9 million for the nine months ended June 30, 2020 and 2019, respectively. Refer to Note 11, "Pension and Other Postretirement Benefit Plans" in Item 1 - "Financial Statements" for further details. Other income (deductions), net also includes banking-related fees and the impact of currency gains and losses on certain intercompany debt and foreign denominated cash balances.

Income tax provisions for the Company's interim periods are based on the effective income tax rate expected to be applicable for the full year. The Company's consolidated income taxes for the nine months ended June 30, 2020 were a benefit of $22.7 million, compared to an expense of $4.4 million for the first nine months of fiscal 2019. The differences between the Company’s consolidated income taxes for the first nine months of fiscal 2020 versus the same period for fiscal 2019 primarily resulted from the fiscal 2020 consolidated loss before income taxes, which reflected the goodwill write-down recorded during the second quarter of fiscal 2020 which was partially non-deductible, as well as a benefit for an expected net operating loss (“NOL”) carryback. The NOL will be carried back five years allowing it to offset income that was previously taxed at a federal statutory rate of 35%. The Company’s fiscal 2020 nine-month effective tax rate varied from the U.S. statutory tax rate of 21.0% primarily due to state taxes, foreign statutory rate differentials, tax credits, the goodwill write-down, the expected NOL carryback, and discrete tax benefits recognized during the current year. The Company’s fiscal 2019 nine-month effective tax rate varied from the U.S. statutory tax rate of 21.0% primarily due to tax planning completed during the second quarter of fiscal 2019 that resulted in a discrete tax benefit.

Net losses attributable to noncontrolling interests were $491,000 for the nine months ended June 30, 2020, compared to net losses of $541,000 for the same period a year ago. The net losses attributable to noncontrolling interests primarily reflected losses in less than wholly-owned businesses.

**NON-GAAP FINANCIAL MEASURES:**

Included in this report are measures of financial performance that are not defined by 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, income 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.

The reconciliation of net income to adjusted EBITDA is as follows:

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | (Dollar amounts in thousands) | | | |
| Net income (loss) | $ 1,849 | $ 14,424 | $ (95,052) | $ 32,602 |
| Income tax (benefit) provision | (6,209) | 3,989 | (22,672) | 4,429 |
| (Loss) income before income taxes | (4,360) | 18,413 | (117,724) | 37,031 |
| Net losses attributable to noncontrolling interests | 420 | 205 | 491 | 541 |
| Interest expense | 8,082 | 10,508 | 26,935 | 31,068 |
| Depreciation and amortization * | 30,168 | 20,483 | 88,418 | 60,759 |
| Acquisition costs (1)** | 304 | 2,980 | 2,912 | 8,386 |
| ERP integration costs (2)** | 745 | 2,355 | 2,160 | 6,337 |
| Strategic initiatives and other charges (3)** | 5,570 | 1,037 | 25,040 | 3,149 |
| (Gain) loss on sale of ownership interests in a subsidiary(4) | (11,208) | — | (11,208) | 4,465 |
| Legal matter reserve (5) | 10,566 | — | 10,566 | — |
| Non-recurring / incremental COVID-19 costs (6) | 1,871 | — | 2,534 | — |
| Goodwill write-down (7) | — | — | 90,408 | — |
| Joint Venture depreciation, amortization, interest expense and other charges (8) | 2,473 | 866 | 4,732 | 866 |
| Stock-based compensation | 2,539 | 1,156 | 7,078 | 6,169 |
| Non-service pension and postretirement expense (9) | 2,227 | 951 | 6,682 | 2,852 |
| Total Adjusted EBITDA | $ 49,397 | $ 58,954 | $ 139,024 | $ 161,623 |

(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 a (gain) loss on the sale of ownership interests in a subsidiary within the Memorialization segment.

(5) Represents a reserve established for a legal matter involving a letter of credit for a customer in Saudi Arabia within the Memorialization segment (see Note 7, "Debt" in Item 1 - "Financial Statements").

(6) Includes certain non-recurring direct incremental costs (such as costs for purchases of computer peripherals and devices to facilitate working-from-home, additional personal protective equipment and cleaning supplies and services, etc.) incurred in response to COVID-19. This amount does not include the impact of any lost sales or underutilization due to COVID-19.

(7) Represents the goodwill write-down for two reporting units within the SGK Brand Solutions segment (see Note 16, "Goodwill and Other Intangible Assets" in Item 1 - "Financial Statements").

(8) Represents the Company's portion of depreciation, intangible amortization, interest expense, and other non-recurring charges incurred by non-consolidated subsidiaries accounted for as equity-method investments within the Memorialization segment.

(9) 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.

* Depreciation and amortization was $21.8 million and $12.8 million for the SGK Brand Solutions segment, $5.5 million and $4.8 million for the Memorialization segment, $1.5 million and $1.5 million for the Industrial Technologies segment, and $1.3 million and $1.3 million for Corporate and Non-Operating, for the three months ended June 30, 2020 and 2019, respectively. Depreciation and amortization was $65.3 million and $37.4 million for the SGK Brand Solutions segment, $15.0 million and $14.9 million for the Memorialization segment, $4.3 million and $4.6 million for the Industrial Technologies segment, and $3.8 million and $3.9 million for Corporate and Non-Operating, for the nine months ended June 30, 2020 and 2019, respectively.
** Acquisition costs, ERP integration costs, and strategic initiatives and other charges were $1.8 million and $449,000 for the SGK Brand Solutions segment and $4.1 million and $5.9 million for Corporate and Non-Operating, for the three months ended June 30, 2020 and 2019, respectively. Acquisition costs, ERP integration costs, and strategic initiatives and other charges were $697,000 for the Memorialization segment for the three months ended June 30, 2020. Acquisition costs, ERP integration costs, and strategic initiatives and other charges were $9.1 million and $3.9 million for the SGK Brand Solutions segment and $19.0 million and $14.0 million for Corporate and Non-Operating, for the nine months ended June 30, 2020 and 2019, respectively. Acquisition costs, ERP integration costs, and strategic initiatives and other charges were $1.8 million for the Memorialization segment and $268,000 for the Industrial Technologies segment, for the nine months ended June 30, 2020.

**LIQUIDITY AND CAPITAL RESOURCES:**

Net cash provided by operating activities was $123.6 million for the first nine months of fiscal 2020, compared to $89.4 million for the first nine months of fiscal 2019. Operating cash flow for both periods principally included net (loss) income adjusted for deferred taxes, depreciation and amortization, stock-based compensation expense, net (gains) losses related to investments, non-cash pension expense, other non-cash adjustments, and changes in working capital items. Net changes in working capital items contributed $41.7 million to operating cash flow in fiscal 2020, reflecting decreases in accounts receivable and changes in other accounts. Net changes in working capital items reduced operating cash flow by $14.5 million in fiscal 2019, reflecting decreases in accounts receivable and accrued compensation, increases in inventory, and changes in other accounts (including increased amounts recognized in excess of billings for certain customer projects). The favorable movements in working capital in fiscal 2020 primarily reflected enhanced accounts receivable collection efforts as the Company has been focusing its efforts on cash management.

Cash provided by investing activities was $7.4 million for the nine months ended June 30, 2020, compared to cash used in investing activities of $66.8 million for the nine months ended June 30, 2019. Investing activities for the first nine months of fiscal 2020 primarily reflected capital expenditures of $25.5 million, proceeds of $42.2 million from the sale of an ownership interest in a pet cremation business, and investments and advances of $9.7 million. Investing activities for the first nine months of fiscal 2019 primarily reflected capital expenditures of $32.0 million, acquisition payments (net of cash acquired or received from sellers) totaling $11.5 million, proceeds of $8.3 million from the sale of a controlling interest in a Memorialization business, and additional investments made in non-consolidated subsidiaries of $33.1 million.

Capital expenditures reflected reinvestment in the Company's business segments and were made primarily for the purchase of new production machinery, equipment, software and systems, and facilities designed to improve product quality, increase manufacturing efficiency, lower production costs and meet regulatory requirements. Capital expenditures for the last three fiscal years were primarily financed through operating cash. Capital spending for property, plant and equipment has averaged $41.9 million for the last three fiscal years. Capital spending for fiscal 2020 is currently estimated to be in the range of $35 million to $40 million. The Company expects to generate sufficient cash from operations to fund all anticipated capital spending projects.

Cash used in financing activities for the nine months ended June 30, 2020 was$123.1 million, primarily reflecting repayments, net of proceeds, on long-term debt of $92.1 million, treasury stock purchases of $2.4 million, dividends of $19.8 million to the Company's shareholders, $4.7 million of holdback and contingent consideration payments related to acquisitions from prior years, and payment of deferred financing fees of $2.0 million (see below). Cash used in financing activities for the nine months ended June 30, 2019 was $30.2 million, primarily reflecting proceeds, net of repayments, on long-term debt of $16.4 million, treasury stock purchases of $21.8 million, dividends of $19.3 million to the Company's shareholders and $3.4 million of holdback and contingent consideration payments related to fiscal 2018 acquisitions.

The Company has a domestic credit facility with a syndicate of financial institutions that was amended and restated in March 2020. The amended and restated loan agreement includes a $750.0 million senior secured revolving credit facility, which matures in March 2025, and a $35.0 million senior secured amortizing term loan, which matures in July 2021. A portion of the revolving credit facility (not to exceed $350.0 million) can be drawn in foreign currencies. The term loan requires scheduled quarterly principal payments through its maturity date. Borrowings under both the revolving credit facility and the term loan bear interest at LIBOR (Euro LIBOR for balances drawn in Euros) plus a factor ranging from 0.75% to 2.00% (1.50% at June 30, 2020) based on the Company's secured leverage ratio. The secured leverage ratio is defined as net secured indebtedness divided by EBITDA (earnings before interest, income taxes, depreciation and amortization) as defined within the domestic credit facility agreement. The Company is required to pay an annual commitment fee ranging from 0.15% to 0.30% (based on the Company's leverage ratio) of the unused portion of the revolving credit facility. The Company incurred debt issuance costs of approximately $2.0 million in connection with the amended and restated agreement, which was deferred and is being amortized over the term of the facility.

The domestic credit facility requires the Company to maintain certain leverage and interest coverage ratios. A portion of the facility (not to exceed $35.0 million) is available for the issuance of trade and standby letters of credit. Outstanding U.S. dollar denominated borrowings on the revolving credit facility at June 30, 2020 and September 30, 2019 were $275.0 million and $325.6 million, respectively. Outstanding Euro denominated borrowings on the revolving credit facility at June 30, 2020 and September 30, 2019 were €125.0 million ($140.4 million) and €125.0 million ($136.5 million), respectively. Outstanding borrowings on the term loan at June 30, 2020 and September 30, 2019 were $28.6 million and $53.5 million, respectively. The weighted-average interest rate on outstanding borrowings for the domestic credit facility (including the effects of interest rate swaps and Euro denominated borrowings) at June 30, 2020 and 2019 was 2.44% and 2.75%, respectively.

The Company has $300.0 million of 5.25% senior unsecured notes due December 1, 2025 (the "2025 Senior Notes"). The 2025 Senior Notes bear interest at a rate of 5.25% per annum with interest payable semi-annually in arrears on June 1 and December 1 of each year. The Company's obligations under the 2025 Senior Notes are guaranteed by certain of the Company's direct and indirect wholly-owned domestic subsidiaries. The Company is subject to certain covenants and other restrictions in connection with the 2025 Senior Notes. The Company incurred direct financing fees and costs in connection with the 2025 Senior Notes. Unamortized costs were $2.9 million and $3.3 million at June 30, 2020 and September 30, 2019, respectively.

The Company has a $115.0 million accounts receivable securitization facility (the "Securitization Facility") with certain financial institutions. The Securitization Facility, which had a maturity date of April 2020, was amended in March 2020 to extend the maturity date until March 2022. Under the Securitization Facility, the Company and certain of its domestic subsidiaries sell, on a continuous basis without recourse, their trade receivables to Matthews Receivables Funding Corporation, LLC (“Matthews RFC”), a wholly-owned bankruptcy-remote subsidiary of the Company. Matthews RFC in turn assigns a collateral interest in these receivables to certain financial institutions, and then may borrow funds under the Securitization Facility. The Securitization Facility does not qualify for sale treatment. Accordingly, the trade receivables and related debt obligations remain on the Company's Consolidated Balance Sheet. Borrowings under the Securitization Facility bear interest at LIBOR plus 0.75%. The Company is required to pay an annual commitment fee ranging from 0.25% to 0.35% of the unused portion of the Securitization Facility. Outstanding borrowings under the Securitization Facility at June 30, 2020 and September 30, 2019 were $85.3 million and $94.0 million, respectively. At June 30, 2020 and 2019, the interest rate on borrowings under this facility was 0.91% and 3.15%, respectively.

The following table presents information related to interest rate contracts entered into by the Company and designated as cash flow hedges (*dollar amounts in thousands*):

| | June 30, 2020 | | September 30, 2019 | |
|---|---|---|---|---|
| Pay fixed swaps - notional amount | $ | 343,750 | $ | 293,750 |
| Net unrealized loss | $ | (6,269) | $ | (534) |
| Weighted-average maturity period (years) | | 2.6 | | 1.9 |
| Weighted-average received rate | | 0.16 % | | 2.02 % |
| Weighted-average pay rate | | 1.33 % | | 1.41 % |

The Company enters into interest rate swaps in order to achieve a mix of fixed and variable rate debt that it deems appropriate. The interest rate swaps have been designated as cash flow hedges of future variable interest payments, which are considered probable of occurring. Based on the Company's assessment, all of the critical terms of each of the hedges matched the underlying terms of the hedged debt and related forecasted interest payments, and as such, these hedges were considered highly effective.

The fair value of the interest rate swaps reflected an unrealized loss, net of unrealized gains, of $6.3 million ($4.7 million after tax) at June 30, 2020 and an unrealized loss, net of unrealized gains, of $534,000 ($403,000 after tax) at September 30, 2019. The net unrealized loss is included in shareholders' equity as part of accumulated other comprehensive income (loss) ("AOCI"). Assuming market rates remain constant with the rates at June 30, 2020, a loss (net of tax) of approximately $2.2 million included in AOCI is expected to be recognized in earnings over the next twelve months.

The Company, through certain of its European subsidiaries, has a credit facility with a European bank, which is guaranteed by Matthews. The maximum amount of borrowing available under this facility is €35.0 million ($39.3 million). The credit facility matures in December 2020 and the Company intends to continue to extend this facility. Outstanding borrowings under the credit facility totaled €12.1 million ($13.6 million) and €12.8 million ($14.0 million) at June 30, 2020 and September 30, 2019, respectively. The weighted-average interest rate on outstanding borrowings under this facility at June 30, 2020 and 2019 was 1.25%.

The Company’s German subsidiary, Matthews Europe GmbH, had €15.0 million ($16.4 million at September 30, 2019) of senior unsecured notes with European banks. The notes matured in November 2019 at which point they were paid. The weighted-average interest rate on the notes at June 30, 2019 was 1.40%.

Finance lease liabilities included as a component of debt totaled$10.2 million and $3.6 million at June 30, 2020 and September 30, 2019, respectively. See Note 8, "Leases" in Item 1 - "Financial Statements" for further discussion on the Company's lease obligations. Other debt totaled $10.7 million and $395,000 at June 30, 2020 and September 30, 2019, respectively. The weighted-average interest rate on other debt was 2.14% and 5.81% at June 30, 2020 and June 30, 2019, respectively. The Company was in compliance with all of its debt covenants as of June 30, 2020.The Company uses certain foreign currency debt instruments as net investment hedges of foreign operations. Currency losses of $374,000 (net of income taxes of $121,000) and $3.3 million (net of income taxes of $1.1 million), which represent effective hedges of net investments, were reported as a component of AOCI within currency translation adjustment at June 30, 2020 and September 30, 2019, respectively.

In September 2014, a claim was filed by a customer seeking to draw upon a letter of credit issued by the Company of £8.6 million ($10.6 million at June 30, 2020) with respect to a performance guarantee on an incineration equipment project in Saudi Arabia. Management assessed the customer's demand to be without merit and initiated an action with the court in the United Kingdom (the "U.K. Court"). Pursuant to this action, an order was issued by the U.K. Court in January 2015 requiring that, upon receipt by the customer, the funds were to be remitted by the customer to the U.K. Court pending resolution of the dispute between the parties. As a result, the Company made payment on the draw to the financial institution for the letter of credit and the funds were ultimately received by the customer. The customer did not remit the funds to the U.K. Court as ordered. On June 14, 2016, the U.K. Court ruled completely in favor of Matthews following a trial on the merits. However, the ongoing dispute involves litigation in multiple foreign jurisdictions because the contract between the parties includes a venue clause requiring the venue for any litigation to be in the United Kingdom, while the enforcement of any final judgment is required to be executed in Saudi Arabia. The Company continues to pursue a trial on the merits in Saudi Arabia; however, given the recent COVID-19 pandemic, the trial is now not likely to conclude until calendar year 2021. As the Company has successfully completed the project and subsequently operated the equipment, the Company remains confident regarding the pending trial on the merits in Saudi Arabia and expects to be in a position to enforce the judgment and initiate collection efforts following completion of that trial. However, the Company’s level of success in recovering funds from the customer will depend upon several factors including a successful completion of the pending trial on the merits in Saudi Arabia, the availability of recoverable funds, and the subsequent level of support of the Saudi Arabian government to enforce a potential judgment against the customer.

During the third quarter of fiscal 2020, the Saudi Arabian government implemented restrictions on travel to Mecca due to the COVID-19 pandemic. As a result, the Company will not be able to support the operation of the incineration equipment for the local agency responsible for its operation during the current year Hajj Pilgrimage. Consequently, the Company is now concerned regarding the level of anticipated support from the government in its collection efforts. Therefore, when considered collectively with the extended delay in the trial date and other collectability risks, the Company established a reserve for the full value of the funded letter of credit as of June 30, 2020. The funded letter of credit was previously classified within other assets on the Consolidated Balance Sheet as of September 30, 2019. The Company will continue to assess the accounting and collectability related to this matter as facts and circumstances evolve.

The Company has a stock repurchase program. Under the current authorization, the Company's Board of Directors has authorized the repurchase of a total of 5,000,000 shares of Matthews' common stock under the program, of which 638,736 shares remain available for repurchase as of June 30, 2020. The buy-back program is designed to increase shareholder value, enlarge the Company's holdings of its common stock, and add to earnings per share. Repurchased shares may be retained in treasury, utilized for acquisitions, or reissued to employees or other purchasers, subject to the restrictions set forth in the Company's Restated Articles of Incorporation.

The Company is currently evaluating the Coronavirus Aid, Relief, and Economic Security Act (commonly referred to as the CARES Act) and other similar economic relief initiatives that have been enacted in response to COVID-19. The Company expects to utilize certain provisions allowing for the deferral of payments for certain taxes, primarily U.S. payroll taxes, which are estimated to be approximately $9.0 million for fiscal 2020.

Consolidated working capital of the Company was $264.6 million at June 30, 2020, compared to $303.8 million at September 30, 2019. Cash and cash equivalents were $42.9 million at June 30, 2020, compared to $35.3 million at September 30, 2019. The Company's current ratio was 1.9 and 2.1 at June 30, 2020 and September 30, 2019, respectively.

**ENVIRONMENTAL MATTERS:**

The Company's operations are subject to various federal, state and local laws and regulations relating to the protection of the environment. These laws and regulations impose limitations on the discharge of materials into the environment and require the Company to obtain and operate in compliance with conditions of permits and other government authorizations. As such, the Company has developed environmental, health, and safety policies and procedures that include the proper handling, storage and disposal of hazardous materials.

The Company is party to various environmental matters. These include obligations to investigate and mitigate the effects on the environment of non-operating former manufacturing sites acquired through corporate acquisitions and the disposal of certain materials at non-owned waste management facilities. The Company is currently performing environmental assessments and remediation at these sites, as appropriate.

**ACQUISITIONS AND DIVESTITURES:**

Refer to Note 15, "Acquisitions and Divestitures" in Item 1 - "Financial Statements" for further details on the Company's acquisitions and divestitures.

**FORWARD-LOOKING INFORMATION:**

The Company's current strategy to attain annual growth in earnings per share primarily consists of the following: internal growth (which includes organic growth, cost structure and productivity improvements, new product development and the expansion into new markets with existing products), acquisitions and integration activities to achieve synergy benefits and share repurchases.

The significant factors (excluding acquisitions) influencing sales growth in the SGK Brand Solutions segment are global economic conditions, brand innovation, the level of marketing spending by the Company's clients, and government regulation. Due to the global footprint of this segment, currency fluctuations can also be a significant factor. For the Memorialization segment, North America death rates, the cremation trend, and price realization impact sales growth for the Company's bronze and granite memorials, caskets and cremation and incineration-related products. For the Industrial Technologies segment, sales growth drivers include economic/industrial market conditions, new product development, and the e-commerce trend.

During fiscal 2019, the Company initiated a strategic evaluation to improve profitability and reduce the Company's cost structure. These actions leveraged the benefit of the Company's new global ERP platform, primarily targeted at the SGK Brand Solutions segment, both operational and commercial structure, and the Company's shared financial services and other administrative functions. This evaluation identified opportunities for significant cost structure improvements, which the Company expects to achieve through fiscal 2022. The Company's recent strategic review has also resulted in improvements to the commercial structure within the SGK Brand Solutions segment, including the consolidation of several of the segment's trade names. As a result, the amortization of these intangible assets will significantly increase in fiscal 2020 through fiscal 2022.

On January 30, 2020, the World Health Organization declared an outbreak of COVID-19 to be a Public Health Emergency of International Concern, and subsequently recognized COVID-19 as a global pandemic on March 11, 2020. Widespread efforts have been deployed by multiple countries around the world to prevent the virus from spreading, including temporary closures of non-essential businesses, event cancellations, travel restrictions, quarantines, and other disruptive actions. Substantially all of the Company’s operations have remained open during the COVID-19 pandemic, as they have been considered “essential” businesses during this time. However, the Company has experienced some commercial impact and business disruptions in certain segments and geographic locations as a result of COVID-19.

Considerable judgement is necessary to assess and predict the potential financial impacts of COVID-19 on the Company’s future operating results. Management expects that each of its business segments will experience some level of unfavorable sales impacts in the short-term, primarily due to customer business disruptions, facilities shut-downs, weaker global economic conditions, and potential customer project delays. Longer-term financial impacts will depend on global economic conditions eventually resulting from COVID-19. Management expects each of its businesses to experience increased financial volatility in the short-term, but currently anticipates its core businesses will return to a more normalized future state once the COVID-19 pandemic subsides.

**CRITICAL ACCOUNTING POLICIES:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Therefore, the determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience, economic conditions, and in some cases, actuarial techniques. Actual results may differ from those estimates. A discussion of market risks affecting the Company can be found in Item 7A - "Quantitative and Qualitative Disclosures about Market Risk" in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2019.

A summary of the Company's significant accounting policies are included in the Notes to Consolidated Financial Statements and in the critical accounting policies in Management's Discussion and Analysis included in the Company's Annual Report on Form 10-K for the year ended September 30, 2019. Management believes that the application of these policies on a consistent basis enables the Company to provide useful and reliable financial information about the Company's operating results and financial condition.

The Company performed its annual impairment review of goodwill and indefinite-lived intangible assets in the second quarter of fiscal 2020 (January 1, 2020) and determined that the estimated fair values for all goodwill reporting units exceeded their carrying values. The estimated fair values for two reporting units within the SGK Brand Solutions segment (Graphics Imaging and Cylinders, Surfaces and Engineered Products) exceeded their carrying values (expressed as a percentage of carrying value) by less than 10% as of January 1, 2020.

In its assessment of the potential impacts of COVID-19 on the estimated future earnings and cash flows for the SGK Brand Solutions segment, and in light of the limited excess fair values for its two reporting units (discussed above), management determined that COVID-19 represented a triggering event, resulting in a re-evaluation of the goodwill for its reporting units within the SGK Brand Solutions segment (Graphics Imaging and Cylinders, Surfaces and Engineered Products), as of March 31, 2020. As a result of this interim assessment, the Company recorded a goodwill write-down totaling $90.4 million during the fiscal 2020 second quarter. Subsequent to this write-down, the fair values of the two reporting units within the SGK Brand Solutions segment (Graphics Imaging and Cylinders, Surfaces and Engineered Products) approximated their carrying values at March 31, 2020. The fair values for these reporting units were determined using level 3 inputs (including estimates of revenue growth, EBITDA contribution and the discount rates) and a combination of the income approach using the estimated discounted cash flows and a market-based valuation methodology. If current projections are not achieved or specific valuation factors outside the Company’s control (such as discount rates and continued economic and industry impacts of COVID-19) significantly change, additional goodwill write-downs may be necessary in future periods.

**LONG-TERM CONTRACTUAL OBLIGATIONS AND COMMITMENTS:**

The following table summarizes the Company's contractual obligations at June 30, 2020, and the effect such obligations are expected to have on its liquidity and cash flows in future periods.

| | Payments due in fiscal year: | | | | |
|---|---|---|---|---|---|
| | **Total** | **2020 Remainder** | **2021 [(1)] to 2022** | **2023 to 2024** | **After 2024** |
| Contractual Cash Obligations: | *(Dollar amounts in thousands)* | | | | |
| Revolving credit facilities | $ 428,988 | $ — | $ 13,617 | $ — | $ 415,371 |
| Securitization Facility | 85,270 | — | 85,270 | — | — |
| Senior secured term loan | 28,563 | — | 28,563 | — | — |
| 2025 Senior Notes | 383,746 | — | 31,500 | 31,500 | 320,746 |
| Finance lease obligations [(2)] | 11,113 | 957 | 6,529 | 1,527 | 2,100 |
| Non-cancelable operating leases [(2)] | 78,980 | 6,738 | 42,029 | 20,065 | 10,148 |
| Other | 19,381 | 1,072 | 7,780 | 2,867 | 7,662 |
| Total contractual cash obligations | $ 1,036,041 | $ 8,767 | $ 215,288 | $ 55,959 | $ 756,027 |

[(1)]The Company maintains certain debt facilities with maturity dates of twelve months or less that it intends and has the ability to extend beyond twelve months totaling $13.6 million. These balances have been classified as non-current on the Company's Consolidated Balance Sheet.

[(2)]Lease obligations have not been discounted to their present value.

A significant portion of the loans included in the table above bear interest at variable rates. At June 30, 2020, the weighted-average interest rate was 2.44% on the Company's domestic credit facility, 0.91% on the Company's Securitization Facility and 1.25% on the credit facility through the Company's European subsidiaries.

Benefit payments under the Company's principal retirement plan are made from plan assets, while benefit payments under the supplemental retirement plan and postretirement benefit plan are funded from the Company's operating cash. In response to COVID-19, the federal government passed a modified relief bill, which provides additional funding measures associated with IRS regulations. In accordance with this bill, the Company is no longer required to make contributions for fiscal 2020 to its principal retirement plan. The Company currently expects to make a contribution of approximately $15.0 million to its principal retirement plan during the fourth quarter of fiscal 2020, which may consist of cash and/or shares of Matthews Class A Common Stock. The Company is also currently evaluating potential additional cash and/or stock contributions to its principal retirement plan during fiscal 2020. During the nine months ended June 30, 2020 contributions of $589,000 and $726,000 were made under the supplemental retirement plan and postretirement plan, respectively. The Company currently anticipates contributing an additional $293,000 and $263,000 under the supplemental retirement plan and postretirement plan, respectively, for the remainder of fiscal 2020.

Unrecognized tax benefits are positions taken, or expected to be taken, on an income tax return that may result in additional payments to tax authorities. If a tax authority agrees with the tax position taken, or expected to be taken, or the applicable statute of limitations expires, then additional payments will not be necessary. As of June 30, 2020, the Company had unrecognized tax benefits, excluding penalties and interest, of approximately $11.8 million. The timing of potential future payments related to the unrecognized tax benefits is not presently determinable. The Company believes that its current liquidity sources, combined with its operating cash flow and borrowing capacity, will be sufficient to meet its capital needs for the foreseeable future.

**RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS:**

Refer to Note 2, "Basis of Presentation" in Item 1 - "Financial Statements," for further details on recently issued accounting pronouncements.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the Company’s market risk during the three and nine months ended June 30, 2020. For additional information see Item 7A - "Quantitative and Qualitative Disclosures About Market Risk" in the Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2019.

## Item 4. Controls and Procedures

The Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) are designed to provide reasonable assurance that information required to be disclosed in our reports filed under that Act (the "Exchange Act"), such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the rules of the Securities and Exchange Commission. These disclosure controls and procedures also are designed to provide reasonable assurance that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

Management, under the supervision and with the participation of our Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures in effect as of June 30, 2020. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2020, the Company's disclosure controls and procedures were effective to provide reasonable assurance that material information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, and that such information is recorded, summarized and properly reported within the appropriate time period, relating to the Company and its consolidated subsidiaries, required to be included in the Exchange Act reports, including this Quarterly Report on Form 10-Q.

There have been no changes in the Company's internal controls over financial reporting that occurred during the fiscal quarter ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

The Company is subject to various legal proceedings and claims arising in the ordinary course of business. Management does not expect that the results of any of these legal proceedings will have a material adverse effect on Matthews' financial condition, results of operations or cash flows.

### Item 1A. Risk Factors

Except as set forth below, there have been no material changes in our risk factors from those disclosed in Part I, Item 1A to our Annual Report on Form 10-K for the fiscal year ended September 30, 2019, except as disclosed below. The risk factors disclosed in Part I, Item 1A to our Annual Report on Form 10-K for the fiscal year ended September 30, 2019, in addition to the other information set forth in this report, could adversely affect the Company's operating performance and financial condition. Additional risks not currently known or deemed immaterial may also result in adverse effects on the Company.

**Pandemics or similar outbreaks may cause unfavorable economic or market conditions which could impact demand patterns and/or disrupt global supply chains and production operations. Collectively, these outcomes could materially and adversely affect the Company’s business, results of operations and financial condition.** Pandemics or similar outbreaks, such as coronavirus disease 2019 (“COVID-19”), could adversely affect the economies of developed and emerging markets, potentially resulting in an economic downturn that could affect customers’ demand for the Company’s products and services, as well as the Company's ability to access capital at acceptable interest rates. The spread of pandemics or similar outbreaks may also disrupt the Company’s manufacturing and production operations, as well as its distribution systems, which include import and export for delivery of the Company’s products to its customers. These factors could materially and adversely affect the Company’s business, financial condition and results of operations.

Due to the uncertainty relating to a pandemic or similar outbreak, the Company, its customers or its suppliers may be required, or believe that it is advantageous, to take precautionary measures intended to minimize the risk of a virus or disease spreading to employees, customers, and the communities in which they operate, and these measures could negatively impact the Company’s business. Further, if the scope and severity of an outbreak, such as COVID-19, worsens and the Company’s contingency plans prove ineffective, its global operations could potentially experience disruptions, such as temporary closure of facilities or delays or suspensions in product offerings and services, which may materially and adversely affect the Company’s business, financial condition and results of operations.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

Stock Repurchase Plan

The Company has a stock repurchase program. The buy-back program is designed to increase shareholder value, enlarge the Company's holdings of its common stock, and add to earnings per share. Repurchased shares may be retained in treasury, utilized for acquisitions, or reissued to employees or other purchasers, subject to the restrictions of the Company's Restated Articles of Incorporation. Under the current authorization, the Company's Board of Directors had authorized the repurchase of a total of 5,000,000 shares of Matthews' common stock under the program, of which 638,736 shares remain available for repurchase as of June 30, 2020.

The following table shows the monthly fiscal 2020 stock repurchase activity:

| Period | Total number of shares purchased | Weighted-average price paid per share | Total number of shares purchased as part of a publicly announced plan | Maximum number of shares that may yet be purchased under the plan |
|---|---|---|---|---|
| October 2019 | 9,800 | $ 35.87 | 9,800 | 702,512 |
| November 2019 | 38,425 | 35.02 | 38,425 | 664,087 |
| December 2019 | 3,879 | 38.10 | 3,879 | 660,208 |
| January 2020 | 750 | 37.04 | 750 | 659,458 |
| February 2020 | — | — | — | 659,458 |
| March 2020 | 20,000 | 23.91 | 20,000 | 639,458 |
| April 2020 | — | — | — | 639,458 |
| May 2020 | 486 | 34.02 | 486 | 638,972 |
| June 2020 | 236 | 20.93 | 236 | 638,736 |
| Total | 73,576 | $ 32.25 | 73,576 | |

**Item 3. Defaults Upon Senior Securities**

Not Applicable.

**Item 4. Mine Safety Disclosures**

Not Applicable.

**Item 5. Other Information**

Not Applicable.

**Item 6. Exhibits and Reports on Form 8-K**

**(a) Exhibits**

| Exhibit No. | Description | Method of Filing |
|---|---|---|
| 31.1 | Certification of Principal Executive Officer for Joseph C. Bartolacci | Filed herewith |
| 31.2 | Certification of Principal Financial Officer for Steven F. Nicola | Filed herewith |
| 32.1 | Certification Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Joseph C. Bartolacci | Furnished herewith |
| 32.2 | Certification Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Steven F. Nicola | Furnished herewith |
| 101.INS | XBRL Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document | Filed herewith |
| 101.SCH | XBRL Taxonomy Extension Schema | Filed herewith |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase | Filed herewith |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase | Filed herewith |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase | Filed herewith |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase | Filed herewith |

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**MATTHEWS INTERNATIONAL CORPORATION**
(Registrant)

| | | |
|---|---|---|
| Date: | July 31, 2020 | By: /s/ Joseph C. Bartolacci |
| | | Joseph C. Bartolacci, President<br>and Chief Executive Officer |
| Date: | July 31, 2020 | By: /s/ Steven F. Nicola |
| | | Steven F. Nicola, Chief Financial Officer<br>and Secretary |

Exhibit 31.1

CERTIFICATION
PRINCIPAL EXECUTIVE OFFICER

I, Joseph C. Bartolacci, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Matthews International Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2020

/s/Joseph C. Bartolacci
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Joseph C. Bartolacci
President and
Chief Executive Officer

Exhibit 31.2

CERTIFICATION
PRINCIPAL FINANCIAL OFFICER

I, Steven F. Nicola, certify that:
1. I have reviewed this quarterly report on Form 10-Q of Matthews International Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2020

/s/Steven F. Nicola
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Steven F. Nicola
Chief Financial Officer
and Secretary

Exhibit 32.1

Certification Pursuant to 18 U.S.C. Section 1350,

As Adopted Pursuant to

Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Matthews International Corporation (the "Company") on Form 10-Q for the period ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph C. Bartolacci, Chief Executive Officer, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Joseph C. Bartolacci
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Joseph C. Bartolacci,
President and Chief Executive Officer

July 31, 2020

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Matthews International Corporation and will be retained by Matthews International Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification Pursuant to 18 U.S.C. Section 1350,

As Adopted Pursuant to

Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Matthews International Corporation (the "Company") on Form 10-Q for the period ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven F. Nicola, Chief Financial Officer, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Steven F. Nicola
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Steven F. Nicola,
Chief Financial Officer and Secretary

July 31, 2020

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Matthews International Corporation and will be retained by Matthews International Corporation and furnished to the Securities and Exchange Commission or its staff upon request.