

MATTHEWS INTERNATIONAL CORP  
Form 10-Q  
August 05, 2013

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, 2013

Commission File No. 0-9115

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted 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

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting  
company

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 July 31, 2013, shares of common stock outstanding were:

Class A Common Stock 27,434,613 shares

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PART I - FINANCIAL INFORMATION  
MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)  
(Dollar amounts in thousands, except per share data)

	June 30, 2013	September 30, 2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$54,861	\$58,259
Accounts receivable, net	183,437	174,632
Inventories	131,839	130,690
Deferred income taxes	1,648	1,694
Other current assets	20,399	19,950
<b>Total current assets</b>	<b>392,184</b>	<b>385,225</b>
Investments	19,709	18,842
Property, plant and equipment: Cost	\$382,338	\$350,521
Less accumulated depreciation	(214,807 )	(206,472 )
	167,531	144,049
Deferred income taxes	29,669	32,647
Other assets	15,375	12,083
Goodwill	532,926	476,181
Other intangible assets, net	53,166	59,015
<b>Total assets</b>	<b>\$ 1,210,560</b>	<b>\$ 1,128,042</b>
<b>LIABILITIES</b>		
Current liabilities:		
Long-term debt, current maturities	\$ 17,520	\$ 21,566
Accounts payable	41,644	44,294
Accrued compensation	36,985	30,222
Accrued income taxes	11,284	7,632
Customer prepayments	12,409	15,883
Contingent Consideration	8,559	13,298
Other current liabilities	48,854	47,978
<b>Total current liabilities</b>	<b>177,255</b>	<b>180,873</b>
Long-term debt	359,561	298,148
Accrued pension	87,028	78,563
Postretirement benefits	28,633	27,725
Deferred income taxes	19,431	18,624
Other liabilities	28,536	33,194
<b>Total liabilities</b>	<b>700,444</b>	<b>637,127</b>
Arrangement with noncontrolling interest	-	10,481

SHAREHOLDERS' EQUITY

Shareholders' equity-Matthews:

Common stock	\$36,334	\$36,334	
Additional paid-in capital	45,805	47,893	
Retained earnings	764,294	727,176	
Accumulated other comprehensive loss	(64,603 )	(65,083 )	
Treasury stock, at cost	(274,831 )	(268,499 )	
Total shareholders' equity-Matthews		506,999	477,821
Noncontrolling interests		3,117	2,613
Total shareholders' equity		510,116	480,434
Total liabilities and shareholders' equity		\$1,210,560	\$1,128,042

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		Nine Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Sales	\$ 250,652	\$ 227,478	\$ 732,651	\$ 670,236
Cost of sales	(159,261 )	(139,769 )	(466,420 )	(419,825 )
Gross profit	91,391	87,709	266,231	250,411
Selling and administrative expenses	(60,631 )	(60,196 )	(193,902 )	(178,686 )
Operating profit	30,760	27,513	72,329	71,725
Investment income	634	176	1,474	3,020
Interest expense	(3,486 )	(2,881 )	(9,784 )	(8,165 )
Other income (deductions), net	(986 )	(602 )	(3,158 )	(1,755 )
Income before income taxes	26,922	24,206	60,861	64,825
Income taxes	(9,024 )	(7,821 )	(20,905 )	(21,828 )
Net income	17,898	16,385	39,956	42,997
Net (income) loss attributable to noncontrolling interests	93	(60 )	482	(129 )
Net income attributable to Matthews shareholders	\$ 17,991	\$ 16,325	\$ 40,438	\$ 42,868
Earnings per share attributable to Matthews shareholders:				
Basic	\$0.65	\$0.58	\$1.47	\$1.51
Diluted	\$0.65	\$0.58	\$1.46	\$1.51

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



MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)  
(Dollar amounts in thousands)

	Matthews		Three Months Ended June 30, Noncontrolling Interest		Total	
	2013	2012	2013	2012	2013	2012
Net income (loss):	\$17,991	\$16,325	\$(93	) \$60	\$17,898	\$16,385
Other comprehensive income (loss), net of tax:						
Foreign currency translation adjustment	(1,653	) (11,441	) 44	(33	) (1,609	) (11,474
Pension plans and other postretirement benefits	1,073	1,023	-	-	1,073	1,023
Unrecognized gain (loss) on derivatives:						
Net change from periodic revaluation	2,463	(1,407	) -	-	2,463	(1,407
Net amount reclassified to earnings	649	542	-	-	649	542
Net change in unrecognized gain (loss) on derivatives	3,112	(865	) -	-	3,112	(865
Other comprehensive income (loss), net of tax	2,532	(11,283	) 44	(33	) 2,576	(11,316
Comprehensive income (loss)	\$20,523	\$5,042	\$(49	) \$27	\$20,474	\$5,069

	Matthews		Nine Months Ended June 30, Noncontrolling Interest		Total	
	2013	2012	2013	2012	2013	2012
Net income (loss):	\$40,438	\$42,868	\$(482	) \$129	\$39,956	\$42,997
Other comprehensive income (loss), net of tax:						
Foreign currency translation adjustment	(7,587	) (8,239	) 99	(101	) (7,488	) (8,340
Pension plans and other postretirement benefits	3,220	3,068	-	-	3,220	3,068
Unrecognized gain (loss) on derivatives:						
Net change from periodic revaluation	2,960	(2,068	) -	-	2,960	(2,068
Net amount reclassified to earnings	1,887	1,408	-	-	1,887	1,408

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Net change in unrecognized gain (loss)							
on derivatives	4,847	(660	)	-	-	4,847	(660
Other comprehensive income (loss), net of tax	480	(5,831	)	99	(101	)	579
Comprehensive income (loss)	\$40,918	\$37,037		\$(383	)	\$28	\$40,535
							\$37,065

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



MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
for the nine months ended June 30, 2013 and 2012 (Unaudited)  
(Dollar amounts in thousands, except per share data)

	Shareholders' Equity						Total
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Non- controlling interests	
Balance, September 30, 2011	\$36,334	\$48,554	\$681,658	\$ (58,658 )	\$(243,246 )	\$3,451	\$468,093
Net income	-	-	42,868	-	-	129	42,997
Minimum pension liability	-	-	-	3,068	-	-	3,068
Translation adjustment	-	-	-	(8,239 )	-	(101 )	(8,340 )
Fair value of derivatives	-	-	-	(660 )	-	-	(660 )
Total comprehensive income							37,065
Stock-based compensation	-	4,097	-	-	-	-	4,097
Purchase of 618,366 shares of treasury stock	-	-	-	-	(18,908 )	-	(18,908 )
Issuance of 184,806 shares of treasury stock	-	(6,149 )	-	-	6,022	-	(127 )
Dividends, \$.27 per share	-	-	(7,597 )	-	-	-	(7,597 )
Distributions to noncontrolling interests	-	-	-	-	-	(170 )	(170 )
Balance, June 30, 2012	\$36,334	\$46,502	\$716,929	\$ (64,489 )	\$(256,132 )	\$3,309	\$482,453

	Shareholders' Equity						Total
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive	Treasury Stock	Non- controlling interests	

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				Income (Loss)			
Balance, September 30, 2012	\$36,334	\$47,893	\$727,176	\$ (65,083 )	\$ (268,499 )	\$2,613	\$480,434
Net income	-	-	40,438	-	-	(482 )	39,956
Minimum pension liability	-	-	-	3,220	-	-	3,220
Translation adjustment	-	-	-	(7,587 )	-	99	(7,488 )
Fair value of derivatives	-	-	-	4,847	-	-	4,847
Total comprehensive income							40,535
Stock-based compensation	-	4,153	-	-	-	-	4,153
Purchase of 405,116 shares of treasury stock	-	-	-	-	(13,529 )	-	(13,529 )
Issuance of 250,472 shares of treasury stock	-	(6,241 )	-	-	7,197	-	956
Dividends, \$.30 per share	-	-	(8,300 )	-	-	-	(8,300 )
Arrangement with noncontrolling interests			4,980	-	-	1,653	6,633
Distributions to noncontrolling interests	-	-	-	-	-	(766 )	(766 )
Balance, June 30, 2013	\$36,334	\$45,805	\$764,294	\$ (64,603 )	\$ (274,831 )	\$3,117	\$510,116

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, except per share data)

	Nine Months Ended June 30,	
	2013	2012
Cash flows from operating activities:		
Net income	\$39,956	\$42,997
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	26,481	