



Matthews International Corp. (MATW)

Updated February 13th, 2025 by Quinn Mohammed

Key Metrics

Current Price:	\$25	5 Year CAGR Estimate:	10.5%	Market Cap:	\$762 M
Fair Value Price:	\$22	5 Year Growth Estimate:	10.0%	Ex-Dividend Date:	02/10/2025
% Fair Value:	114%	5 Year Valuation Multiple Estimate:	-2.5%	Dividend Payment Date:	02/25/2025
Dividend Yield:	4.0%	5 Year Price Target	\$36	Years Of Dividend Growth:	32
Dividend Risk Score:	B	Retirement Suitability Score:	A	Rating:	Buy

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 \$762 million market capitalization company trades on the NASDAQ under the MATW ticker and employs approximately 11,000 people in over 30 countries.

On January 8, 2025, Matthews announced it is selling SGK to a newly formed entity, which will be part owned by SGS & Co, with Matthews retaining 40% interest in the entity. Matthews will receive \$350 million of total upfront consideration, with \$250 million being cash that will be used to pay down debt.

Matthews International reported first quarter FY 2025 results on February 6th, 2025. The company reported sales of \$402 million, an 11% decline compared to the same prior year period. The decrease was the result of a 28% sales decline in its Industrial Technologies segment. Adjusted earnings were \$0.14 per share, a 62% decrease from \$0.37 a year ago. The company's net debt leverage ratio rose from 3.6 one year ago to 3.9.

Matthews continues to expect \$205 million to \$215 million of adjusted EBITDA for fiscal 2025.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Adj. EPS	\$3.03	\$3.38	\$3.60	\$3.96	\$3.31	\$3.01	\$3.28	\$2.88	\$2.88	\$2.17	\$1.67	\$2.69
DPS	\$0.54	\$0.60	\$0.68	\$0.76	\$0.80	\$0.84	\$0.87	\$0.88	\$0.92	\$0.96	\$1.00	\$1.28
Shares¹	33.2	32.9	32.6	31.9	31.4	31.2	32.0	31.4	31.5	30.9	30.5	32.0

Matthews International measures its performance using adjusted earnings per share, which excludes 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 increase its geographic reach. 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 expense, and Matthews International recently announced a new cost reduction program aimed at saving \$50 million annually, which is now underway. The company is also committed to

¹ In millions

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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 levels. The Industrial Technologies segment is growing 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. Additionally, the lawsuit from Tesla which was preventing Matthews from selling its DBE technology solutions to customers other than Tesla has been dismissed.

We are forecasting intermediate-term EPS growth of 10% annually.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	17.6	22.7	14.5	10.3	11.5	8.3	11.1	10.3	13.6	12.5	15.0	13.2
Avg. Yld.	1.0%	1.0%	1.0%	1.5%	2.2%	3.0%	2.4%	2.9%	2.2%	3.6%	4.0%	3.6%

The current P/E ratio based on our 2025 adjusted earnings per share estimate is above our estimated fair value of 13.2 times earnings. Over the past ten and five years, the average P/E ratio has been 13.2 and 11.2, respectively. Given the current overvaluation, shares could see a 2.5% annual decline from multiple contraction.

Safety, Quality, Competitive Advantage, & Recession Resiliency

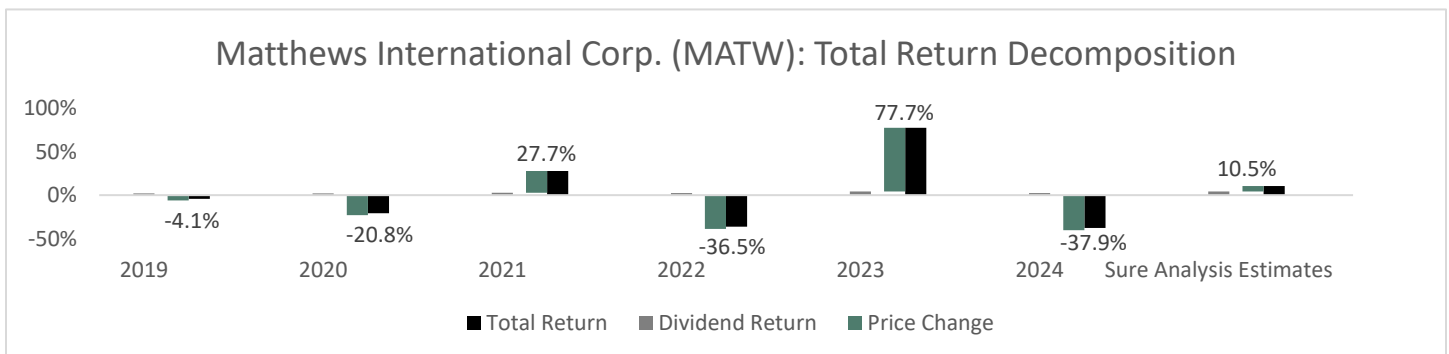
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	18%	18%	19%	19%	24%	28%	26%	31%	32%	44%	60%	47%

The dividend payout ratio for Matthews International has been very conservative and only recently eclipsed one third of earnings. This conservative payout ratio allows Matthews to continue raising the dividend as it has for the last 31 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 32 years of dividend growth and a conservative payout ratio. We forecast total annual returns of 10.5% for the next five years consisting of a 4.0% yield and 10% earnings-per-share growth, partly offset by -2.5% multiple contraction. Matthews trades at a 14% premium to our estimate of fair value and has expected total annual returns of 10.5%. As a result, we are upgrading MATW from hold to buy.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1426	1480	1516	1603	1537	1498	1671	1762	1881	1796
Gross Profit	529	556	568	584	542	498	542	522	578	530
Gross Margin	37.1%	37.6%	37.5%	36.5%	35.3%	33.2%	32.4%	29.6%	30.7%	29.5%
SG&A Exp.	424	417	423	414	409	400	416	427	447	488
D&A Exp.	63	65	68	77	91	119	134	104	97	95
Operating Profit	105	119	121	139	88	26	42	39	88	4
Operating Margin	7.4%	8.0%	8.0%	8.6%	5.7%	1.7%	2.5%	2.2%	4.7%	0.2%
Net Profit	63	67	74	107	-38	-87	3	-100	39	-60
Net Margin	4.4%	4.5%	4.9%	6.7%	-2.5%	-5.8%	0.2%	-5.7%	2.1%	-3.3%
Free Cash Flow	93	99	104	104	93	146	128	66	29	34
Income Tax	26	29	22	-9	1	-19	6	-4	2	-10

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	2144	2091	2245	2358	2191	2073	2032	1883	1887	1835
Cash & Equivalents	72	56	58	42	35	41	49	69	42	41
Accounts Receivable	284	295	320	331	319	295	310	221	208	206
Inventories	171	162	171	180	180	175	189	225	260	238
Goodwill & Int. Ass.	1271	1245	1322	1393	1247	1099	1035	878	859	823
Total Liabilities	1410	1382	1454	1489	1471	1461	1396	1396	1362	1398
Accounts Payable	69	58	67	70	75	83	113	121	114	108
Long-Term Debt	903	873	911	961	941	835	764	799	790	776
Shareholder's Equity	731	709	790	868	718	611	637	487	526	437
D/E Ratio	1.93	1.95	1.84	1.71	2.05	2.39	2.19	1.64	1.50	1.78

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	3.0%	3.2%	3.4%	4.7%	-1.7%	-4.1%	0.1%	-5.1%	2.1%	-3.2%
Return on Equity	8.4%	9.3%	9.9%	13.0%	-4.8%	-13.1%	0.5%	-17.8%	7.8%	-12.4%
ROIC	4.0%	4.1%	4.5%	6.1%	-2.2%	-5.6%	0.2%	-7.4%	3.0%	-4.7%
Shares Out.	33.2	32.9	32.6	31.9	31.4	31.2	32.0	31.4	31.3	30.9
Revenue/Share	42.96	44.99	46.53	50.30	48.93	48.04	52.24	56.19	60.11	58.09
FCF/Share	2.80	3.00	3.20	3.28	2.97	4.67	4.02	2.09	0.92	1.10

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

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