



# Carriage Services 4<sup>th</sup> Quarter 2025 Earnings Webcast

## **WEBCAST DATE:**

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## Corporate Speakers

- **Steve Metzger**; Carriage Services; President
- **Carlos Quezada**; Carriage Services; CEO & Vice Chairman
- **John Enwright**; Carriage Services; CFO

## Participants

- **George Kelly**; ROTH Capital Partners; Analyst
- **Liam Burke**; B. Riley Securities, Inc.; Analyst
- **Parker Snure**; Raymond James & Associates, Inc.; Analyst
- **Alexander Paris**; Barrington Research Associates, Inc.; Analyst

**Operator:** Good day and thank you for standing by. Welcome to the Carriage Services Fourth Quarter 2025 Earnings Webcast. Please be advised that today's conference is being recorded. I would now like to hand the conference over to your speaker today, Steve Metzger, President. Please, go ahead, sir.

**Steve Metzger:** Good morning, everyone, and thank you for joining us to discuss our fourth quarter and year-end results for 2025. In addition to myself, on the call this morning from management are Carlos Quezada, Chief Executive Officer and Vice Chairman of the Board of Directors, and John Enwright, Senior Vice President and Chief Financial Officer.

On the Carriage Services website, you can find our earnings press release, which was issued yesterday after the market closed. Our press release is intended to supplement our remarks this morning and include supplemental financial information, including the reconciliation of differences between GAAP and non-GAAP financial measures. Today's call will begin with formal remarks from Carlos and John, and will be followed by a question-and-answer period.

Before we begin, I'd like to remind everyone that during this call, we'll make some forward-looking statements, including comments about our business, projections, and plans. Forward-looking statements inherently involve risks and uncertainties and only reflect our views as of today. These risks and uncertainties include but are not limited to factors identified in our earnings release as well as in our SEC filings, all of which can be found on our website. Thank you all for joining us this morning. And now I'd like to turn the call over to Carlos.

**Carlos Quezada:** Thank you, Steve, and welcome to everyone joining us for today's fourth quarter and full year earnings call. As we close out 2025, I am incredibly proud of what our Carriage team has accomplished. This year reflects disciplined execution, cultural alignment and a relentless commitment to creating premier experiences for the families we serve. Before discussing our financial performance, I want to recognize every managing partner, every team member in the field, and every support member across our organization. You are the heartbeat of Carriage. Our results are not accidental. They are the result of a clear vision, high expectations, accountability, and a deep passion for this noble profession. Thank you for living our values and for delivering excellence to every family, every time.

Today, I will highlight our financial performance for the fourth quarter and the full year, and provide an update on the progress of some of our strategic objectives. John will then provide additional detail on our financial metrics, cash from operating activities, balance sheet strength, capital expenditures, overhead, and 2026 guidance.

Now to my report. 2025 was a year of divine purpose and intentional value creation. We continue to build a more scalable operating framework, optimize our supply chain processes, enhance our passion for service mindset, and reactivated our disciplined growth strategy through high quality acquisitions. At the same time, we further strengthened our balance sheet and reinforce our capital allocation discipline. We are no longer in the rebuilding phase. We are now firmly in the

compounding phase. Let's begin with the numbers.

For the fourth quarter, we reported total revenue of \$105.5 million, representing a solid 8% increase compared to the same period last year. When we look at each segment, total funeral operating revenue was \$61.1 million, reflecting a 9.6% growth year-over-year. Funeral home operating volume was 10,571, an increase of 6.8% over the same period last year, while average revenue per contract was \$5,777, an increase of 2.6% over the previous year's quarter.

This performance reflects our continued focus on strategic pricing, new burial and cremation offerings, service mix optimization, and steady execution in our businesses. As you may recall, December 2024 had lower than expected volumes due to a shift in the flu season that pushed volume to January. This December, we experienced a more typical flu season. Moving to total cemetery operating revenue, we finished the fourth quarter at \$33.8 million, an increase of \$5.3 million, or 18.4%, compared to the same quarter last year. This performance was primarily driven by a 25.5% increase in Preneed cemetery sales production, a 15.6% increase in Preneed interment rights sold, and a 5.3% increase in the average sales per property contract. Our cemetery performance continues to highlight the power of diverse inventory development, a strategic pricing, and focused Preneed execution.

Moving to total financial revenue. The company ended the quarter at \$9.3 million, an increase of 15.3% compared to the same period last year, primarily driven by the strong performance of our trust fund investments. Preneed insurance contracts sold increased by 33.8% compared with the same quarter last year, reinforcing the continued strength of our funeral Preneed insurance sales strategy and the outstanding work of our sales teams who continue to focus on the education of our families, on the value of pre-planning.

Turning to profitability, adjusted consolidated EBITDA for the fourth quarter was \$32.5 million, an increase of \$3.2 million, or 11%, in adjusted consolidated EBITDA margin was 30.8%, an increase of 80 basis points when compared to the same quarter the previous year. This margin expansion reflects the combined impact of our supply chain initiatives, strategic pricing and capital allocation discipline. Adjusted diluted EPS for the fourth quarter was \$0.75 per share, compared to \$0.62 during the same quarter the previous year, an increase of \$0.13 per share, or 21%. Our fourth quarter of 2025 delivered strong performance and we're pleased with the progress made. Now let's move to our full year performance.

Total revenue was \$417.4 million, up from \$404.2 million in 2024, representing a 3.3% growth. While reported revenue growth of 3.3% may appear modest at first glance, it significantly understates the company's underlying performance in the context of our portfolio repositioning. In 2025, the divestiture of non-core businesses negatively impacted revenue by approximately \$9 million, and we acquired strategically selected high quality assets in September, which contributed about \$4 million in revenue. We expect these new businesses to reach \$16 million in revenue in 2026.

Overall, while we felt the top line impact of the divestitures of non-core businesses in 2025,

this portfolio optimization will enhance our ability to grow revenue and margins in the future and showcase our commitment to disciplined capital allocation and return on invested capital. Moving to adjusted consolidated EBITDA.

We ended the year at \$130.7 million, an increase of \$4.4 million, or 3.5%, while adjusted consolidated EBITDA margin finished at 31.3%, an increase of ten basis points, both compared to the prior year. Adjusted diluted EPS was \$3.20 per share, compared to \$2.65 per share, an increase of \$0.55, or 20.8%, compared to the prior year. These results demonstrate the execution discipline of our operations and validate the effectiveness of our strategy to turn around the company.

Over the past three years, we have rebuilt Carriage with intention, purpose and disciplined execution, not simply to improve performance and build credibility, but to create a more sustainable, profitable and predictable company. We have reshaped our revenue mix toward higher quality earnings, institutionalized rigor with our operating system to reduce volatility and improve our margin profile through disciplined pricing, supply chain optimization and strategic capital allocation.

These actions are designed to generate consistent cash flow, expand profitability over time, and enhance earnings visibility. Most importantly, our leadership teams are fully aligned and executing with accountability to deliver performance that we believe is repeatable and scalable. Moving to updates on our strategic initiatives.

We continue to invest in systems and infrastructure to support disciplined growth, advancing continuous improvement initiatives, modernize technology platforms and enhance reporting capabilities. These investments improve our reliability, visibility and decision making quality, converting effort into behaviors and repeatable outcomes. For example, we upgraded our sales infrastructure by deploying Sales Edge 2.0, our CRM, achieving approximately 80% adoption by year-end. The platform enhanced funnel visibility, campaign targeting and reporting precision, contributing \$2.6 million in fourth quarter printing production.

In parallel, we fully integrated our Preened funeral sales strategy across the sales organization. We expect Sales Edge 2.0 to become our Preened sales engine in 2026. At the same time, we developed our leadership capability and reinforce a meritocratic culture aligned with performance expectations. Culture at Carriage is a measurable economic asset that makes execution stronger, reduces risk, and supports sustainable profitability.

A supply chain optimization strategy continues with our earning cascade calling initiatives now fully embedded across our organization. These strategies are driving purchasing consistency, margin improvement and a more curated presentation for families. We expect future optimization opportunities and additional national partnerships will allow us to further reduce complexity and enhance our operating leverage.

In closing, we are building a best-in-class [inaudible] company defined by premier experiences,

a high performance culture, meritocracy and accountability all aligned with our three strategic objectives disciplined capital allocation, purposeful growth, and relentless improvement. Our performance in 2025 reflects disciplined execution, guided by a clear, consistent framework rooted in our purpose to create premier experiences through innovation and partnerships and elevated service. These are not aspirations. They are operating standards that guide capital deployment, operational decisions and long-term value creation.

Our balance sheet is stronger, our systems are more robust, our acquisition engine is active and disciplined, and our culture is aligned with our 2030 vision. We're not chasing growth. We're building durable, predictable and compounding long-term shareholder value. As we enter 2026, we do so with confidence, clarity and intention. Thank you for your continued trust and belief in Carriage. I will now turn the call over to John.

**John Enwright:**

Thank you, Carlos, and thanks everyone for joining us today. Before I start, I'd like to look back on my first year at Carriage Services. I knew stepping into a new industry would bring professional growth, but what stood out most was the dedication and commitment throughout the organization. Our teams are truly unmatched in their focus on enhancing the care and service we provide for the families who choose us. I appreciate both our field and support center teams for everything you do each day.

My comments today will primarily focus on performance in the fourth quarter of 2025, compared to the fourth quarter of 2024. After that, I will share our outlook for 2026. We reported consolidated adjusted EBITDA of \$32.5 million, representing 30.8% of revenue, an increase from \$29.3 million, or 30% of revenue in the fourth quarter of last year. The increase, both in absolute terms and percentage, were driven by improved performance across our field operations, resulting in a \$5.5 million increase in field EBITDA.

However, this progress was partially offset by an unanticipated employee benefit expense of approximately \$1.2 million, which stemmed from a few high cost claimants during the quarter, as well as higher volume of medical insurance claims filed in December of this year compared to previous year. Additionally, overhead expenses rose, which I will discuss further shortly.

For the fourth quarter of 2025, our adjusted diluted EPS rose to \$0.75, representing a 21% increase from \$0.62 in the prior year. The previously mentioned unanticipated employee benefit expense in the fourth quarter of 2025 impacted diluted EPS by approximately \$0.05 to \$0.06. On a GAAP basis, diluted EPS for the fourth quarter was \$0.77, compared to \$0.62 in the same period last year. For the full year, GAAP diluted EPS increased by \$1.15, or 54.8%, while adjusted diluted EPS grew by \$0.55, or 20.8%.

Moving to cash from operating activities, we saw an increase of \$4.8 million over the prior year quarter, or a 52.2% increase, primarily a result of year-over-year improvement in operating results. Adjusted free cash flow in the quarter was down \$400,000, or 5.4%, from the prior year fourth quarter, primarily due to higher capital expenditures. Due to our ongoing commitment to

disciplined capital allocation, our bank leverage ratio decreased to four times from 4.3 times at the close of the fourth quarter of 2024.

In recent years, we've concentrated on enhancing operations and deploying capital efficiently. We're pleased to finish the year within our long-term leverage ratio target of three and a half to four times. Capital expenditures for the quarter totaled \$7.9 million in the fourth quarter of 2025, compared to \$4.4 million in the prior year's fourth quarter. The \$3.5 million increase was predominantly associated with growth capital, specifically investment in cemetery development, which allows us to continue to drive strong Preened cemetery sales production.

For the quarter, we spent \$5.2 million on growth capital and \$2.7 million on maintenance capital. Overhead expenditures for the quarter totaled \$15.2 million, or 14.4% of revenues, compared to \$12.9 million, or 13.2% of revenues, in the fourth quarter of 2024. The increase was predominantly associated with higher incentive pay for the field based on performance for the year. On a full year basis, overhead expenses totaled \$56.6 million, or 13.6% of revenues, which aligns with our long-term target. Moving on to our 2026 outlook.

Informing an outlook for the upcoming year, we have shifted toward a growth-oriented approach, along with incorporating the projected full year benefits from our 2025 acquisitions. Additionally, we have factored in the expectation of certain potential acquisitions that we believe may be completed in 2026. Revenues are planned to be in the \$440 million to \$450 million range, compared to \$417.4 million in 2025, which represents a growth rate of approximately 5.5% to 8%.

We expect same store funeral growth in the low single-digits and similar growth in the high single-digits. Preened cemetery sales production should remain within our 10% to 20% target range. Adjusted consolidated EBITDA is forecasted at \$135 million to \$140 million for 2026, up from \$130.7 million in 2025. Margins are expected to range between 30.5% to 31.5% compared to 2025 margin of 31.3%. Overhead is projected to be 13.5% to 14.5%, a bit higher than our long-term goal of 13% to 14%, mainly due to expected increases in IT investments, ongoing Project Trinity rollout expenses, and continued investment in talent.

Based on these targets, we anticipate adjusted diluted EPS of \$3.35 to \$3.55, compared to \$3.20 in 2025. Our adjusted diluted EPS will be somewhat impacted by our expected full year effective tax rate, moving to a range of 28.5% to 29%, compared to 26.7% in 2025. Finally, we anticipate our adjusted free cash flow to be in the range of \$40 million to \$50 million, which assumes total capital expenditures in 2026 of \$25 million to \$30 million, reflective of the continued investment in our core business. That concludes our prepared remarks, and I will turn it over to the operator to open it up for questions.

**Operator:**

Thank you. We will now conduct a question and answer session. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure that your mute function is turned off to allow your signal to reach our equipment. Again, you may press star one to ask a question. We'll pause for just a moment to allow everyone

an opportunity to signal. We'll take our first question from Alex Paris with Barrington Research.

**Alex Paris:** Hi guys. Thanks for taking my question and congrats on the strong finish to the year and the guide. My questions are in three parts. First on the quarter, you beat on revenue pretty handily. And I think you said the acquisitions of the third quarter added around \$4 million for the year. How much for the fourth quarter did they add?

**John Enwright:** Oh, they added about \$3 million. Generally speaking.

**Alex Paris:** Okay. Adjusted EBITDA was in line despite that increase in overhead that you mentioned and that unanticipated insurance costs. Are those insurance costs included in overhead, or no?

**John Enwright:** So they're spread between overhead as well as field margins. So predominantly, they're in field margins. But yes, there's an impact to overhead as well as we allocate.

**Alex Paris:** Okay. And then adjusted EPS was a little bit lower than our expectations. But versus my model you had higher interest expense and a higher tax rate than I had modelled. Anything else in there?

**John Enwright:** No, no, that's - I mean, as you think about our expectations and how we guided to really if we didn't have that unanticipated employee benefit expense, we would have fallen right within where we expected.

**Alex Paris:** That's true. Okay. Thank you on that. And then moving to guidance. Revenue growth 5% to 8%, adjusted EBITDA 3% to 7%, adjusted EPS growth 5% to 11%. My question is, what are the underlying assumptions for the low end and the high end? In other words, what would it take to get to the high end of guidance?

**John Enwright:** So from a high end of guidance, you would need to the impact of the new acquisitions would have to be at our high end. So we're estimating that the acquisitions to be between \$5 million and \$10 million of impact to performance in 2026 so we would be at the high end of that. We would be at a little bit higher end of the, our impact. So if you think about our funeral business, we expect low single-digit growth that could be between 1% to 3%. We'd be at the high end of that. And then in cemetery, really between 6% and 8% would be the high end of that.

**Alex Paris:** Got you. That's helpful. And then you said that that guidance included an assumption for acquisitions that have not yet been announced. Can you quantify - perhaps you did in the prepared comments, but I missed it. And what's the methodology for including or not including, for example, are you at Letter of Intent stage by the time you increase it? What's the methodology for factoring in future acquisitions?

**John Enwright:** Yeah. So the acquisitions, the impact to the guide is about \$5 million or \$10 million. We expect it to range within that. I can let Steve speak to kind of the perspective, but we both Carlos and I spoke in our prepared remarks, be more focused on growth and being growth oriented. And ultimately based on that, as we are more proactive in our M&A program, we felt it appropriate to

apply something this year.

**Steve Metzger:** Steve Metzger: [Inaudible]. Go ahead.

**Carlos Quezada:** This is Carlos. I just want to reinforce. So as you remember, we spent the most part of the last three years trying to get all the systems updated, the foundation for growth for the company and really focusing on pay down our debt to a range that we feel comfortable, which is that 3.5 to four times. We achieved the four times as we close at 2025. And we truly believe now, as you know, this core is a consolidation company. So we're really trying to advance and make some rapid moves on growth from an M&A perspective in organically speaking. And I truly believe this is why we want to signal to our investors that within the guidance that we're ready for that.

**Alex Paris:** And that's great. The point of clarification, though, the high end guidance includes a \$5 million to \$10 million impact year-over-year from, I assume, the third quarter acquisitions. And then you're saying there's potentially another \$5 million to \$10 million in acquisitions that you expect to make in 2026?

**John Enwright:** Yeah. So that's great clarification. So for 2026 results, we expect the acquisitions that happened in 2025 to generate about \$16 million worth of revenue. You might - you have to net that against the \$4 million that they had in 2025 as well as the divested revenue that we had in 2025 of about \$9.7 million. So the impact of just that program is probably an increment of about \$4 million, roughly. In 2026, we're estimating new acquisitions that we believe will have \$5 million to \$10 million of impact to the revenue.

**Alex Paris:** Okay. Good. Thank you for that. And then in terms of new acquisitions, I don't know if I fully heard the answer. Are these specific acquisitions that you're talking about or just a methodology to include some sort of number for acquisitions since you're a consolidator?

**Steve Metzger:** Yeah. Good morning, Alex, Steve. So it's a combination of both. So at this point, we - last year we talked a little bit about investing in more resources internally to make sure we could be more proactive on sourcing deals. And so we are talking to more owners, quite frankly, than at any time during my eight years at Carriage. We still balance that with looking for a very particular type of business. So at this point, we've got more that we will be able to report next quarter on some ongoing discussions with owners who are ready. So we're excited to talk about that when the time is appropriate.

But parallel to that, we're talking with a number of owners who are getting comfortable, and we're getting comfortable with them with some potential opportunities this year. So it's a little bit of both. We've got some that are closer to call it seventh or eighth inning and then some that are earlier innings.

**Alex Paris:** Got you. Okay. Helpful. And then the last question is, I wonder if we can get an update on the Q3 acquisitions. They had roughly \$15 million in revenue in 2024. That's what you had announced at the time of the acquisition. You're saying that they're going to be a \$16 million in 2026 after having

contributed a partial year of \$4 million in 2025. So now that we're back in the M&A business after the hiatus, what is the integration process for acquisitions once closed? What is step one, step two, step three and where are we on the integration process for those Orlando-based acquisitions?

**Steve Metzger:**

Just a great question. And I would - I'd reframe it a little bit. So the integration process really for us begins before close. So we've dialed in with our continuous improvement team a more structured management approach to systems employment onboarding policies and procedures. And we begin all of that before close, obviously in partnership with the sellers, so that we can hit the ground running on day one. As it relates to these two acquisitions, very different acquisitions, although both in really strong markets.

So starting with Osceola, as we talked about before, Osceola is unique in that it allows for a holistic operation in the Kissimmee market. So between the cemetery and the opportunities on cemetery development, I think we're really excited there. So we will have some new development, significant development available for the folks in Kissimmee here in just a few months. We had been working on that development before close. The Preneed opportunity for both Kissimmee and then Faith Chapel in Pensacola is significant. So we've got our Preneed teams ramped up there to try and take advantage of that as well.

But I would say both businesses are pretty mature, but both have a lot of opportunity. And we're seeing steady progress from, call it, day one back in late September to where we are now. January was the strongest month by far for both businesses. So we're seeing kind of that pre-planning on the integration side paying off for us based on kind of historical approach and look forward to seeing what they'll do this year.

**Alex Paris:**

Thank you. That'll do it for me. I'll go back into the queue.

**Steve Metzger:**

Thank you, Alex.

**John Enwright:**

Alex.

**Operator:**

We'll take our next question from John Franzreb with Sidoti & Company.

**John Franzreb:**

Good morning, everyone. And congratulations on the good year. And thanks for taking the questions. I actually like to start the fourth quarter call, as you mentioned, that flu activity returned to normalcy, if you will, in the December period, specifically in December in and of itself was very active. I'm curious what you saw in January we're seeing the secondary resurgence of the flu. I'm curious about the comps on the year-over-year basis and how they could play out, considering last year was so particularly strong.

**Carlos Quezada:**

That's a great question, John. Thank you for the question. And good morning. And so as and I mentioned on my prepared remarks, December 2024 came pretty light. As a consequence, we believe, to the push of the flu season into January of 2025. This - last year, 2025, December,

came as a normal flu season. So we saw that activity volume increase on a comparable basis December 2025 to 2024. And then January, it came out quite light on a couple of bases on volume. However, I still feel pretty strong with our performance because we're able to make up that loss of volume on a comparable basis because the flu season came earlier and we still end up having a pretty decent - I don't want to disclose too much, but generally looks good. Even after the, let's call it, the alignment of the flu season between December and January over the past year.

**John Franzreb:** And what are the prospects for year-over-year growth in the first quarter versus last year's first quarter, given the tough comp?

**Carlos Quezada:** The question was on volume.

**Steve Metzger:** Yeah, I think the first quarter will be a little bit tougher this year from a comparable perspective, because the first quarter was strong throughout the whole quarter because the flu season January, February and into March. So to Carlos's earlier point, we're not going to disclose exactly how we're performing, but we're happy with the performance. But there'll be a tougher compound.

**John Franzreb:** Got it, got it. And where do you stand in the supply chain optimization process at this point? Can you give us an update there?

**John Enwright:** Yeah, I would say, Steve, please jump in if you have anything different to say. I would say we're still in the early innings of that program. We really started in 2024 with one individual kind of running that program, and in 2025 we got the program up to a little bit more speed. But I would say we still have opportunity there and we'll see some more opportunities as we see 2026 results and into 2027 results.

**Carlos Quezada:** John, it's also a great question. I know it's a new department. We started probably about two years ago at the beginning of two years ago. And a slow start, just to be honest with you, we were able to deliver the caskets, urns, a couple of other things, but there's so much opportunity. And part of the challenge was that we're trying to change a lot of things operationally and system wise at Carriage. And at the time, as you may remember, it was really just from a senior leadership perspective still me driving those initiatives.

And so this year, we have realigned with the changes we made, in the promotions we made to allow for more focused work. So now Supply chain actually reports to John, and John can place a more specific emphasis to supply chain and accelerate the journey on that side. At the same time, then Steve can put more focus on the operational side moving forward and continue to grow our organic strategy through M&A activity.

**John Franzreb:** Got it. Makes sense. One last question on the M&A. It seemed like last conference call that the expectation was there would be a lot of closure activity in the first quarter. Reading between the lines, it sounds like now that that's been extended, maybe a little bit. Is that a function of multiples have gone up, or is there something else that we should be aware of?

**Carlos Quezada:** Yeah, John, I don't think it's a product of multiples going up. I think we're seeing those remain pretty steady and obviously, we remain disciplined in how we approach it. It really is a matter of sellers being ready and us respecting their timelines, but also us being pretty selective. So again, the type of business we're looking for, it's a smaller group of businesses that are going to fit that profile. So there's a number of folks out there, but they, their timeline is just as important as ours.

**John Franzreb:** Got it. Understood. Thanks for taking the questions. I'll get back into queue.

**Steve Metzger:** Thanks, John.

**Carlos Quezada:** Hey, John.

**Operator:** We'll take our next question from George Kelly with ROTH Capital Partners.

**George Kelly:** Hey, everyone. Thanks for taking my questions. First one on your guide for 2026, there's a CapEx step up versus what you've been doing in recent years. So I was wondering if that's related to a specific project or more maintenance related, or just any kind of context around your CapEx guide?

**Carlos Quezada:** Yeah. So over the last couple of years, as we've been very disciplined in our capital allocation, we've pulled back in a little bit of maintenance. So there's going to be more maintenance in 2026 than there was in 2025 and 2024. And we were thoughtful on what we're going to do. But there's some just needed to be done. Also, there is still some additional growth capital for us to continue to deliver 10% to 20% in Preneed cemetery sales. We have to develop some cemeteries and there's also some incremental capital associated with that.

**George Kelly:** And is that 25% to 30% - I'm hearing feedback, but is that a good sort of go forward number to use beyond 2026, or is this kind of a one year cap maintenance catch up?

**Carlos Quezada:** Yeah, I think, I would use, yeah, 25% to 30% is probably a good going forward number.

**Steve Metzger:** Yeah, George, if you remember, even you go back to 2021, 2022, we're doing \$22 million, \$24 million, \$26 million just maintenance and growth CapEx at the time. And we did ask our managing partners to give us an opportunity to use some of that so we can pay down our debt. And they did. They were very patient for a little bit over three years. And now it is really time to get back to them some of that, and I think the 25% to 30% is really the right range going forward.

**George Kelly:** Okay. Sounds good. And then just a couple other ones for you. On Trinity, can you walk through the expectations for the year, the rollout, testing, what you're most excited about? Just an update on that front would be helpful.

**Steve Metzger:** Yeah. So from a rollout perspective, we still anticipate a rollout in the call it second quarter. So right now we're still in pilot phase, so we have a location in pilot phase. We're looking to move to a pilot phase for a second location shortly, and if successful, we would expect to roll out our funeral homes into basically the beginning of the third quarter, ultimately, maybe at the end of the fourth

quarter. And then what we would do after that is the cemetery locations are the combos is really where we think the rollout. So there will be some rollout into 2027.

**Carlos Quezada:** And just to give more context, George, the truth is that we are behind with Trinity. That's the bad news. The good news is Trinity became so much more robust in terms of system integrations, API connectivity, reporting capability our ability to track loved ones and chain of custody, our ability to increase our sales average per contract based on inventory and [inaudible] things of that nature.

So the excitement is very, very high. The frustration is that we're a little behind in terms of time frames but the solution has become a lot more robust with automation, AI and other components that initially were not part of the scope. So there is a lot of excitement, there is a lot of good energy going into 2026 because of all that Trinity means, which is the collectively - so Trinity means all of the systems that basically tap into our ERP system.

**George Kelly:** Okay, maybe just one more on Trinity. Is there much of an uplift to the contract, the average price per contract that's baked into your guide? And if not Carlos, are you still maybe on what you're seeing in the pilot or just generally, are you still optimistic that it can really drive a lot of pricing growth per contract?

**Carlos Quezada:** I'm still very optimistic that we can continue to grow our sales average revenue per contract. We have been able to achieve that and absorb the cost and then pass on the cost into the consumer. However, it's a phased approach. And what I mean by that is, right now we have thinking of more a manual presentation. We have offering, we have materials that we present to the families that they can see.

As Trinity rolls out, it will still be a combination of a manual process with the system process. And the space that follows to that is integrating to a full digital experience to Trinity, that embeds the presentation and the contract in the same moment. And so it will be a phased approach. It now, that phased approach will not slow us down from the point of view of still presenting the full story with all of the options, to all families, regardless of where they choose burial or cremation.

**Steve Metzger:** And then to answer the question on whether or not we factored in any increases in sales performance into the guide, we did not. So there are no expected impact of Trinity in 2026.

**George Kelly:** Yeah okay. Thank you. And then last one for me is just about the M&A that's contemplated in your guide. How much do you factor in or how much do you expect to pay for those transactions? What's the value and where do you expect to end the year on a net leverage basis? And that's all I had. Thank you.

**Carlos Quezada:** Yeah. So again, from a multiple perspective, we're going to be disciplined. So it depends on the asset that we get because they're not all identified asset. But you can think about from an EBITDA multiple perspective and you're doing seven to nine. It's probably a fair way to think about that. And from a debt leverage perspective, we expect to end the year based on hitting performance between 3.9 and four times.

**George Kelly:** Thank you. Thank you.

**Operator:** We'll take our next question from Parker Snure with Raymond James.

**Parker Snure:** Hey, good morning, and thanks for bringing me on to ask a question. Just kind of drilling down on the first quarter, I know you mentioned it's a tough comp. Are you seeing any impact from the first quarter, the winter storms, or just generally the poor weather that we're seeing across the country? I guess more so on the Preneed side, is that affecting any sales activity and also just more broadly on the entire business?

**Carlos Quezada:** If I give you a little bit of - well, first, good morning, Parker, thanks for the question. But if I give a little bit of an insight on January 2026 going into our full first quarter for the year, from a cost perspective on volume, we do see a decline because January of 2025 was so strong, because of that push back of the flu season from December. However, we're very pleased, as John mentioned, on our performance because our continuous cemetery performance made up and then some.

Some of that loss, our self-service per contract continues to remain very strong. Our ability to convert reclamation into cremation, it's an area of focus for us. Cremation mix continue to be within our range and is not growing at a fast rate as we have seen in some other consolidators out there. And so it's really exciting that even with a bad comp from a volume perspective, we still have very positive results from a financial perspective overall in January of 2026.

**Parker Snure:** Okay. Okay. And then I guess, just more of a bigger picture, and I like the comments, you said you're moving out of the rebuilding phase into the compounding phase. And, Carlos, you've undertaken a fair amount of strategic changes since taking the seat. I guess, what is the next strategic frontier, in your view, for the business? What's the next initiative? And maybe there isn't one, maybe it's just executing on kind of the good work that you guys have done so far, but maybe just kind of speak high level on just kind of your views on the forward-looking kind of strategic initiatives for the business.

**Carlos Quezada:** That's a great question. So not wrong. There's been a lot of work, whether it is continuous improvement strategies and departments that are now leading and guiding our decisions at Carriage, our framework for decision making within our three strategic objectives. All the focus on margin expansion to our supply chain strategy and of course, all the different changes we have made over the last probably three years with leadership, we have now a new structure within executive rank.

And so for us right now is really to capitalize, maximize and really optimize all those changes we have made. I don't really have more changes that I have in my head other than deliver Trinity and really maximize and optimize the field engagement and opportunity to increase our opportunity with families through that solution to help and support Steve on the operational side and continue to grow sales at our 10% to 20% year-over-year Preneed production rate. But most important, our

main focus now other than optimizing what we have done over the last few years, is really our focus on M&A.

**Parker Snure:**

Okay. And just maybe just I know this question has been asked kind of a few times in a different way, but just broadly on capital allocation priorities, you expect to do \$40 million to \$50 million of free cash flow this year. There's some deals that are built into the 2026 guidance, more focused on growth. Your leverage is around four. I think you kind of want to keep it in that range. But just, how should we think more broadly about the split of how you're going to spend your free cash flow going forward? Are we kind of - is it going to be kind of 50/50 more levered towards M&A? And just how do you think broadly about that whole kind of dynamic moving forward?

**Carlos Quezada:**

We want to take an opportunistic view of the deals as they come. And so we have our plan. We have an idea of how that could be structured from a guidance perspective. And John did mention some of the ranges there. But they have flexibility. So for example if you have a deal, let's just say another Fairfax comes through and we may be willing to pay a little more multiple for something like that. And then we will have to move some of the flexibility we have within our balance sheet to decide if that's the right deal to do or not. If the stock were to - for some black swan event, we would consider that and put our numbers and make the best decision on behalf of the shareholders. We will look all of the opportunities as they come from a very opportunistic point of view within our disciplined capital allocation framework. Does that make sense?

**Parker Snure:**

Yeah. Absolutely. Understood. Thank you.

**Carlos Quezada:**

Thank you. Parker.

**Operator:**

For our next question, will return to John Franzreb with Sidoti & Company.

**John Franzreb:**

Yeah. I'm actually a little curious about the \$1.2 million of medical insurance costs that incurred in the quarter. How unusual is that on a year-to-year basis? I mean, was the full year number much bigger than that or just contextualize it for us maybe.

**Steve Metzger:**

Yeah. So I can speak to the actual activity and I've only been here a year, but we've done a really nice job from an employee benefits perspective over the last few years. There's - being a smaller company, there's a large claim that happened. When you have large claimants that happen, ultimately, that can impact results. We haven't had a significant claim over the last two years, so I would say that was a call, a one-off in the last couple of years.

The activity associated with December results versus December of the last two years, I can't really speak to why that happened, but it was just, I mean, it can happen. So I would say, we have planned for it in the guide, we have planned for what we believe is the appropriate expense associated with employee benefits, taking into consideration what happened in 2025.

**Carlos Quezada:**

Yeah. We typically look at three years to figure it out what the right reserve should be for claims and things like that. And we are a self-insured company from that point of view. And so we also

have a tremendous focus on health benefits for the employees. We have a tremendous focus on making sure that all of our employees are active, are keeping their numbers within the range and helping in any way we can to drive that health performance of the company overall.

But sometimes, even we haven't seen it in a long time. You get an event, in this case, it was one major event and then maybe a couple of other events that that add up to that number that you cannot really expect. It just happened. These are major things. I can't really disclose much, but you have when hard events, rain situation events, and we just have to be responsive to employee when those happen.

**John Franzreb:** Got it. I was just - I appreciate the clarity and how in the frequency of it all. That's what I was kind of looking for. Thank you, gentlemen. I appreciate it.

**Carlos Quezada:** Thank you.

**Operator:** For our next question, we'll return to George Kelly with Roth Capital Partners.

**George Kelly:** Hey, everyone. Thanks for taking the follow up. Just a quick one. How much EBITDA contribution from the 2026 M&A is baked into your guide?

**Steve Metzger:** So we basically in the 2026 guide, so are you asking about the new acquisition, the five to ten?

**George Kelly:** Correct.

**Steve Metzger:** Yeah. So we basically have them at the average margin, roughly call, 30%.

**George Kelly:** Okay. Sounds good. Thank you.

**Steve Metzger:** Thank you, George.

**Operator:** It appears there are no further questions at this time. I'd like to turn the conference back over to Carlos for any additional or closing remarks.

**Carlos Quezada:** Thank you, operator, and thank you for your trust, your partnership, and your continued belief in Carriage. We are building a disciplined, high performance company with a clear purpose, a focused strategy and the intention to execute with excellence. We look forward to updating you next quarter as we continue creating long-term value for our shareholders, our teams and the families we serve. Have a great day.

**Operator:** This concludes today's call. Thank you again for your participation. You may now disconnect and have a great day.