

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

Form 10-Q

Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For The Quarterly Period Ended June 30, 1995

Commission File Nos. 0-9115 and 0-24494

MATTHEWS INTERNATIONAL CORPORATION
(Exact Name of registrant as specified in its charter)

PENNSYLVANIA
(State or other jurisdiction of
incorporation or organization)

25-0644320
(I.R.S. Employer
Identification No.)

TWO NORTHSORE CENTER, PITTSBURGH, PA
(Address of principal executive offices)

15212-5851
(Zip Code)

Registrant's telephone number, including area code (412) 442-8200

NOT APPLICABLE
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

The number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class of Common Stock	Outstanding at July 31, 1995
Class A - \$1.00 par value	3,720,043 shares
Class B - \$1.00 par value	5,130,307 shares

PART I - FINANCIAL INFORMATION
MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (UNAUDITED)

<TABLE>
<CAPTION>

	June 30, 1995	September 30, 1994
	-----	-----
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 34,231,054	\$ 24,264,967
Accounts and notes receivable, net	26,040,344	27,122,619
Inventories:		
Materials and finished goods	\$ 9,986,232	\$ 8,697,118

Labor and overhead in process	815,099	764,219
Supplies	600,176	540,557
Less LIFO reserve	(241,530)	(241,530)
	-----	-----
	11,159,977	9,760,364
Other current assets	932,453	1,469,040
	-----	-----
Total current assets	72,363,828	62,616,990
Accounts receivable, noncurrent	1,440,315	1,402,129
Property, plant and equipment: Cost	63,315,422	60,070,477
Less accumulated depreciation	(23,979,085)	(21,821,201)
	-----	-----
	39,336,337	38,249,276
Deferred income taxes and other assets	12,658,933	11,565,822
Goodwill	5,239,874	5,780,027
	-----	-----
Total assets	<u>\$131,039,287</u>	<u>\$119,614,244</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Long-term debt, current maturities	446,201	423,263
Accounts payable	4,937,185	4,699,634
Accrued compensation	7,040,741	8,311,734
Accrued income taxes	793,174	1,248,377
Customer prepayments and other current liabilities	6,611,050	6,923,147
	-----	-----
Total current liabilities	19,828,351	21,606,155

Long-term debt	408,039	745,616
Estimated cemetery and finishing costs	5,042,459	4,761,113
Postretirement benefits	19,787,557	18,584,826
Deferred revenue and other liabilities	2,683,220	2,553,266

Shareholders' equity:

Common stock: Class A, par value \$1.00	3,308,378	1,380,000
Class B, par value \$1.00	5,541,972	7,470,350
Other shareholders' equity	74,439,311	62,512,918
	-----	-----
	83,289,661	71,363,268
	-----	-----
Total liabilities and shareholders' equity	<u>\$131,039,287</u>	<u>\$119,614,244</u>

/TABLE

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

<TABLE>

<CAPTION>

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	1995	1994	1995	1994
	---	---	---	---
<S>	<C>	<C>	<C>	<C>
Sales	\$ 42,729,909	\$ 40,644,593	\$124,901,297	\$118,360,500
Cost of sales	23,588,458	22,521,719	68,490,988	65,462,412
Selling and administrative expenses	12,783,734	12,182,893	37,339,518	34,472,427
	-----	-----	-----	-----
Operating profit	6,357,717	5,939,981	19,070,791	18,425,661
Interest expense	23,977	62,331	64,342	253,021
Other (income) & deductions, net	(356,900)	(67,269)	(883,313)	(170,987)
	-----	-----	-----	-----

Income before income taxes	6,690,640	5,944,919	19,889,762	18,343,627
Income taxes (1)	2,548,264	2,554,288	7,757,093	7,620,008
Net income	<u>\$ 4,142,376</u>	<u>\$ 3,390,631</u>	<u>\$ 12,132,669</u>	<u>\$ 10,723,619</u>
Earnings per share	<u>\$.47</u>	<u>\$.39</u>	<u>\$ 1.37</u>	<u>\$ 1.20</u>
Dividends per share	<u>\$.06</u>	<u>\$.01</u>	<u>\$.18</u>	<u>\$.03</u>
Weighted average number of common shares outstanding	<u>8,850,350</u>	<u>8,642,700</u>	<u>8,850,350</u>	<u>8,967,900</u>

/TABLE

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

<TABLE>

<CAPTION>

	Nine Months Ended June 30,	
	1995	1994
<S>	<C>	<C>
Cash flows from operating activities:		
Net Income	\$12,132,669	\$10,723,619
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,538,786	3,125,658
Deferred taxes	(542,609)	(490,198)
Net increase in certain working capital items	(1,588,540)	(1,019,557)
Increase in accounts receivable, noncurrent	(38,186)	(130,581)
(Increase) decrease in cemetery inventory	(294,455)	38,851
Decrease in other noncurrent assets	49,889	(772,558)
Increase in estimated finishing and cemetery costs	281,346	329,298
Decrease in deferred revenue and expenses and other liabilities	(168,935)	230,217
Increase in postretirement benefits	1,202,731	757,902
Net loss on sale of property, plant and equipment	51,049	56,750
Effect of exchange rate changes on operations	312,707	505,464
Net cash provided by operating activities	<u>14,936,452</u>	<u>13,354,865</u>
Cash flows from investing activities:		
Acquisitions of property, plant and equipment	(4,361,903)	(2,862,077)
Proceeds from disposals of property, plant and equipment	50,758	25,900
Collections on loans to officers and employees	1,278,382	521,884
Net cash used in investing activities	<u>(3,032,763)</u>	<u>(2,314,293)</u>
Cash flows from financing activities:		
Payments on long-term debt	(314,639)	(3,724,100)
Proceeds from the sale of treasury stock	-	642,752
Purchases of treasury stock	-	(7,459,086)
Dividends paid	(1,592,609)	(276,301)
Net cash used in financing activities	<u>(1,907,248)</u>	<u>(10,816,735)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(30,354)</u>	<u>34,814</u>
Net increase (decrease) in cash and cash equivalents	\$ 9,966,087	\$ 258,651

Supplemental Cash Flow Information:

Cash paid during the period for:

Interest	\$ 64,342	\$ 253,021
Income Taxes	8,754,905	7,999,637

/TABLE

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1995

Note 1. Income Taxes

The income tax provision for the period is based on the effective tax rate expected to be applicable for the full year. The difference between the estimated effective tax rate of 39.0% and the Federal statutory rate of 35% is primarily due to state and foreign income taxes.

Note 2. Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles 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 generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the three-month and nine-month periods ended June 30, 1995 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 1995. 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, 1994.

Note 3. Stock Option Plan

The Company has a stock incentive plan which provides for the grant of incentive stock options, nonstatutory stock options and restricted share awards. The aggregate number of shares of the Company's common stock which may be issued upon exercise of the stock options and pursuant to the restricted share awards under the stock incentive plan is 600,000 shares. The option price for each stock option which may be granted under the plan may not be less than fair market value of the Company's common stock on the date of grant. During fiscal 1995, by action of the Compensation Committee of the Company's Board of Directors, certain officers and other management personnel were granted nonstatutory stock options to purchase a combined total of 477,500 shares of the Company's Class A Common Stock. On December 9, 1994, options to purchase 377,500 shares were granted at an exercise price of \$14.25 per share. Of these grants, options to purchase 53,667 shares had been cancelled by July 31, 1995. On May 19, 1995, options to purchase 100,000 shares were granted at an exercise price of \$16.375 per share. The outstanding options are exercisable in various share amounts based on the attainment of certain market value levels of Class A Common Stock, but, in the absence of such events, are exercisable in full for a one-week period beginning five years from the date of grant. The options are not exercisable within six months from the date of grant and expire ten years from the date of grant if not exercised.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The following table sets forth certain income statement data of the Company expressed as a percentage of net sales for the periods indicated.

Nine months ended	Years ended
June 30,	September 30,

	1995	1994	1994	1993	1992
Sales	100.0%	100.0%	100.0%	100.0%	100.0%
Gross profit	45.2	44.7	45.1	42.4	43.5
Operating profit	15.3	15.6	15.1	11.6	12.0
Income before income taxes	15.9	15.5	14.9	11.0(1)	12.0
Net income	9.7	9.1	8.8	6.6(1)	7.1

(1) Excludes the cumulative effect of changes in accounting principles for the adoptions of SFAS No. 106 and SFAS No. 109.

Sales for the nine months ended June 30, 1995 were \$124.9 million and were \$6.5 million, or 5.5%, higher than sales of \$118.4 million for the first nine months of fiscal 1994. The first nine months of fiscal 1995 reflected an increase in sales for the Company's Marking Products and Bronze segments. Sales in the Marking Products segment increased 10.9% over the first nine months of fiscal 1994. The increase in this segment's sales is the result of higher sales volume, principally reflecting increased demand in Europe and Australia. Bronze segment sales for the first nine months of fiscal 1995 were up 6.8% over the same period a year ago reflecting an increase in unit volume and improvements in selling price. Graphic Systems sales for the first nine months of fiscal 1995 were slightly below the first nine months of fiscal 1994 reflecting lower demand for printing plates used by the corrugated packaging industry. This reduction in demand is expected to be temporary and has been precipitated by a shortage of linerboard and unprecedented price increases for corrugated shipping containers.

Gross profit for the nine months ended June 30, 1995 was \$56.4 million, or 45.2% of sales, compared to \$52.9 million, or 44.7%, for the first nine months of fiscal 1994. The increase in gross profit of \$3.5 million, or 6.6%, and higher percentage of gross profit to sales for the first nine months of fiscal 1995 resulted primarily from higher sales levels in the Marking Products and Bronze segments. Improvements in operating efficiency and a reduction in certain employee benefit expenses and other overhead costs for the period also contributed to the higher gross profit but were offset partially by increased prices for certain raw materials.

Selling and administrative expenses for the nine months ended June 30, 1995 were \$37.3 million, representing an increase of \$2.8 million, or 8.3%, from \$34.5 million for the first nine months of fiscal 1994. Selling and administrative expenses rose proportionate with the higher sales for the period and also reflected increased sales promotional costs for the Bronze segment and

Operating profit for the nine months ended June 30, 1995 was \$19.1 million and was \$645,000, or 3.5%, higher than operating profit of \$18.4 million for the first nine months of fiscal 1994. Increased sales and related gross profit in the Marking Products and Bronze segments were the primary factors contributing to the higher operating profit level offset partially by an increase in consolidated selling and administrative expenses.

Interest expense for the nine months ended June 30, 1995 was approximately \$64,000, compared to \$253,000 for the first nine months of fiscal 1994. The decrease in interest expense was principally a result of the repayment of all amounts outstanding under the Term Loan Agreement during fiscal 1994.

Other income and deductions (net) for the nine months ended June 30, 1995 resulted in a \$883,000 increase in income before income taxes compared to a \$171,000 increase for the first nine months of fiscal 1994. Other income and deductions (net) for the first nine months of fiscal 1995 primarily reflected an increase in interest income as a result of a higher cash position during the current period and an increase in interest rates.

The Company's effective tax rate for the first nine months of fiscal 1995 was 39.0%, compared to 40.8% for the year ended September 30, 1994. The lower effective tax rate for fiscal 1995 is primarily the result of a reduction in the effect of foreign income taxes on the Company's consolidated tax position. The difference between the Company's effective tax rate and the Federal statutory rate of 35% is primarily the impact of state and foreign income taxes.

Liquidity and Capital Resources

Net cash provided by operating activities was \$14.9 million for the nine months ended June 30, 1995, compared to \$13.4 million for the first nine months of fiscal 1994. Operating cash flows for the first nine months of both fiscal 1995 and 1994 were primarily generated by the Company's net income of \$12.1 million and \$10.7 million, respectively.

Cash used in investing activities approximated \$3.0 million for the nine months ended June 30, 1995 compared to \$2.3 million for the same period a year ago. Capital expenditures for the nine months ended June 30, 1995 amounted to \$4.4 million, representing an increase of \$1.5 million over capital expenditures of \$2.9 million for the same period in fiscal 1994. The increase is due primarily to an increase in the capital budget for fiscal 1995 and the timing of capital spending projects in comparison to the prior period. The capital budget of the Company for fiscal 1995 is \$12.0 million. Capital spending for property, plant and equipment averaged approximately \$6.4 million for the last three fiscal years. The Company expects to generate sufficient cash from operations to fund all anticipated capital spending projects. Partially offsetting capital expenditures were collections on loans to officers and employees which amounted to \$1.3 million for the nine months ended June 30, 1995 compared to \$522,000 for the same period a year ago.

Cash used in financing activities for the nine months ended June 30, 1995 was \$1.9 million reflecting the payment of dividends (\$.18 per share for the nine month period) and repayments under the Company's capital lease agreements. Cash used in financing activities in the first nine months of fiscal 1994 was \$10.8 million which primarily consisted of repayments under the Company's Term Loan Agreement and treasury stock redemptions under the Employees' Stock Purchase Plan. Dividends for the first nine months of fiscal 1994 were \$.03 per share. The Company currently has available lines of credit of approximately \$11 million. There were no outstanding borrowings on any of the Company's lines of credit at June 30, 1995. As of such date, the Company's outstanding long-term debt, which consisted of capital lease obligations, was \$854,000.

At June 30, 1995 and September 30, 1994 and 1993, the Company's current ratio was 3.6, 2.9 and 3.0, respectively. The Company had cash and cash equivalents at June 30, 1995 and September 30, 1994 of \$34.2 million and \$24.3 million, respectively. Net working capital at June 30, 1995 was \$52.5 million. The Company believes that its current liquidity sources, combined with its operating cash flow and additional borrowing capacity, are presently more than adequate to meet its capital needs (excluding acquisitions) for the next 12 months.

Stock Option Plan

The Company has a stock incentive plan which provides for the grant of incentive stock options, nonstatutory stock options and restricted share awards. The aggregate number of shares of the Company's common stock which may be issued upon exercise of the stock options and pursuant to the restricted share awards under the stock incentive plan is 600,000 shares. The option price for each stock option which may be granted under the plan may not be less than fair market value of the Company's common stock on the date of grant. During fiscal 1995, by action of the Compensation Committee of the Company's Board of Directors, certain officers and other management personnel were granted nonstatutory stock options to purchase a combined total of 477,500 shares of the Company's Class A Common Stock. On December 9, 1994, options to purchase 377,500 shares were granted at an exercise price of \$14.25 per share. Of these grants, options to purchase 53,667 shares had been cancelled by July 31, 1995. On May 19, 1995, options to purchase 100,000 shares were granted at an exercise price of \$16.375 per share. The outstanding options are exercisable in various share amounts based on the attainment of certain market value levels of Class A Common Stock, but, in the absence of such events, are exercisable in full for a one-week period beginning five years from the date of grant. The options are not exercisable within six months from the date of

grant and expire ten years from the date of grant if not exercised.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The following Exhibit to this report is filed herewith:

Exhibit

No. Description

11 Computation of Earnings Per Share

(b) Reports on Form 8-K

None

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 8/7/95

T.N. Kennedy

T. N. Kennedy, Senior Vice President,
Chief Financial Officer and Treasurer

Date 8/7/95

J.L. Parker

J. L. Parker, Senior Vice President,
General Counsel and Secretary

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
EXHIBIT 11 - COMPUTATION OF EARNINGS PER SHARE
FOR THE NINE MONTHS ENDED JUNE 30, 1995 AND 1994

	1995	1994
1. Net income	\$12,132,669	\$10,723,619
2. Weighted average number of common shares outstanding during the period	8,850,350	8,967,900
3. Shares issuable upon exercise of dilutive stock options outstanding during period, based on higher of average or period-end values	39,760	-
4. Weighted average number of common shares outstanding during the period, assuming full dilution (2 + 3)	8,890,110	8,967,900
5. Primary earnings per share (1 divided by 2)	\$ 1.37	\$ 1.20
6. Fully diluted earnings per share (1 divided by 4)	\$ 1.36	\$ 1.20

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE REGISTRANT'S QUARTERLY REPORT ON FORM 10-Q FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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