



Matthews International Corp. (MATW)

Updated January 28th, 2022 by Quinn Mohammed

Key Metrics

Current Price:	\$35	5 Year CAGR Estimate:	7.4%	Market Cap:	\$1.1 B
Fair Value Price:	\$38	5 Year Growth Estimate:	3.0%	Ex-Dividend Date¹:	02/04/2022
% Fair Value:	90%	5 Year Valuation Multiple Estimate:	2.1%	Dividend Payment Date²:	02/21/2022
Dividend Yield:	2.6%	5 Year Price Target	\$44	Years Of Dividend Growth:	28
Dividend Risk Score:	A	Retirement Suitability Score:	B	Last Dividend Increase:	2.4%

Overview & Current Events

Matthews International Corporation provides brand solutions, memorialization products and industrial technologies on a global scale. The company's three business segments are diversified. The SGK Brand Solutions segment is their top sales generator and provides brand development services, printing equipment, creative design services, and embossing tools to the consumer-packaged goods and packaging industries. The Memorialization segment sells memorialization products, caskets, and cremation equipment to funeral home industries. The Industrial technologies segment is smaller than the other two businesses and designs, manufactures and distributes marking, coding and industrial automation technologies and solutions. Matthews International was incorporated in 1850 and became a public company in 1994. They are headquartered in Pittsburgh, PA. The \$1.1 billion market capitalization company trades on the NASDAQ under the MATW ticker and employs roughly 11,000 people in over 25 countries.

Matthews International reported first quarter results on January 27th. The company achieved sales of \$51.9 million, a 13.4% increase compared to the same prior year period. The increase was due to higher sales in all three of the company's segments. Adjusted earnings were \$0.74 per share, up 8.8% from \$0.68 a year ago. The company's net debt leverage ratio increased from the prior quarter, from 3.1 to 3.4, with a near-term objective of 3.0 times. The corporation maintains their focus on debt reduction this fiscal year.

Leadership provided vague guidance for fiscal 2022, touching on the strength of the energy solutions business and how it should grow significantly in 2022 as it did in 2021. Growth in consolidated sales is anticipated in fiscal 2022 but increases in commodity costs is a headwind for the company's adjusted EBITDA, which is now projected to be at least \$220 million. Cash flow management and debt reduction are big focuses of management for coming year.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Adj. EPS	\$2.34	\$2.49	\$2.74	\$3.03	\$3.38	\$3.60	\$3.96	\$3.31	\$3.01	\$3.28	\$2.94	\$3.41
DPS	\$0.37	\$0.41	\$0.46	\$0.54	\$0.60	\$0.68	\$0.76	\$0.80	\$0.84	\$0.87	\$0.88	\$1.12
Shares³	27.8	27.4	28.5	33.2	32.9	32.6	31.9	31.4	31.2	32.0	31.0	29.5

Matthews International measures their performance with adjusted earnings per share, which is earnings excluding intangible amortization and the non-service cost portion of pension/post-retirement expense. The company has not produced much growth, but it has steadily climbed by around 3.8% compounded annually from 2012 to 2021. Currently the company is targeting 2.5% of revenue into growth opportunities. The company is also searching for acquisition opportunities which can extend the capabilities in existing businesses or expand the corporation even further geographically. Continued debt reductions will reduce interest expenses, and Matthews International is working on cost structure improvements. The company is also committed to repurchasing shares opportunistically with excess cash flow.

¹ Estimate based on last year

² Estimate based on last year

³ In millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



Matthews International Corp. (MATW)

Updated January 28th, 2022 by Quinn Mohammed

The Memorialization segment is currently experiencing growth while the other two businesses have declined in the last two years. We are forecasting intermediate-term earnings growth of 3% annually.

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	13.7	17.1	17.8	17.6	22.7	14.5	10.3	11.5	8.3	11.1	11.7	13.0
Avg. Yld.	1.2%	1.1%	1.0%	1.0%	1.0%	1.0%	1.5%	2.2%	3.0%	2.4%	2.6%	2.5%

The current P/E ratio based on our 2022 adjusted earnings per share estimate is only slightly lower than our estimated valuation of 13 times earnings. Over the past ten and five years, the average P/E ratio has been 14.5 and 11.1, respectively. Given the ongoing uncertainty surrounding COVID-19 and its influence on the SGK Brand solutions and Industrial technologies segment, we are using 13 times earnings as a fair value starting point. Given the current P/E discount, shares could see a 2.1% annual gain due to multiple expansion.

Safety, Quality, Competitive Advantage, & Recession Resiliency

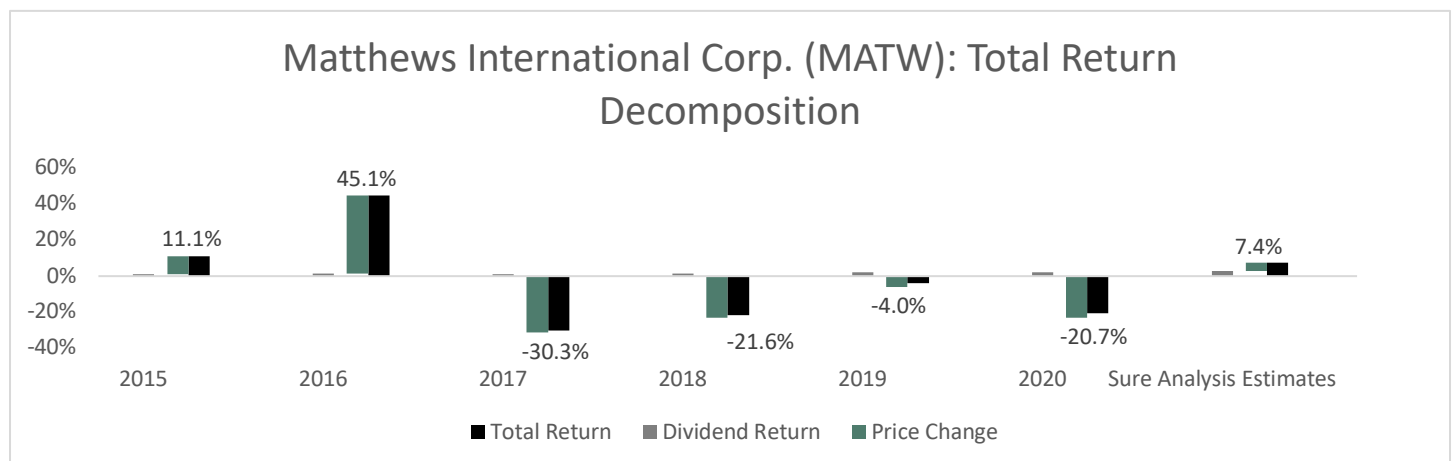
Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2021	2022	2027
Payout	16%	16%	17%	18%	18%	19%	19%	24%	28%	26%	30%	33%

The dividend payout ratio for Matthews International has been very conservative and is nearing a decade peak at 30%. This conservative payout ratio allows for Matthews to continue raising the dividend as it has for the last 27 years. We do not see any hurdles in terms of dividend payments or increases. The company has a small competitive advantage in that it is uniquely diversified across its businesses, which allows it to weather different storms on a consolidated basis. However, this also leaves the corporation open to more focused competition. The company also differentiates itself by offering a broad range of services on a global scale where it can gain market share in a fragmented industry. The Great Recession saw Matthews' earnings drop around -25%, but the company nearly recuperated this loss by the following year. Through the COVID-19 pandemic, earnings have not dropped significantly.

Final Thoughts & Recommendation

Matthews International is a dividend champion with 28 years of dividend growth and a conservative payout ratio. We forecast total annual returns of 7.4% for the next five years consisting of the current 2.6% yield, 3% earnings growth and a 2.1% gain from the valuation expansion. Matthews trades just below our estimated fair value and has respectable expected returns of 7.4%. Shares earn a hold rating.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



Matthews International Corp. (MATW)

Updated January 28th, 2022 by Quinn Mohammed

Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	900	985	1107	1426	1480	1516	1603	1537	1498	1671
Gross Profit	337	357	392	529	556	568	584	542	498	542
Gross Margin	37.4%	36.2%	35.5%	37.1%	37.6%	37.5%	36.5%	35.3%	33.2%	32.4%
SG&A Exp.	244	262	311	424	417	423	414	409	400	416
D&A Exp.	29	38	43	63	65	68	77	91	119	134
Operating Profit	93	95	82	105	119	121	139	88	26	42
Operating Margin	10.3%	9.6%	7.4%	7.4%	8.0%	8.0%	8.6%	5.7%	1.7%	2.5%
Net Profit	55	54	43	63	67	74	107	-38	-87	3
Net Margin	6.1%	5.5%	3.9%	4.4%	4.5%	4.9%	6.7%	-2.5%	-5.8%	0.2%
Free Cash Flow	49	83	61	93	99	104	104	93	146	128
Income Tax	28	26	23	26	29	22	-9	1	-19	6

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	1128	1209	2024	2144	2091	2245	2358	2191	2073	2032
Cash & Equivalents	58	48	63	72	56	58	42	35	41	49
Accounts Receivable	175	178	283	284	295	320	331	319	295	310
Inventories	131	130	153	171	162	171	180	180	175	189
Goodwill & Int. Ass.	535	590	1201	1271	1245	1322	1393	1247	1099	1035
Total Liabilities	637	663	1249	1410	1382	1454	1489	1471	1461	1396
Accounts Payable	44	45	72	69	58	67	70	75	83	113
Long-Term Debt	320	375	729	903	873	911	961	941	835	764
Shareholder's Equity	478	543	771	731	709	790	868	718	611	637
D/E Ratio	1.33	1.22	1.62	1.93	1.95	1.84	1.71	2.05	2.39	2.19

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	5.0%	4.6%	2.6%	3.0%	3.2%	3.4%	4.7%	-1.7%	-4.1%	0.1%
Return on Equity	11.7%	10.6%	6.5%	8.4%	9.3%	9.9%	13.0%	-4.8%	-13.1%	0.5%
ROIC	6.9%	6.3%	3.5%	4.0%	4.1%	4.5%	6.1%	-2.2%	-5.6%	0.2%
Shares Out.	27.8	27.4	28.5	33.2	32.9	32.6	31.9	31.4	31.2	32.0
Revenue/Share	32.34	35.93	38.85	42.96	44.99	46.53	50.30	48.93	48.04	52.24
FCF/Share	1.77	3.03	2.16	2.80	3.00	3.20	3.28	2.97	4.67	4.02

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.