



# Matthews International Corp. (MATW)

Updated November 23<sup>rd</sup>, 2023 by Quinn Mohammed

## Key Metrics

<b>Current Price:</b>	\$35	<b>5 Year CAGR Estimate:</b>	9.9%	<b>Market Cap:</b>	\$1.2 B
<b>Fair Value Price:</b>	\$38	<b>5 Year Growth Estimate:</b>	6.0%	<b>Ex-Dividend Date<sup>1</sup>:</b>	11/24/2023
<b>% Fair Value:</b>	93%	<b>5 Year Valuation Multiple Estimate:</b>	1.5%	<b>Dividend Payment Date<sup>2</sup>:</b>	12/11/2023
<b>Dividend Yield:</b>	2.8%	<b>5 Year Price Target</b>	\$50	<b>Years Of Dividend Growth:</b>	30
<b>Dividend Risk Score:</b>	A	<b>Retirement Suitability Score:</b>	B	<b>Rating:</b>	Hold

## 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 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 \$1.2 billion market capitalization company trades on the NASDAQ under the MATW ticker and employs roughly 12,000 people in over 30 countries.

Matthews International reported fourth quarter results on November 16<sup>th</sup>, 2023. The company achieved sales of \$480 million, a 5% increase compared to the same prior year period. The increase was due to 34% sales growth in the Industrial Technologies segment. Adjusted earnings were \$0.96 per share, up 17% from \$0.82 a year ago. The company's net debt leverage ratio was down year-over-year to 3.3.

Leadership expects growth of sales and adjusted EBITDA in fiscal 2024.

## Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
<b>Adj. EPS</b>	\$2.74	\$3.03	\$3.38	\$3.60	\$3.96	\$3.31	\$3.01	\$3.28	\$2.88	\$2.88	<b>\$3.01</b>	<b>\$4.03</b>
<b>DPS</b>	\$0.46	\$0.54	\$0.60	\$0.68	\$0.76	\$0.80	\$0.84	\$0.87	\$0.88	\$0.92	<b>\$0.96</b>	<b>\$1.23</b>
<b>Shares<sup>3</sup></b>	28.5	33.2	32.9	32.6	31.9	31.4	31.2	32.0	31.4	31.5	<b>31.0</b>	<b>30.0</b>

Matthews International measures its 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 0.6% compounded annually from 2014 to 2023.

The company is searching for complementary acquisition opportunities which can extend its capabilities in existing businesses or expand the corporation even further geographically. Matthews is aiming to achieve a long-term annual return on invested capital of at least 12% on these acquisitions. Some such examples are recent acquisitions OLBRICH GmbH and R+S Automotive GmbH made in August 2022, which expanded the company's global presence and its position in the industrial and automotive components business.

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. The Memorialization segment has boomed as a result of COVID-19, as increased deaths and rising cremation rates added to the top line. However, this benefit is now in the rearview as U.S. death rates have normalized from prior high pandemic

<sup>1</sup> Estimate based on last year

<sup>2</sup> Estimate based on last year

<sup>3</sup> 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 November 23<sup>rd</sup>, 2023 by Quinn Mohammed

levels. The Industrial Technologies segment is growing strongly, primarily as a result of growing sales in its energy storage solutions at its Saueressig subsidiary, which develops equipment used in the manufacturing of lithium ion batteries and embossing plates used in fuel cells, as well as its recent acquisitions. Its third segment, SGK Branding, has been lagging in terms of meaningful growth and is focusing on redesigning, rebranding, and bundling its products and services. This segment is also reducing costs in an effort to increase margins as currency headwinds weigh on the business. We are forecasting intermediate-term earnings growth of 6.0% annually.

## Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	17.8	17.6	22.7	14.5	10.3	11.5	8.3	11.1	10.3	13.6	<b>11.6</b>	<b>12.5</b>
Avg. Yld.	1.0%	1.0%	1.0%	1.0%	1.5%	2.2%	3.0%	2.4%	2.9%	2.2%	<b>2.8%</b>	<b>2.4%</b>

The current P/E ratio based on our 2023 adjusted earnings per share estimate is below our estimated fair value of 12.5 times earnings. Over the past ten and five years, the average P/E ratio has been 13.8 and 11.0, respectively. Given the current undervaluation, shares could see a 1.5% annual gain due to multiple expansion.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

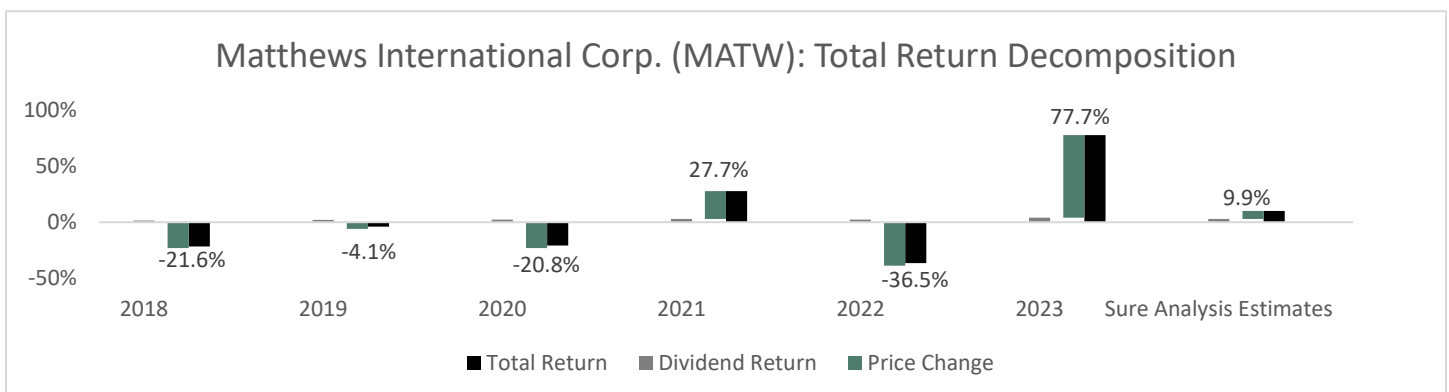
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	17%	18%	18%	19%	19%	24%	28%	26%	31%	32%	<b>32%</b>	<b>30%</b>

The dividend payout ratio for Matthews International has been very conservative and is nearing a decade peak at 32%. This conservative payout ratio allows for Matthews to continue raising the dividend as it has for the last 30 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 30 years of dividend growth and a conservative payout ratio. We forecast total annual returns of 9.9% for the next five years consisting of the 2.8% yield, 6.0% earnings-per-share growth, and 1.5% multiple expansion. Matthews trades at a 7% discount to our estimate of fair value and has expected total annual returns of 9.9%. Matthews retains its 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 November 23<sup>rd</sup>, 2023 by Quinn Mohammed

## Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Revenue</b>	1107	1426	1480	1516	1603	1537	1498	1671	1762	1881
<b>Gross Profit</b>	392	529	556	568	584	542	498	542	522	578
<b>Gross Margin</b>	35.5%	37.1%	37.6%	37.5%	36.5%	35.3%	33.2%	32.4%	29.6%	30.7%
<b>SG&amp;A Exp.</b>	311	424	417	423	414	409	400	416	427	447
<b>D&amp;A Exp.</b>	43	63	65	68	77	91	119	134	104	97
<b>Operating Profit</b>	82	105	119	121	139	88	26	42	39	88
<b>Operating Margin</b>	7.4%	7.4%	8.0%	8.0%	8.6%	5.7%	1.7%	2.5%	2.2%	4.7%
<b>Net Profit</b>	43	63	67	74	107	-38	-87	3	-100	39
<b>Net Margin</b>	3.9%	4.4%	4.5%	4.9%	6.7%	-2.5%	-5.8%	0.2%	-5.7%	2.1%
<b>Free Cash Flow</b>	61	93	99	104	104	93	146	128	66	28.9
<b>Income Tax</b>	23	26	29	22	-9	1	-19	6	-4	2

## Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Assets</b>	2024	2144	2091	2245	2358	2191	2073	2032	1883	1887
<b>Cash &amp; Equivalents</b>	63	72	56	58	42	35	41	49	69	42
<b>Accounts Receivable</b>	283	284	295	320	331	319	295	310	221	208
<b>Inventories</b>	153	171	162	171	180	180	175	189	225	260
<b>Goodwill &amp; Int. Ass.</b>	1201	1271	1245	1322	1393	1247	1099	1035	878	859
<b>Total Liabilities</b>	1249	1410	1382	1454	1489	1471	1461	1396	1396	1362
<b>Accounts Payable</b>	72	69	58	67	70	75	83	113	121	114
<b>Long-Term Debt</b>	729	903	873	911	961	941	835	764	799	790
<b>Shareholder's Equity</b>	771	731	709	790	868	718	611	637	487	526
<b>D/E Ratio</b>	1.62	1.93	1.95	1.84	1.71	2.05	2.39	2.19	1.64	1.50

## Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Return on Assets</b>	2.6%	3.0%	3.2%	3.4%	4.7%	-1.7%	-4.1%	0.1%	-5.1%	2.1%
<b>Return on Equity</b>	6.5%	8.4%	9.3%	9.9%	13.0%	-4.8%	-13.1%	0.5%	-17.8%	7.8%
<b>ROIC</b>	3.5%	4.0%	4.1%	4.5%	6.1%	-2.2%	-5.6%	0.2%	-7.4%	3.0%
<b>Shares Out.</b>	28.5	33.2	32.9	32.6	31.9	31.4	31.2	32.0	31.4	31.3
<b>Revenue/Share</b>	38.85	42.96	44.99	46.53	50.30	48.93	48.04	52.24	56.19	60.11
<b>FCF/Share</b>	2.16	2.80	3.00	3.20	3.28	2.97	4.67	4.02	2.09	0.92

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.