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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Carriage Services Second Quarter 2023 Earnings Conference Call.(Operator Instructions) Please be advised that today's conference is being recorded. I would now like to hand the conference over to your speaker today, Steven Metzger, President -- please go ahead.

Steven D. Metzger ***Carriage Services, Inc. - President, Executive VP, Secretary, Chief Administrative Officer & General Counsel***

Â Good morning, everyone, and thank you for joining us to discuss our second quarter results. In addition to myself, on the call this morning from management are Mel Payne, Executive Chairman of the Board of Directors; Carlos Quezada, Chief Executive Officer and Vice Chairman of the Board of Directors; and Kian Granmayeh, Executive Vice President and Chief Financial Officer. On the Carriage Services website, you can find our earnings press release, which was issued yesterday after the market closed. Our press release is intended to supplement our remarks this morning and include supplemental financial information, including the reconciliation of differences between GAAP and non-GAAP financial measures. Today's call will begin with formal remarks from Mel, Carlos, Kian and me and will be followed by a question-and-answer period. Before we begin, I'd like to remind everyone that during this call, we'll make some forward-looking statements, including comments about our business and plans. Forward-looking statements inherently involve risks and uncertainties and only reflect our views of today. These risks and uncertainties include, but are not limited to, factors identified in our earnings release as well as in our SEC filings, all of which can be found on our website. Thank you all for joining us this morning. And now I'd like to turn the call over to Mel.

Mel Payne ***Carriage Services, Inc. - Executive Chairman of the Board of Directors***

Â Good morning, everyone. I'm excited to be with you this morning. As we kick off our first earnings call since the announcement of our succession plan on June 22. As most of you know, we've been working on this CEO succession plan for more than 2 years, and the thoughtful investment of time in preparation is paying off, which is evidenced by the seamless transition that has occurred since our announcement. I have also been hard at work on my continued rehabilitation following my stroke and continue to be encouraged by my progress. I recently graduated at the top of my class, which is all about being the best. From an intense 12-week program that has been more motivated, energized and passionate about what we are doing and where we're going than ever before. While I meet with our strategic vision and Principal Group leadership team regularly, I look forward to spending even more time with them and focusing on the job I enjoy the most. -- which is serving as a mentor to Carlos, Steve and Kian. As a cofounder and largest shareholder of Carriage, I'm pleased to report that Carlos and Steve continue to exceed my exceedingly high expectations as they focus on their new roles. Together with Kian, this executive leadership Dream team has been working closely together to lead the continued evolution and maturation of carriage, which 3 of them will talk more about in detail this morning. The alignment of this team, together with their talent has never been stronger, and the execution of our clearly defined strategic vision has never been more compelling. We appreciate your interest in Carriage and for taking the time to listen this morning. I will now turn this call over to Carlos for more color on a really good quarter of performance. Carlos.

Carlos R. Quezada ***Carriage Services, Inc. - CEO & Vice Chairman***

Thank you, Mel, and good morning, everyone. Thank you for joining. Before I start with our report, I'd like to thank Mel and the Board of Directors, our executive team and everyone at Carriage for their support as I take on the new CEO role. He has been a thoughtful and well-planned process for over 2 years, where Mel through countless hours of mentoring and coaching has prepared me to lead carriage and continue the legacy of what he created for years to come. I am grateful for this opportunity and committed to continuing our good to great journey and pursuing our mission and vision of being the best every day. So thank you. Now moving to our second quarter high performance. For today's call, I will report our financial performance with some operational color. Steve will provide an update on the composition of our new Board of Directors. He will share the integration process of our most recent acquisitions and other M&A activities, and Kian will provide detailed financial information. Now on to the results. We are very excited to share that our financial performance in the second quarter has exceeded our expectations. As previously communicated, we have diligently focused on delivering high performance for execution excellence. Here are the consolidated financial results for the second quarter. Total revenue reached $97.7 million, an impressive increase of $7 million or 7.8% compared to last year. These outstanding results were primarily driven by the exceptional work of our hard performance printing cemetery sales teams and the recent acquisition in Bakersfield, California. I will give more color on this point later on this call. Total field EBITDA was $40.8 million, showing an increase of $2.1 million or 5.6% and field EBITDA margin of 41.7%, experiencing a slight decrease of $879,000 or 90 basis points. This decrease is primarily attributed to higher cost in salary and benefits and general and administration. The incremental expenses in these 2 areas totaled $2.3 million during the second quarter. However, thanks to the dedicated efforts of our managing partners at each business, we managed to offset $1.4 million through other cost savings opportunities. Overhead expenses amounted to $12.1 million or 12.4% of total revenue, reflecting a significant reduction of $1.4 million compared to the same quarter last year and under our previously communicated goal of reaching 13% in overhead cost by the end of 2024. GAAP income in the second quarter was $8.3 million, indicating a decrease of $2.6 million or 24% compared to last year. This decline can be attributed to a notable increase of $3.4 million or 56.9% in interest expense over what we paid the previous year, resulting in GAAP diluted earnings per share of $0.53. The decrease in interest expense approximately equates to $0.22 of GAAP diluted earnings per share -- and as we continue executing every item of our high-performance credit profile restoration plan, we will reduce our interest expense. For our adjusted numbers, adjusted consolidated EBITDA for the second quarter was $28.7 million, showing an impressive increase of $3.4 million or 13.3%, adjusted consented EBITDA margin was 29.4%, an increase of 150 basis points and adjusted diluted earnings per share of $0.53 outperforming consensus.

We are immensely proud of these results as they reflect our efforts and progress in executing our strategic plan to consistently and sustainably enhance our financial performance over time. These efforts have allowed us to make up for most of the decrease we experienced in the first quarter of this year due to the record high first quarter of 2022 at the peak of COVID-19. Now let's move to our funeral portfolio. Funeral Home total revenue reached $60.8 million, an increase of $2.7 million or 4.6%. Our newest acquisitions primarily drove this growth, with comparable revenues decreasing by only $308,000 or 0.6%. Total funeral field EBITDA remained steady at $21.9 million compared to the previous year with a slight decrease of only $108,000 or 0.5%. The and total funeral field EBITDA margin was 36%, showing a reduction of 190 basis points from last year. However, thanks to the dedicated efforts of our managing partners in the field and at the Houston Support Center, the inflationary cost margin decrease has been significantly curve. Their work in revenue growth, pricing strategy and efficient management of their controllable cost has contributed to this financial performance, and we extend our gratitude for the determination and commitment to our Bentvest mission and vision.

Now switching to our cemetery portfolio. We are thrilled to report that our total cemetery revenue hit an all-time high, reaching $29.1 million in the second quarter, reflecting an increase of $4 million or 16.1%. Moreover, total cemetery full EBITDA saw significant growth reaching $12.9 million, a $1.8 million growth or 16.2% compared to the same quarter last year. Total cemetery field EBITDA margin remained very strong at 44.4%, maintaining the exact performance level achieved in the previous year. This record high revenue and EBITDA margin results were mainly due to the outstanding performance of our preneed cemetery teams. Establishing our preneed sales organization over the last 3 years has been a true game changer, coupled with the strategic acquisitions of Premier Cemetery since 2019 and our existing cemetery portfolio, in addition to the impact of the execution of our pre-need cemetery strategy is making. Sales Edge as our customer relationship system and lead generation marketing provides us with multiple growth opportunities -- that is why we're confident that we can continue maximizing these opportunities as we execute and create additional high performance in the years ahead. Regarding our prearranged funeral sales a strategic national partnership, we are delighted to announce that the integration strategy between Precoa, the National Guardian Life Insurance Company, Encourage has been officially launched after 2 months of planning. This strategic move will revolutionize how we add value to families by offering the arrangement options for their funerals, securing future market share for each of our businesses and generating additional recurring revenue like we never had before. We will integrate our funeral home portfolio into the new program in a face approach, and we anticipate that preneed funeral sales will experience substantial growth in the range of 40% to 60% within a year of integration. This exciting venture holds incredible potential for Carriage, our partners and the communities we serve, while generating added value for our shareholders. We want to express our heartfelt gratitude to our entire team for their unwavering dedication and hard work without whom none of this would be possible, witnessing the tangible results of our strategic plan during the second quarter filled us with much excitement, and we are thrilled about the prospects for the future as we firmly believe that for Carriage, the best is yet to come. Thank you, and I will now pass it over to Steve.

Steven D. Metzger ***Carriage Services, Inc. - President, Executive VP, Secretary, Chief Administrative Officer & General Counsel***

Thank you, Carlos. As most of you are probably aware, the past couple of months have seen us welcome 3 new directors to our Board, fulfilling the commitment we made earlier this year to add new talent and diversity to our Board of Directors. We began working with a national search firm in the first quarter, and our Board management team have spent the past several months meeting with a number of impressive candidates. From that group, we were able to identify 3 individuals who bring diverse experience and thought that will help drive our focus on continuous growth and improvement throughout Carriage. The newest member of our Board, Julie Sanders, currently serves as Senior Vice President and Chief Audit Executive for Dell Technologies, one of the world's leading technology companies where she's held a variety of leadership positions over the past 20 years. Julie has served as a CFO for 2 other companies and has extensive experience with everything from M&A to financial planning and analysis. She also serves on Dell's ESG and Disclosure Committee and will be a tremendous resource as we continue to identify opportunities to enhance our focus on corporate responsibility. We've also recently welcomed Sommer Webb to the Board. Sommer currently serves as the Chief Financial Officer for a publicly traded direct-to-consumer platform company focused on outdoor and lifestyle brands. Sommer has worked for some of the top consumer-focused companies in the world, including Amazon and Southwest Airlines, and she brings valuable experience to Carriage, particularly as it relates to growing companies through acquisitions. Finally, Chad Fargason joined our Board in late June. After receiving his PhD in mathematics from Duke University, Chad spent 10 years with KKR and has spent the last 10 years as a senior portfolio manager for an investment firm with approximately $15 billion under management. Chad's experience identifying and analyzing capital allocation strategies for various companies, coupled with his deep valuation expertise and knowledge of the markets will serve Carriage and our shareholders well as we execute on the 10-year growth focused division laid out in this year's shareholder letter. Since the beginning of this year, there's been an immense amount of time and thoughtful effort dedicated to identifying and recruiting new leadership to join our Board of Directors. We're proud of that focus and confident that the experience and talent that Julie, Sommer and Chad bring to our Board will be of great value to our shareholders, and we look forward to their contributions in helping drive Carriage forward in the years to come.

As it relates to our focus on growth, we continue to be encouraged by the opportunities presented by our 3 most recent acquisitions. In particular, since we put a top sales team in place to support our Charlotte business, the production from the cemetery segment of that business continues to highlight why we were initially so excited to partner with Heritage in Forest Lawn East. Similarly, our most recent acquisition in Bakersfield, our largest acquisition by revenue in the history of Carriage is only entering month 5 of our integration, and we're excited about the potential that will be realized in the months and years ahead as we continue to optimize the strong foundation of this great business. As we dedicate our time and resources to supporting these new additions to the Carriage portfolio, we also continue to build relationships with owners of other premier businesses throughout the country. In fact, this past quarter, we had several visits and conversations with owners of businesses that we believe will be great future partners for Carriage. These owners are aware that our current focus is integration of our newest acquisitions and paying down our debt, and many of them are willing to wait given their belief that Carriage is the right choice for their business. We look forward to continuing these conversations and building these relationships as we learn more about their succession plans and time lines. Finally, as we announced on June 29, our Board has initiated a process to explore potential strategic alternatives, possibly including a merger, sale or other potential strategic or financial transaction to maximize shareholder value. As we noted at the time, there can be no assurance that this process will result in a transaction. While the Board continues this review process with the support of outside advisers, we don't have further updates at this time and will have no further comment on the topic. We will, however, provide an update when we have more news to share. With that, I'll pass it over to Kian to provide more color on our second quarter performance.

L. Kian Granmayeh ***Carriage Services, Inc. - Executive VP, CFO & Treasurer***

Thank you, Steve. In the second quarter of 2023 under generally accepted accounting principles, Carriage reported total revenue of $97.7 million and net income of $8.3 million or $0.53 per diluted share. This compares to total revenue of $90.6 million and net income of $10.9 million or $0.69 per diluted share in the same period in 2022. Now looking at our adjusted financials, which are reconciled in the appendix tables of our press release, -- this quarter, we reported adjusted consolidated EBITDA of $28.7 million, adjusted consolidated EBITDA margin of 29.4% and adjusted free cash flow of $3.8 million. This compares to adjusted consolidated EBITDA of $25.3 million, adjusted consolidated EBITDA margin of 27.9% and adjusted free cash flow of $12 million in the second quarter of 2022. We are very pleased with our financial results and operational performance with considerable growth in both adjusted consolidated EBITDA and margin this quarter as compared to the same quarter last year. Now that we are able to compare and examine operational performance to prior periods that are minimally affected by COVID, this further highlights all the improvement, efficiencies and growth related to our operational decisions from the Houston Support Center down to the field level that translate into our financial results. This is a perfect example of the resiliency of our unique business model and strategy and how we are able to successfully navigate the near-term choppy waters of a post-COVID world. Now turning to this quarter's income statement. I will highlight some of the expenses down to net income.

First, I'll start off by circling back to Carlos' comment on total overhead, which excludes stock-based compensation and other minor overhead costs. On the income statement, the combination of total G&A and other, along with regional and unallocated funeral and cemetery costs decreased by $800,000, primarily related to our continued effort and discipline to meet our 2024 overhead target. Second, as Carlos mentioned, interest expense increased nearly $3.4 million, mainly driven by the average interest rate for our credit facility, increasing from 2.9% in the second quarter of 2022 to 8.6% this quarter. Lastly, income tax expense decreased $800,000 in the second quarter as a result of a lower taxable income applied to a similar tax rate for the quarter. Turning to the cash flow statement. Cash flow from operations this quarter decreased approximately $1 million to $13.3 million as compared to the same quarter last year despite net income decreasing nearly $2.6 million during the same period. When expanding the comparison period to the first 6 months of the year, cash flow from operations and free cash flow have increased $9 million and $11 million, respectively. As you can see, cash flow continues to remain strong, and we continue to strictly adhere to our capital allocation plan as outlined in the high-performance credit profile restoration plan back in December. Similarly, we continue to delever methodically from a peak leverage ratio in the first quarter of this year, after closing on the Green Lon acquisition. Using our bank covenant compliance ratio as defined by our credit agreement, we ended the second quarter with 5.37x leverage. We expect the leverage ratio to steadily decrease throughout the year. Lastly, turning to our annual guidance. We are pleased with how we are tracking operationally in the first half of the year relative to our annual guidance. Nonetheless, we would like to take a prudent approach to our guidance and gain more visibility into the seasonality of our business in a post-COVID world before revising our guidance ranges. As a result, we are reaffirming 2023 guidance of $375 million to $385 million in total revenue, adjusted consolidated EBITDA of $110 million to $115 million, adjusted diluted earnings per share of $2.25 to $2.40 and adjusted free cash flow of $50 million to $60 million. Next quarter, we will look to tighten and/or update our guidance ranges for the year. Again, with that, we will open it to questions.

QUESTIONS AND ANSWERS

Operator

Thank you. We will now conduct a question-and-answer session.(Operator Instructions) our first question comes from the line of Alex Paris at Barrington Research.

Alexander Peter Paris ***Barrington Research Associates, Inc., Research Division - Director of Research and Education & Business Services Analyst***

Â Thankyou and congratulations on the better-than-expected second quarter results, everyone. I have a few follow-up questions. First off, I'd like to start with the impact of inflation. -- both on your P&L and on consumer behavior. Your Service Corp. announced earnings earlier this week, and this was a big topic on their call. So I thought I'd ask you some of the same questions. In the second quarter, your field EBITDA was better than expected, driven by cemetery. Your overhead expense was less than expectations. But within funeral, while revenues were up 4.6%, the field EBITDA was down 0.5%, suggesting some margin compression. So my first question is based on your decentralized structure, how do your funeral managing partners evaluate price increases in the context of the funeral standards incentive comp structure.

Carlos R. Quezada ***Carriage Services, Inc. - CEO & Vice Chairman***

Alex, this is Carlos. And let me just break in a couple of components first. If you compare the compression of margins between first quarter and second quarter is a significant difference from where we are today, and that's because of the effort and focus on pricing and cost saving strategies at the business level. Managing partners have a full freedom to go and decide what the pricing should be for the business based on the competition. We highly believe as a decentralized organization that the decision-making power on things that truly matter should be and remain in the field. The other competition better than us. We're 2,000 miles away from many of them, and they know what's really going on between families that are asking questions, making calls and shopping. And so we do leave that pricing power to them. And we're working really hard in showing where the opportunity is, so it can lead to the right decision based on the financial performance expected for each business. We feel very confident with the efforts we have done that we're catching up inflationary cost, not fully as you highlighted on our EBITDA, but it is a significant improvement compared to where we were last quarter. We believe that as we continue to move forward, that compression should be even less because we are not experiencing increase over increase over increase quarter after quarter. It has been somewhat steady, delink was here and there, but nothing too dramatic. So we are very, very -- with high expectations that we should be able to have this pretty much in control.

Alexander Peter Paris ***Barrington Research Associates, Inc., Research Division - Director of Research and Education & Business Services Analyst***

That's helpful. So while there's compression year-over-year, there's improvement sequentially from the first quarter during this period in which you're trying to pass along those costs. Great. Second and related question is Service Corp noted on their last conference call that the -- within their cemetery business, they noted more price sensitivity with their lower-tier property sales, less so on their mid- and premium level property sales. Did you see similar behavior in your cemetery business?

Carlos R. Quezada ***Carriage Services, Inc. - CEO & Vice Chairman***

Contrary to that, Alex, we had a phenomenal, phenomenal quarter for pre-need cemetery sales. -- shampoos and the whole team of directors so support and every sales manager in the business did an exceededly well job -- we did 116% over prior year of preneed property alone and pretty much same thing, 116% on preneed merchandise and services. This is the result of 2 companies at different stages as it relates to preneed properties. Before, let's say, 3 years ago, Carriage didn't really have the structure to sustain growth on the preneed side through a very structured approach on compensation, led generation, CRM, things of that nature. So we are very young, really on the early stages of cemetery growth over time, early stages almost -- maybe not an infant, but certainly a toddler. One of executives pointed out to me today. And I believe SCI, they have done an incredible job for many, many years. And so they are a more mature organization. And I believe because of that, because the past history of Carriage of not having that type of organization, we just have way more opportunity. And because of that reason, we have not found any significant pushback as it relates to lower income families and discretion spending.

Alexander Peter Paris ***Barrington Research Associates, Inc., Research Division - Director of Research and Education & Business Services Analyst***

That's good to hear. Just to be clear though, you had a 116% increase in preneed property sales in the quarter.

Carlos R. Quezada ***Carriage Services, Inc. - CEO & Vice Chairman***

Correct. Now remember that, that includes unrecognized revenue, right? So just pure preneed sales?

Mel Payne ***Carriage Services, Inc. - Executive Chairman of the Board of Directors***

So Alex, this is Mel. Good to be back and talking to you again. I've been so impressed at what Carlos has built over the last 3 years when he get promoted, he turned over the organization to Shane Pundenz. And I've been equally impressed at what Shane has done and his growth in development is a really senior leader. We had our first Board meeting with all 3 new members yesterday, and I was blown away by Shane and his presentation of a game plan to keep the momentum going in preneed property sales. He didn't bring up one time the consumer being an optical in the third and fourth quarter of this year. So I'm assuming the momentum that he has going which continued into July. We'll also be also continue into the third quarter and the fourth quarter and next year and years after that. I agree with Carlos. I never could get a pre-need organization to be a high-performance culture organization. Carlos knew how to do that. It took time and effort and a lot of sophistication. And now as guided in place. We have strategic plans in all of our largest properties. We never had those before. We can allocate precious capital to a very high return on investment in these developments. And now when we have the organization who can sell it at very high margins that will be sustainable into the future. So I'm excited about it. We never had this engine to push. We were always too relied on death rates. Now we're not.

Alexander Peter Paris ***Barrington Research Associates, Inc., Research Division - Director of Research and Education & Business Services Analyst***

Great. Super helpful. And then just a point of clarification. And I think I know the answer to this, but pre property sales were up 116%. But in the press release, you talked about a 3.4% decrease in the number of pre-need interment rights sold. Am I thinking about apples and oranges here? Could you explain the difference in terminology there?

Carlos R. Quezada ***Carriage Services, Inc. - CEO & Vice Chairman***

Â Absolutely. I apologize for that. So when you think about it, there's a few components on the cemetery side, Bina specifically, right? One could be the number of interments, which is just the actual number of burials that will take place over time. But that doesn't really correlate directly to the revenue per one of those incurments. The other piece is on recognize revenue. That's why you'll see a difference between the 116% on preneed property and the revenue we had recognized from those preneed profits, even though we have a phenomenal preneed recognition rate, you still have timing a little difference between the 16% -- almost 17% and the 16.2% that you can see on total cemetery field EBITDA.

Mel Payne ***Carriage Services, Inc. - Executive Chairman of the Board of Directors***

Â And is that because we don't get the down payment, (inaudible)

Carlos R. Quezada ***Carriage Services, Inc. - CEO & Vice Chairman***

No. So that could be because -- well, yes, down payment is one and maybe the development has not been delivered and we need to wait for the delivery to take place in order to be able to recognize that revenue.

Alexander Peter Paris ***Barrington Research Associates, Inc., Research Division - Director of Research and Education & Business Services Analyst***

Got you. So it's a... Question difference... Yes, it does. And then I guess that's it for me, I'll go back into the queue. And again, congrats on the quarter.

Operator

One moment for our next question. (Operator Instructions) our next question comes from John Franzreb of Sidoti & Company.

John Edward Franzreb ***Sidoti & Company, LLC - Senior Equity Analyst***

I guess I would like to start with the guidance expectations. I guess you still have a cautionary note that you revised the next quarter, but I'm wondering what's the status of the December 2022 outlook for 2024. Any thoughts about that midterm guidance outlook and maybe an update there?

L. Kian Granmayeh ***Carriage Services, Inc. - Executive VP, CFO & Treasurer***

John, yes, this is Kian speaking. Focusing on 2023. So the revision that we kind of signaled is more just tightening things up for 2024. When we look at -- I'm sorry, 2023-- now when we look at 2024, you kind of want to see how things play out, but nothing has really changed in terms of our guidance and expectations that we've laid out as a result of the December 2022 kind of forecast we had and the goals we put out there. So we feel comfortable with those -- that guidance as of now. But as we get more visibility as we get closer into next year, we will make sure to update the market appropriately. --

Mel Payne ***Carriage Services, Inc. - Executive Chairman of the Board of Directors***

John this is Mel. I know Carlos is going to come in, too. We did that, and it's always dangerous when you try to predict what will happen 2 years out. So we did it at a very high level. Now what we're seeing so far is that we're on track to do that, but we don't want to change anything right now. We'd rather see a little more progress. But post-COVID, with that, we're actually seeing pretty good volumes in our funeral business. better than we actually thought we would and even more success in our preneed property and cemetery portfolio. So if things keep tracking the way they are and we get more updates, we'll have a tighter range for you. That's what Kian is alluding to, but it will be based on more data and more precise success, I think, where we wind up at the end of '24. So we don't -- our main thing here now is not to disappoint. We would rather under-promise and over-deliver rather than overpromise and underdeliver, which is something we did in the past. As far as I'm concerned that whole concept of burial...

Carlos R. Quezada ***Carriage Services, Inc. - CEO & Vice Chairman***

I'll have a little bit more color, too. When you think about seasonality, this has always been a seasonalized business. We talked about this in the past, Q1 being typically the #1 quarter for a year, then Q4 being the second quarter for the year. Second quarter would be the third -- I'm sorry, third quarter will be the third and third quarter -- I'm sorry, third quarter will be the last one. I apologize for that. So we're going into the third quarter. In last third quarter, we experienced something interesting coming off COVID-19. We had a great Q1 phenomenal record-breaking phenomenal Q2. And then we had a great July, great August and suddenly dropped about 20% in September, mainly due to COVID-19 that's not showing anymore, right? And so we believe there should be some seasonality into 2023. However, we're highly encouraged, how the normalization is sitting way above the Pre-COVID 19l evels to give an example. 2019 into 2020, the cremation rate dropped by 3% in just 1 year, mainly due to restrictions and families not being able to gather. Then as it move into 2021 and 2022 went somewhere around 1.2% to 1.3%. What we have seen in a quarterly basis between 2022 and 2023 in the second quarter is a variation of only 0.9%. So it seems like even the cremation mix is going back to what it was, which was about a rate of 1% every year, and that's highly encouraging as we continue to move forward. And so which is want to be thoughtful, prudent and get more insight into the next couple of months, and then we should be able to give you more guidance, especially coming off third quarter in a row outperforming.

John Edward Franzreb ***Sidoti & Company, LLC - Senior Equity Analyst***

Fair enough. And just thinking -- when you're looking at the properties, are you seeing any meaningful regional differences in pricing or the willingness to accept pricing...

Operator

Please remain on the line. Well, we work on the technical difficulty. Thank you for standing by. We're working on the... Thank you for standing. by, we're working on resolving the technical difficulty and we'll be back up soon. Thank you. Thank you for standing by folks. One moment, we're working on a technical difficulty and will resume shortly. Yes, ma'am, we can hear you now. Thank you very much -- sorry for the technical difficulties, folks.

Carlos R. Quezada ***Carriage Services, Inc. - CEO & Vice Chairman***

Sorry, John, I don't know how much of my answer you got. I really apologize for that. We've only just got cut up what I was speaking and didn't realize.

John Edward Franzreb ***Sidoti & Company, LLC - Senior Equity Analyst***

I think we got all of the 2024 outlook, but I didn't hear anything about the differences in the regional pricing, if you heard that question.

Carlos R. Quezada ***Carriage Services, Inc. - CEO & Vice Chairman***

I did not hear that question. If you mind repeating the question, that will be one of...

John Edward Franzreb ***Sidoti & Company, LLC - Senior Equity Analyst***

Certainly, calls. I was curious if you see in the current pricing environment, any meaningful differences in the regional pricing across your properties?

Carlos R. Quezada ***Carriage Services, Inc. - CEO & Vice Chairman***

Â Is your -- when you say meaningful, do you mean like lower prices? Or are we able to... Increase price.

John Edward Franzreb ***Sidoti & Company, LLC - Senior Equity Analyst***

The ability to push back and/or accept. I'm just curious if there's any changes in...

Carlos R. Quezada ***Carriage Services, Inc. - CEO & Vice Chairman***

I'll give you some granularity here. So for example, the difference between our funeral average per contract between first -- second quarter of 2022 and this quarter of 2023 is just $1 at $54.90 for this quarter. The burial contract is $68 above what it was last year and the cremation contract is $71 of what it was last year. So from a -- even preneed final call average is $143 of what it was last year. So we do feel pretty encouraged that our pricing strategy is working and that we can increase revenue sustainably as we continue to work on that.

John Edward Franzreb ***Sidoti & Company, LLC - Senior Equity Analyst***

Okay. Fair enough. And I was curious that last quarter, you talked about hiring additional sales personnel. Is that process complete? Do you have all the people you need?

Carlos R. Quezada ***Carriage Services, Inc. - CEO & Vice Chairman***

It is in terms of upgrading. We are looking to add teams advanced planning teams in specific properties that will just add more to our preneed strategy. And so as we continue to recruit and play those themes and as those teams recruit considers and get them to a sale, it will be aggregate to our performance that we have today. It's not even in the calcinto our outlook just yet.

John Edward Franzreb ***Sidoti & Company, LLC - Senior Equity Analyst***

Okay. And one last question, and I'll let other people because I'm sure people have been waiting. On the relationship with National Guardian, I think you said you expect 40% to 60% growth in preneed funeral revenue a year after it's fully implemented. What gives you confidence in that kind of a number?

Carlos R. Quezada ***Carriage Services, Inc. - CEO & Vice Chairman***

So things -- just some color on to that, right? Right now, we did somewhere around $80 million in prearranged funeral production in general terms. We have a lot of relationships right now over 40, and that's why we have this new agreement to remove all those 40 over time. It's going to be a phased approach over the next year and then being able through this strategy, significantly grow those 80 million. The 40% to 60% that I'm referring to is referring to that EUR 80 million. So I believe we should be somewhere around $120 million to $145 million, $50 million sometime within a full year of execution after the full rollout.

John Edward Franzreb ***Sidoti & Company, LLC - Senior Equity Analyst***

Okay. I'll get back in the queue, guys.

Operator

One moment for our next question. Our next question comes from George Kelly of ROTH MKM.

George Arthur Kelly ***ROTH MKM Partners, LLC, Research Division - MD & Senior Research Analyst***

So first, just to follow up on a point, Carlos, that you were just reviewing the 40% to 60% growth in the preneed funeral that you expect over the next, I think, you said 12 to 18 months. The question for you is just what is it about this relationship that's so superior to your existing relationships? And I guess, what do they bring that's so new and incremental?

Carlos R. Quezada ***Carriage Services, Inc. - CEO & Vice Chairman***

Â Well, yes, what's different is, well, first, we never really focused on trying to grow our Parang funeral program. and by managing so many relationships, so many different commission schedules, so many different strategies by business, different relationships between where there is a marketer, meaning somebody that is selling on your behalf or the insurance company backing that marketer behind it. You lose, number one, your leverage in terms of being able to have better commissions from a general agent perspective because you have to negotiate each one of those 4 different parties. We have more than 40, but it becomes very complicated. So you usually leverage. But most importantly, you don't have a national strategy. You don't have a marketing advantage that you can use. You don't have the CRM because you have to rely upon the strategy that each one of those partners have in their training, their capacity, and there's really good ones out there. But Pricoa is really the #1 national opening company in the United States. They have a robust marketing program. They have a robust CRM already there. And by partnering with NGL, the National guardian Life insurance company, they're backing us in terms of a phenomenal advantages to Carriage into them and to every partner within this agreement, commission schedule. And so everybody wins, right? In our estimations, we should be doing somewhere around 4x the general agent commission we were doing before this agreement was signed. And so when you add that in addition to the acceleration of preneed net sales on the fuel side, it becomes very, very accretive to our financial performance.

George Arthur Kelly ***ROTH MKM Partners, LLC, Research Division - MD & Senior Research Analyst***

Okay. That's great. That's helpful. And then second question for me. Is there -- I don't know if maybe this is for Mel or Kian not sure. But is there a target leverage number that you're -- I don't know if it's 4x or maybe some 4x, but something that you just have in the back year head that you're working towards and you're going to be really prioritizing debt paydown until you reach that and then you'll kind of start to consider other uses of cash. Just curious what that number is.

Mel Payne ***Carriage Services, Inc. - Executive Chairman of the Board of Directors***

Yes, this is Mel. You're right. We do have a number, and we've always had a number. We just haven't lived up to it. It's 4x or less. And the reason having started this company and not knowing anything about it. I was told early on that now, you don't need to know a whole lot, except there's a lot of cash that comes out of the funeral business, so you can leverage it. I did that, and they were right. And then we built a bigger company. And we have now too much leverage. It scares a lot of common equity holders. I understand that. And I think when we put out our high-performance credit profile restoration plan, we mentioned that we want to get back to 4x or less. SCI has proven that they can operate really well at less than 4x and sometimes less than 3x, still generate a lot of cash to allocate value creation. So when we grow up, we want to be like them. I think I can say. They've done a great job at it. And Bob Altra, who died in February was a dear friend of mine. He was the founder of SEI pioneered the consolidation of this industry starting in 1962. And Bob would tell me "Mel, I should have been broke 4X" This industry bails me out every time. Well, I don't want to be broke and I want to create value for our shareholders. And I don't want anybody to lose any money on credit or on equity. So I think getting down to a perceived safer leverage ratio will enhance our multiple of our performance metrics, and that's what we're shooting for. And we'll do that by the end of '24.

Operator

At this time, I would now like to turn the conference back to Mel Payne for closing remarks.

Mel Payne ***Carriage Services, Inc. - Executive Chairman of the Board of Directors***

Thank all of you so much for tuning in today. This is a very special day for me. I've been back in the office to now a few days after working on my stroke recovery for months and months. And it's been a very emotional time for me because I've received here's the deal for all of those you listening in who might know me. It's not like I have this team wimpy personality. So anybody who gets to know me, knows that they're around somebody who has an energy and passion for what they do. And I don't hide it. I show it 100% of the time, and that seems to be what people really like from me. us like to us myself. But I have received so many good wishes for recovery, so many prayers. I just didn't know what to do to say thank you to all those people. And lo and behold, Carlos came up with a brilliant idea and I didn't have to do anything. He said, "Mel, why don't you make a video out of troop kind of back in the saddle and send it out to all of our people. So I did, and A.J. and his team, they just put magical stuff to go, thanks down the way here. What they do is amazing. So they came into my library and we recorded a video message from me to all of our people a week or so ago. And it was signed out a few days ago, I told my wife, I've had so many people send me messages, and I haven't known how I'm going to thank all of them, this is going to do it. And I think maybe a lot of people will listen to it -- what I want to prepare for is when I walked in this morning to this call, Carlos gave me pages of responses to the video. And I'm sitting here reading them while they're answering all your good questions, and I'm blown away all over again. So I just wanted to read one of them to give you a general sense of how they all sound in one way or another. And this is from Jason Wheeler. Jason is the new managing partner of Wood Family Funeral Home, which is part of the Green Loan acquisition in Bakersville, California from earlier this year. So he said, allow as a text message, we would like to share this message with Mel, Please, if there's any way to pass on this message about the message mail sent this morning, please do. It takes a lot of courage to get in front of a camera and be open and honest about such a situation. His message was obviously filled with love and encouragement. It was inspiring to say the least. So Mel, thank you. You have shown me that this company was built by a man who cares about his people and his company. This is not a company based on profit alone but a company that was based on his people and the client families the people serve in every business. Your words are encouraging and motivating God bless and praying for continued recovery. And here's the deal. It has always surprised me why people say our people are our best assets, but they don't really act like that to the people. And I've always acted like that to the people. And so they respond, they respond and we say we're decentralized. We have these high-performance standards. And the way I define the company is we're a high-performance culture company that happens to be in the field and cemetery business. And what we do in the funeral business is deliver high-value emotional personal services. And when you do that, you build financial performance and market share and reputation in the local community and in the industry. Same thing in the cemetery. People do a wonderful job, and I'm just so grateful to be here back to you and myself around the people, I love the most and care about the most in my life. Building this company has been the highlight of my life. And I could hopefully keep doing this for a long time. I know a lot of people are looking at us right now. I'm fine with that. Look, hard. Dig within theÂ surface because it's all good. And I just want to thank all of you for calling in and listening today. I'm so grateful for the leadership team I have in place. You got to hear CarlosÂ Steve, Kian. This is the dream team that always wanted. It just took me a while to get them in place and now they are, and I'm so thrilled. So thank all of you for tuning in, and we look forward to reporting our progress for the rest of the year.

Operator

Thank you. This concludes today's conference call. Thank you for participating. You may now disconnect.