MATTHEWS INTERNATIONAL CORP
Form 10-Q
May 03, 2019
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10 Q
Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended March 31, 2019
or
Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Transition Period from _____ to _____

Commission File No. 0 09115

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

PENNSYLVANIA	25 0644320
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)
TWO NORTHSHORE CENTER, PITTSBURGH, PA	15212 5851
(Address of principal executive offices)	(Zip Code)

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

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 Web site, 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
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A Common Stock, $1.00 par value	MATW	Nasdaq Global Select Market

As of March 31, 2019, shares of common stock outstanding were: Class A Common Stock 31,728,614 shares.

PART I FINANCIAL INFORMATION
Item 1. Financial Statements

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Unaudited)
(Dollar amounts in thousands)

		March 31, 2019		September 30, 2018
ASSETS				
Current assets:				
Cash and cash equivalents		$37,730		$41,572
Accounts receivable, net		318,147		331,463
Inventories, net		187,653		180,451
Other current assets		74,274		61,592
Total current assets		617,804		615,078
Investments		61,356		45,430
Property, plant and equipment, net		243,493		252,775
Deferred income taxes		1,945		1,837
Other assets		46,845		49,820
Goodwill		933,748		948,894
Other intangible assets, net		430,706		443,910
Total assets		$2,335,897		$2,357,744
LIABILITIES				
Current liabilities:				
Long-term debt, current maturities		$56,596		$31,260
Trade accounts payable		67,656		70,044
Accrued compensation		41,819		51,490
Accrued income taxes		9,869		11,413
Other current liabilities		131,627		122,195
Total current liabilities		307,567		286,402
Long-term debt		919,102		929,342
Accrued pension		84,562		82,035
Postretirement benefits		17,407		17,753
Deferred income taxes		116,793		121,519
Other liabilities		43,005		51,979
Total liabilities		1,488,436		1,489,030
SHAREHOLDERS' EQUITY				
Shareholders' equity-Matthews:				
Common stock	$36,334		$36,334	
Additional paid-in capital	135,055		129,252	
Retained earnings	1,041,856		1,040,378	
Accumulated other comprehensive loss	(180,186)		(164,298)	
Treasury stock, at cost	(187,391)		(173,315)	
Total shareholders' equity-Matthews		845,668		868,351

Noncontrolling interests	1,793	363
Total shareholders' equity	847,461	868,714
Total liabilities and shareholders' equity	$2,335,897	$2,357,744

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 March 31,		Six Months Ended March 31,	
	2019	2018	2019	2018
Sales	$391,400	$414,061	$765,577	$783,515
Cost of sales	(255,119)	(263,381)	(502,885)	(501,422)
Gross profit	136,281	150,680	262,692	282,093
Selling expense	(34,352)	(37,191)	(69,381)	(74,108)
Administrative expense	(68,156)	(74,024)	(135,259)	(142,490)
Intangible amortization	(9,509)	(8,249)	(17,622)	(14,930)
Operating profit	24,264	31,216	40,430	50,565
Investment (loss) income	2,091	(74)	739	393
Interest expense	(10,259)	(9,262)	(20,560)	(17,063)
Other income (deductions), net	(1,067)	(1,596)	(1,991)	(3,680)
Income before income taxes	15,029	20,284	18,618	30,215
Income tax (provision) benefit	165	(2,212)	(440)	23,015
Net income	15,194	18,072	18,178	53,230
Net loss attributable to noncontrolling interests	223	110	336	132
Net income attributable to Matthews shareholders	$15,417	$18,182	$18,514	$53,362
Earnings per share attributable to Matthews shareholders:				
Basic	$0.49	$0.57	$0.59	$1.68
Diluted	$0.48	$0.57	$0.58	$1.68

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

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

	Three Months Ended March 31,					
	Matthews		Noncontrolling Interest		Total	
	2019	2018	2019	2018	2019	2018
Net income (loss):	$15,417	$18,182	$(223)	$(110)	$15,194	$18,072
Other comprehensive (loss) income ("OCI"), net of tax:						
Foreign currency translation adjustment	134	11,413	19	90	153	11,503
Pension plans and other postretirement benefits	734	1,022	—	—	734	1,022
Unrecognized (loss) gain on derivatives:						
Net change from periodic revaluation	(1,356)	3,260	—	—	(1,356)	3,260
Net amount reclassified to earnings	(664)	(133)	—	—	(664)	(133)
Net change in unrecognized gain (loss) on derivatives	(2,020)	3,127	—	—	(2,020)	3,127
OCI, net of tax	(1,152)	15,562	19	90	(1,133)	15,652
Comprehensive (loss) income	$14,265	$33,744	$(204)	$(20)	$14,061	$33,724

	Six Months Ended March 31,					
	Matthews		Noncontrolling Interest		Total	
	2019	2018	2019	2018	2019	2018
Net income (loss):	$18,514	$53,362	$(336)	$(132)	$18,178	$53,230
OCI, net of tax:						
Foreign currency translation adjustment	(12,430)	19,011	6	103	(12,424)	19,114
Pension plans and other postretirement benefits	1,463	2,040	—	—	1,463	2,040
Unrecognized (loss) gain on derivatives:						
Net change from periodic revaluation	(3,702)	4,893	—	—	(3,702)	4,893
Net amount reclassified to earnings	(1,219)	(171)	—	—	(1,219)	(171)
Net change in unrecognized (loss) gain on derivatives	(4,921)	4,722	—	—	(4,921)	4,722
OCI, net of tax	(15,888)	25,773	6	103	(15,882)	25,876
Comprehensive (loss) income	$2,626	$79,135	$(330)	$(29)	$2,296	$79,106

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
for the three and six months ended March 31, 2019 and 2018 (Unaudited)
(Dollar amounts in thousands, except per share data)

	Shareholders' Equity						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Non-controlling interests	Total
Balance, September 30, 2018	$36,334	$129,252	$1,040,378	$ (164,298)	$(173,315)	$ 363	$868,714
Net income (loss)	—	—	3,097	—	—	(113)	2,984
Minimum pension liability	—	—	—	729	—	—	729
Translation adjustment	—	—	—	(12,564)	—	(13)	(12,577)
Fair value of derivatives	—	—	—	(2,901)	—	—	(2,901)
Total comprehensive loss							(11,765)
Stock-based compensation	—	3,647	—	—	—	—	3,647
Purchase of 186,417 shares of treasury stock	—	—	—	—	(7,751)	—	(7,751)
Issuance of 2,822 shares of treasury stock	—	(115)	—	—	115	—	—
Cancellations of 19,433 shares of treasury stock	—	891	—	—	(891)	—	—
Dividends, $0.20 per share	—	—	(6,414)	—	—	—	(6,414)
Acquisition	—	—	—	—	—	1,760	1,760
Cumulative tax adjustment for intra-entity transfers	—	—	(4,176)	—	—	—	(4,176)
Balance, December 31, 2018	$36,334	$133,675	$1,032,885	$ (179,034)	$(181,842)	$ 1,997	$844,015
Net income (loss)	—	—	15,417	—	—	(223)	15,194
Minimum pension liability	—	—	—	734	—	—	734
Translation adjustment	—	—	—	134	—	19	153
Fair value of derivatives	—	—	—	(2,020)	—	—	(2,020)
Total comprehensive income							14,061
Stock-based compensation	—	1,366	—	—	—	—	1,366
Purchase of 143,092 shares of treasury stock	—	—	—	—	(5,535)	—	(5,535)
Cancellations of 41 shares of treasury stock	—	14	—	—	(14)	—	—
Dividends, $0.20 per share	—	—	(6,446)	—	—	—	(6,446)
Balance, March 31, 2019	$36,334	$135,055	$1,041,856	$ (180,186)	$(187,391)	$ 1,793	$847,461

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

	Shareholders' Equity						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Non-controlling interests	Total
	$36,334	$123,432	$948,830	$ (154,115)	$(164,774)	$ 552	$790,259

Balance, September 30, 2017							
Net income (loss)	—	—	35,180	—	—	(22)	35,158
Minimum pension liability	—	—	—	1,018	—	—	1,018
Translation adjustment	—	—	—	7,598	—	13	7,611
Fair value of derivatives	—	—	—	1,595	—	—	1,595
Total comprehensive income							45,382
Stock-based compensation	—	5,474	—	—	—	—	5,474
Purchase of 75,765 shares of treasury stock	—	—	—	—	(4,415)	—	(4,415)
Issuance of 223,971 shares of treasury stock	—	(8,922)	—	—	8,922	—	—
Cancellations of 5,214 shares of treasury stock	—	310	—	—	(310)	—	—
Dividends, $0.19 per share	—	—	(6,071)	—	—	—	(6,071)
Balance, December 31, 2017	$36,334	$120,294	$977,939	$(143,904)	$(160,577)	$ 543	$830,629
Net income (loss)	—	—	18,182	—	—	(110)	18,072
Minimum pension liability	—	—	—	1,022	—	—	1,022
Translation adjustment	—	—	—	11,413	—	90	11,503
Fair value of derivatives	—	—	—	3,127	—	—	3,127
Total comprehensive income							33,724
Stock-based compensation	—	2,658	—	—	—	—	2,658
Purchase of 260,621 shares of treasury stock	—	—	—	—	(13,890)	—	(13,890)
Issuance of 102,856 shares of treasury stock	—	883	—	—	4,117	—	5,000
Dividends, $0.19 per share	—	—	(6,039)	—	—	—	(6,039)
Balance, March 31, 2018	$36,334	$123,835	$990,082	$(128,342)	$(170,350)	$ 523	$852,082

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

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MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(Dollar amounts in thousands)

	Six Months Ended March 31,	
	2019	2018
Cash flows from operating activities:		
Net income	$18,178	$53,230
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	40,276	36,986
Stock-based compensation expense	5,013	8,132
Deferred tax benefit	(3,176)	(38,429)
Gain on sale of assets	(128)	(813)
Loss on divestiture	4,465	—
Unrealized loss (gain) on investments	806	(199)
Changes in working capital items	(17,552)	(7,818)
Increase in other assets	(406)	(8,192)
Increase in other liabilities	937	9,628
Other operating activities, net	(3,124)	3,745
Net cash provided by operating activities	45,289	56,270
Cash flows from investing activities:		
Capital expenditures	(19,170)	(21,854)
Acquisitions, net of cash acquired	(11,525)	(119,689)
Proceeds from sale of assets	462	1,731
Proceeds from divestiture	8,254	—
Investments and advances	(11,488)	(11,746)
Net cash used in investing activities	(33,467)	(151,558)
Cash flows from financing activities:		
Proceeds from long-term debt	181,594	627,192
Payments on long-term debt	(167,327)	(495,109)
Purchases of treasury stock	(13,286)	(18,305)
Dividends	(12,860)	(12,110)
Payment of acquisition holdback	(2,050)	—
Other financing activities	(1,436)	—
Net cash (used in) provided by financing activities	(15,365)	101,668
Effect of exchange rate changes on cash	(299)	936
Net change in cash and cash equivalents	$(3,842)	$7,316
Non-cash investing and financing activities:		
Acquisition of long-term asset under financing arrangement	$—	$14,544

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

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MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
March 31, 2019
(Dollar amounts in thousands, except per share data)

Note 1. Nature of Operations

Matthews International Corporation ("Matthews" or the "Company"), founded in 1850 and incorporated in Pennsylvania in 1902, is a global provider of brand solutions, memorialization products and industrial technologies. Brand solutions consist of brand management, pre-media services, printing plates and cylinders, imaging services, digital asset management, merchandising display systems, and marketing and design services primarily for the consumer packaged goods and retail industries. Memorialization products consist primarily of bronze and granite memorials and other memorialization products, caskets and cremation equipment primarily for the cemetery and funeral home industries. Industrial technologies include marking and coding equipment and consumables, industrial automation products and order fulfillment systems for identifying, tracking, picking and conveying consumer and industrial products.
The Company has facilities in North America, Europe, Asia, Australia, and Central and South America.

Note 2. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") 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 GAAP for complete financial statements. The year-end consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the six months ended March 31, 2019 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2019. 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, 2018. The consolidated financial statements include all domestic and foreign subsidiaries in which the Company maintains an ownership interest and has operating control. Investments in certain companies over which the Company exerts significant influence, but does not control the financial and operating decisions, are accounted for as equity method investments. Investments in certain companies over which the Company does not exert significant influence are accounted for as cost method investments. All intercompany accounts and transactions have been eliminated.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. These reclassifications are not material to the prior year presentation.

New Accounting Pronouncements:

Issued

In August 2018, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2018-14, Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20), which modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This ASU is effective for the Company beginning in interim periods starting in fiscal year 2021. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820), Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement, which modifies the disclosure requirements on fair value measurements including the consideration of costs and benefits. This ASU is effective for the Company beginning in interim periods starting in fiscal year 2020. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued
(Dollar amounts in thousands, except per share data)

Note 2. Basis of Presentation (continued)

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815), which provides new guidance intended to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. This ASU is effective for the Company beginning in fiscal year 2020. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which provides new guidance on how an entity should account for leases and recognize associated lease assets and liabilities. This ASU requires lessees to recognize assets and liabilities that arise from financing and operating leases on the Consolidated Balance Sheet. Subsequently, the FASB issued several ASUs that address implementation issues and correct or improve certain aspects of the new lease guidance, including ASU 2017-13, Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842), ASU 2018-01, Leases (Topic 842) Land Easement Practical Expedient for Transition to Topic 842, ASU 2018-10, Codification Improvements to Topic 842, Leases, ASU 2018-11, Leases (Topic 842): Targeted Improvements, ASU 2018-20, Leases (Topic 842): Narrow-Scope Improvements for Lessors, and ASU 2019-01, Leases (Topic 842): Codification Improvements. These ASUs do not change the core principles in the lease guidance outlined above. ASU No. 2018-11 provides an additional transition method to adopt ASU No. 2016-02. Under the new transition method, an entity initially applies the new leases standard at the adoption date versus at the beginning of the earliest period presented and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Company has elected to use this transition method at the adoption date of October 1, 2019. ASU No. 2016-02 and the related ASUs referenced above are effective for the Company beginning in interim periods starting in fiscal year 2020. The Company is in the process of assessing the impact these ASUs will have on its consolidated financial statements.

Adopted

In May 2017, the FASB issued ASU No. 2017-09, Compensation - Stock Compensation (Topic 718), which provides new guidance intended to clarify and reduce complexities in applying stock compensation guidance to a change to the terms or conditions of share-based payment awards. The adoption of this ASU in the first quarter ended December 31, 2018 had no impact on the Company's consolidated financial statements.

In February 2017, the FASB issued ASU No. 2017-07, Compensation - Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, which provides new guidance intended to improve the disclosure requirements related to the service cost component of net benefit cost. ASU 2017-07 requires a company to present the service cost components of net periodic benefit cost in the same income statement line as other employee compensation costs, with the remaining components of net periodic benefit cost presented separately from the service cost components and outside of any subtotal of operating income, if one is presented. The Company adopted this standard on October 1, 2018 applying the presentation requirements retrospectively. For the three months ended March 31, 2018, the Company reclassified net benefit costs of $714, $226 and $485, from cost of sales, selling expense and administrative expense, respectively, to other income (deductions), net. For the six months ended March 31, 2018, the Company reclassified net benefit costs of $1,428, $452 and $970 from cost of sales, selling expense and administrative expense, respectively, to other income (deductions), net.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805), Clarifying the Definition of a Business, which provides new guidance intended to make the definition of a business more operable and allow for more consistency in application. The adoption of this ASU in the first quarter ended December 31, 2018 had no impact on the Company's consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, Income Taxes - Intra-Entity Transfers of Assets Other Than Inventory (Topic 740), which will require an entity to recognize the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. The Company adopted ASU 2016-16 on October 1, 2018 using the modified retrospective method which resulted in a decrease to retained earnings and other assets of $4,176.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force), which provides new guidance intended to clarify the presentation of certain cash flow items including debt prepayments, debt extinguishment costs, contingent considerations payments, and insurance proceeds, among other things. The adoption of this ASU in the first quarter ended December 31, 2018 did not have a material impact on the Company's consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued
(Dollar amounts in thousands, except per share data)

Note 2. Basis of Presentation (continued)

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, which provides new guidance intended to improve the recognition, measurement, presentation and disclosure of financial instruments. In February 2018, the FASB issued ASU 2018-03, Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10), that provides guidance related to implementation issues and corrects or improves certain aspects of the financial instruments guidance. The adoption of these ASUs in the first quarter ended December 31, 2018 had no impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers: Topic 606. This ASU replaces nearly all existing U.S. GAAP guidance on revenue recognition. The standard prescribes a five-step model for recognizing revenue, the application of which will require significant judgment. The FASB issued ASU 2015-14 in August 2015 which resulted in a deferral of the original effective date of ASU 2014-09. During 2016 and 2017, the FASB issued six ASUs that address implementation issues and correct or improve certain aspects of the new revenue recognition guidance, including ASU 2016-08, Principal versus Agent Considerations (Reporting Revenue Gross versus Net), ASU 2016-10, Identifying Performance Obligations and Licensing, ASU 2016-12, Narrow-Scope Improvements and Practical Expedients, ASU 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers, ASU 2017-13, Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842) and ASU 2017-14, Income Statement—Reporting Comprehensive Income (Topic 220), Revenue Recognition (Topic 605), and Revenue from Contracts with Customers (Topic 606). These ASUs do not change the core principles in the revenue recognition guidance outlined above. The Company adopted the provisions of these ASUs in the first fiscal quarter of 2019, using the modified retrospective method. The adoption of these ASUs did not impact the Company's consolidated financial statements and therefore, there was no cumulative effect adjustment recognized to retained earnings on October 1, 2018. Refer to Note 3, “Revenue Recognition,” for a further discussion.

Note 3. Revenue Recognition

The Company recognizes revenue when control of the promised goods or services is transferred to the customer and in amounts that the Company expects to collect. The timing of revenue recognition takes into consideration the various delivery terms applicable to the Company’s sales. For substantially all transactions, control passes in accordance with agreed upon delivery terms, including in certain circumstances, customer acceptance. This approach is consistent with the Company’s historical revenue recognition methodology. In limited instances revenue is recognized over time as critical milestones are met and as services are provided. Transaction price, for revenue recognition, is allocated to each performance obligation consisting of the stand alone selling price, estimates of rebates and other sales or contract renewal incentives, and cash discounts and sales returns ("Variable Consideration"). Estimates are made for Variable Consideration based on contract terms and historical experience of actual results and are applied to the performance obligations as they are satisfied.

The Company delivers a variety of products and services through its business segments. The SGK Brand Solutions segment delivers brand management, pre-media services, printing plates and cylinders and imaging services for consumer packaged goods and retail customers, merchandising display systems, and marketing and design services primarily to the consumer packaged goods and retail industries. The Memorialization segment produces and delivers bronze and granite memorials and other memorialization products, caskets and cremation equipment primarily for the cemetery and funeral home industries. The Industrial Technologies segment delivers marking and coding equipment and consumables, industrial automation products and order fulfillment systems for identifying, tracking, picking and conveying consumer and industrial products for the warehousing and industrial industries. Each product or service delivered to a third-party customer is considered to satisfy a performance obligation. Performance obligations generally occur at a point in time and are satisfied when control of the goods passes to the customer. Certain revenue related to mausoleum construction and significant engineering projects, including cremation and incineration projects, and marking and industrial automation projects, are recognized over time using the input method measuring progress toward completion of such projects. Amounts recognized using the over time method were less than 5% of the Company's consolidated revenue for the three and six months ended March 31, 2019 and 2018. The Company is entitled to collection of the sales price under normal credit terms in the regions in which it operates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued
(Dollar amounts in thousands, except per share data)

Note 3. Revenue Recognition (continued)

The Company disaggregates revenue from contracts with customers by geography, as it believes geographic regions best depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Disaggregated sales by segment and region for the three and six months ended March 31, 2019 and 2018 were as follows:

	SGK Brand Solutions		Memorialization		Industrial Technologies		Consolidated	
	Three Months Ended March 31,		Three Months Ended March 31,		Three Months Ended March 31,		Three Months Ended March 31,	
	2019	2018	2019	2018	2019	2018	2019	2018
North America	$79,170	$89,609	$151,441	$156,512	$30,988	$29,609	$261,599	$275,730
Central and South America	1,480	1,571	—	—	—	—	1,480	1,571
Europe	96,070	101,703	8,606	9,769	7,035	7,731	111,711	119,203
Australia	2,901	3,007	2,129	2,408	—	—	5,030	5,415
Asia	11,030	11,162	—	—	550	980	11,580	12,142
Total Sales	$190,651	$207,052	$162,176	$168,689	$38,573	$38,320	$391,400	$414,061

	SGK Brand Solutions		Memorialization		Industrial Technologies		Consolidated	
	Six Months Ended March 31,		Six Months Ended March 31,		Six Months Ended March 31,		Six Months Ended March 31,	
	2019	2018	2019	2018	2019	2018	2019	2018
North America	$158,752	$176,562	$294,734	$289,261	$58,702	$53,468	$512,188	$519,291
Central and South America	2,697	3,136	—	—	—	—	2,697	3,136
Europe	186,588	190,573	16,764	19,014	13,372	15,362	216,724	224,949
Australia	5,860	6,010	4,564	5,303	—	—	10,424	11,313
Asia	22,054	22,537	—	—	1,490	2,289	23,544	24,826
Total Sales	$375,951	$398,818	$316,062	$313,578	$73,564	$71,119	$765,577	$783,515

Note 4. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three level fair value hierarchy is used to prioritize the inputs used in valuations, as defined below:

Level 1: Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued
(Dollar amounts in thousands, except per share data)

Note 4. Fair Value Measurements (continued)

The fair values of the Company's assets and liabilities measured on a recurring basis are categorized as follows:

	March 31, 2019				September 30, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Derivatives [1]	$—	$4,791	$—	$4,791	$—	$11,309	$—	$11,309
Equity and fixed income mutual funds	—	22,512	—	22,512	—	22,758	—	22,758
Life insurance policies	—	4,045	—	4,045	—	5,894	—	5,894
Total assets at fair value	$—	$31,348	$—	$31,348	$—	$39,961	$—	$39,961