



Carriage Services 1st Quarter 2026 Earnings Webcast

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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
- **Laura Maher**; B. Riley Securities, Inc.; Analyst
- **Parker Snure**; Raymond James & Associates, Inc.; Analyst

Operator: Good day and thank you for standing by. Welcome to the Carriage Services Q1 2026 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 first quarter results. 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 press 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 first quarter earnings call. We're pleased with our first quarter performance, especially against a strong comparison to the first quarter of 2025. Our results reflect steady execution, discipline and continued focus on what we can control. As I step back and look at our progress, I am encouraged by the consistency we're building across the businesses. We are strengthening our foundation, improving how we operate and positioning Carriage for long-term value creation.

Before turning to financials, I want to recognize our managing partners, our field teams and our Houston support center. You are the heartbeat of Carriage. These results are not by chance. They are built on a clear vision, high standards and strong accountability, and a deep passion for this profession. Thank you for leaving our values and for delivering premier experiences to the families every day.

Today, we'll cover our first quarter performance and share three key phases of our journey, where we were, where we are today, and most importantly, where we are going. John will then walk through our financial details, including cash from operating activities, balance sheet strength, capital expenditures, overhead, and our At-the-Market Offering Program. Now to my report.

For the first quarter, we reported revenue of \$106.1 million, a 0.9% decrease from the same period

last year. The primary reason for this variance was a decline in funeral home added volume of 5.8%. As you may remember, we had a strong first quarter last year due to the flu season pushing into January and February. After normalizing funeral volume by combining the fourth quarter of 2025 and the first quarter of 2026, the actual volume decline is only 2.3%.

As we look at our segments, funeral comparable revenue was \$63.3 million, down 4.2% from the previous year. The volume decline was partially offset by a small 1.6% increase in comparable average revenue per contract versus the prior year quarter. As we look ahead to April, we expect funeral volume to be on a normal trend. Turning to comparable cemetery revenue.

We generated \$29.6 million in the first quarter, an increase of \$1.7 million, or 6% versus the prior year quarter. This growth was primarily driven by a 9% increase in comparable pre-need cemetery sales production, and a 15.3% increase in average revenue per property contract. The cemetery segment continues to benefit from our disciplined inventory development and strategic pricing and focused pre-need execution. Financial revenue for the quarter was \$8.5 million, up 15.7% year-over-year, primarily reflecting a strong performance in our pre-need funeral sales strategy and the pre-need funeral commission income we generated from those sales.

We ended the quarter at \$2.5 million, an increase of 26% compared to the same period last year. Consolidated pre-need funeral insurance contracts sold increased 8% compared to the same quarter last year, reinforcing the strength and scalability of our funeral pre-need insurance platform, supported by the continued execution of our sales organization.

On profitability, adjusted consolidated EBITDA for the first quarter was \$33.8 million, an increase of \$805,000, or 2.4%, with an adjusted consolidated EBITDA margin of 31.8%, up 100 basis points from the prior year quarter. Adjusted diluted EPS for the first quarter was \$0.86 per share, compared to \$0.96 per share in the prior year quarter, representing a decrease of \$0.10 per share, or 10.4%. John will share more details on these variants.

Overall, we're pleased with our first quarter results, which reflect a strong operating momentum and continued progress towards our strategic objectives. Now let's talk about where we were. Three years ago, the company was operating under constraints, elevated leverage, fragmenting processes and underinvestment in core systems and technology, operational variability across locations, limited scalability, pricing discipline was inconsistent, and capital allocation lacked the rigor required to optimize returns.

In short, our company had strong underlying assets but was not positioned to fully convert that potential into durable financial performance. Today, the business reflects a fundamentally different operating profile. We have materially strengthened the balance sheet, reduced leverage, and enhanced liquidity. At the same time, we have institutionalized processes across operations, implemented more disciplined pricing frameworks, and invested in systems and data infrastructure to improve visibility, accountability, and decision-making.

These changes are translating strategy into disciplined execution, driving greater sales predictability, expanding margins and delivering consistent free cash flow. Importantly, we continue to build a culture of operational excellence that is embedded, repeatable, and scalable across our businesses. An example of this is that 2025 mark the strongest financial performance in Carriage 35-year history, surpassing even 2021 results during the peak of the pandemic.

Now, where we are heading. Our focus is on compounding this progress in line with our long-term strategic objectives in 2030 vision. We are building a data-driven, high performance platform designed to deliver sustained organic growth, margin expansion and superior capital efficiency. Our priorities include deepening, we need penetration across both funeral and cemetery segments, optimizing the service mix towards higher volume offerings, expanding pricing sophistication and leveraging technology to enhance both the customer experience and operating leverage.

In parallel, we will continue to execute a disciplined capital allocation framework that balances high return investments and strategic acquisitions and shareholder returns. By 2030, our vision is to position the company as a premier, best-in-class operator in the death care industry, defined by consistent top tier margins, improved free cash flow generation, and a scalable, technology-enabled operating model. We believe this strategy will drive durable, long-term value creation and establish a structurally advantaged business capable of outperforming across market cycles.

Finally, the At-the-Market Offering Program is a strategic extension of the progress we have already made, with a stronger balance sheet, improved free cash flow, and a more disciplined, scalable operating platform, we believe we are now in a position to deploy capital with precision. This program gives us the flexibility to do that strategically, raising equity at market prices in a measured way, and only when it supports high returns for shareholders.

Additionally, the At-the-Market program allows us to accelerate a strategic growth initiatives, pursue disciplined acquisitions in a highly fragmented industry, and maintain balance sheet strength. It enabled us to move faster on opportunities and convert our operational momentum into sustained shareholder value creation. We are energized by our growth plans and confident in the long-term value we're building through disciplined capital execution, growth generated with purpose and intention, and an unwavering commitment to service excellence. Thank you. And with that, I will turn the call over to John.

John Enwright:

Thank you, Carlos, and good morning, everyone. As Carlos mentioned, we are pleased with our first quarter results, especially considering the tough comparison to prior year, which included approximately \$4.8 million in revenue from businesses that were divested during 2025. As noted in our earnings release, we are excited to announce that we established an At-the-Market Equity Offering Program, or ATM program as a prudent enhancement to our capital markets toolkit.

The ATM program is intended to provide efficient, incremental funding flexibility that enables us to continue executing our disciplined acquisition strategy, while ensuring leverage remains comfortably within our targeted range. We expect to access the ATM program selectively and opportunistically, consistent with our commitment to balance sheet strength, disciplined capital allocation, and shareholder value creation. With that, let's discuss first quarter results.

We reported consolidated adjusted EBITDA of \$33.8 million, or 31.8% of revenue, up from \$32.9 million, or 30.8% of revenue of last year's first quarter. Gains were driven by improved cemetery operations and pre-need funeral sales, adding \$2.5 million of EBITDA. However, comparable funeral EBITDA fell by approximately \$2.4 million due to lower volume within the channel this quarter, which offset the majority of those gains.

For the first quarter of 2026, our adjusted diluted EPS declined to \$0.86, representing a 10.4% decrease from \$0.96 in the prior year. The decline was primarily a result of a higher effective tax rate in this year's first quarter. The effective tax rate for the first quarter was 26.7%, compared to 20.3% in the first quarter of 2025. The adjustment in tax rate resulted in an estimated impact of \$0.07 to \$0.08, primarily due to higher excess tax benefits recognized in the previous year upon the settlement of employee share-based awards.

On a GAAP basis, diluted EPS for the first quarter was \$0.84, compared to \$1.34 in the same period last year. The prior year results included the benefit of a \$7.9 million gain associated with a divestiture and a sale of real estate assets.

Moving on to cash from operating activities, we saw an increase of \$1.1 million over the prior year, or an 8% increase primarily because of year-over-year improvement in operating results. Free cash flow in the quarter was \$400,000, or 3.5% higher than the prior year first quarter. Adjusted free cash flow was \$2.2 million lower than the prior year first quarter, as the first quarter of 2025 was impacted by special payments for professional services related to the review of strategic alternatives as well as severance payments.

As a result of our ongoing commitment to executing disciplined capital allocation, our bank leverage ratio decreased to 4 times from 4.2 times at the close of the first quarter of 2025. We remain within our long-term leverage ratio target of 3.5 to 4 times. Capital expenditures for the quarter totaled \$3.9 million in the first quarter of 2026, compared to \$3.2 million in the prior year's first quarter. The \$700,000 increase was predominantly associated with maintenance capital, driven by incremental spending in our funeral homes, coupled with an IT investment to refresh and improve the quality of our network connectivity within our field locations.

For the quarter, we spent \$2.2 million on maintenance capital and \$1.7 million on growth capital. Overhead expenses for the quarter totaled \$14.8 million, or 14% of revenues, compared to \$15.3 million, or 14.3% of revenues, in the first quarter of 2025. The decrease was a result of some variable expenses coupled with effective cost management. Moving on to our 2026 outlook.

We are maintaining our previously disclosed full year outlook. As a reminder, our outlook anticipates certain planned acquisitions that we expect to be completed in 2026. Also, utilization of the previously mentioned ATM program had not been factored into any of our metrics in our outlook. As a reminder, our outlook for the following metrics are, revenues are expected to be in the \$440 million to \$450 million range, adjusted consolidated EBITDA is expected to be in the range of \$135 million to \$140 million, adjusted EBITDA margins between 30.5% and 31.5%, adjusted diluted EPS of \$3.35 to \$3.55, overhead expenses to be between 13.5% to 14.5% of revenue, adjusted free cash flow in the range of \$40 million to \$50 million, leverage ratio to end 2026 between 3.5 to 4 times. That concludes our prepared remarks, and I will turn it back 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 your mute function is turned off to allow your signal to reach our equipment. Again, press star one to ask a question. We'll pause for just a moment to allow everyone an opportunity to signal for questions. We will take our first question from Alex Paris with Barrington Research.

Alex Paris:

Hi, guys. Thanks for taking my question. I got a couple. I think I'll start with funeral results, which were down year-over-year. I get it. Tough comp, strong flu season a year ago. Not too different from your large publicly traded competitor who said the same thing and had a similar comparable volume decline year-over-year. But you reaffirmed your guidance for the full year. It's early in the year. And it suggests that there should be revenue growth returning in the remaining quarters of the year. Can you comment on that or provide some additional color, your thoughts or your confidence why revenue growth will return in the subsequent quarters?

Carlos Quezada:

Absolutely. Thank you, Alex, for the question. It's a great question. We have seen in cycles that death care is - it has this circularity, if you will. It goes up and down. Normally, it's always been first quarter, first, fourth quarter or second. But since COVID-19, that has actually changed significantly. What we have seen is that even though our first quarter may be down, it picks up some of that volume as we go throughout the year.

For us, especially, because we are still in the process of integrating our latest two acquisitions in Florida and the divestiture that we did from last year also impacts that. As we wash off Q1, we have now passed the largest divestiture, and we feel pretty positive we will be able to make our volume up for the next three quarters.

Alex Paris:

Good. That's helpful. And speaking of acquisitions, I was wondering if you can give us an update on the integration process with Osceola. How is it performing at Osceola and the other acquisitions since they were acquired last September?

Steve Metzger: Yeah. Good morning, Alex, is Steve. So both acquisitions are really trending in a positive direction. Faith Chapel over in Pensacola and Osceola that you mentioned over in Kissimmee. So excited about the progress of both businesses. And as you know, with the Osceola business, it allows us, with our current footprint in that market, to really recognize some synergies that's unique for us with acquisitions. So excited to see how that continues to move forward.

Alex Paris: Are these acquisitions fully integrated at this point or they're on their common systems and things like that?

Steve Metzger: Yeah. All the systems and people are fully integrated. We actually just, with Osceola broke ground a couple of months ago with a new development in the cemetery. So adding some additional inventory and product for the community there that should be finished in the next month or two. So yeah, all systems go with Osceola and Faith Chapel in terms of integration.

Alex Paris: Great. And then just one last one and I'll get back in the queue. I'm wondering if you can give us a little update on the M&A pipeline and outlook. As you noted in the prepared comments, there is an acquisition assumption for likely acquisitions or potential acquisitions that might close in 2026. I think that assumption was \$5 million to \$10 million in revenue. Just looking for a little color there.

Steve Metzger: You bet. So the pipeline is robust right now. We have one acquisition that is scheduled to close later this month. It's going to allow us to enter a new market with a pretty strong growth profile. So we're excited to provide some more detail on that here probably in the next couple of weeks. We're having a number of conversations with owners throughout the country. We've grown the corporate development team out of need, quite frankly, we've just had a lot of interest from owners across the country.

I would expect in the back half of the year, we're going to see significant activity that we'll be able to report on. And Carlos and John mentioned this, one of the benefits with the ATM is being able to support what we think is going to be a pretty significant opportunity for growth through M&A.

Alex Paris: So last, related with the ATM, would you think that there's the potential to exceed that \$5 million to \$10 million assumption that's baked in guidance given the greater flexibility and wherewithal?

Steve Metzger: Yeah. My expectation is you're going to see more activity in the back half of the year in terms of when things close, you may see some of that bleed into early next year as well. We continue to be focused on ensuring the businesses that we're working with, and we're integrating our high value businesses, high growth markets. So we're not just going to add businesses to add to the top line. That means probably Q3, Q4 into Q1, you'll see some significant activity. And I, look, I think in the next three or four quarters is certainly plan to exceed the \$10 million, whether it hits in Q1 of next

year, Q3 and Q4 this year remains to be seen.

Alex Paris: Great. Thank you very much. I'll get back in the queue.

Operator: We will take our next question from Laura Maher with B. Riley Securities.

Laura Maher: Hi. Good morning. Thanks for taking my question. My first question, it seems the burial to cremation mix is stabilizing. How does this influence your average revenue per contract in funeral home EBITDA margins going forward?

Steve Metzger: Yeah. So we've seen over the last three quarters some normalization or some benefit associated with the cremation mix. It was 40 basis points growth in this quarter. And as burial kind of flattens, you should see and we should see our ARPC increase.

Laura Maher: Great. Thanks. And then second, are there any other funeral home properties you're looking to divest?

Steve Metzger: No. At this time, Laura, we feel pretty good about the portfolio as currently constructed. So no additional divestitures are planned.

Laura Maher: Okay. Thank you.

Steve Metzger: Thank you, Laura.

Operator: We will take our next question from Parker Snure with Raymond James.

Parker Snure: Hey. Good morning. Just on the funeral volumes, just curious on comparable funeral volumes, how they progressed through the quarter, January/February/March? And then what are you seeing in early days of the second quarter?

Carlos Quezada: So the tough comp was really January, February, March. Also came a little light to be pretty straightforward. I think the three months were pretty much the same as it comes to the decline. April started a little slow. We do believe that with the divestiture out may come back, but we do foresee this cyclical turns of Q2, Q3, Q4 coming in to being able to make up for what Q1 is missing. That's what we have seen in years past and that's why we are really aiming to do.

In addition to that, our team see at the field level, which is what truly matters, continue to fight very hard for market share gains. And so while there might be a compression of death rates, seems like it because as we talked to vendors, we seen reports from other public companies. We see that that's probably the case. We continue to fight pretty hard to make sure that the Carriage businesses gain as many market share gains as we can by providing premier experiences to the families that we serve and delivering on that experience to each one of those families.

Parker Snure:

Okay. Understood. And then on the pre-need cemetery production, you had strong growth there despite lower contract volume. You had better revenue per contract. Just curious on the puts and takes there. Were there any large ticket sales that helped drive that better product, increased pricing? Maybe just more details on the pre-need cemetery growth.

Carlos Quezada:

We have the normal large sales activity. Nothing too large that will offset that. We have been actually working really hard in making sure we have a great sales average on the pre-need cemetery side. We are hoping for a little bit more, although if I go back, I'll give you some data, which I think is fascinating to me. If I go back to Q1 2019 and then calculate the CAGR to Q1 2026, pre-need sales is 22.4% CAGR over this period, which is fantastic.

For Q1 2026, what was a little light, Ching Ming really started a little later this year. It's been not great, that's what we have seen. And even on top of that, we're still able to deliver some pretty amazing performance in Q1. So feel pretty excited about our pipeline for pre-need business on both funeral cemetery. And I don't see why would that slow down.

Parker Snure:

Okay. Okay. And then just last one from me, just given the news of the ATM program, is it a reasonable expectation that you will finance the acquisitions that are built into your 2026 guidance with the ATM program, or will you use a combination of that and free cash flow from this year? And then also just curious on the expected cash needs or cash outlays to complete these acquisitions.

John Enwright:

Yeah. So I think it might be on timing. So there might be usage of basically free cash flow. Then we can fund through the ATM program to the point it depends on the size of the acquisitions is really when we would be opportunistically accessing the ATM. And really, if you just look at a typical to multiples from the \$5 million to \$10 million of expected revenue, our typical margins are depending on a funeral cemetery. We still expect the margins or the multiples, depending on the size to call it to be in the average range of call it 6 to 8 times from an EBITDA multiple perspective. So the cash needs will be based on that.

Parker Snure:

Okay. All right. Helpful. Thank you.

John Enwright: Thanks, Parker.

Operator: We will take our next question from George Kelly with Roth Capital Partners.

George Kelly: Hey, everyone. Thanks for taking the questions. A couple for you. First, can you update us on the status of Trinity?

John Enwright: Yeah. So I'll speak to that Trinity. As you know, George, we're in one location right now with the second location is going to go live in May. It provided that successful, which we expect it to be successful. Then we'll do a rollout of our funeral home starting in July what we're calling Velocity and all the funeral homes, not the combos or cemeteries, but all the funeral homes should be done in 2026. Then we move into 2000 - the first quarter of 2027, and we expect all the combos and cemeteries to be up and live.

George Kelly: Okay. Understood. Thanks. And then second question for me, your funeral margin held in pretty well given the downtick in revenue. You commented in your prepared remarks about finding efficiencies and just being disciplined on the cost side. Were you able to afford efficiencies, were you able to find and are those things sustainable? Should we think of you being able to maintain - like pretty easily maintain that above 40% margin or just - how should we think about those efficiencies? Can you detail that?

John Enwright: Yeah. So in that particular channel, we saw some efficiencies on the labor side. So Labor was, comparatively speaking, to last year's in the first quarter down or roughly flattish, so from a margin perspective. And then we saw some other expenses, some one-time expenses that may have happened last year that ultimately didn't reoccur in 2025 in the first quarter.

When we talk about just efficiencies in general, it wasn't just within the field. We saw some efficiencies in the cemetery locations, but also in corporate right. We made some disciplined choices this year in the corporate side to kind of manage as we saw the volume tick down, and we'll continue to do that. We'll be very thoughtful as we think about the next three quarters on where we can and can't spend, especially on discretionary.

Carlos Quezada: Yeah, George, if you think about, we saw the volumes starting to come down early January and we make decisions to adjust for that. And we've still been able to have adjusted consolidated EBITDA margin, a greater than Q1 2025 of 31.8% and up 2.4% to last year is pretty impressive. And it speaks highly of the disciplined execution from the bottom up business by business and leader by leader all the way to our overhead. And so we feel pretty proud about accomplishing that despite the volume decline.

George Kelly: Okay. And then last question for me. I guess a follow-up to one of your earlier responses. Can you talk more about how you're going after market share gains?

Carlos Quezada: Yeah, absolutely. Happy to do that. So one of the things we're doing, George, is earlier last year, well, mid-year, last year, we started to do mystery call shops. So basically what that is, we start to call the funeral homes and through a company so they can let us know how good are we at picking up the phone call. And that matters because a significant percentage of the volume that comes through the funeral homes comes through the phone, that first call. That's why we call them calls, is because people call in and set up an appointment to go and see if that's a good funeral home for their family.

And so we learned that we had some opportunities for improvement. And we have since then started the program to finalize training to really improve how we're answering the phone, to elevate that experience, to address all the touch points we want to address through the phone call. And in doing so, keeping those families more interested in staying with us than going to the competition.

George Kelly: Okay. Understood. Thanks

Carlos Quezada: Thank you, George.

Operator: We will take our next question from Scott Schneeberger with Oppenheimer.

Scott Schneeberger: Thanks very much. Good morning. Just one for me. Could you guys just provide an overview of what you look for in M&A? What are some of the things that you're looking to achieve as you're in the market? Thanks.

Steve Metzger: Good morning, Scott. So there are a few things that are core to how we view an opportunity. The first is the market. So we do want to be focused on a market that has a favorable growth profile. Also looking at the growth of certain age ranges that are significant with our consumers. The second is the opportunity to grow the business. So for example, and we've seen a lot of this, there may be great businesses with great owners, but the ability to grow that business may be limited. So that would be one that we pass on. But if we see an opportunity with a cemetery or with a sales team or with pre-need to grow that with the support and the investment from Carriage, then that becomes very attractive to us.

And then the final piece is the valuation. So as we've talked about, I would say of the consolidators in this business, we probably do on average the fewest number of total transactions. But we see that come back on revenue and margin and growth of those businesses. And the reason for that is we see the same number of opportunities. We just pass on a lot of them because of either

valuation and price or opportunity. So we'll continue to be selective. And that's why it's tough for us to predict quarter-by-quarter which businesses will come in but long-term, we know there's going to be a pretty significant growth for Carriage on the M&A front.

**Scott
Schneeberger:**

Great. Thanks very much

Operator:

There are no further questions in the queue at this time. I will now turn the call back over to Carlos Quezada for closing remarks.

Carlos Quezada:

Thank you, everybody for attending our call today. Our focus remains clear, disciplined execution, purposeful growth, and consistent improvement. We appreciate your confidence and support. Have a great day, and we'll talk during our second quarter report.

Operator:

This concludes today's call. Thank you for your participation. You may now disconnect.