UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2024

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 Number: 1-11961

CARRIAGE SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**76-0423828**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

3040 Post Oak Boulevard, Suite 300
Houston, Texas, 77056
(Address of principal executive offices)
(713) 332-8400
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $.01 per share	CSV	New York Stock Exchange

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 (§ 232.405 of this chapter) 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" and "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Securities Exchange Act of 1934.

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 ☒

The number of shares of the registrant's Common Stock, $.01 par value per share, outstanding as of October 25, 2024 was 15,223,104.

CARRIAGE SERVICES, INC.

INDEX

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

CARRIAGE SERVICES, INC.
CONSOLIDATED BALANCE SHEET
(unaudited and in thousands, except share data)

	September 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,260	$ 1,523
Accounts receivable, net	30,913	27,060
Inventories	8,230	8,347
Prepaid and other current assets	3,198	4,791
Total current assets	43,601	41,721
Preneed cemetery trust investments	102,391	96,374
Preneed funeral trust investments	108,956	107,842
Preneed cemetery receivables, net	50,049	35,575
Receivables from preneed funeral trusts, net	22,315	21,530
Property, plant and equipment, net	279,534	287,484
Cemetery property, net	113,091	114,580
Goodwill	414,859	423,643
Intangible and other non-current assets, net	39,175	37,677
Operating lease right-of-use assets	15,522	16,295
Cemetery perpetual care trust investments	85,925	85,331
Total assets	$ 1,275,418	$ 1,268,052
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of debt and lease obligations	$ 4,015	$ 3,842
Accounts payable	15,054	11,866
Accrued and other liabilities	41,101	35,362
Total current liabilities	60,170	51,070
Acquisition debt, net of current portion	5,350	5,461
Credit facility	138,293	177,794
Senior notes	396,421	395,905
Obligations under finance leases, net of current portion	6,107	5,831
Obligations under operating leases, net of current portion	14,660	15,797
Deferred preneed cemetery revenue	65,467	61,048
Deferred preneed funeral revenue	40,776	39,537
Deferred tax liability	50,289	52,127
Other long-term liabilities	1,391	1,855
Deferred preneed cemetery receipts held in trust	102,391	96,374
Deferred preneed funeral receipts held in trust	108,956	107,842
Care trusts' corpus	87,018	84,351
Total liabilities	1,077,289	1,094,992
Commitments and contingencies:		
Stockholders' equity:		
Common stock, $0.01 par value; 80,000,000 shares authorized and 26,850,922 and 26,627,319 shares issued, respectively and 15,223,104 and 14,999,501 shares outstanding, respectively	269	266
Additional paid-in capital	243,259	241,291
Retained earnings	233,354	210,256
Treasury stock, at cost; 11,627,818 shares	(278,753)	(278,753)
Total stockholders' equity	198,129	173,060
Total liabilities and stockholders' equity	$ 1,275,418	$ 1,268,052

The accompanying condensed notes are an integral part of these Consolidated Financial Statements.

CARRIAGE SERVICES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited and in thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2024	**2023**	**2024**	**2023**
Revenue:				
Service revenue	$ 44,916	$ 43,708	$ 139,048	$ 136,437
Property and merchandise revenue	47,419	40,287	142,511	125,928
Other revenue	8,352	6,499	24,939	21,321
	100,687	90,494	306,498	283,686
Field costs and expenses:				
Cost of service	22,739	22,650	68,119	69,202
Cost of merchandise	31,492	30,302	95,423	92,255
Cemetery property amortization	1,957	1,318	6,273	4,411
Field depreciation expense	3,411	3,634	10,283	10,546
Regional and unallocated funeral and cemetery costs	4,085	3,771	12,172	13,339
Other expenses	1,513	1,407	4,483	4,264
	65,197	63,082	196,753	194,017
Gross profit	35,490	27,412	109,745	89,669
Corporate costs and expenses:				
General, administrative and other	12,206	11,303	47,047	31,682
Net loss on divestitures, disposals and impairments charges	387	423	1,955	929
Operating income	22,897	15,686	60,743	57,058
Interest expense	8,035	9,278	25,071	27,213
Net gain on property damage, net of insurance claims	—	(379)	(417)	(343)
Other, net	13	11	59	(636)
Income before income taxes	14,849	6,776	36,030	30,824
Expense for income taxes	4,930	2,058	11,962	8,899
Expense related to discrete income tax items	53	73	970	150
Total expense for income taxes	4,983	2,131	12,932	9,049
Net income	$ 9,866	$ 4,645	$ 23,098	$ 21,775
Basic earnings per common share:	$ 0.65	$ 0.31	$ 1.52	$ 1.46
Diluted earnings per common share:	$ 0.63	$ 0.30	$ 1.48	$ 1.39
Dividends declared per common share:	$ 0.1125	$ 0.1125	$ 0.3375	$ 0.3375
Weighted average number of common and common equivalent shares outstanding:				
Basic	15,011	14,820	14,951	14,791
Diluted	15,491	15,514	15,400	15,480

The accompanying condensed notes are an integral part of these Consolidated Financial Statements.

CARRIAGE SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited and in thousands)

	Nine months ended September 30,	
	2024	**2023**
Cash flows from operating activities:		
Net income	$ 23,098	$ 21,775
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17,274	15,623
Provision for credit losses	2,303	2,314
Stock-based compensation expense	4,521	6,155
Deferred income tax (benefit) expense	(1,838)	87
Amortization of intangibles	1,012	982
Amortization of debt issuance costs	495	524
Amortization and accretion of debt	402	384
Net loss on divestitures, disposals and impairment charges	1,955	929
Net gain on property damage, net of insurance claims	(417)	(343)
Gain on sale of excess land	—	(658)
Changes in operating assets and liabilities that provided (used) cash:		
Accounts and preneed receivables	(20,880)	(4,607)
Inventories, prepaid and other current assets	1,543	(52)
Intangible and other non-current assets	(3,624)	(2,285)
Preneed funeral and cemetery trust investments	(6,367)	990
Accounts payable	3,189	(117)
Accrued and other liabilities	5,909	5,297
Incentive payment from vendor	—	6,000
Deferred preneed funeral and cemetery revenue	7,546	11,110
Deferred preneed funeral and cemetery receipts held in trust	6,595	(2,259)
Net cash provided by operating activities	42,716	61,849
Cash flows from investing activities:		
Acquisitions of businesses	—	(44,000)
Proceeds from divestitures and sale of other assets	12,015	2,296
Proceeds from insurance claims	403	1,388
Capital expenditures	(11,710)	(13,069)
Net cash provided by (used in) investing activities	708	(53,385)
Cash flows from financing activities:		
Borrowings from the credit facility	32,100	68,100
Payments against the credit facility	(71,200)	(71,500)
Payment of debt issuance costs for the credit facility	(782)	—
Payments on acquisition debt and obligations under finance leases	(464)	(491)
Proceeds from the exercise of stock options and employee stock purchase plan contributions	2,181	1,207
Taxes paid on restricted stock vestings and exercise of stock options	(424)	(252)
Dividends paid on common stock	(5,098)	(5,023)
Net cash used in financing activities	(43,687)	(7,959)
Net (decrease) increase in cash and cash equivalents	(263)	505
Cash and cash equivalents at beginning of period	1,523	1,170
Cash and cash equivalents at end of period	$ 1,260	$ 1,675

The accompanying condensed notes are an integral part of these Consolidated Financial Statements.

CARRIAGE SERVICES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(unaudited and in thousands)

	Three months ended September 30, 2024					
	Shares Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balance – June 30, 2024	15,236	$ 269	$ 242,883	$ 223,488	$ (278,753)	$ 187,887
Net income	—	—	—	9,866	—	9,866
Issuance of common stock from employee stock purchase plan	11	—	239	—	—	239
Issuance of common stock to directors and board advisor	4	—	136	—	—	136
Exercise of stock options	1	—	—	—	—	—
Restricted common stock and stock options surrendered for taxes paid	(29)	—	(5)	—	—	(5)
Stock-based compensation expense	—	—	1,714	—	—	1,714
Dividends on common stock	—	—	(1,708)	—	—	(1,708)
Balance – September 30, 2024	15,223	$ 269	$ 243,259	$ 233,354	$ (278,753)	$ 198,129

	Three months ended September 30, 2023					
	Shares Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balance – June 30, 2023	14,958	$ 266	$ 240,681	$ 193,973	$ (278,753)	$ 156,167
Net income	—	—	—	4,645	—	4,645
Issuance of common stock from employee stock purchase plan	12	—	284	—	—	284
Issuance of common stock to directors and board advisor	5	—	161	—	—	161
Exercise of stock options	7	—	(133)	—	—	(133)
Stock-based compensation expense	—	—	1,831	—	—	1,831
Dividends on common stock	—	—	(1,683)	—	—	(1,683)
Balance – September 30, 2023	14,982	$ 266	$ 241,141	$ 198,618	$ (278,753)	$ 161,272

	Nine months ended September 30, 2024										
	Shares Outstanding		Common Stock		Additional Paid-in Capital		Retained Earnings		Treasury Stock		Total
Balance – December 31, 2023	15,000	$	266	$	241,291	$	210,256	$	(278,753)	$	173,060
Net income	—		—		—		23,098		—		23,098
Issuance of common stock from employee stock purchase plan	42		—		910		—		—		910
Issuance of common stock to directors and board advisor	14		—		400		—		—		400
Issuance of restricted common stock	157		2		(2)		—		—		—
Exercise of stock options	51		1		1,271		—		—		1,272
Restricted common stock and stock options surrendered for taxes paid	(72)		—		(424)		—		—		(424)
Stock-based compensation expense	—		—		4,121		—		—		4,121
Dividends on common stock	—		—		(5,098)		—		—		(5,098)
Other	31		—		790		—		—		790
Balance – September 30, 2024	15,223	$	269	$	243,259	$	233,354	$	(278,753)	$	198,129

	Nine months ended September 30, 2023										
	Shares Outstanding		Common Stock		Additional Paid-in Capital		Retained Earnings		Treasury Stock		Total
Balance – December 31, 2022	14,732	$	264	$	238,780	$	176,843	$	(278,753)	$	137,134
Net income	—		—		—		21,775		—		21,775
Issuance of common stock from employee stock purchase plan	50		—		1,207		—		—		1,207
Issuance of common stock to directors and board advisor	11		—		338		—		—		338
Issuance of common stock to former executive	30		—		826		—		—		826
Issuance of restricted common stock	142		2		(2)		—		—		—
Exercise of stock options	12		—		(174)		—		—		(174)
Restricted common stock and stock options surrendered for taxes paid	(3)		—		(78)		—		—		(78)
Stock-based compensation expense	—		—		4,991		—		—		4,991
Dividends on common stock	—		—		(5,023)		—		—		(5,023)
Other	8		—		276		—		—		276
Balance – September 30, 2023	14,982	$	266	$	241,141	$	198,618	$	(278,753)	$	161,272

The accompanying condensed notes are an integral part of these Consolidated Financial Statements.

CARRIAGE SERVICES, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

Carriage Services, Inc. ("Carriage," the "Company," "we," "us," or "our") is a leading provider of funeral and cemetery services and merchandise in the United States. Our operations are reported in two business segments: Funeral Home Operations, which currently accounts for approximately 65% of our total revenue, and Cemetery Operations, which currently accounts for approximately 35% of our total revenue. At September 30, 2024, we operated 162 funeral homes in 26 states and 31 cemeteries in 11 states.

Our funeral home operations are principally service businesses that generate revenue from sales of burial and cremation services and related merchandise, such as caskets and urns. Funeral services include consultation, the removal and preparation of remains, the sale of caskets and related funeral merchandise, the use of funeral home facilities for visitation and memorial services and transportation services. We provide funeral services and products on both an "atneed" (time of death) and "preneed" (planned prior to death) basis.

Our cemetery operations generate revenue primarily through sales of cemetery interment rights (primarily grave sites, lawn crypts, mausoleum spaces and niches), related cemetery merchandise (such as memorial markers, outer burial containers and monuments) and services (interments, inurnments and installation of cemetery merchandise). We provide cemetery services and products on both an atneed and preneed basis.

Principles of Consolidation and Interim Condensed Disclosures

Our unaudited Consolidated Financial Statements include the Company and its subsidiaries. All intercompany balances and transactions have been eliminated. Our interim Consolidated Financial Statements are unaudited, but include all adjustments, which consist of normal, recurring accruals, that are necessary for a fair presentation of our financial position and results of operations as of and for the interim periods presented.

There have been no material changes in our accounting policies previously disclosed in Part II, Item 8 "Financial Statements and Supplementary Data" in Note 1 in our Annual Report on Form 10-K for the year ended December 31, 2023. In addition, our unaudited Consolidated Financial Statements have been prepared in a manner consistent with the accounting principles described in our Annual Report on Form 10-K for the year ended December 31, 2023 unless otherwise disclosed herein, and should be read in conjunction therewith.

Use of Estimates

The preparation of our Consolidated Financial Statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses. On an ongoing basis, we evaluate our critical estimates and judgments, which include those related to the impairment of goodwill and the fair value measurements used in business combinations. These policies are considered critical because they may result in fluctuations in our reported results from period to period due to the significant judgments, estimates and assumptions about complex and inherently uncertain matters and because the use of different judgments, assumptions or estimates could have a material impact on our financial condition or results of operations. Actual results may differ from these estimates and such estimates may change if the underlying conditions or assumptions change. Historical performance should not be viewed as indicative of future performance because there can be no assurance the margins, operating income and net earnings, as a percentage of revenue, will be consistent from period to period.

Cash and Cash Equivalents

We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Inventory

Inventory consists primarily of caskets, outer burial containers and cemetery monuments and markers and is recorded at the lower of its cost basis or net realizable value. Inventory is relieved using specific identification in fulfillment of performance obligations on our contracts.

Contingent Liability

During the nine months ended September 30, 2024, we recorded a $5.0 million contingent liability to reflect our agreement to pay our financial advisor in connection with the review of strategic alternatives. At September 30, 2024, the contingency has been resolved resulting in no change to the liability recorded.

Deferred Revenue

During the nine months ended September 30, 2023, we withdrew $8.6 million of realized capital gains and earnings from our preneed funeral and cemetery trust investments. We did not withdraw any realized capital gains and earnings from our preneed trust investments during the nine months ended September 30, 2024. In certain states, we are allowed to make these withdrawals prior to the delivery of preneed merchandise and service contracts. The realized capital gains and earnings withdrawn increase our cash flow from operations, but are not recognized as revenue in our Consolidated Statements of Operations, however, they reduce our *Preneed funeral trust investments* and *Preneed cemetery trust investments* and increase our *Deferred preneed funeral revenue* and *Deferred preneed cemetery revenue.*

Additionally, during the nine months ended September 30, 2023, we received a $6.0 million incentive payment from a vendor for entering into a strategic partnership agreement to market and sell prearranged funeral services in the future, which increased our cash flow from operations and *Deferred preneed funeral revenue.* The incentive payment is subject to partial claw-back if certain preneed funeral sales volumes are not met within the ten-year term of the agreement. As such, we will recognize the incentive payment in proportion to our achieved preneed funeral sales volume per the agreement at each reporting period.

Held for Sale

At September 30, 2024, we had $0.3 million of assets classified as held for sale on our Consolidated Balance Sheet related to one funeral home. The carrying value of these assets held for sale exceeded their fair value and in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), we recognized an impairment of $40 thousand related to property, plant and equipment, which was recorded in *Net loss on divestitures, disposals and impairment charges* on our Consolidated Statements of Operations.

Goodwill

The excess of the purchase price over the fair value of identifiable net assets of funeral home businesses and cemeteries we acquire is recorded as goodwill. Goodwill has an indefinite life and is not subject to amortization. As such, we test goodwill for impairment on an annual basis as of August 31st each year. Under current guidance, we are permitted to first assess qualitative factors to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative goodwill impairment test.

We performed our most recent annual goodwill impairment test as of August 31, 2024. We intend to perform a quantitative impairment test at least once every three years and perform a qualitative assessment during the remaining two years. We conducted a quantitative assessment in 2022 and a qualitative assessment in 2023. In addition to our annual test, we assess the impairment of goodwill whenever events or changes in circumstances indicate that the carrying value of a reporting unit may be greater than fair value. Factors that could trigger an interim impairment review include, but are not limited to, significant negative industry or economic trends and significant adverse changes in the business climate, which may be indicated by a decline in our market capitalization or decline in operating results.

Our quantitative goodwill impairment test involves estimates and management judgment. In the quantitative analysis, we compare the fair value of each reporting unit to its carrying value, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, the goodwill of that reporting unit is not considered impaired. We determine fair value for each reporting unit using both an income approach, weighted 90%, and a market approach, weighted 10%. Our methodology for determining an income-based fair value is based on discounting projected future cash flows. The projected future cash flows include assumptions concerning future operating performance and economic conditions that may differ from actual future cash flows discounted at our weighted average cost of capital based on market participant assumptions. Our methodology for determining a market approach fair value utilizes the guideline public company method, in which we rely on market multiples of comparable companies operating in the same industry as the individual reporting units. In accordance with the guidance, if the fair value of the reporting unit is less than its carrying amount an impairment charge is recorded in an amount equal to the difference.

For our 2024 and 2023 annual qualitative assessments, we determined that there were no factors that would indicate the need to perform an additional quantitative goodwill impairment test. We concluded that it is more-likely-than-not that the fair value of our reporting units is greater than their carrying value and thus there was no impairment to goodwill.

When we divest a portion of a reporting unit that constitutes a business in accordance with GAAP, we allocate goodwill associated with that business to be included in the gain or loss on divestiture. The goodwill allocated is based on the relative fair value of the business being divested and the portion of the reporting unit that will be retained. Additionally, after each divestiture, we will test the goodwill remaining in the portion of the reporting unit to be retained for impairment using a qualitative assessment unless we deem a quantitative assessment to be appropriate to ensure the fair value of our reporting units is greater than their carrying value.

For the nine months ended September 30, 2024 and 2023, after each divestiture, we concluded that it was more-likely-than not that the fair value of our reporting units was greater than their carrying value and thus there was no impairment to goodwill.

See Note 4 to the Consolidated Financial Statements included herein for additional information related to our goodwill.

Intangible Assets

Our intangible assets include tradenames resulting from acquisitions and are included in *Intangible and other non-current assets*, net on our Consolidated Balance Sheet. Our tradenames are considered to have an indefinite life and are not subject to amortization. As such, we test our intangible assets for impairment on an annual basis as of August 31st each year. Under current guidance, we are permitted to first assess qualitative factors to determine whether it is more-likely-than-not that the fair value of the tradename is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative impairment test.

We performed our most recent annual intangible assets impairment test as of August 31, 2024. We intend to perform a quantitative impairment test at least once every three years and perform a qualitative assessment during the remaining two years. We conducted a quantitative assessment in 2022 and a qualitative assessment in 2023. In addition to our intangible assets annual test, we assess the impairment of intangible assets whenever certain events or changes in circumstances indicate that the carrying value of the intangible asset may be greater than the fair value. Factors that could trigger an interim impairment review include, but are not limited to, significant under-performance relative to historical or projected future operating results and significant negative industry or economic trends.

Our quantitative intangible asset impairment test involves estimates and management judgment. Our quantitative analysis is performed using the relief from royalty method, which measures the tradenames by determining the value of the royalties that we are relieved from paying due to our ownership of the asset. We determine the fair value of the asset by discounting the cash flows that represent a savings in lieu of paying a royalty fee for use of the tradename. The discounted cash flow valuation uses projections of future cash flows and includes assumptions concerning future operating performance and economic conditions that may differ from actual future cash flows and the determination and application of an appropriate royalty rate and discount rate. To estimate the royalty rates for the individual tradename, we mainly rely on the profit split method, but also consider the comparable third-party license agreements and the return on asset method. A scorecard is used to assess the relative strength of the individual tradename to further adjust the royalty rates selected under the profit-split method for qualitative factors. In accordance with the guidance, if the fair value of the tradename is less than its carrying amount, then an impairment charge is recorded in an amount equal to the difference.

As a result of our 2024 and 2023 qualitative assessments, we determined that there were factors that would indicate the need to perform additional quantitative impairment tests for certain funeral home businesses. As a result of these additional quantitative impairment tests, we recorded an impairment to the tradenames for certain funeral home businesses of $0.6 million and $0.2 million, during the nine months ended September 30, 2024 and 2023, respectively, as the carrying amount of these tradenames exceeded their fair value.

See Note 10 to the Consolidated Financial Statements included herein for additional information related to our intangible assets.

Property, Plant and Equipment

Property, plant and equipment is comprised of the following (in thousands):

	September 30, 2024	December 31, 2023
Land	$ 86,609	$ 87,635
Buildings and improvements	264,836	263,522
Furniture, equipment and vehicles	73,393	74,372
Property, plant and equipment, at cost	424,838	425,529
Less: accumulated depreciation	(145,304)	(138,045)
Property, plant and equipment, net	$ 279,534	$ 287,484

During the nine months ended September 30, 2024, we sold six funeral homes and one cemetery that had a carrying value of property, plant and equipment of $3.1 million, which was included in the loss on sale and recorded in *Net loss on divestitures, disposals and impairment charges* on our Consolidated Statements of Operations, more fully described in Note 5 to the Consolidated Financial Statements.

Additionally, during the nine months ended September 30, 2024, we sold real property for $1.1 million, with a carrying value of $0.8 million and we recognized an impairment related to property, plant and equipment for assets held for sale of $40 thousand, which was recorded in *Net loss on divestitures, disposals and impairment charges* on our Consolidated Statements of Operations.

During the nine months ended September 30, 2023, we acquired $12.8 million of property, plant and equipment related to our acquisition of a business located in Bakersfield, CA, more fully described in Note 3 to the Consolidated Financial Statements.

Additionally, during the nine months ended September 30, 2023, we sold real property for $1.2 million, with a carrying value of $0.6 million, resulting in a gain on the sale of $0.6 million. We also divested one funeral home that had a carrying value of $0.3 million, which was included in the loss on the sale of divestitures and recorded in *Net loss on divestitures, disposals and impairment charges* on our Consolidated Statements of Operations, more fully described in Note 5 to the Consolidated Financial Statements.

Our growth and maintenance capital expenditures totaled $2.9 million and $2.4 million for the three months ended September 30, 2024 and 2023, respectively, and $6.4 million and $7.9 million for the nine months ended September 30, 2024 and 2023, respectively. In addition, we recorded depreciation expense of $3.5 million and $3.8 million for the three months ended September 30, 2024 and 2023, respectively, and $10.7 million and $11.0 million for the nine months ended September 30, 2024 and 2023, respectively.

Cemetery Property

Cemetery property was $113.1 million and $114.6 million, net of accumulated amortization of $70.7 million and $64.6 million at September 30, 2024 and December 31, 2023, respectively. When cemetery property is sold, the value of the cemetery property (interment right costs) is expensed as amortization using the specific identification method in the period in which the sale of the interment right is recognized as revenue. Our growth capital expenditures for cemetery property development totaled $1.7 million and $1.6 million for the three months ended September 30, 2024 and 2023, respectively, and $5.3 million and $5.1 million for the nine months ended September 30, 2024 and 2023, respectively. We recorded amortization expense for cemetery interment rights of $2.0 million and $1.3 million for the three months ended September 30, 2024 and 2023, respectively, and $6.3 million and $4.4 million for the nine months ended September 30, 2024 and 2023, respectively.

During the nine months ended September 30, 2024, we sold one cemetery that had a carrying value of cemetery property of $0.8 million, which was included in the loss on sale and recorded in *Net loss on divestitures, disposals and impairment charges* on our Consolidated Statements of Operations, more fully described in Note 5 to the Consolidated Financial Statements.

During the nine months ended September 30, 2023, we acquired cemetery property for $9.0 million related to our acquisition of a business located in Bakersfield, CA, as more fully described in Note 3 to the Consolidated Financial Statements. We also sold two cemeteries that had a carrying value of cemetery property of $0.8 million, which was included in the loss on sale and recorded in *Net loss on divestitures, disposals and impairment charges* on our Consolidated Statements of Operations, more fully described in Note 5 to the Consolidated Financial Statements.

Income Taxes

Income tax expense was $5.0 million and $2.1 million for the three months ended September 30, 2024 and 2023, respectively, and $12.9 million and $9.0 million for the nine months ended September 30, 2024 and 2023, respectively. Our operating tax rate before discrete items was 33.2% and 30.4% for the three months ended September 30, 2024 and 2023, respectively, and 33.2% and 28.9% for the nine months ended September 30, 2024 and 2023, respectively.

Subsequent Events

We have evaluated events and transactions during the period subsequent to September 30, 2024 through the date the financial statements were issued for potential recognition or disclosure in the accompanying financial statements covered by this report.

2. RECENTLY ISSUED ACCOUNTING STANDARDS

Segment Reporting

In November 2023, the FASB issued ASU, *Segment Reporting* - *Improvements to Reportable Segment Disclosures* ("Topic 280") to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The amendments in this update require that a public entity disclose, on an annual and interim basis (1) significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss; and (2) an amount for other segment items, as described in the amendments, by reportable segment and a description of its composition. Additionally, the amendments require that a public entity disclose the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources. The amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, and therefore were effective for us for our fiscal year beginning January 1, 2024 and for interim periods within our fiscal year beginning January 1, 2025. We expect the adoption will have no impact on our Consolidated Financial Statements.

Accounting Pronouncements Not Yet Adopted

Income Taxes

In December 2023, the FASB issued ASU, *Income Taxes* - *Improvements to Income Tax Disclosures* ("Topic 740") to enhance the transparency about income tax information through improvements to income tax disclosures primarily related to rate reconciliation and income taxes paid information. The amendments in this update require that public business entities on an annual basis (1) disclose specific categories in the rate reconciliation; and (2) provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than five percent of the amount computed by multiplying pretax income (loss) by the applicable statutory income tax rate). The amendments in this update also require that all entities disclose on an annual basis (1) the amount of net income taxes paid disaggregated by federal and state taxes; and (2) the amount of net income taxes paid disaggregated by individual jurisdictions in which net income taxes paid is equal to or greater than five percent of total net income taxes paid. The amendments are effective for annual periods beginning after December 15, 2024. Early adoption is permitted. We plan to adopt the amendments of Topic 740 for our fiscal year beginning January 1, 2025. We expect the adoption will have no impact on our Consolidated Financial Statements.

3. BUSINESS COMBINATIONS

Tangible and intangible assets acquired and liabilities assumed are recorded at fair value and goodwill is recognized for any difference between the price of the acquisition and fair value. We recognize the assets acquired, the liabilities assumed and any non-controlling interest in the acquiree at the acquisition date, measured at the fair value as of that date. Acquisition related costs are recognized separately from the acquisition and are expensed as incurred. We customarily estimate related transaction costs known at closing. To the extent that information not available to us at the closing date subsequently becomes available during the measurement period, we may adjust goodwill, intangible assets, assets or liabilities associated with the acquisition.

We did not acquire any businesses during the three and nine months ended September 30, 2024. On March 22, 2023, we acquired a business consisting of three funeral homes, two cemeteries and one cremation focused business in Bakersfield, CA for $44.0 million in cash. We acquired substantially all of the assets and assumed certain operating liabilities of this business.

The pro forma impact of this acquisition on prior periods is not presented, as the impact is not significant to our reported results. The results of the acquired business are reflected in our Consolidated Statements of Operations from the date of acquisition.

The following table summarizes the breakdown of the purchase price allocation for our Bakersfield, CA business acquisition (in thousands):

	Initial Purchase Price Allocation	Adjustments	Adjusted Purchase Price Allocation
Current assets	$ 7,087	$ 131	$ 7,218
Preneed trust assets	—	11,428	11,428
Property, plant & equipment	12,577	245	12,822
Cemetery property	9,035	—	9,035
Goodwill	13,612	(106)	13,506
Intangible and other non-current assets	3,763	—	3,763
Assumed liabilities	(300)	(66)	(366)
Preneed trust liabilities	—	(11,428)	(11,428)
Deferred revenue	(1,774)	(204)	(1,978)
Purchase price	$ 44,000	$ —	$ 44,000

The current assets relate to accounts receivable and inventory. The intangible and other non-current assets relate to the fair value of tradenames and right-of-use operating lease assets. The assumed liabilities relate to operating lease obligations and commissions payable. As of December 31, 2023, our accounting for this acquisition was complete.

The following table summarizes the fair value of the assets acquired and liabilities assumed for this business (in thousands):

Acquisition Date	Type of Business	Market	Assets Acquired (Excluding Goodwill)	Goodwill Recorded	Liabilities and Debt Assumed
March 22, 2023	Three Funeral Homes, Two Cemeteries and One Cremation Focused Business	Bakersfield, CA	$ 44,266	$ 13,506	$ (13,772)

4. GOODWILL

The following table presents changes in goodwill in the accompanying Consolidated Balance Sheet (in thousands):

	September 30, 2024	December 31, 2023
Goodwill at the beginning of the period	$ 423,643	$ 410,137
Increase in goodwill related to acquisitions	—	13,506
Decrease in goodwill related to divestitures	(8,784)	—
Goodwill at the end of the period	$ 414,859	$ 423,643

During the nine months ended September 30, 2024, we allocated $8.8 million of goodwill to the sale of six funeral homes and one cemetery for a loss recorded in *Net loss on divestitures, disposals and impairments charges,* of which $7.8 million was allocated to our funeral home segment and $1.0 million was allocated to our cemetery segment.

During the nine months ended September 30, 2023, we recognized $13.5 million in goodwill related to our acquisition of a business located in Bakersfield, CA, of which $4.5 million was allocated to our cemetery segment and $9.0 million was allocated to our funeral home segment.

See Note 1 to the Consolidated Financial Statements included herein, for a discussion of the methodology used for our goodwill impairment test.

5. DIVESTED OPERATIONS

During the three months ended September 30, 2024, we merged two funeral homes with other businesses we own in existing markets. During the nine months ended September 30, 2024, we sold six funeral homes and one cemetery for an aggregate of $10.9 million and merged three funeral homes with other businesses we own in existing markets.

During the three months ended September 30, 2023, we sold one funeral home for $0.3 million. During the nine months ended September 30, 2023, we sold two funeral homes and two cemeteries for an aggregate of $1.1 million and merged one funeral home with another business we own in an existing market.

The operating results of these divested funeral homes and cemeteries are reflected on our Consolidated Statements of Operations as shown in the table below (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Revenue	$ 25	$ 18	$ 1,383	$ 242
Operating income (loss)	(154)	8	42	3
Gain (loss) on divestitures[1]	295	(24)	(1,214)	(107)
Income tax (expense) benefit	(47)	5	389	30
Net gain (loss) from divested operations, after tax	$ 94	$ (11)	$ (783)	$ (74)

(1) Gain (loss) on divestitures is recorded in *Net loss on divestitures, disposals and impairments charges* on our Consolidated Statements of Operations.

6. RECEIVABLES

Accounts Receivable

Our funeral receivables are recorded in *Accounts receivable, net* and primarily consist of amounts due for funeral services already performed.

Atneed cemetery receivables and preneed cemetery receivables with payments expected to be received within one year from the balance sheet date are also recorded in *Accounts receivable, net*. Preneed cemetery receivables with payments expected to be received beyond one year from the balance sheet date are recorded in *Preneed cemetery receivables, net*.

Accounts receivable is comprised of the following (in thousands):

	September 30, 2024			
	Funeral	Cemetery	Corporate	Total
Trade and financed receivables	$ 7,597	$ 23,443	$ —	$ 31,040
Other receivables	342	433	336	1,111
Allowance for credit losses	(322)	(916)	—	(1,238)
Accounts receivable, net	$ 7,617	$ 22,960	$ 336	$ 30,913

	December 31, 2023			
	Funeral	Cemetery	Corporate	T
Trade and financed receivables	$ 8,822	$ 18,459	$ —	$ 27,2
Other receivables	404	595	286	1,2
Allowance for credit losses	(266)	(1,240)	—	(1,5
Accounts receivable, net	$ 8,960	$ 17,814	$ 286	$ 27,0

Other receivables include supplier rebates, commissions due from third party insurance companies and perpetual care income receivables. We do not provide an allowance for credit losses for these receivables as we have historically not had any collectability issues nor do we expect any in the foreseeable future.

The following table summarizes the activity in our allowance for credit losses by segment (in thousands):

	January 1, 2024	Provision for Credit Losses	Write Offs	Recoveries	September 30, 2024
Trade and financed receivables:					
Funeral	$ (266)	$ (941)	$ 1,679	$ (794)	$ (322)
Cemetery	(1,240)	(550)	874	—	(916)
Total allowance for credit losses on trade and financed receivables	$ (1,506)	$ (1,491)	$ 2,553	$ (794)	$ (1,238)

Balances due on undelivered preneed funeral trust contracts have been reclassified to reduce *Deferred preneed funeral revenue* on our Consolidated Balance Sheet of $10.7 million at both September 30, 2024 and December 31, 2023, respectively. As these performance obligations are to be completed after the date of death, we cannot quantify the recognition of revenue in future periods. However, we estimate an average maturity period of ten years for preneed funeral contracts.

Cemetery Receivables

Our cemetery receivables are comprised of the following (in thousands):

	September 30, 2024	December 31, 2023
Interment rights	$ 76,269	$ 60,863
Merchandise and services	12,682	11,223
Unearned finance charges	5,371	5,669
Cemetery receivables	$ 94,322	$ 77,755

The components of our cemetery receivables are as follows (in thousands):

	September 30, 2024	December 31, 2023
Cemetery receivables	$ 94,322	$ 77,755
Less: unearned finance charges	(5,371)	(5,669)
Cemetery receivables, at amortized cost	$ 88,951	$ 72,086
Less: allowance for credit losses	(2,623)	(3,495)
Less: balances due on undelivered cemetery preneed contracts	(13,752)	(15,797)
Less: amounts in accounts receivable	(22,527)	(17,219)
Preneed cemetery receivables, net	$ 50,049	$ 35,575

The following table summarizes the activity in our allowance for credit losses for *Preneed cemetery receivables, net* (in thousands):

	January 1, 2024	Provision for Credit Losses	Write Offs	September 30, 2
Total allowance for credit losses on *Preneed cemetery receivables, net*	$ (2,255)	$ (812)	$ 1,360	$ (1,7

The amortized cost basis of our cemetery receivables by year of origination at September 30, 2024 is as follows (in thousands):

	2024	2023	2022	2021	2020	Prior	T
Total preneed cemetery receivables, at amortized cost	$ 40,126	$ 24,821	$ 14,445	$ 6,304	$ 2,239	$ 1,016	$ 88,9

The aging of past due cemetery receivables at September 30, 2024 is as follows (in thousands):

	31-60 Past Due	61-90 Past Due	91-120 Past Due	>120 Past Due	Total Past Due	Current	Total
Recognized revenue	$ 1,548	$ 969	$ 340	$ 2,610	$ 5,467	$ 69,732	$ 75,199
Deferred revenue	573	190	109	673	1,545	17,578	19,123
Total contracts	$ 2,121	$ 1,159	$ 449	$ 3,283	$ 7,012	$ 87,310	$ 94,322

Balances due on undelivered preneed cemetery contracts have been reclassified to reduce *Deferred preneed cemetery revenue* on our Consolidated Balance Sheet. The transaction price allocated to preneed merchandise and service performance obligations that were unfulfilled were $13.8 million and $15.8 million at September 30, 2024 and December 31, 2023, respectively. As these performance obligations are to be completed after the date of death, we cannot quantify the recognition of revenue in future periods. However, we estimate an average maturity period of eight years for preneed cemetery contracts.

7. FAIR VALUE MEASUREMENTS

We evaluated our financial assets and liabilities for those that met the criteria of the disclosure requirements and fair value framework. The carrying values of cash and cash equivalents, accounts receivable and accounts payable approximate the fair values of those instruments due to the short-term nature of the instruments. The fair values of our receivables on preneed cemetery contracts are impracticable to estimate because of the lack of a trading market and the diverse number of individual contracts with varying terms. Our acquisition debt and Credit Facility (as defined in Note 11) and Senior Notes (as defined in Note 12) are classified within Level 2 of the Fair Value Measurements hierarchy.

At September 30, 2024, the carrying value and fair value of our Credit Facility was $140.0 million. We believe that our Credit Facility bears interest at a rate that approximates prevailing market rates for instruments with similar characteristics and therefore, the carrying value of our Credit Facility approximates fair value. We estimate the fair value of our acquisition debt utilizing an income approach, which uses a present value calculation to discount payments based on current market rates as of the reporting date. At September 30, 2024, the carrying value of our acquisition debt was $5.9 million, which approximated its fair value. The fair value of our Senior Notes was $371.4 million at September 30, 2024, based on the last traded or broker quoted price.

We identified investments in fixed income securities, common stock and mutual funds presented within the preneed and perpetual care trust investments categories on our Consolidated Balance Sheet as having met the criteria for fair value measurement. Where quoted prices are available in an active market, investments held by the trusts are classified as Level 1 investments pursuant to the three-level valuation hierarchy. Our Level 1 investments include cash, U.S. treasury debt, common stock and equity mutual funds. Where quoted market prices are not available for the specific security, then fair values are estimated by using quoted prices of similar securities in active markets or inputs other than quoted prices that can corroborate observable market data. These investments are fixed income securities, including U.S. agency obligations, foreign debt, corporate debt, preferred stocks, certificates of deposit and fixed income mutual funds and other investments, all of which are classified within Level 2 of the valuation hierarchy.

In addition, we have an investment in a limited partnership fund, whose fair value has been estimated using the net asset value per share practical expedient described in ASC 820-10-35-59, *Fair Value Measurement of Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* and therefore, has not been classified in the fair value hierarchy. The investment strategy of this fund is to generate attractive, risk-adjusted returns over a multi-year performance period through the construction of a concentrated portfolio of investments possessing certain distinct business attributes that suggest the potential for long-term value creation. Beginning March 31, 2024, the agreement permits us to withdraw a percentage of the value of the investments in this fund through quarterly withdrawals with the intention to permit withdrawal of the entire investment over twelve successive withdrawal dates. Our unfunded commitment for this investment at September 30, 2024 was $10.0 million.

Our receivables from preneed funeral trusts represent assets in trusts which are controlled and operated by third parties in which we do not have a controlling financial interest (less than 50%) in the trust assets. We account for these investments at cost. See Notes 8 and 9 to our Consolidated Financial Statements for the fair value hierarchy levels of our trust investments.

8. TRUST INVESTMENTS

Preneed trust investments represent trust fund assets that we are generally permitted to withdraw as the services and merchandise are provided to customers. Preneed funeral and cemetery contracts are secured by payments from customers, less amounts not required by law to be deposited into trust. These earnings are recognized in *Other revenue* on our Consolidated Statements of Operations, when a service is performed or merchandise is delivered. Trust management fees charged by our wholly-owned registered investment advisory firm are included as revenue in the period in which they are earned. Our investments are diversified across multiple industry segments using a balanced allocation strategy to minimize long-term risk. We do not intend to sell and it is likely that we will not be required to sell the securities prior to their anticipated recovery.

Cemetery perpetual care trust investments represent a portion of the proceeds from the sale of cemetery property interment rights that we are required by various state laws to deposit into perpetual care trust funds. The income earned from these perpetual care trusts offsets maintenance expenses for cemetery property and memorials. This trust fund income is recognized in *Other revenue.*

Changes in the fair value of our trust fund assets (*Preneed funeral, cemetery and perpetual care trust investments*) are offset by changes in the fair value of our trust fund liabilities (*Deferred preneed funeral and cemetery receipts held in trust* and *Care trusts' corpus*) and reflected in *Other, net*. There is no impact on earnings until such time the services are performed or the merchandise is delivered, causing the contract to be withdrawn from the trust in accordance with state regulations and the gain or loss is allocated to the contract.

We rely on our trust investments to provide funding for the various contractual obligations that arise upon maturity of the underlying preneed contracts. Because of the long-term relationship between the establishment of trust investments and the required performance of the underlying contractual obligations, the impact of current market conditions that may exist at any given time is not necessarily indicative of our ability to generate profit on our future performance obligations.

Preneed Cemetery Trust Investments

The components of *Preneed cemetery trust investments* on our Consolidated Balance Sheet are as follows (in thousands):

	September 30, 2024	December 31, 2023
Preneed cemetery trust investments, at market value	$ 105,617	$ 99,461
Less: allowance for contract cancellation	(3,226)	(3,087)
Preneed cemetery trust investments	$ 102,391	$ 96,374

The cost and market values associated with preneed cemetery trust investments at September 30, 2024 are detailed below (in thousands):

	Fair Value Hierarchy Level	Cost	Unrealized Gains	Unrealized Losses	Fair Market Value
Cash and money market accounts	1	$ 24,268	$ —	$ —	$ 24,268
Fixed income securities:					
U.S. agency obligations	2	664	—	(33)	631
Foreign debt	2	8,530	1,519	(8)	10,041
Corporate debt	2	13,669	509	(2,446)	11,732
Preferred stock	2	10,990	483	(1,558)	9,915
Certificates of deposit	2	79	—	(5)	74
Common stock	1	31,416	3,033	(3,142)	31,307
Limited partnership fund		3,514	456	—	3,970
Mutual funds:					
Equity	1	907	107	(1)	1,013
Fixed income	2	13,516	181	(1,880)	11,817
Trust securities		$ 107,553	$ 6,288	$ (9,073)	$ 104,768
Accrued investment income		$ 849			$ 849
Preneed cemetery trust investments					$ 105,617
Market value as a percentage of cost					97.4%

The estimated maturities of the fixed income securities (excluding mutual funds) included above are as follows (in thousands):

Due in one year or less	$ 139
Due in one to five years	13,444
Due in five to ten years	939
Thereafter	17,871
Total fixed income securities	$ 32,393

The cost and market values associated with preneed cemetery trust investments at December 31, 2023 are detailed below (in thousands):

	Fair Value Hierarchy Level	Cost	Unrealized Gains	Unrealized Losses	Fair Market Value
Cash and money market accounts	1	$ 9,643	$ —	$ —	$ 9,643
Fixed income securities:					
U.S. agency obligations	2	803	1	(51)	753
Foreign debt	2	7,764	1,371	(17)	9,118
Corporate debt	2	15,071	342	(3,657)	11,756
Preferred stock	2	10,965	473	(1,572)	9,866
Certificate of deposit	2	79	—	(7)	72
Common stock	1	43,057	9,466	(7,935)	44,588
Limited partnership fund		3,575	—	(3)	3,572
Mutual funds:					
Equity	1	553	10	(30)	533
Fixed income	2	11,369	16	(2,759)	8,626
Trust Securities		$ 102,879	$ 11,679	$ (16,031)	$ 98,527
Accrued investment income		$ 934			$ 934
Preneed cemetery trust investments					$ 99,461
Market value as a percentage of cost					95.8%

The following table summarizes our fixed income securities (excluding mutual funds) within our preneed cemetery trust investments in an unrealized loss position at September 30, 2024, aggregated by major security type and length of time in a continuous unrealized loss position (in thousands):

	September 30, 2024					
	In Loss Position Less than 12 months		In Loss Position Greater than 12 months		Total	
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
Fixed income securities:						
U.S. agency obligations	$ —	$ —	$ 492	$ (33)	$ 492	$ (33)
Foreign debt	—	—	210	(8)	210	(8)
Corporate debt	695	(136)	2,268	(2,310)	2,963	(2,446)
Preferred stock	700	(2)	7,664	(1,556)	8,364	(1,558)
Certificates of deposit	—	—	74	(5)	74	(5)
Total fixed income securities with an unrealized loss	$ 1,395	$ (138)	$ 10,708	$ (3,912)	$ 12,103	$ (4,050)

The following table summarizes our fixed income securities (excluding mutual funds) within our preneed cemetery trust investments in an unrealized loss position at December 31, 2023, aggregated by major security type and length of time in a continuous unrealized loss position (in thousands):

	December 31, 2023					
	In Loss Position Less than 12 months		**In Loss Position Greater than 12 months**		**Total**	
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
Fixed income securities:						
U.S. agency obligations	$ —	$ —	$ 613	$ (51)	$ 613	$ (51)
Foreign debt	284	(5)	209	(12)	493	(17)
Corporate debt	666	(62)	4,239	(3,595)	4,905	(3,657)
Preferred stock	45	—	7,821	(1,572)	7,866	(1,572)
Certificates of deposit	—	—	72	(7)	72	(7)
Total fixed income securities with an unrealized loss	$ 995	$ (67)	$ 12,954	$ (5,237)	$ 13,949	$ (5,304)

Preneed cemetery trust investment security transactions recorded in *Other, net* on our Consolidated Statements of Operations are as follows (in thousands):

	Three months ended September 30,		**Nine months ended September 30,**	
	2024	**2023**	**2024**	**2023**
Investment income	$ 647	$ 610	$ 2,030	$ 1,889
Realized gains	—	246	11,500	2,247
Realized losses	—	(190)	(8,511)	(1,336)
Unrealized gains (losses), net	2,151	1,818	(2,785)	(6,896)
Expenses and taxes	(365)	(454)	(1,704)	(1,076)
Net change in deferred preneed cemetery receipts held in trust	(2,433)	(2,030)	(530)	5,172
	$ —	$ —	$ —	$ —

Purchases and sales of investments in the preneed cemetery trusts are as follows (in thousands):

	Three months ended September 30,		**Nine months ended September 30,**	
	2024	**2023**	**2024**	**2023**
Purchases	$ —	$ (5,481)	$ (11,110)	$ (14,619)
Sales	—	5,368	21,737	11,230

Preneed Funeral Trust Investments

Preneed funeral trust investments represent trust fund assets that we are permitted to withdraw as services and merchandise are provided to customers. Preneed funeral contracts are secured by payments from customers, less retained amounts not required to be deposited into trust.

The components of *Preneed funeral trust investments* on our Consolidated Balance Sheet are as follows (in thousands):

	September 30, 2024	**December 31, 2023**
Preneed funeral trust investments, at market value	$ 112,373	$ 111,247
Less: allowance for contract cancellation	(3,417)	(3,405)
Preneed funeral trust investments	$ 108,956	$ 107,842

The cost and market values associated with preneed funeral trust investments at September 30, 2024 are detailed below (in thousands):

	Fair Value Hierarchy Level	Cost	Unrealized Gains	Unrealized Losses	Fair Market Value
Cash and money market accounts	1	$ 34,849	$ —	$ —	$ 34,849
Fixed income securities:					
U.S. treasury debt	1	406	—	(24)	382
Foreign debt	2	8,291	1,485	(8)	9,768
Corporate debt	2	13,134	496	(2,288)	11,342
Preferred stock	2	10,345	471	(1,548)	9,268
Common stock	1	28,794	2,815	(2,715)	28,894
Limited partnership fund		3,435	446	—	3,881
Mutual funds:					
Equity	1	773	69	(1)	841
Fixed income	2	11,941	162	(1,697)	10,406
Other investments	2	1,938	—	—	1,938
Trust securities		$ 113,906	$ 5,944	$ (8,281)	$ 111,569
Accrued investment income		$ 804			$ 804
Preneed funeral trust investments					$ 112,373
Market value as a percentage of cost					97.9%

The estimated maturities of the fixed income securities (excluding mutual funds) included above are as follows (in thousands):

Due in one year or less	$ 82
Due in one to five years	12,828
Due in five to ten years	809
Thereafter	17,041
Total fixed income securities	$ 30,760

The cost and market values associated with preneed funeral trust investments at December 31, 2023 are detailed below (in thousands):

	Fair Value Hierarchy Level	Cost	Unrealized Gains	Unrealized Losses	Fair Market Value
Cash and money market accounts	1	$ 26,707	$ —	$ —	$ 26,707
Fixed income securities:					
U.S. treasury debt	1	451	—	(34)	417
Foreign debt	2	7,300	1,297	(16)	8,581
Corporate debt	2	13,848	323	(3,255)	10,916
Preferred stock	2	9,786	442	(1,468)	8,760
Common stock	1	38,600	8,858	(6,855)	40,603
Limited partnership fund		3,383	—	(2)	3,381
Mutual funds:					
Equity	1	401	3	(29)	375
Fixed income	2	9,513	15	(2,383)	7,145
Other investments	2	3,510	—	—	3,510
Trust securities		$ 113,499	$ 10,938	$ (14,042)	$ 110,395
Accrued investment income		$ 852			$ 852
Preneed funeral trust investments					$ 111,247
Market value as a percentage of cost					97.3%

The following table summarizes our fixed income securities (excluding mutual funds) within our preneed funeral trust investment in an unrealized loss position at September 30, 2024, aggregated by major security type and length of time in a continuous unrealized loss position (in thousands):

	September 30, 2024					
	In Loss Position Less than 12 months		In Loss Position Greater than 12 months		Total	
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
Fixed income securities:						
U.S. treasury debt	$ —	$ —	$ 382	$ (24)	$ 382	$ (24)
Foreign debt	—	—	205	(8)	205	(8)
Corporate debt	680	(133)	2,115	(2,155)	2,795	(2,288)
Preferred stock	684	(2)	7,125	(1,546)	7,809	(1,548)
Total fixed income securities with an unrealized loss	$ 1,364	$ (135)	$ 9,827	$ (3,733)	$ 11,191	$ (3,868)

The following table summarizes our fixed income securities (excluding mutual funds) within our preneed funeral trust investment in an unrealized loss position at December 31, 2023, aggregated by major security type and length of time in a continuous unrealized loss position (in thousands):

	December 31, 2023					
	In Loss Position Less than 12 months		In Loss Position Greater than 12 months		Total	
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
Fixed income securities:						
U.S. treasury debt	$ —	$ —	$ 371	$ (34)	$ 371	$ (34)
Foreign debt	269	(5)	198	(11)	467	(16)
Corporate debt	630	(59)	3,802	(3,196)	4,432	(3,255)
Preferred stock	—	—	7,078	(1,468)	7,078	(1,468)
Total fixed income securities with an unrealized loss	$ 899	$ (64)	$ 11,449	$ (4,709)	$ 12,348	$ (4,773)

Preneed funeral trust investment security transactions recorded in *Other, net* on the Consolidated Statements of Operations are as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Investment income	$ 486	$ 479	$ 1,597	$ 1,542
Realized gains	—	235	10,626	2,178
Realized losses	—	(181)	(7,504)	(1,278)
Unrealized gains (losses), net	1,638	1,911	(2,337)	(5,294)
Expenses and taxes	(213)	(182)	(880)	(576)
Net change in deferred preneed funeral receipts held in trust	(1,911)	(2,262)	(1,502)	3,428
	$ —	$ —	$ —	$ —

Purchases and sales of investments in the preneed funeral trusts are as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Purchases	$ —	$ (5,237)	$ (10,214)	$ (13,987)
Sales	—	5,135	19,726	10,820

Cemetery Perpetual Care Trust Investments

Care trusts' corpus on our Consolidated Balance Sheet represents the corpus of those trusts plus undistributed income. The components of *Care trusts' corpus* are as follows (in thousands):

	September 30, 2024	December 31, 2023
Cemetery perpetual care trust investments, at market value	$ 85,925	$ 85,331
Obligations due to (due from) trust	1,093	(980)
Care trusts' corpus	$ 87,018	$ 84,351

The following table reflects the cost and market values associated with the trust investments held in cemetery perpetual care trust funds at September 30, 2024 (in thousands):

	Fair Value Hierarchy Level	Cost	Unrealized Gains	Unrealized Losses	Fair Market Value
Cash and money market accounts	1	$ 13,900	$ —	$ —	$ 13,900
Fixed income securities:					
Foreign debt	2	7,699	1,335	(7)	9,027
Corporate debt	2	12,401	486	(2,289)	10,598
Preferred stock	2	10,241	418	(1,406)	9,253
Common stock	1	27,278	2,697	(2,825)	27,150
Limited partnership fund		3,051	396	—	3,447
Mutual funds:					
Equity	1	783	87	(1)	869
Fixed income	2	12,336	247	(1,691)	10,892
Trust securities		$ 87,689	$ 5,666	$ (8,219)	$ 85,136
Accrued investment income		$ 789			$ 789
Cemetery perpetual care investments					$ 85,925
Market value as a percentage of cost					97.1%

The estimated maturities of the fixed income securities (excluding mutual funds) included above are as follows (in thousands):

Due in one year or less	$ —
Due in one to five years	11,555
Due in five to ten years	928
Thereafter	16,395
Total fixed income securities	$ 28,878

The following table reflects the cost and market values associated with the trust investments held in cemetery perpetual care trust funds at December 31, 2023 (in thousands):

	Fair Value Hierarchy Level	Cost	Unrealized Gains	Unrealized Losses	Fair Market Value
Cash and money market accounts	1	$ 6,688	$ —	$ —	$ 6,688
Fixed income securities:					
Foreign debt	2	7,101	1,177	(18)	8,260
Corporate debt	2	13,491	334	(3,367)	10,458
Preferred stock	2	10,723	415	(1,435)	9,703
Common stock	1	36,413	8,098	(6,580)	37,931
Limited partnership fund		3,042	—	(2)	3,040
Mutual funds:					
Equity	1	467	5	(26)	446
Fixed income	2	10,326	14	(2,382)	7,958
Trust securities		$ 88,251	$ 10,043	$ (13,810)	$ 84,484
Accrued investment income		$ 847			$ 847
Cemetery perpetual care investments					$ 85,331
Market value as a percentage of cost					95.7%

The following table summarizes our fixed income securities (excluding mutual funds) within our cemetery perpetual care trust investment in an unrealized loss position at September 30, 2024, aggregated by major security type and length of time in a continuous unrealized loss position (in thousands):

	September 30, 2024					
	In Loss Position Less than 12 months		In Loss Position Greater than 12 months		Total	
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
Fixed income securities:						
Foreign debt	$ —	$ —	$ 182	$ (7)	$ 182	$ (7)
Corporate debt	604	(118)	2,218	(2,171)	2,822	(2,289)
Preferred stock	608	(2)	7,349	(1,404)	7,957	(1,406)
Total fixed income securities with an unrealized loss	$ 1,212	$ (120)	$ 9,749	$ (3,582)	$ 10,961	$ (3,702)

The following table summarizes our fixed income securities (excluding mutual funds) within our perpetual care trust investment in an unrealized loss position at December 31, 2023, aggregated by major security type and length of time in a continuous unrealized loss position (in thousands):

	December 31, 2023					
	In Loss Position Less than 12 months		In Loss Position Greater than 12 months		Total	
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
Fixed income securities:						
Foreign debt	$ 440	$ (8)	$ 178	$ (10)	$ 618	$ (18)
Corporate debt	567	(53)	3,879	(3,314)	4,446	(3,367)
Preferred stock	—	—	7,301	(1,435)	7,301	(1,435)
Total fixed income securities with an unrealized loss	$ 1,007	$ (61)	$ 11,358	$ (4,759)	$ 12,365	$ (4,820)

Cemetery perpetual care trust investment security transactions recorded in *Other, net* on our Consolidated Statements of Operations are as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Realized gains	$ —	$ 31	$ 1,419	$ 862
Realized losses	—	(24)	(1,089)	(494)
Unrealized gains (losses), net	1,676	1,444	(2,553)	(5,883)
Net change in care trusts' corpus	(1,676)	(1,451)	2,223	5,515
Total	$ —	$ —	$ —	$ —

Cemetery perpetual care trust investment security transactions recorded in *Other revenue* are as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Investment income	$ 3,820	$ 2,663	$ 10,444	$ 8,741
Realized losses, net	(1,087)	(322)	(2,212)	(796)
Total	$ 2,733	$ 2,341	$ 8,232	$ 7,945

Purchases and sales of investments in the cemetery perpetual care trusts are as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Purchases	$ —	$ (4,625)	$ (9,113)	$ (11,336)
Sales	—	4,529	19,130	15,433

9. RECEIVABLES FROM PRENEED FUNERAL TRUSTS

Our receivables from preneed funeral trusts represent assets in trusts which are controlled and operated by third parties in which we do not have a controlling financial interest (less than 50%) in the trust assets. We account for these investments at cost. Receivables from preneed funeral trusts are as follows (in thousands):

	September 30, 2024	December 31, 2023
Preneed funeral trust funds, at cost	$ 23,005	$ 22,196
Less: allowance for contract cancellation	(690)	(666)
Receivables from preneed funeral trusts, net	$ 22,315	$ 21,530

The following summary reflects the composition of the assets held in trust and controlled by third parties to satisfy our future obligations related to the underlying preneed funeral contracts at September 30, 2024 and December 31, 2023. The cost basis includes reinvested interest and dividends that have been earned on the trust assets. Fair value includes unrealized gains and losses on trust assets.

The composition of the preneed funeral trust funds at September 30, 2024 is as follows (in thousands):

	Historical Cost Basis	Fair Value
Cash and cash equivalents	$ 6,771	$ 6,771
Fixed income investments	12,996	12,996
Mutual funds and common stocks	3,234	3,068
Annuities	4	4
Total	$ 23,005	$ 22,839

The composition of the preneed funeral trust funds at December 31, 2023 is as follows (in thousands):

	Historical Cost Basis	Fair Value
Cash and cash equivalents	$ 6,547	$ 6,547
Fixed income investments	12,732	12,732
Mutual funds and common stocks	2,913	2,695
Annuities	4	4
Total	$ 22,196	$ 21,978

10. INTANGIBLE AND OTHER NON-CURRENT ASSETS

Intangible and other non-current assets are as follows (in thousands):

	September 30, 2024	December 31, 2023
Tradenames	$ 28,116	$ 28,862
Capitalized commissions on preneed contracts, net of accumulated amortization of $4,422 and $3,788, respectively	4,957	4,678
Internal-use software, net of accumulated amortization of $694 and $444, respectively	4,785	2,422
Prepaid agreements not-to-compete, net of accumulated amortization of $3,427 and $3,158, respectively	1,037	1,335
Other	280	380
Intangible and other non-current assets, net	$ 39,175	$ 37,677

Tradenames

Our tradenames have indefinite lives and therefore are not amortized.

During the nine months ended September 30, 2024, two of the funeral homes that we sold had a carrying value of tradenames of $0.2 million, which was included in the loss on sale and recorded in *Net loss on divestitures, disposals and impairment charges* on our Consolidated Statements of Operations.

As a result of our 2024 qualitative assessment, we determined that there were factors that would indicate the need to perform an additional quantitative impairment test for certain funeral home businesses. As a result of this additional quantitative impairment test, we recorded a $0.6 million impairment to the tradename of one funeral home, during the three and nine months ended September 30, 2024, as the carrying amount of this tradename exceeded its fair value.

For our 2023 assessment, we determined that there were factors that would indicate the need to perform an additional quantitative impairment test for certain funeral home businesses. As a result of this additional quantitative impairment test, we recorded an impairment to the tradenames for two of our funeral homes of $0.2 million, during the three and nine months ended September 30, 2023, as the carrying amount of these tradenames exceeded their fair value.

See Note 1 to the Consolidated Financial Statements included herein for a discussion of the methodology used for our indefinite-lived intangible asset impairment test.

Capitalized Commissions

We capitalize sales commissions and other direct selling costs related to preneed cemetery merchandise and services and preneed funeral trust contracts as these costs are incremental and recoverable costs of obtaining a contract with a customer. Our capitalized commissions on preneed contracts are amortized on a straight-line basis over the average maturity period of ten years for our preneed funeral trust contracts and eight years for our preneed cemetery merchandise and services contracts.

Amortization expense was $0.2 million for both the three months ended September 30, 2024, and 2023, and $0.7 million and $0.6 million for the nine months ended September 30, 2024 and 2023, respectively.

Internal-use Software

Internal-use software is amortized on a straight-line basis typically over three to five years. Amortization expense was $0.1 million for both the three months ended September 30, 2024 and 2023, and $0.3 million and $0.2 million for the nine months ended September 30, 2024 and 2023, respectively.

Prepaid Agreements

Prepaid agreements not-to-compete are amortized over the term of the respective agreements, generally ranging from one to ten years. Amortization expense was $0.1 million for both the three months ended September 30, 2024, and 2023 and $0.4 million for both the nine months ended September 30, 2024 and 2023.

The aggregate amortization expense for our capitalized commissions, internal-use software and prepaid agreements as of September 30, 2024 is as follows (in thousands):

	Capitalized Commissions	Internal-use Software	Prepaid Agreements
Years ending December 31,			
Remainder of 2024	$ 429	$ 76	$ 115
2025	833	1,022	390
2026	779	1,013	262
2027	720	1,007	142
2028	644	867	78
Thereafter	1,552	800	50
Total amortization expense	$ 4,957	$ 4,785	$ 1,037

11. CREDIT FACILITY AND ACQUISITION DEBT

At September 30, 2024, our senior secured revolving credit facility (as amended, the "Credit Facility") was comprised of: (i) a $250.0 million revolving credit facility, including a $15.0 million subfacility for letters of credit and a $10.0 million swingline, and (ii) an accordion or incremental option allowing for future increases in the facility size by an additional amount of up to $75.0 million in the aggregate in the form of increased revolving commitments or incremental term loans.

On July 31, 2024, the Company entered into a fourth amendment, (the "Credit Facility Amendment"), to our Credit Facility, with the financial institutions party thereto, as lenders, and Bank of America, N.A., as administrative agent. The Credit Facility Amendment provided, among other things, for (i) the extension of the maturity date of the Credit Facility to July 31, 2029, provided that, if the Senior Notes (as defined in the Credit Facility) have a stated maturity date that is prior to July 31, 2029, then the maturity date shall instead be the date that is 91 days prior to the stated maturity date of the Senior Notes; (ii) the establishment of Term Secured Overnight Financing Rate ("SOFR") as a benchmark rate and the removal of BSBY from the Credit Facility, including conforming revisions to certain defined terms under the Credit Facility; (iii) the conversion of each existing BSBY Rate Loan (as defined in the Credit Facility prior to giving effect to the Credit Facility Amendment) to a Term SOFR Loan (as defined in the Credit Facility); (iv) modifications to the definitions of "Applicable Rate" and "Applicable Fee Rate" to change the applicable rates and pricing levels set forth in each pricing grid; (v) the removal of certain mandatory prepayments arising from the issuance of either Equity Interests or Debt (as both are defined by the Credit Facility); and (vi) modifications to the permitted investments covenant, relating to the Company's ability to make certain acquisitions, subject to the satisfaction of certain conditions therein.

We incurred $0.8 million in transactions costs related to the Credit Facility Amendment, which were capitalized and will be amortized over the remaining term of the related debt using the straight-line method.

Our obligations under the Credit Facility are unconditionally guaranteed on a joint and several basis by the same subsidiaries which guarantee the Senior Notes (as defined in Note 12) and certain of our subsequently acquired or organized domestic subsidiaries (collectively, the "Subsidiary Guarantors").

The Credit Facility contains customary affirmative covenants, including, but not limited to, covenants with respect to the use of proceeds, payment of taxes and other obligations, continuation of the Company's business and the maintenance of existing rights and privileges, and the maintenance of property and insurance, among others.

In addition, the Credit Facility also contains customary negative covenants, including, but not limited to, covenants that restrict (subject to certain exceptions) the ability of the Company and the Subsidiary Guarantors to incur indebtedness, grant liens, make investments, engage in mergers and acquisitions, pay dividends and make other restricted payments, and certain financial maintenance covenants. At September 30, 2024, we were subject to the following financial covenants under our Credit Facility: (A) a Total Leverage Ratio not to exceed 5.25 to 1.00 and (B) a Fixed Charge Coverage Ratio (as defined in the Credit Facility) of not less than 1.20 to 1.00 as of the end of any period of four consecutive fiscal quarters. These financial maintenance covenants are calculated for the Company and its subsidiaries on a consolidated basis. We were in compliance with all of the covenants contained in our Credit Facility at September 30, 2024.

Our Credit Facility and acquisition debt consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Credit Facility	$ 140,000	$ 179,100
Debt issuance costs, net of accumulated amortization of $2,859 and $2,478, respectively	(1,707)	(1,306)
Total Credit Facility	$ 138,293	$ 177,794
Acquisition debt	$ 5,938	$ 5,998
Less: current portion	(588)	(537)
Total acquisition debt, net of current portion	$ 5,350	$ 5,461

At September 30, 2024, we had outstanding borrowings under the Credit Facility of $140.0 million. We also had one letter of credit for $2.6 million under the Credit Facility. The letter of credit will expire on November 25, 2024 and is expected to automatically renew annually and secures our obligations under our various self-insured policies. At September 30, 2024, we had $107.4 million of availability under the Credit Facility.

The interest expense and amortization of debt issuance costs related to our Credit Facility are as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Credit Facility interest expense	$ 3,230	$ 4,508	$ 10,669	$ 12,987
Credit Facility amortization of debt issuance costs	105	138	381	414

At September 30, 2024, our outstanding borrowings under our Credit Facility bore interest at a prime rate or the SOFR rate, plus an applicable margin based on our leverage ratio. At September 30, 2024, the prime rate margin was equivalent to 1.50% and the SOFR term margin was 2.60%. The weighted average interest rate on our Credit Facility was 8.5% and 9.0% for the three months ended September 30, 2024 and 2023, respectively, and 8.7% and 8.5% for the nine months ended September 30, 2024 and 2023, respectively.

Acquisition debt consists of deferred purchase price and promissory notes payable to sellers. A majority of the deferred purchase price and notes bear no interest and are discounted at imputed interest rates ranging from 6.5% to 7.3%. Original maturities range from nine to twenty years.

The imputed interest expense related to our acquisition debt is as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Acquisition debt imputed interest expense	$ 102	$ 70	$ 309	$ 212

12. SENIOR NOTES

The carrying value of our 4.25% senior notes due 2029 (the "Senior Notes") is reflected on our Consolidated Balance Sheet as follows (in thousands):

	September 30, 2024	December 31, 2023
Long-term liabilities:		
Principal amount	$ 400,000	$ 400,000
Debt discount, net of accumulated amortization of $1,711 and $1,309, respectively	(2,789)	(3,191)
Debt issuance costs, net of accumulated amortization of $487 and $373, respectively	(790)	(904)
Carrying value of the Senior Notes	$ 396,421	$ 395,905

At September 30, 2024, the fair value of the Senior Notes, which are Level 2 measurements, was $371.4 million.

The Senior Notes were issued under an indenture, dated as of May 13, 2021 (the "Indenture"), among the Company, the Subsidiary Guarantors and Wilmington Trust, National Association, as trustee. The Senior Notes are unsecured, senior obligations and are fully and unconditionally guaranteed on a senior unsecured basis, jointly and severally by each of the Subsidiary Guarantors. The Senior Notes mature on May 15, 2029, unless earlier redeemed or purchased and bear interest at 4.25% per year, which is payable semi-annually in arrears on May 15 and November 15 of each year, beginning on November 15, 2021.

The Indenture contains restrictive covenants limiting our ability and the ability of our Restricted Subsidiaries (as defined in the Indenture) to, among other things, incur additional indebtedness or issue certain preferred shares, create liens on certain assets to secure debt, pay dividends or make other equity distributions, purchase or redeem capital stock, make certain investments, sell assets, agree to certain restrictions on the ability of Restricted Subsidiaries to make payments to us, consolidate, merge, sell or otherwise dispose of all or substantially all assets, or engage in transactions with affiliates. The Indenture also contains customary events of default.

The interest expense and amortization of debt discount and debt issuance costs related to our Senior Notes are as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Senior Notes interest expense	$ 4,250	$ 4,250	$ 12,750	$ 12,750
Senior Notes amortization of debt discount	136	129	402	384
Senior Notes amortization of debt issuance costs	38	37	114	110

The debt discount and the debt issuance costs are being amortized using the effective interest method over the remaining term of approximately 56 months of the Senior Notes. The effective interest rates on the unamortized debt discount and the unamortized debt issuance costs for the Senior Notes for both the three and nine months ended September 30, 2024 and 2023 were 4.42% and 4.30%, respectively.

13. LEASES

Our lease obligations consist of operating and finance leases related to real estate, vehicles and equipment. The components of lease cost are as follows (in thousands):

		Three months ended September 30,		Nine months ended September 30,	
	Income Statement Classification	2024	2023	2024	2023
Operating lease cost	Facilities and grounds expense[(1)]	$ 1,007	$ 887	$ 2,984	$ 2,638
Short-term lease cost	Facilities and grounds expense[(1)]	63	75	157	261
Variable lease cost	Facilities and grounds expense[(1)]	86	69	278	183
Finance lease cost:					
Depreciation of leased assets	Depreciation and amortization[(2)]	$ 126	$ 190	$ 378	$ 407
Interest on lease liabilities	*Interest expense*	119	137	366	345
Total finance lease cost		245	327	744	752
Total lease cost		$ 1,401	$ 1,358	$ 4,163	$ 3,834

(1) Facilities and grounds expense is included within *Cost of service* and *General, administrative and other* on our Consolidated Statements of Operations.

(2) Depreciation and amortization expense is included within *Field depreciation* expense and *General, administrative and other* on our Consolidated Statements of Operations.

Supplemental cash flow information related to our leases is as follows (in thousands):

	Nine months ended September 30,	
	2024	2023
Cash paid for operating leases included in operating activities	$ 3,235	$ 2,840
Cash paid for finance leases included in financing activities	813	806

Right-of-use assets obtained in exchange for new lease liabilities are as follows (in thousands):

	Nine months ended September 30, 2024	2023
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 1,131	$ 412
Right-of-use assets obtained in exchange for new finance lease liabilities	1,027	2,703

Supplemental balance sheet information related to leases is as follows (in thousands):

Lease Type	Balance Sheet Classification	September 30, 2024	December 31, 2023
Operating lease right-of-use assets	*Operating lease right-of-use assets*	$ 15,522	$ 16,295
Finance lease right-of-use assets	*Property, plant and equipment, net*	$ 8,897	$ 8,249
Accumulated depreciation	*Property, plant and equipment, net*	(3,414)	(3,059)
Finance lease right-of-use assets, net		$ 5,483	$ 5,190
Operating lease current liabilities	*Current portion of operating lease obligations*	$ 2,831	$ 2,713
Finance lease current liabilities	*Current portion of finance lease obligations*	596	592
Total current lease liabilities		$ 3,427	$ 3,305
Operating lease non-current liabilities	*Obligations under operating leases, net of current portion*	$ 14,660	$ 15,797
Finance lease non-current liabilities	*Obligations under finance leases, net of current portion*	6,107	5,831
Total non-current lease liabilities		$ 20,767	$ 21,628
Total lease liabilities		$ 24,194	$ 24,933

The average lease terms and discount rates at September 30, 2024 are as follows:

	Weighted-average remaining lease term (years)	Weighted-average discount rate
Operating leases	7.3	8.1 %
Finance leases	13.1	8.1 %

The aggregate future lease payments for non-cancelable operating and finance leases at September 30, 2024 are as follows (in thousands):

	Operating	Finance
Lease payments due:		
Remainder of 2024	$ 1,088	$ 270
2025	4,044	1,063
2026	3,907	1,072
2027	3,665	1,073
2028	3,348	822
Thereafter	6,867	7,040
Total lease payments	22,919	11,340
Less: Interest	(5,428)	(4,637)
Present value of lease liabilities	$ 17,491	$ 6,703

At September 30, 2024, we had no significant operating or finance leases that had not yet commenced.

14. STOCKHOLDERS' EQUITY

Restricted Stock

Restricted stock activity is as follows (in thousands, except shares):

	Three months ended September 30,				Nine months ended September 30,			
	2024		2023		2024		2023	
	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value
Granted[(1)]	—	$ —	—	$ —	156,630	$ 3,834	142,020	$ 4,634
Returned for payroll taxes	—	$ —	—	$ —	16,354	$ 419	1,473	$ 50
Cancelled	28,810	$ 781	—	$ —	55,050	$ 1,623	1,826	$ 61

(1) Restricted stock granted during the nine months ended September 30 2024 and 2023 vests over a three-year period, if the employee has remained continuously employed by us during the vesting period, at a weighted average stock price of $24.48 and $32.63, respectively.

We recorded stock-based compensation expense, which is included in *General, administrative and other expenses*, for restricted stock awards of $0.4 million for both the three months ended September 30, 2024 and 2023, and $1.5 million and $1.0 million for the nine months ended September 30, 2024 and 2023, respectively.

Stock Options

Stock option grants and cancellations are as follows (in thousands, except shares):

	Three months ended September 30,				Nine months ended September 30,			
	2024		2023		2024		2023	
	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value
Granted[(1)]	—	$ —	—	$ —	370,590	$ 3,830	214,191	$ 2,506
Cancelled	44,490	$ 460	1,700	$ 20	532,266	$ 6,311	103,550	$ 1,354

(1) Stock options granted during the nine months ended September 30, 2024 and 2023 had a weighted average price of $24.48 and $32.69, respectively. The fair value of these options was calculated using the Black-Scholes option pricing model. The options granted in 2024 and 2023 vest over a three-year period and have a ten-year term. These options will vest if the employee has remained continuously employed by us through the vesting period.

The fair value of the options granted during the nine months ended September 30, 2024 was estimated using the Black-Scholes option pricing model with the following assumptions:

Grant Date	February 21, 2024
Expected holding period (years)	6.00
Awards granted	370,590
Dividend yield	1.79%
Expected volatility	43.59%
Risk-free interest rate	4.31%
Black-Scholes value	$10.34

Additional stock option activity is as follows (in thousands, except shares):

	Three months ended September 30,				Nine months ended September 30,			
	2024		2023		2024		2023	
	Shares	Cash	Shares	Cash	Shares	Cash	Shares	Cash
Exercised[(1)]	2,360	N/A	44,900	N/A	52,360	$ 1,271	74,200	N/A
Returned for option price[(2)]	2,086	$ —	34,160	$ —	2,086	$ —	56,957	$ —
Returned for payroll taxes[(3)]	176	$ 5	4,021	$ 133	176	$ 5	5,486	$ 174

(1) Stock options exercised during the three months ended September 30, 2024 and 2023 had a weighted average exercise price of $26.54 and $25.10 with an aggregate intrinsic value of $14,844 and $0.4 million, respectively. Stock options exercised during the nine months ended September 30, 2024 and 2023 had a weighted average exercise price of $25.48 and $23.98 with an aggregate intrinsic value of $0.4 million and $0.5 million, respectively.

(2) Represents shares withheld/cash received for the payment of the option price.

(3) Represents shares withheld/cash paid for the payment of payroll taxes.

We recorded stock-based compensation expense, which is included in *General, administrative and other expenses*, for stock options of $0.7 million for both the three months ended September 30, 2024 and 2023, and $1.7 million and $2.2 million for the nine months ended September 30, 2024 and 2023, respectively.

Performance Awards

Performance award activity is as follows (in thousands, except shares):

	Three months ended September 30,				Nine months ended September 30,			
	2024		2023		2024		2023	
	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value
Cancelled	—	$ —	—	$ —	80,276	$ 871	40,181	$ 1,012

We recorded stock-based compensation expense, which is included in *General, administrative and other expenses*, for performance awards of $0.5 million and $0.6 million, for the three months ended September 30, 2024 and 2023, respectively, and $0.6 million and $1.3 million for nine months ended September 30, 2024 and 2023, respectively.

Employee Stock Purchase Plan

ESPP activity is as follows (in thousands, except shares):

	Three months ended September 30,				Nine months ended September 30,			
	2024		2023		2024		2023	
	Shares	Price	Shares	Price	Shares	Price	Shares	Price
ESPP	11,376	$ 21.26	11,782	$ 24.01	42,942	$ 21.26	49,824	$ 24.21

The fair value of the right (option) to purchase shares under the ESPP is estimated at the date of purchase with the four quarterly purchase dates using the following assumptions:

	2024
Dividend yield	1.84%
Expected volatility	41.15%
Risk-free interest rate	5.46%, 5.24%, 5.02%, 4.80%
Expected life (years)	0.25, 0.50, 0.75, 1.00

We recorded stock-based compensation expense, which is included in *General, administrative and other expenses* and *Regional and unallocated funeral and cemetery costs*, for the ESPP totaling $0.1 million for both the three months ended September 30, 2024 and 2023, and $0.3 million and $0.5 million for the nine months ended September 30, 2024 and 2023, respectively.

Common Stock

Former Employee

Common stock activity is as follows (in thousands, except shares):

	Three months ended September 30,				Nine months ended September 30,			
	2024		2023		2024		2023	
	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value
Granted(1)	—	$ —	—	$ —	—	$ —	30,000	$ 826
Returned for payroll taxes	—	$ —	—	$ —	—	$ —	1,001	$ 28

(1) During the nine months ended September 30, 2023, we issued 30,000 shares of common stock to a former executive at a stock price of $27.54, in accordance with his Separation and Release agreement pertaining to his resignation from his position as the Company's Executive Vice President, Chief Financial Officer & Treasurer effective January 2, 2023.

We recorded stock-based compensation expense, which is included in *General, administrative and other expenses*, for common stock awards of $0.8 million, for the nine months ended September 30, 2023.

Good To Great Incentive Program

Common stock issued to certain employees under this incentive program is as follows (in thousands, except shares):

	Three months ended September 30,				Nine months ended September 30,			
	2024		2023		2024		2023	
	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value
Granted(1)	—	$ —	—	$ —	31,470	$ 790	8,444	$ 276

(1) Common stock granted during the nine months ended September 30, 2024 and 2023 had a grant date stock price of $25.08 and $32.69, respectively.

Non-Employee Director and Board Advisor Compensation

On April 2, 2024, the Board of Directors (the "Board") of the Company revised the Director Compensation Policy to provide that each independent director is entitled to a quarterly retainer of $37,500 payable in cash and/or unrestricted shares of our common stock at the end of each quarter. The chair of the Board, so long as he or she is an independent director, and the chair of our Audit Committee shall be entitled to an additional annual retainer of $20,000, payable in quarterly installments of $5,000 each at the end of each quarter, the chair of our Compensation Committee is entitled to an additional annual retainer of $15,000, payable in quarterly installments of $3,750 at the end of each quarter, and the chair of our Corporate Governance Committee is entitled to an additional annual retainer of $10,000, payable in quarterly installments of $2,500 at the end of each quarter.

Any new independent director will receive upon admission to the Board a grant of $25,000 (in addition to the independent director annual retainer prorated at the time the new director is admitted to the Board) which can be taken in cash or unrestricted shares of our common stock. The number of shares of such common stock will be determined by dividing the cash amount by the closing price of our common stock on the date of grant, which will be the date of admission to the Board.

Non-Employee Director and Board Advisor common stock activity is as follows (in thousands, except shares):

	Three months ended September 30,				Nine months ended September 30,			
	2024		2023		2024		2023	
	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value
Board of Directors(1)	3,919	$ 131	3,747	$ 106	13,345	$ 385	8,342	$ 248
Advisor to the Board(1)	152	$ 5	176	$ 5	522	$ 15	492	$ 15

(1) Common stock granted during the three months ended September 30, 2024 and 2023 had a weighted average price of $32.83 and $28.25, respectively, and $28.66 and $29.78 for the nine months ended September 30, 2024 and 2023, respectively.

We recorded compensation expense, which is included in *General, administrative and other expenses*, related to annual retainers, including the value of stock granted to non-employee directors and an advisor to our Board, of $0.2 million and $0.3 million for the three months ended September 30, 2024, and 2023, respectively, and $0.9 million and $0.6 million for the nine months ended September 30, 2024 and 2023, respectively.

Share Repurchase

We did not repurchase any shares during the three and nine months ended September 30, 2024 and 2023. At September 30, 2024, our share repurchase program had $48.9 million authorized for repurchases.

Cash Dividends

Our Board declared the following dividends payable on the dates below (in thousands, except per share amounts):

2024	Per Share	Dollar Value
March 1st	$ 0.1125	$ 1,686
June 1st	$ 0.1125	$ 1,704
September 1st	$ 0.1125	$ 1,708

2023	Per Share	Dollar Value
March 1st	$ 0.1125	$ 1,661
June 1st	$ 0.1125	$ 1,679
September 1st	$ 0.1125	$ 1,683

15. EARNINGS PER SHARE

The following table sets forth the computation of the basic and diluted earnings per share (in thousands, except per share data):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Numerator for basic and diluted earnings per share:				
Net income	$ 9,866	$ 4,645	$ 23,098	$ 21,775
Less: Earnings allocated to unvested restricted stock	(127)	(44)	(304)	(194)
Income attributable to common stockholders	$ 9,739	$ 4,601	$ 22,794	$ 21,581
Denominator:				
Denominator for basic earnings per common share – weighted average shares outstanding	15,011	14,820	14,951	14,791
Effect of dilutive securities:				
Stock options	64	83	33	78
Performance awards	416	611	416	611
Denominator for diluted earnings per common share – weighted average shares outstanding	15,491	15,514	15,400	15,480
Basic earnings per common share:	$ 0.65	$ 0.31	$ 1.52	$ 1.46
Diluted earnings per common share:	$ 0.63	$ 0.30	$ 1.48	$ 1.39

Stock options excluded from the computation of diluted earnings per share because the inclusion of such stock options would result in an antidilutive effect are as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Antidilutive stock options	1,070	1,234	1,192	1,200

Our performance awards are considered to be contingently issuable shares because their issuance is contingent upon the satisfaction of certain performance and service conditions. At September 30, 2024, we had satisfied certain performance criteria for the first, second and third predetermined growth targets of our performance awards to be considered outstanding. Therefore, we included these awards in the computation of diluted earnings per share as of the beginning of the reporting period.

16. SEGMENT REPORTING

Revenue, disaggregated by major source for each of our reportable segments was as follows (in thousands):

Three months ended September 30, 2024

	Funeral	Cemetery	T
Services	$ 39,892	$ 5,024	$ 44,9
Merchandise	19,455	4,757	24,2
Cemetery property	—	23,207	23,2
Other revenue	4,355	3,997	8,3
Total	$ 63,702	$ 36,985	$ 100,6

Three months ended September 30, 2023

	Funeral	Cemetery	Total
Services	$ 39,090	$ 4,618	$ 43,708
Merchandise	20,325	4,067	24,392
Cemetery property	—	15,895	15,895
Other revenue	3,211	3,288	6,499
Total	$ 62,626	$ 27,868	$ 90,494

Nine months ended September 30, 2024

	Funeral	Cemetery	Total
Services	$ 124,288	$ 14,760	$ 139,048
Merchandise	61,778	13,380	75,158
Cemetery property	—	67,353	67,353
Other revenue	13,062	11,877	24,939
Total	$ 199,128	$ 107,370	$ 306,498

Nine months ended September 30, 2023

	Funeral	Cemetery	Total
Services	$ 122,491	$ 13,946	$ 136,437
Merchandise	64,505	12,245	76,750
Cemetery property	—	49,178	49,178
Other revenue	10,220	11,101	21,321
Total	$ 197,216	$ 86,470	$ 283,686

The following table presents operating income (loss), income (loss) before income taxes and total assets (in thousands):

	Funeral	Cemetery	Corporate	Consolidated
Operating income (loss):				
Three months ended September 30, 2024	$ 19,958	$ 15,145	$ (12,206)	$ 22,897
Three months ended September 30, 2023	18,145	8,844	(11,303)	15,686
Nine months ended September 30, 2024	$ 63,434	$ 44,348	$ (47,039)	$ 60,743
Nine months ended September 30, 2023	58,236	30,496	(31,674)	57,058
Income (loss) before income taxes:				
Three months ended September 30, 2024	$ 19,767	$ 15,282	$ (20,200)	$ 14,849
Three months ended September 30, 2023	18,377	8,902	(20,503)	6,776
Nine months ended September 30, 2024	$ 63,301	$ 44,652	$ (71,923)	$ 36,030
Nine months ended September 30, 2023	58,824	30,757	(58,757)	30,824
Total assets:				
September 30, 2024	$ 784,108	$ 472,464	$ 18,846	$ 1,275,418
December 31, 2023	802,368	448,018	17,666	1,268,052

17. SUPPLEMENTARY DATA

Balance Sheet

The following table presents the detail of certain balance sheet accounts (in thousands):

	September 30, 2024		December 31, 2023	
Prepaid and other current assets:				
Prepaid expenses	$	2,776	$	3,779
Federal income tax receivable		285		454
State income tax receivable		—		421
Other current assets		137		137
Total prepaid and other current assets	$	3,198	$	4,791
Current portion of debt and lease obligations:				
Acquisition debt	$	588	$	537
Finance lease obligations		596		592
Operating lease obligations		2,831		2,713
Total current portion of debt and lease obligations	$	4,015	$	3,842
Accrued and other liabilities:				
Incentive compensation	$	10,132	$	13,156
Salaries and wages		6,727		2,285
Interest		6,552		2,409
Insurance		3,481		3,017
Vacation		3,448		3,647
Unrecognized tax benefit		3,449		3,382
Ad valorem and franchise taxes		2,505		2,395
Employee meetings and award trips		1,599		1,185
Commissions		1,045		1,144
Income tax payable		679		—
Perpetual care trust payable		487		1,358
Other accrued liabilities		997		1,384
Total accrued and other liabilities	$	41,101	$	35,362
Other long-term liabilities:				
Incentive compensation	$	972	$	1,855
Other long-term liabilities		419		—
Total other long-term liabilities	$	1,391	$	1,855

Cash Flow

The following information is supplemental disclosure for the Consolidated Statements of Cash Flows (in thousands):

	Nine months ended September 30,			
	2024		2	
Cash paid for interest	$	19,729	$	21,7
Cash paid for taxes		13,434		9,3

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

In addition to historical information, this Quarterly Report on Form 10-Q contains certain statements and information that may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical information, should be deemed to be forward-looking statements. Words such as “may”, “will”, “estimate”, “intend”, “believe”, “expect”, “seek”, “project”, “forecast”, “foresee”, “should”, “would”, “could”, “plan”, “anticipate” and other similar words or expressions may be used to identify forward-looking statements; however, the absence of these words does not mean that the statements are not forward-looking. These forward-looking statements include, but are not limited to, statements regarding any projections of earnings, revenue, cash flow, investment returns, capital allocation, debt levels, equity performance, death rates, market share growth, cost inflation, overhead, including talent recruitment, field and corporate incentive compensation, preneed sales or other financial items; any statements of the plans, strategies, objectives and timing of management for future operations or financing activities, including, but not limited to, technology improvements, product development, capital allocation, organizational performance, execution of our strategic objectives and growth plan, planned divestitures, the ability to obtain credit or financing, anticipated integration, performance and other benefits of recently completed and anticipated acquisitions, and cost management and debt reductions; any statements of the plans, timing and objectives of management for acquisition and divestiture activities; any statements regarding future economic and market conditions or performance; any projections or expectations related to the conclusion of the Board's strategic review; any statements of belief; and any statements of assumptions underlying any of the foregoing and are based on our current expectations and beliefs concerning future developments and their potential effect on us. While we believe these assumptions concerning future events are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we anticipate. All comments concerning our expectations for future revenue and operating results are based on our forecasts for our existing operations and do not include the potential impact of any future acquisitions. Our forward-looking statements involve significant risks and uncertainties (some of which are beyond our control) and assumptions that could cause actual results to differ materially from our historical experience and our present expectations or projections. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to:

- our ability to find and retain skilled personnel;
- the effects of our talent recruitment efforts, incentive and compensation plans and programs, including such effects on our Standards Operating Model and the Company’s operational and financial performance;
- our ability to execute our strategic objectives and growth strategy, if at all;
- the potential adverse effects on the Company's business, financial and equity performance if management fails to meet the expectations of its strategic objectives and growth plan;
- our ability to execute and meet the objectives of our High Performance and Credit Profile Restoration Plan, if at all;
- the execution of our Standards Operating and Strategic Acquisition Models;
- the effects of competition;
- changes in the number of deaths in our markets, which are not predictable from market to market or over the short term;
- changes in consumer preferences and our ability to adapt to or meet those changes;
- our ability to generate preneed sales, including implementing our cemetery portfolio sales strategy, product development and optimization plans;
- the investment performance of our funeral and cemetery trust funds;
- fluctuations in interest rates, including, but not limited to, the effects of increased borrowing costs under our Credit Facility and our ability to minimize such costs, if at all;
- the effects of inflation on our operational and financial performance, including the increased overall costs for our goods and services, the impact on customer preferences as a result of changes in discretionary income, and our ability, if at all, to mitigate such effects;
- our ability to obtain debt or equity financing on satisfactory terms to fund additional acquisitions, expansion projects, working capital requirements and the repayment or refinancing of indebtedness;
- our ability to meet the timing, objectives and expectations related to our capital allocation framework, including our forecasted rates of return, planned uses of free cash flow and future capital allocation, including share repurchases, potential strategic acquisitions, internal growth projects, dividend increases, or debt repayment plans;
- our ability to meet the projected financial and equity performance goals of our full year outlook, if at all;
- the timely and full payment of death benefits related to preneed funeral contracts funded through life insurance contracts;
- the financial condition of third-party insurance companies that fund our preneed funeral contracts;

- increased or unanticipated costs, such as merchandise, goods, insurance or taxes, and our ability to mitigate or minimize such costs, if at all;
- our level of indebtedness and the cash required to service our indebtedness;
- changes in federal income tax laws and regulations and the implementation and interpretation of these laws and regulations by the Internal Revenue Service;
- effects of the application of other applicable laws and regulations, including changes in such regulations or the interpretation thereof;
- the potential impact of epidemics and pandemics, such as the COVID-19 coronavirus, including any new or emerging public health threats, on customer preferences and on our business;
- government, social, business and other actions that have been and will be taken in response to pandemics and epidemics, such as those that were taken with the COVID-19 coronavirus, including potential responses to any new or emerging public health threats;
- effects and expense of litigation;
- consolidation in the funeral and cemetery industry;
- our ability to identify and consummate strategic acquisitions, if at all, and successfully integrate acquired businesses with our existing businesses, including expected performance and financial improvements related thereto;
- potential adverse impacts resulting from shareholder or market perceptions of our recent announcement regarding the conclusion of our Board's review of potential strategic alternatives;
- economic, financial and stock market fluctuations;
- interruptions or security lapses of our information technology, including any cybersecurity or ransomware incidents;
- adverse developments affecting the financial services industry;
- acts of war or terrorists acts and the governmental or military response to such acts;
- our failure to maintain effective control over financial reporting; and
- other factors and uncertainties inherent in the funeral and cemetery industry.

For additional information regarding known material factors that could cause our actual results to differ from our projected results, please see (i) Part II, Item 1A "Risk Factors" in this Quarterly Report on Form 10-Q and (ii) Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023.

Investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

OVERVIEW

General

We operate in two business segments: Funeral Home operations, which currently accounts for approximately 65% of our total revenue, and Cemetery operations, which currently accounts for approximately 35% of our total revenue. At September 30, 2024, we operated 162 funeral homes in 26 states and 31 cemeteries in 11 states. We compete with other publicly held, privately held and independent operators of funeral and cemetery companies.

Our funeral home operations are principally service businesses that generate revenue from sales of burial and cremation services and related merchandise, such as caskets and urns. Funeral services include consultation, the removal and preparation of remains, the sale of caskets and related funeral merchandise, the use of funeral home facilities for visitation and memorial services and transportation services. We provide funeral services and products on both an "atneed" (time of death) and "preneed" (planned prior to death) basis.

Our cemetery operations generate revenue primarily through sales of cemetery interment rights (primarily grave sites, lawn crypts, mausoleum spaces and niches), related cemetery merchandise (such as memorial markers, outer burial containers and monuments) and services (interments, inurnments and installation of cemetery merchandise). We provide cemetery services and products on both an atneed and preneed basis.

COMPANY DEVELOPMENTS

Credit Facility

On July 31, 2024, the Company entered into a fourth amendment, (the "Credit Facility Amendment"), to our senior secured revolving credit facility (as amended, the "Credit Facility"), with the financial institutions party thereto, as lenders, and Bank of America, N.A., as administrative agent. The Credit Facility Amendment provided, among other things, for (i) the extension of the maturity date of the Credit Facility to July 31, 2029, provided that, if the Senior Notes (as defined in the Credit Facility) have a stated maturity date that is prior to July 31, 2029, then the maturity date shall instead be the date that is 91 days prior to the stated maturity date of the Senior Notes; (ii) the establishment of Term Secured Overnight Financing Rate ("SOFR") as a benchmark rate and the removal of BSBY from the Credit Facility, including conforming revisions to certain defined terms under the Credit Facility; (iii) the conversion of each existing BSBY Rate Loan (as defined in the Credit Facility prior to giving effect to the Credit Facility Amendment) to a Term SOFR Loan (as defined in the Credit Facility); (iv) modifications to the definitions of "Applicable Rate" and "Applicable Fee Rate" to change the applicable rates and pricing levels set forth in each pricing grid; (v) the removal of certain mandatory prepayments arising from the issuance of either Equity Interests or Debt (as both are defined by the Credit Facility); and (vi) modifications to the permitted investments covenant, relating to the Company's ability to make certain acquisitions, subject to the satisfaction of certain conditions therein.

Inflationary and Macroeconomic Trends

During the third quarter of 2024, we continued to experience a stabilization of inflationary costs from our vendors and suppliers for merchandise and goods, particularly as it relates to utilities, funeral supplies and merchandise costs, with costs remaining flat when compared to the same period during 2023. Also, during the third quarter, after giving effect to the Credit Facility Amendment, we experienced lower variable interest rates under our Credit Facility, which resulted in lower borrowing costs during the quarter compared to the prior year. We expect this trend to continue as we remain focused on paying down our outstanding debt throughout the year.

While we are encouraged by the stabilization of inflationary costs that we have experienced thus far in 2024, we are unable to forecast with any certainty whether inflationary costs will continue to moderate in future periods, as the ultimate scope and duration of these impacts remain unknown at this time. More broadly, the U.S. economy continues to experience the impact of several years of higher rates of inflation, which has impacted a wide variety of industries and sectors, with consumers facing rising prices. Such inflation may negatively impact consumer discretionary spending, including the amount that consumers are able to spend on our services, although we have not experienced any material impacts to date and our industry has been largely resilient to similar adverse economic and market environments in the past. Although we expect these trends to continue throughout the year, we will assess these impacts and take the appropriate steps, if necessary, to mitigate any changes in consumer preferences or additional cost increases, if possible.

During the third quarter of 2024, we continued to experience lower volumes as compared to prior years due to fluctuations in the death rate, although overall financial performance remains at or above prior reporting periods. Although we expect fluctuations in the death rate to continue, we are unable to predict or forecast the duration or variation of the death rate with any certainty. Regardless of these fluctuations in the death rate, we continue to focus on expanding market share, cost management and executing on our strategic operational plans.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary sources of liquidity and capital resources are internally generated cash flows from operating activities and availability under our Credit Facility.

We generate cash in our operations primarily from atneed sales and delivery of preneed sales. We also generate cash from earnings on our cemetery perpetual care trusts. Based on our recent operating results, current cash position and anticipated future cash flows, we do not anticipate any significant liquidity constraints in the foreseeable future. We have the ability to draw on our Credit Facility, as needed, subject to its customary terms and conditions.

Our plan is to remain focused on executing our strategic objectives and growth strategy. This includes prioritizing our capital allocation for debt repayments, the payment of dividends and debt obligations, internal growth capital expenditures, and general corporate purposes, as allowed under our Credit Facility. We expect to fund these payments using cash on hand and borrowings under our Credit Facility. We believe that our existing and anticipated cash resources, including, as needed, additional borrowings or other financings that we may be able to obtain, will be sufficient to meet our anticipated working capital requirements, capital expenditures, scheduled debt payments, commitments and dividends for the next 12 months, as well as our long-term financial obligations.

However, if our capital allocations and expenditures or acquisition plans change, we may need to access the capital markets or seek further borrowing capacity from our lenders to obtain additional funding and we may not be able to obtain such funding on terms and conditions that are acceptable to us. Further, to the extent operating cash flow or access to and cost of financing sources are materially different than expected, future liquidity may be adversely affected. For additional information regarding known material factors that could cause cash flow or access to and cost of finance sources to differ from our expectations, please read Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023.

Cash Flows

We began 2023 with $1.5 million in cash and ended the third quarter with $1.3 million in cash. At September 30, 2024, we had borrowings of $140.0 million outstanding on our Credit Facility compared to $179.1 million at December 31, 2023.

The following table sets forth the elements of cash flow (in thousands):

	Nine months ended September 30,	
	2024	**2023**
Cash at beginning of the year	$ 1,523	$ 1,170
Net cash provided by operating activities	42,716	61,849
Acquisitions of businesses	—	(44,000)
Proceeds from divestitures and sale of other assets	12,015	2,296
Proceeds from insurance claims	403	1,388
Capital expenditures	(11,710)	(13,069)
Net cash provided by (used in) investing activities	708	(53,385)
Net (payments) borrowings on our Credit Facility, acquisition debt and finance lease obligations	(39,564)	(3,891)
Payment of debt issuance costs for the Credit Facility	(782)	—
Net proceeds from employee equity plans	1,757	955
Dividends paid on common stock	(5,098)	(5,023)
Net cash used in financing activities	(43,687)	(7,959)
Cash at end of the period	$ 1,260	$ 1,675

Operating Activities

For the nine months ended September 30, 2024, cash provided by operating activities was $42.7 million compared to $61.8 million for the nine months ended September 30, 2023. The decrease of $19.1 million is primarily due to the following non-recurring events, which occurred during the first nine months of 2023: i) an $8.6 million withdrawal of realized capital gains and earnings from our preneed funeral and cemetery trust investments; and ii) the receipt of a $6.0 million incentive payment from a vendor for entering into a strategic partnership agreement to market and sell prearranged funeral services in the future.

Investing Activities

Our investing activities resulted in a net cash inflow of $0.7 million for the nine months ended September 30, 2024, compared to a net cash outflow of $53.4 million for the nine months ended September 30, 2023. The increase of $54.1 million is due to the activity described below.

Acquisition and Divestiture Activity

During the nine months ended September 30, 2024, we sold six funeral homes and one cemetery for an aggregate of $10.9 million. Additionally, we sold real property for $1.1 million.

During the nine months ended September 30, 2023, we acquired a business consisting of three funeral homes, two cemeteries and one cremation focused business for $44.0 million. In addition, we sold two funeral homes and two cemeteries for $1.1 million and real property for $1.2 million.

Insurance Proceeds

During the nine months ended September 30, 2024, we received proceeds of $0.4 million from our property insurance policy for the reimbursement of renovation costs for certain of our funeral businesses damaged by Hurricane Ian that occurred during the third quarter of 2022.

During the nine months ended September 30, 2023, we received proceeds of $1.4 million from our property insurance policy for the reimbursement of renovation costs for certain of our funeral businesses damaged by Hurricane Ian that occurred during the third quarter of 2022 and a fire that occurred during the first quarter of 2023.

Capital Expenditures

For the nine months ended September 30, 2024, our capital expenditures (comprised of growth and maintenance spend) totaled $11.7 million compared to $13.1 million for the nine months ended September 30, 2023, a decrease of $1.4 million.

The following tables present our growth and maintenance capital expenditures (in thousands):

	Nine months ended September 30,	
	2024	**2023**
Growth		
Cemetery development	$ 5,288	$ 5,128
Renovations at certain businesses [(1)]	1,371	1,905
Other	38	110
Total Growth	$ 6,697	$ 7,143

(1) During the nine months ended September 30, 2023, we spent $0.5 million for renovations on two businesses that were affected by Hurricane Ian, which occurred during the third quarter of 2022 and $0.4 million for renovations on one business that was damaged by a fire, which occurred during the first quarter of 2023, all of which was reimbursed by our property insurance.

	Nine months ended September 30,	
	2024	**2023**
Maintenance		
General equipment and furniture	$ 2,337	$ 3,584
Facility repairs and improvements	1,696	721
Vehicles	162	568
Paving roads and parking lots	472	394
Other	346	659
Total Maintenance	$ 5,013	$ 5,926

Financing Activities

Our financing activities resulted in a net cash outflow of $43.7 million for the nine months ended September 30, 2024 compared to a net cash outflow of $8.0 million for the nine months ended September 30, 2023, an increase of $35.7 million.

During the nine months ended September 30, 2024, we had net payments on our Credit Facility, acquisition debt and finance leases of $39.6 million and we paid $5.1 million in dividends.

During the nine months ended September 30, 2023, we had net payments on our Credit Facility, acquisition debt and finance leases of $3.9 million and we paid $5.0 million in dividends.

Share Repurchase

We did not repurchase any shares during the nine months ended September 30, 2024 and 2023. At September 30, 2024, our share repurchase program had $48.9 million authorized for repurchases.

Cash Dividends

Our Board declared the following dividends payable on the dates below (in thousands, except per share amounts):

2024	Per Share	Dollar Value
March 1st	$ 0.1125	$ 1,686
June 1st	$ 0.1125	$ 1,704
September 1st	$ 0.1125	$ 1,708

2023	Per Share	Dollar Value
March 1st	$ 0.1125	$ 1,661
June 1st	$ 0.1125	$ 1,679
September 1st	$ 0.1125	$ 1,683

Credit Facility, Lease Obligations and Acquisition Debt

The outstanding principal of our Credit Facility, lease obligations and acquisition debt at September 30, 2024 is as follows (in thousands):

	September 30, 2024
Credit Facility	$ 140,000
Operating leases	17,491
Finance leases	6,703
Acquisition debt	5,938
Total	$ 170,132

Credit Facility

At September 30, 2024, our Credit Facility was comprised of: (i) a $250.0 million revolving credit facility, including a $15.0 million subfacility for letters of credit and a $10.0 million swingline, and (ii) an accordion or incremental option allowing for future increases in the facility size by an additional amount of up to $75.0 million in the aggregate in the form of increased revolving commitments or incremental term loans.

On July 31, 2024, the Company entered into a Credit Facility Amendment, to our Credit Facility, with the financial institutions party thereto, as lenders, and Bank of America, N.A., as administrative agent. The Credit Facility Amendment provided, among other things, for (i) the extension of the maturity date of the Credit Facility to July 31, 2029, provided that, if the Senior Notes (as defined in the Credit Facility) have a stated maturity date that is prior to July 31, 2029, then the maturity date shall instead be the date that is 91 days prior to the stated maturity date of the Senior Notes; (ii) the establishment of Term SOFR as a benchmark rate and the removal of BSBY from the Credit Facility, including conforming revisions to certain defined terms under the Credit Facility; (iii) the conversion of each existing BSBY Rate Loan (as defined in the Credit Facility prior to giving effect to the Credit Facility Amendment) to a Term SOFR Loan (as defined in the Credit Facility); (iv) modifications to the definitions of “Applicable Rate” and “Applicable Fee Rate” to change the applicable rates and pricing levels set forth in each pricing grid; (v) the removal of certain mandatory prepayments arising from the issuance of either Equity Interests or Debt (as both are defined by the Credit Facility); and (vi) modifications to the permitted investments covenant, relating to the Company’s ability to make certain acquisitions, subject to the satisfaction of certain conditions therein.

We incurred $0.8 million in transactions costs related to the Credit Facility Amendment, which were capitalized and will be amortized over the remaining term of the related debt using the straight-line method.

Our obligations under the Credit Facility are unconditionally guaranteed on a joint and several basis by the same subsidiaries which guarantee the Senior Notes (as defined in Note 12) and certain of our subsequently acquired or organized domestic subsidiaries (collectively, the “Subsidiary Guarantors”).

The Credit Facility contains customary affirmative covenants, including, but not limited to, covenants with respect to the use of proceeds, payment of taxes and other obligations, continuation of the Company’s business and the maintenance of existing rights and privileges, and the maintenance of property and insurance, among others.

In addition, the Credit Facility also contains customary negative covenants, including, but not limited to, covenants that restrict (subject to certain exceptions) the ability of the Company and the Subsidiary Guarantors to incur indebtedness, grant liens, make investments, engage in mergers and acquisitions, pay dividends and make other restricted payments, and certain financial maintenance covenants. At September 30, 2024, we were subject to the following financial covenants under our Credit Facility: (A) a Total Leverage Ratio not to exceed 5.25 to 1.00 and (B) a Fixed Charge Coverage Ratio (as defined in the Credit Facility) of not less than 1.20 to 1.00 as of the end of any period of four consecutive fiscal quarters. These financial maintenance covenants are calculated for the Company and its subsidiaries on a consolidated basis. We were in compliance with all of the covenants contained in our Credit Facility at September 30, 2024.

At September 30, 2024, we had outstanding borrowings under the Credit Facility of $140.0 million. We also had one letter of credit for $2.6 million under the Credit Facility. The letter of credit will expire on November 25, 2024 and is expected to automatically renew annually and secures our obligations under our various self-insured policies. At September 30, 2024, we had $107.4 million of availability under the Credit Facility.

The interest expense and amortization of debt issuance costs related to our Credit Facility are as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Credit Facility interest expense	$ 3,230	$ 4,508	$ 10,669	$ 12,987
Credit Facility amortization of debt issuance costs	105	138	381	414

At September 30, 2024, our outstanding borrowings under our Credit Facility bore interest at a prime rate or the SOFR rate, plus an applicable margin based on our leverage ratio. At September 30, 2024, the prime rate margin was equivalent to 1.50% and the SOFR term margin was 2.60%. The weighted average interest rate on our Credit Facility was 8.5% and 9.0% for the three months ended September 30, 2024 and 2023, respectively, and 8.7% and 8.5% for the nine months ended September 30, 2024 and 2023, respectively.

The interest payments on our remaining borrowings under the Credit Facility will be determined based on the average outstanding balance of our borrowings and the prevailing interest rate during that time.

Lease Obligations

Our lease obligations consist of operating and finance leases. We lease certain office facilities, certain funeral homes, vehicles and equipment under operating leases with original terms ranging from one to twenty years. Many leases include one or more options to renew, some of which include options to extend the leases for up to forty years. In addition, we lease certain other funeral homes, vehicles and equipment under finance leases with original terms ranging from three and a half to forty years. At September 30, 2024, operating and finance lease obligations were $35.9 million, with $5.5 million payable within 12 months.

The components of lease cost are as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Operating lease cost	$ 1,007	$ 887	$ 2,984	$ 2,638
Short-term lease cost	63	75	157	261
Variable lease cost	86	69	278	183
Finance lease cost:				
Depreciation of leased assets	$ 126	$ 190	$ 378	$ 407
Interest on lease liabilities	119	137	366	345
Total finance lease cost	245	327	744	752
Total lease cost	$ 1,401	$ 1,358	$ 4,163	$ 3,834

Acquisition Debt

Acquisition debt consists of deferred purchase price and promissory notes payable to sellers. A majority of the deferred purchase price and notes bear no interest and are discounted at imputed interest rates ranging from 6.5% to 7.3%. Original maturities range from nine to twenty years. At September 30, 2024, acquisition debt obligations were $8.9 million, with $0.9 million payable within 12 months.

The imputed interest expense related to our acquisition debt is as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Acquisition debt imputed interest expense	$ 102	$ 70	$ 309	$ 212

Senior Notes

At September 30, 2024, the principal amount of our 4.25% senior notes due in May 2029 (the "Senior Notes") was $400.0 million. The Senior Notes were issued under an indenture, dated as of May 13, 2021 (the "Indenture"), among the Company, the Subsidiary Guarantors and Wilmington Trust, National Association, as trustee. The Senior Notes are unsecured, senior obligations and are fully and unconditionally guaranteed on a senior unsecured basis, jointly and severally by each of the Subsidiary Guarantors. The Senior Notes mature on May 15, 2029, unless earlier redeemed or purchased and bear interest at 4.25% per year, which is payable semi-annually in arrears on May 15 and November 15 of each year, beginning on November 15, 2021.

The Indenture contains restrictive covenants limiting our ability and the ability of our Restricted Subsidiaries (as defined in the Indenture) to, among other things, incur additional indebtedness or issue certain preferred shares, create liens on certain assets to secure debt, pay dividends or make other equity distributions, purchase or redeem capital stock, make certain investments, sell assets, agree to certain restrictions on the ability of Restricted Subsidiaries to make payments to us, consolidate, merge, sell or otherwise dispose of all or substantially all assets, or engage in transactions with affiliates. The Indenture also contains customary events of default.

The debt discount and the debt issuance costs are being amortized using the effective interest method over the remaining term of approximately 56 months of the Senior Notes. The effective interest rates on the unamortized debt discount and the unamortized debt issuance costs for the Senior Notes for both the three and nine months ended September 30, 2024 and 2023 were 4.42% and 4.30%, respectively.

At September 30, 2024, the fair value of the Senior Notes, which are Level 2 measurements, was $371.4 million.

The interest expense and amortization of debt discount and debt issuance costs related to our Senior Notes are as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Senior Notes interest expense	$ 4,250	$ 4,250	$ 12,750	$ 12,750
Senior Notes amortization of debt discount	136	129	402	384
Senior Notes amortization of debt issuance costs	38	37	114	110

At September 30, 2024, our future interest payments on our outstanding balance were $85.0 million, with $17.0 million payable within 12 months.

FINANCIAL HIGHLIGHTS

Below are our financial highlights (in thousands except for volumes and averages):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Revenue	$ 100,687	$ 90,494	$ 306,498	$ 283,686
Funeral contracts	10,713	11,058	33,483	34,904
Average revenue per funeral contract, excluding preneed funeral trust earnings	$ 5,540	$ 5,373	$ 5,557	$ 5,357
Preneed interment rights (property) sold	3,511	2,785	11,127	8,680
Average price per preneed interment right sold	$ 5,360	$ 5,134	$ 5,408	$ 4,990
Gross profit	$ 35,490	$ 27,412	$ 109,745	$ 89,669
Net income	$ 9,866	$ 4,645	$ 23,098	$ 21,775

Revenue for the three months ended September 30, 2024 increased $10.2 million compared to the three months ended September 30, 2023. We experienced a 26.1% increase in the number of preneed interment rights (property) sold and a 4.4% increase in the average price per interment right sold. Additionally, we experienced a 3.1% decrease in funeral contract volume, which was offset by a 3.1% increase in the average revenue per funeral contract. The increase in cemetery revenue highlights the effectiveness of our preneed cemetery sales growth plan, as we continue to focus on executing our strategic goals. Furthermore, despite the funeral contract volume decline impacted by the COVID-19 related pull forward effect, we continue to increase our average revenue per funeral contract through the successful execution of our enhanced pricing strategy.

Gross profit for the three months ended September 30, 2024 increased $8.1 million compared to the three months ended September 30, 2023, primarily due to the increase in revenue from our cemetery segment, as well as increases in gross profit margins from both segments, as we continue to successfully execute on our cost management initiatives.

Net income for the three months ended September 30, 2024 increased $5.2 million compared to the three months ended September 30, 2023. We experienced an $8.1 million increase in gross profit and a $1.2 million decrease in interest expense, which was partially offset by a $2.9 million increase in income tax expense and a $0.9 million increase in general, administrative and other expenses.

Revenue for the nine months ended September 30, 2024 increased $22.8 million compared to the nine months ended September 30, 2023. We experienced a 28.2% increase in the number of preneed interment rights (property) sold and an 8.4% increase in the average price per interment right sold. Additionally, we experienced a 4.1% decrease in funeral contract volume, which was partially offset by a 3.7% increase in the average revenue per funeral contract. The increase in cemetery revenue highlights the effectiveness of our preneed cemetery sales growth plan, as we continue to focus on executing our strategic goals. Furthermore, despite the funeral contract volume decline impacted by the COVID-19 related pull forward effect, we continue to increase our average revenue per funeral contract through the successful execution of our enhanced pricing strategy.

Gross profit for the nine months ended September 30, 2024 increased $20.1 million compared to the nine months ended September 30, 2023, primarily due to the increase in revenue from our cemetery segment, as well as increases in gross profit margins from both segments, as we continue to successfully execute on our cost management initiatives.

Net income for the nine months ended September 30, 2024 increased $1.3 million compared to the nine months ended September 30, 2023. We experienced a $20.1 million increase in gross profit and a $2.1 million decrease in interest expense, which was partially offset by a $15.4 million increase in general, administrative and other expenses, primarily composed of one-time costs related to executive severance payments and our agreement to pay our financial advisor in connection with the Company's previously concluded review of strategic alternatives and a $3.9 million increase in income tax expense.

Further discussion of revenue and the components of gross profit for our funeral home and cemetery segments is presented under “Results of Operations.”

Further discussion of general, administrative and other expenses, interest expense, income taxes and other components of income and expenses are presented under “Other Financial Statement Items.”

REPORTING AND NON-GAAP FINANCIAL MEASURES

We also present our financial performance in our “Condensed Operating and Financial Trend Report” (“Trend Report”) as reported in our earnings release for the three months ended September 30, 2024 issued on October 30, 2024, and discussed in the corresponding earnings conference call. The Trend Report is used as a supplemental financial statement by management and investors to compare our current financial performance with our previous results and with the performance of other companies. We do not intend for this information to be considered in isolation or as a substitute for other measures of performance prepared in accordance with United States generally accepted accounting principles (“GAAP”). The Trend Report is a non-GAAP statement that also provides insight into underlying trends in our business.

Below is a reconciliation of gross profit (a GAAP financial measure) to adjusted operating profit (a non-GAAP financial measure) (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Gross profit	$ 35,490	$ 27,412	$ 109,745	$ 89,669
Cemetery property amortization	1,957	1,318	6,273	4,411
Field depreciation expense	3,411	3,634	10,283	10,546
Regional and unallocated funeral and cemetery costs	4,085	3,771	12,172	13,339
Adjusted operating profit[(1)]	$ 44,943	$ 36,135	$ 138,473	$ 117,965

(1) Adjusted operating profit is defined as gross profit plus cemetery property amortization, field depreciation expense and regional and unallocated funeral and cemetery costs.

Our operations are reported in two business segments: Funeral Home and Cemetery. Below is a breakdown of adjusted operating profit (a non-GAAP financial measure) by segment (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Funeral Home	$ 25,097	$ 23,962	$ 81,966	$ 76,875
Cemetery	19,846	12,173	56,507	41,090
Adjusted operating profit	$ 44,943	$ 36,135	$ 138,473	$ 117,965
Adjusted operating profit margin[(1)]	44.6%	39.9%	45.2%	41.6%

(1) Adjusted operating profit margin is defined as operating profit as a percentage of revenue.

Further discussion of adjusted operating profit for our funeral home and cemetery segments is presented under “Results of Operations.”

RESULTS OF OPERATIONS

The following is a discussion of our results of operations for the three and nine months ended September 30, 2024 and 2023.

The term “operating” in the funeral home and cemetery segments refers to all funeral homes and cemeteries that we owned and operated in the current reporting period, excluding certain funeral home and cemetery businesses that we have divested in such period.

The term “divested” when discussed in the funeral home segment refers to six funeral homes we sold and three funeral homes we merged with other businesses we own in existing markets during the nine months ended September 30, 2024, and two funeral homes we sold and one funeral home we merged with another business we own in an existing market during the nine months ended September 30, 2023.

The term “divested” when discussed in the cemetery segment refers to one cemetery we sold during the nine months ended September 30, 2024, and two cemeteries we sold during the nine months ended September 30, 2023.

The term “ancillary” in the funeral home segment represents our flower shop, monument business, pet cremation business and online cremation businesses.

Cemetery property amortization, field depreciation expense and regional and unallocated funeral and cemetery costs, are not included in adjusted operating profit, a non-GAAP financial measure. Adding back these items will result in gross profit, a GAAP financial measure.

Funeral Home Segment

The following table sets forth certain information regarding our revenue and adjusted operating profit for our funeral home operations (in thousands):

	Three months ended September 30,	
	2024	2023
Revenue:		
Operating	$ 59,347	$ 58,533
Divested	—	882
Ancillary	1,046	1,156
Other	3,309	2,055
Total	$ 63,702	$ 62,626
Adjusted operating profit (loss):		
Operating	$ 22,384	$ 21,871
Divested	(160)	165
Ancillary	156	147
Other	2,717	1,779
Total	$ 25,097	$ 23,962
The following consolidated operating measures reflect the significant metrics over this comparative period:		
Contract volume	10,713	11,058
Average revenue per contract, excluding preneed funeral trust earnings	$ 5,540	$ 5,373
Average revenue per contract, including preneed funeral trust earnings	$ 5,689	$ 5,522
Cremation rate	60.7%	59.5%

Funeral home operating revenue increased $0.8 million for the three months ended September 30, 2024, compared to the three months ended September 30, 2023. The increase in operating revenue is primarily driven by a 3.1% increase in the average revenue per contract excluding preneed interest, offset by a 3.1% decrease in contract volume. Despite the funeral contract volume decline impacted by the COVID-19 related pull forward effect, we continue to increase our average revenue per funeral contract through the successful execution of our enhanced pricing strategy.

Funeral home adjusted operating profit for the three months ended September 30, 2024 increased $0.5 million when compared to the same period in 2023, primarily due to the increase in operating revenue, as well as a decrease in operating expenses as a percentage of revenue. The comparable operating profit margin increased 30 basis points to 37.7%. Operating expenses as a percentage of revenue decreased 0.4%, with the largest decrease in salaries and benefits expenses, while other operating expenses remained relatively flat. This reflects the continued progress we have made successfully executing on our cost management initiatives this quarter.

Ancillary revenue, which represents revenue from our flower shop, monument business, pet cremation business and online cremation businesses, decreased $0.1 million, while ancillary adjusted operating profit remained flat for the three months ended September 30, 2024, compared to the three months ended September 30, 2023. The decrease in ancillary revenue is primarily due to a decision to cease the operations of a cremation focused business at our Bakersfield, CA business, which did not contribute materially to adjusted operating profit.

Other revenue and other adjusted operating profit, which consists of preneed funeral insurance commissions and earnings from delivered preneed funeral trust and insurance contracts, increased $1.3 million and $0.9 million, respectively, for the three months ended September 30, 2024, compared to the same period in 2023. These increases are primarily due to an increase of $1.3 million in our general agency commission income earned on the sale of preneed insurance policies in the third quarter of 2024. compared to the same period in 2023. This is primarily due to our continued focus on growth of our preneed funeral sales through our strategic partnership with a national insurance provider that began during the second quarter of 2023.

The following table sets forth certain information regarding our revenue and adjusted operating profit for our funeral home operations (in thousands):

	Nine months ended September 30,	
	2024	2023
Revenue:		
Operating	$ 185,150	$ 183,673
Divested	916	3,323
Ancillary	3,375	3,445
Other	9,687	6,775
Total	$ 199,128	$ 197,216
Adjusted operating profit (loss):		
Operating	$ 73,277	$ 69,749
Divested	(125)	809
Ancillary	522	366
Other	8,292	5,951
Total	$ 81,966	$ 76,875
The following consolidated operating measures reflect the significant metrics over this comparative period:		
Contract volume	33,483	34,904
Average revenue per contract, excluding preneed funeral trust earnings	$ 5,557	$ 5,357
Average revenue per contract, including preneed funeral trust earnings	$ 5,720	$ 5,514
Cremation rate	59.8%	59.0%

Funeral home operating revenue increased $1.5 million for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023. The increase in operating revenue is primarily driven by a 3.7% increase in the average revenue per contract excluding preneed interest, which was partially offset by a 4.1% decrease in contract volume. Despite the funeral contract volume decline impacted by the COVID-19 related pull forward effect, we continue to increase our average revenue per funeral contract through the successful execution of our enhanced pricing strategy, which was the primary driver in funeral revenue growth this year.

Funeral home adjusted operating profit for the nine months ended September 30, 2024, increased $3.5 million when compared to the same period in 2023, primarily due to the increase in operating revenue, as well as a decrease in operating expenses as a percentage of revenue. The comparable operating profit margin increased 160 basis points to 39.6%. Operating expenses as a percentage of revenue decreased 1.6%, with the largest decreases in salaries and benefits expenses of 0.9%, other funeral costs of 0.2% and promotional expenses of 0.2%, which reflects the continued progress we have made successfully executing on our cost management initiatives this year.

Ancillary revenue, which represents revenue from our flower shop, monument business, pet cremation business and online cremation businesses decreased $0.1 million, while ancillary adjusted operating profit increased $0.2 million for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023. The lack of growth in ancillary revenue is primarily due to a decision to cease the operations of a cremation focused business at our Bakersfield, CA business, which did not contribute materially to adjusted operating profit.

Other revenue and other adjusted operating profit, which consists of preneed funeral insurance commissions and earnings from delivered preneed funeral trust and insurance contracts, increased $2.9 million and $2.3 million, respectively, for the nine months ended September 30, 2024, compared to the same period in 2023. These increases are primarily due to an increase of $2.9 million in our general agency commission income earned on the sale of preneed insurance policies through the third quarter of 2024, compared to the same period in 2023. This is primarily due to our continued focus on growth of our preneed funeral sales through our strategic partnership with a national insurance provider that began during the second quarter of 2023.

Cemetery Segment

The following table sets forth certain information regarding our revenue and adjusted operating profit for our cemetery operations (in thousands):

	Three months ended September 30,	
	2024	**2023**
Revenue:		
Operating	$ 32,988	$ 24,315
Divested	—	265
Other	3,997	3,288
Total	$ 36,985	$ 27,868
Adjusted operating profit (loss):		
Operating	$ 15,883	$ 8,980
Divested	(3)	27
Other	3,966	3,166
Total	$ 19,846	$ 12,173
The following consolidated operating measures reflect the significant metrics over this comparative period:		
Preneed revenue as a percentage of operating revenue	70.0%	62.0%
Preneed revenue (in thousands)	$ 23,207	$ 15,168
Atneed revenue (in thousands)	$ 9,781	$ 9,412
Number of preneed interment rights sold	3,511	2,785
Average price per interment right sold	$ 5,360	$ 5,134

Cemetery operating revenue increased $8.7 million for the three months ended September 30, 2024, compared to the three months ended September 30, 2023, as we experienced a 26.1% increase in the number of preneed interment rights (property) sold and a 4.4% increase in the average price per interment right sold. Cemetery atneed revenue, which represents approximately 30.0% of our total operating revenue, increased $0.4 million for the three months ended September 30, 2024, compared to the same period in 2023, primarily due to an increase in delivered merchandise and services across our cemetery portfolio. The increase in cemetery revenue highlights the effectiveness of our preneed cemetery sales growth plan, as we continue to focus on executing our strategic objectives.

Cemetery adjusted operating profit increased $6.9 million for the three months ended September 30, 2024, compared to the three months ended September 30, 2023, primarily due to the increase in operating revenue, as well as a decrease in operating expenses as a percentage of revenue. The comparable operating profit margin increased 1,120 basis points to 48.1%. Operating expenses as a percentage of revenue decreased 11.5%, with the largest decreases in salaries and benefits expenses of 4.7%, promotional expense of 2.9%, merchandise costs of 1.4%, allowance for credit losses of 1.2% and general and administrative costs of 0.9%, which reflects the continued progress we have made successfully executing on our cost management initiatives this quarter.

Other revenue and other adjusted operating profit, which consist of preneed cemetery trust revenue and preneed cemetery finance charges, increased $0.7 million and $0.8 million, respectively, for the three months ended September 30, 2024, compared to the three months ended September 30, 2023, primarily due to market performance in our perpetual care trust fund and an increase in realized gains on preneed merchandise and services that were delivered in the third quarter of 2024 compared to the same period of 2023.

The following table sets forth certain information regarding our revenue and adjusted operating profit for our cemetery operations (in thousands):

	Nine months ended September 30,	
	2024	2023
Revenue:		
Operating	$ 95,339	$ 74,465
Divested	154	904
Other	11,877	11,101
Total	$ 107,370	$ 86,470
Adjusted operating profit (loss):		
Operating	$ 44,900	$ 30,163
Divested	(35)	187
Other	11,642	10,740
Total	$ 56,507	$ 41,090
The following consolidated operating measures reflect the significant metrics over this comparative period:		
Preneed revenue as a percentage of operating revenue	69.0%	63.0%
Preneed revenue (in thousands)	$ 66,150	$ 47,016
Atneed revenue (in thousands)	$ 29,343	$ 28,353
Number of preneed interment rights sold	11,127	8,680
Average price per interment right sold	$ 5,408	$ 4,990

Cemetery operating revenue increased $20.9 million for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023, as we experienced a 28.2% increase in the number of preneed interment rights (property) sold and an 8.4% increase in the average price per interment right sold. Cemetery atneed revenue, which represents approximately 31.0% of our total operating revenue, increased $1.0 million for the nine months ended September 30, 2024, compared to the same period in 2023, primarily due to an increase in delivered merchandise and services across our cemetery portfolio. The increase in cemetery revenue highlights the effectiveness of our preneed cemetery sales growth plan, as we continue to focus on executing our strategic objectives.

Cemetery adjusted operating profit increased $14.7 million for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023, primarily due to the increase in operating revenue, as well as a decrease in operating expenses as a percentage of revenue. The comparable operating profit margin increased 660 basis points to 47.1%. Operating expenses as a percentage of revenue decreased 6.7%, with the largest decreases in salaries and benefits expenses of 3.8%, merchandise costs of 0.8%, allowance for credit losses of 0.5% and promotional expense of 0.4%, which reflects the continued progress we have made successfully executing on our cost management initiatives this quarter.

Other revenue and other adjusted operating profit, which consist of preneed cemetery trust revenue and preneed cemetery finance charges, increased $0.8 million and $0.9 million, respectively, for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023. These increases are primarily due to an increase in market performance in our perpetual care trust fund, an increase in realized gains on preneed merchandise and services that were delivered in the third quarter of 2024, and an increase finance charge revenue related to the increase in cemetery sales during the current year.

Cemetery property amortization. Cemetery property amortization totaled $2.0 million and $6.3 million for the three and nine months ended September 30, 2024, respectively, an increase of $0.6 million and $1.9 million compared to the same periods in 2023, primarily driven by the increase in property sold across our cemetery portfolio.

Field depreciation. Depreciation expense for our field businesses totaled $3.4 million and $10.3 million for the three and nine months ended September 30, 2024, respectively, a decrease of $0.2 million and $0.3 million compared to the same periods in 2023, primarily driven by our business decision in 2023 to lease vehicles rather than purchase them.

Regional and unallocated funeral and cemetery costs. Regional and unallocated funeral and cemetery costs consist of salaries and benefits for regional management, field incentive compensation and other related costs for field infrastructure.

Regional and unallocated funeral and cemetery costs totaled $4.1 million for the three months ended September 30, 2024, an increase of $0.3 million compared to the same period in 2023, primarily driven by an increase in leadership and development expenses as we focus on the continued education of our teams to ensure the successful implementation of our various initiatives.

Regional and unallocated funeral and cemetery costs totaled $12.2 million for the nine months ended September 30, 2024, a decrease of $1.2 million compared to the same period in 2023, primarily driven by a decrease in incentive compensation costs.

Other Financial Statement Items

General, administrative and other. General, administrative and other expenses, which include salaries and benefits and cash and equity incentive compensation for our Houston support office, totaled $12.2 million for the three months ended September 30, 2024, an increase of $0.9 million compared to the same period in 2023, primarily driven by the following: i) a $1.1 million expected increase in other professional fees primarily related to the development of our digital transformation project; ii) a $0.3 million increase primarily related to consulting fees paid to our former Executive Chairman of the Board pursuant to his Transition Agreement and to our former Chief Financial Officer pursuant to his Separation and Release Agreement, and iii) a $0.4 million net increase in all other expenses. These increases were offset by a $0.9 million decrease in consulting fees related to the Company's previously concluded review of strategic alternatives.

General, administrative and other expenses totaled $47.0 million for the nine months ended September 30, 2024, an increase of $15.4 million compared to the same period in 2023, primarily driven by the following: i) a $6.2 million increase in salary and benefits expenses and cash and equity incentive compensation costs, primarily driven by the termination expense of our former Executive Chairman of the Board pursuant to his Transition Agreement and termination expense for our former Chief Financial Officer pursuant to his Separation and Release Agreement; ii) a $5.2 million increase primarily related to our agreement to pay our financial advisor in connection with the Company's previously concluded review of strategic alternatives; iii) a $3.1 million expected increase in other professional fees primarily related to the development of our digital transformation project; iv) a $0.6 million increase related to consulting fees paid to our former Executive Chairman of the Board pursuant to his Transition Agreement and our former Chief Financial Officer pursuant to his Separation and Release Agreement; and v) a $0.3 million net increase in all other expenses.

Net loss on divestitures, disposals and impairments charges. The components of *Net loss on divestitures, disposals and impairment charges* are as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2024	**2023**	**2024**	**2023**
Net (gain) loss on divestitures	$ (295)	$ 24	$ 1,214	$ 106
Impairment of intangibles and PPE	637	211	637	454
Net loss on disposals of fixed assets	45	188	104	369
Total	$ 387	$ 423	$ 1,955	$ 929

During the nine months ended September 30, 2024, we sold six funeral homes and one cemetery for an aggregate loss of $1.2 million. We also recognized an impairment of $0.6 million as a result of our 2024 qualitative assessment of tradenames and an impairment of $40 thousand related to property, plant and equipment for assets held for sale.

During the nine months ended September 30, 2023, we sold two funeral homes and two cemeteries for an aggregate loss of $0.1 million. We also recognized an impairment of $0.2 million as a result of our 2023 qualitative assessment of tradenames and an impairment of $0.2 million related to property, plant and equipment for assets held for sale.

Interest expense. Interest expense related to its respective debt arrangement is as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2024	**2023**	**2024**	**2023**
Senior Notes	$ 4,424	$ 4,416	$ 13,266	$ 13,244
Credit Facility	3,335	4,647	11,050	13,402
Finance leases	119	137	366	345
Acquisition debt	102	70	309	212
Other	55	8	80	10
Total	$ 8,035	$ 9,278	$ 25,071	$ 27,213

Net gain on property damage, net of insurance claims. During the nine months ended September 30, 2024, we recorded a $0.4 million gain, net of insurance proceeds, for damages from Hurricane Ian, which occurred during the third quarter of 2022. We did not record any gain or loss activity during the three months ended September 30, 2024.

During the three and nine months ended September 30, 2023, we recorded a $0.4 million and $0.3 million gain, respectively, net of insurance proceeds, for damages from Hurricane Ian, which occurred during the third quarter of 2022.

Other, net. During the nine months ended September 30, 2023, we recorded a $0.6 million gain on the sale of other real property not used in business operations. We did not record any gain or loss activity during the three months ended September 30, 2023.

Income taxes. Income tax expense totaled $5.0 million for the three months ended September 30, 2024, an increase of $2.9 million compared to the same period in 2023, primarily driven by an increase in tax expense on discrete items related to equity. Our operating tax rate before discrete items was 33.2% and 30.4% for the three months ended September 30, 2024 and 2023, respectively.

Income tax expense totaled $12.9 million for the nine months ended September 30, 2024, an increase of $3.9 million compared to the same period in 2023, primarily driven by an increase in tax expense on discrete items related to equity. Our operating tax rate before discrete items was 33.2% and 28.9% for the nine months ended September 30, 2024 and 2023, respectively.

CRITICAL ACCOUNTING ESTIMATES

The preparation of our Consolidated Financial Statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Understanding our accounting policies and the extent to which our management uses judgment, assumptions and estimates in applying these policies is integral to understanding our Consolidated Financial Statements. Our critical accounting policies are more fully described in Part II, Item 8 “Financial Statements and Supplementary Data” in Note 1 in our Annual Report on Form 10-K for the year ended December 31, 2023.

We have identified Business Combinations and Goodwill as those accounting policies that require significant judgments, assumptions and estimates and that have a significant impact on our financial condition and results of operations. These policies are considered critical because they may result in fluctuations in our reported results from period to period due to the significant judgments, estimates and assumptions about complex and inherently uncertain matters and because the use of different judgments, assumptions or estimates could have a material impact on our financial condition or results of operations. Actual results may differ from these estimates and such estimates may change if the underlying conditions or assumptions change. Historical performance should not be viewed as indicative of future performance because there can be no assurance the margins, operating income and net earnings, as a percentage of revenue, will be consistent from period to period. We evaluate our critical accounting estimates and judgments required by our policies on an ongoing basis and update them as appropriate based on changing conditions.

SEASONALITY

Our business can be affected by seasonal fluctuations in the death rate, with number of deaths generally higher during the winter months due to the higher incidences of death from influenza and pneumonia as compared to other periods of the year. Seasonal fluctuations in the death rate may be further affected by epidemics and pandemics, like COVID-19, including any new or emerging public health threats. These unexpected fluctuations may not only increase death rates during the affected period, but also may subsequently decrease death rates following the affected period as a result of an acceleration of death rates (also referred to as a “pull forward effect”). As a result, we are unable to predict or forecast the duration or variation of the current death rate with any certainty.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

In the ordinary course of business, we are typically exposed to a variety of market risks. Currently, these are primarily related to interest rate risk and changes in the values of securities associated with the preneed and perpetual care trusts. Management is actively involved in monitoring exposure to market risk and developing and utilizing appropriate risk management techniques when appropriate and when available for a reasonable price. We are not exposed to any other significant market risks other than those related to the impact of health and safety concerns from epidemics and pandemics and inflation, which are described in more detail in Part 1, Item 1A “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023.

The following quantitative and qualitative information is provided about financial instruments to which we are a party at September 30, 2024 and from which we may incur future gains or losses from changes in market conditions. We do not enter into derivative or other financial instruments for speculative or trading purposes.

Hypothetical changes in interest rates and the values of securities associated with the preneed and perpetual care trusts chosen for the following estimated sensitivity analysis are considered to be reasonable near-term changes generally based on consideration of past fluctuations for each risk category. However, since it is not possible to accurately predict future changes in interest rates, these hypothetical changes may not necessarily be an indicator of probable future fluctuations.

The following information about our market-sensitive financial instruments constitutes a "forward-looking statement."

In connection with our preneed funeral operations and preneed cemetery merchandise and service sales, the related funeral and cemetery trust funds own investments in equity and debt securities and mutual funds, which are sensitive to current market prices. Cost and market values of such investments at September 30, 2024 are presented in Part 1, Item 1, Financial Statements, Note 8 to our Consolidated Financial Statements in this Quarterly Report on Form 10-Q. The sensitivity of the fixed income securities is such that a 0.25% change in interest rates causes an approximate 0.86% change in the value of the fixed income securities.

We monitor current and forecasted interest rate risk in the ordinary course of business and seek to maintain optimal financial flexibility, quality and solvency. At September 30, 2024, we had outstanding borrowings under the Credit Facility of $140.0 million. Any further borrowings or voluntary prepayments against the Credit Facility or any change in the floating rate would cause a change in interest expense. Pursuant to our Credit Facility, as amended, we have the option to pay interest under the Credit Facility at either prime rate or the Term SOFR rate plus an applicable margin based on our leverage ratio. At September 30, 2024, the prime rate margin was equivalent to 1.50% and the SOFR term margin was 2.60%. Assuming the outstanding balance remains unchanged, a change of 100 basis points in our borrowing rate would result in a change in income before taxes of $1.4 million. We have not entered into interest rate hedging arrangements in the past. Management continually evaluates the cost and potential benefits of interest rate hedging arrangements.

Our Senior Notes bear interest at the fixed annual rate of 4.25%. We may redeem the Senior Notes, in whole or in part, at the redemption price of 102.13% on or after May 15, 2024, 101.06% on or after May 15, 2025 and 100% on or after May 15, 2026, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. At any time before May 15, 2024, we may also redeem all or part of the Senior Notes at the redemption prices described in the Indenture, plus accrued and unpaid interest, if any, to (but excluding) the date of redemption. At September 30, 2024, the carrying value of the Senior Notes on our Consolidated Balance Sheet was $396.4 million and the fair value of the Senior Notes was $371.4 million based on the last traded or broker quoted price, reported by Financial Industry Regulatory Authority. Increases in market interest rates may cause the value of the Senior Notes to decrease, but such changes will not affect our interest costs.

The remainder of our long-term debt and leases consist of non-interest bearing notes and fixed rate instruments that do not trade in a market and do not have a quoted market value. Any increase in market interest rates causes the fair value of those liabilities to decrease, but such changes will not affect our interest costs.

Item 4. Controls and Procedures.

Management's Evaluation of Disclosure Controls and Procedures

Our management, including our principal executive and principal financial officers, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Our disclosure controls and procedures are designed to ensure that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and to ensure that such information is accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure. Based on such evaluation, our principal executive and principal financial officers have concluded that our disclosure controls and procedures are effective at September 30, 2024 and that the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial condition, results of operations, and cash flows for the periods presented in conformity with US GAAP.

Changes in Internal Control over Financial Reporting

There was no change in our system of internal control over financial reporting (defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act) during the fiscal quarter covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

We and our subsidiaries are parties to a number of legal proceedings that arise from time to time in the ordinary course of our business. While the outcome of these proceedings cannot be predicted with certainty, we do not expect these matters to have a material adverse effect on our financial statements.

We self-insure against certain risks and carry insurance with coverage and coverage limits for risk in excess of the coverage amounts consistent with our assessment of risks in our business and of an acceptable level of financial exposure. Although there can be no assurance that self-insurance reserves and insurance will be sufficient to mitigate all damages, claims, or contingencies, we believe that the reserves and our insurance provides reasonable coverage for known asserted and unasserted claims. In the event we sustain a loss from a claim and the insurance carrier disputes coverage or coverage limits, we may record a charge in a different period than the recovery, if any, from the insurance carrier.

Denning v. Carriage Services, Inc., et al., Superior Court of California, Ventura County, Case No. 2024 CU OE 028098. On July 29, 2024, a wage and hour class action was filed against the Company and several of its subsidiaries. Plaintiff, a former employee, seeks monetary damages on behalf of herself and other similarly situated current and former non-exempt employees as the putative class for the alleged failure to pay legally mandated compensation and reimbursement expenses. As of September 30, 2024, we are unable to reasonably estimate the possible loss or ranges of loss, if any. The prospective class has not been certified by a court of competent jurisdiction and the Company intends to vigorously defend itself in all respects.

Item 1A. Risk Factors.

There have been no material changes in our risk factors as previously disclosed in Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023. Readers should carefully consider the factors discussed in Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K for the year ended December 31, 2023 are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table sets forth certain information with respect to repurchases of our common stock during the quarter ended September 30, 2024:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Dollar Value of Shares That May Yet Be Purchased Under the Program[(1)]
July 1, 2024 - July 31, 2024	—	$ —	—	$ 48,898,769
August 1, 2024 - August 31, 2024	—	$ —	—	$ 48,898,769
September 1, 2024 - September 30, 2024	—	$ —	—	$ 48,898,769
Total for quarter ended September 30, 2024	—		—	

(1) See Part I, Item 1, Financial Statements, Note 14 for additional information on our publicly announced share repurchase program.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Rule 10b5-1 and Non-Rule 10b5-1 Trading Arrangements

During the fiscal quarter ended September 30, 2024, no director or officer (as determined in Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended) of the Company adopted or terminated any Rule 10b5-1 trading arrangements or non-Rule 10b5-1 trading arrangements as such term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits.

The exhibits required to be filed pursuant to the requirements of Item 601 of Regulation S-K are set forth in the Exhibit Index accompanying this Quarterly Report on Form 10-Q and are incorporated herein by reference.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	CARRIAGE SERVICES, INC.
Date: November 1, 2024	/s/ Kathryn Shanley
	Kathryn Shanley
	Chief Accounting Officer
	(Principal Accounting Officer & Interim Principal Financial Officer)

CARRIAGE SERVICES, INC.

INDEX OF EXHIBITS

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation, as amended, of the Company. Incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 1996, filed on March 20, 1997.
3.2	Certificate of Amendment dated May 7, 1997. Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ended September 30, 1997, filed on November 14, 1997.
3.3	Certificate of Amendment dated May 7, 2002. Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ended June 30, 2002, filed on August 13, 2002.
3.4	Amended and Restated By-Laws of Carriage Services, Inc. dated June 21, 2023. Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on June 22, 2023.
10.1	Fourth Amendment to First Amended and Restated Credit Agreement dated as of July 31, 2024, among Carriage Services, Inc., the guarantors party thereto, the financial institutions party thereto, as lenders, and Bank of America, N.A., as administrative agent, swing line lender and L/C issuer. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 31, 2024.
*31.1	Certification of Periodic Financial Reports by Carlos R. Quezada in satisfaction of Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of Periodic Financial Reports by Kathryn Shanley in satisfaction of Section 302 of the Sarbanes-Oxley Act of 2002.
**32	Certification of Periodic Financial Reports by Carlos R. Quezada and Kathryn Shanley in satisfaction of Section 906 of the Sarbanes-Oxley Act of 2002 and 18 U.S.C. Section 1350.
*101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
*101.SCH	Inline XBRL Taxonomy Extension Schema Documents.
*101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
*101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
*101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
*101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
*104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

(*) Filed herewith.
(**) Furnished herewith.
(†) Management contract or compensatory plan or arrangement.

EXHIBIT 31.1

I, Carlos R. Quezada, certify that:

1. I have reviewed this report on Form 10-Q of Carriage Services, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 1, 2024

/s/ Carlos R. Quezada
Carlos R. Quezada
Chief Executive Officer and Vice Chairman of the Board
(Principal Executive Officer)

EXHIBIT 31.2

I, Kathryn Shanley, certify that:

1. I have reviewed this report on Form 10-Q of Carriage Services, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: November 1, 2024

/s/ Kathryn Shanley
Kathryn Shanley
Chief Accounting Officer
(Principal Accounting Officer & Interim Principal Financial Officer)

EXHIBIT 32

Certification of
Chief Executive Officer and Interim Principal Financial Officer
under Section 906 of the
Sarbanes Oxley Act of 2002, 18 U.S.C. § 1350

In connection with the Quarterly Report on Form 10-Q of Carriage Services, Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Carlos R. Quezada, Chief Executive Officer of the Company, and Kathryn Shanley, Chief Accounting Officer, Principal Accounting Officer & Interim Principal Financial Officer, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 1, 2024

/s/ Carlos R. Quezada
Carlos R. Quezada
Chief Executive Officer and Vice Chairman of the Board
(Principal Executive Officer)

/s/ Kathryn Shanley
Kathryn Shanley
Chief Accounting Officer
(Principal Accounting Officer & Interim Principal Financial Officer)