

Carriage Services 3rd Quarter 2026 Earnings Webcast

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Corporate Speakers

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

Participants

- **George Kelly;** ROTH Capital Partners; Analyst
- **Laura Maher;** B. Riley Securities, Inc.; Senior Equity Research Associate
- **Parker Snure;** Raymond James & Associates, Inc.; Analyst
- **Alexander Paris;** Barrington Research Associates, Inc.; Analyst
- **Scott Schneeberger;** Oppenheimer & Co. Inc.; Managing Director

Operator: Good day and thank you for standing by. Welcome to the Carriage Services Third Quarter 2026 Earnings Conference Call. Please be advised that today's conference is being recorded. I would now like to hand the conference over to your speaker today, Sam Mazzu, Vice President, General Counsel and Secretary. Please go ahead, sir.

Sam Mazzu: Good morning, everyone, and thank you for joining us to discuss our third quarter results for 2026. In addition to myself, on the call this morning for management, are Carlos Quezada, Chief Executive Officer and Vice Chairman of the Board of Directors; Steve Metzger, President and Chief Operating Officer; and John Enwright, Chief Financial Officer. On the Carriage Services website, you can find our earnings press release, which was issued yesterday after the market closed. Our press release is intended to supplement our remarks this morning and include supplemental financial information, including the reconciliation of differences between GAAP and non-GAAP financial measures. Today's call will begin with formal remarks from Carlos and John and will be followed by a question-and-answer period.

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

Carlos Quezada: Thank you, Sam, and welcome to everyone joining today's third quarter earnings call. I want to begin by thanking the entire Carriage team. Every day, our people serve families during some of life's most difficult moments with compassion, professionalism and genuine care. The commitment to deliver premier experiences remains the foundation of our company and our long-term success. Today, I will discuss our third-quarter performance, address areas we are focused on improving and highlight the progress we are making on the strategic priorities that will drive Carriage's long-term success. And then I will turn the call over to John, who will review our financial results and update its full-year outlook in greater detail.

Let me begin with our operating performance. Throughout 2026, our operating environment has reinforced the importance of building a company that can deliver consistent performance through changing market conditions. During the first half of the year, lower-than-anticipated mortality pressure funeral volumes with comparable funeral contracts declining 4.7%. However, we saw an encouraging improvement in the third quarter, with same-store funeral contracts growing 2.3% and total funeral contracts increasing 2.5% compared to the prior year. Consolidated funeral average revenue per contract increased $109, or 1.9%, while insurance-funded preneed funeral contracts sold grew 7%. These results are encouraging and demonstrate progress from our internal focus on areas to drive volume and contract average. While mortality rates remain outside our control, our ability to gain market share, improve average revenue per contract and

consistently deliver premier experiences is firmly within it. We believe our continued focus on these fundamentals is strengthening our competitive position and creating the foundation for more consistent organic growth.

Turning to our financial results. Third quarter total revenue was 100.3 million, a decline of 2.4% compared to the prior year, primarily reflecting weaker cemetery preneed sales. Funeral comparable revenue increased 3.6% to 56.8 million, supported by improved contract volume and average revenue per contract. Cemetery comparable revenue declined 7.8% to 32.5 million. Comparable cemetery preneed sales totaled 25.7 million, a decline of 4.8% for the quarter; although production remains relatively flat for the first nine months of the year. Our cemetery preneed performance has not met our standards this year, and we are taking decisive action to improve this area. Over the past several months, our review of leading sales indicators has identified opportunities to improve the execution of fundamental sales disciplines. We are addressing this through a comprehensive evaluation of our sales operating system, including recruiting, training, the leadership, lead generation, conversion, compensation and individual productivity. We are also strengthening our sales management teams accountability, establishing clear performance expectations and improving our ability to identify and correct performance gaps earlier.

Simply put, flat performance to prior year is not good enough at Carriage. We recognize where improvements are needed, have a clear action plan already underway and are committed to delivering measurable progress and returning to our expected growth trajectory. As evidence of our underlying growth potential, our historical performance demonstrates the growth potential of our Cemetery segment. From the third quarter of 2023 through the third quarter of 2026, same-store total cemetery preneed sales achieved a compounded annual growth rate of 13.9%. Our focus is on building upon that foundation, strengthening execution and delivering consistent, sustainable growth.

Moving to financial revenue. We ended the quarter at 6.2 million, a decrease of 2.8 million, primarily due to additional trust taxes associated with the sale of certain Master Limited Partnership investments held in our trusts. John will provide additional details shortly.

Adjusted consolidated EBITDA was 27.7 million, a decrease of 16% with an adjusted EBITDA margin of 27.6%, compared to 32.1% last year. Adjusted diluted EPS was $0.59 per share, compared to $0.75 per share in the prior year's quarter. These results were primarily affected by lower cemetery preneed sales performance and the trust-related tax impact. While these financial results fell short of our expectations, we remain confident in the underlying strength of our businesses and our ability to improve performance through disciplined execution, supported by the successful implementation of targeted changes to our cemetery preneed sales organization.

Turning to our strategic growth initiatives. I am particularly encouraged by the momentum and quality of our acquisition pipeline. As previously communicated, we anticipated increased acquisition activity during the second half of 2026. Today, we have over $14 million in annual revenue, represented by acquisitions under contract and letters of intent, with anticipated

closings later this year and early 2027. This represents meaningful progress in executing our strategic growth priorities and reinforces our confidence in the opportunities ahead. Importantly, we remain disciplined and selective. We are focused on acquiring premier businesses with strong reputations, attractive market positions, cultural alignment and the potential to generate compelling returns on invested capital.

We will not pursue growth simply to become larger. Our objective is to build a stronger, more profitable Carriage through acquisitions that enhance our portfolio, strengthen our competitive position and create sustainable shareholder value. We believe our acquisition strategy, combined with improving organic performance, represents an important opportunity to accelerate progress towards our 2030 vision. Beyond our financial and strategic initiatives, one of the most important developments this quarter was the launch of the Carriageway. The Carriageway represents more than a cultural initiative. It is about defining who we are as an organization, how we lead, how we work together and the standard of performance we expect from our team.

Historically, Carriage has benefited from the entrepreneurial spirit, the strong local relationships and unique identities of our individual businesses. These remain important competitive advantages and we intend to preserve them. At the same time, as we continue to grow, we recognize the tremendous opportunity to operate more effectively as one Carriage, united by a shared purpose, common values and a culture of accountability, collaboration, continuous improvement and premier service. The Carriageway brings these principles together, creating a common foundation for leadership, talent development, operational excellence and experiences we deliver to the families we serve. Our passion for delivering elevated experiences is an important part of bringing this culture to life by recognizing and reinforcing the behaviors that make Carriage special. I firmly believe that culture and performance are inseparable. A strong culture creates alignment, alignment drives execution and consistent execution delivers results. The Carriageway is foundational to the company's success in building the exceptional operating company we envision for 2030. It will help us develop stronger leaders, attract and retain exceptional talent, share best practices and unlock the collective strength of our organization. We are excited about what this means for our people, our businesses, the families we serve and the future of Carriage.

As we look ahead, I want to leave you with a few thoughts. While our third quarter financial results did not meet our expectations, we are seeing encouraging progress in important areas of our business. Our funeral operations returned to positive contract growth while continuing to improve upon contract average. Our acquisition pipeline continues to grow with quality opportunities, and the Carriageway is bringing greater alignment, ensure accountability across our organization. At the same time, we recognize the work ahead, particularly as it relates to improving cemetery preneed sales performance. We are addressing these challenges directly and with a clear focus. What gives me confidence is not simply the opportunity ahead but the strength of our strategy, the capabilities of our people, the quality of our assets and our determination to execute. We have a clear vision of the company we're building, a strong foundation to build upon, and a leadership

team committed to turning our strategic priorities into measurable results. Our objectives remain unchanged; to build an exceptional operating company recognized for premier service, consistent performance, disciplined growth and sustainable long-term shareholder value creation. I am confident in our direction, encouraged by the progress we're making and excited about Carriage's future. With that, I will turn the call over to John.

John Enwright: Thank you, Carlos, and good morning, everyone. As Carlos discussed, our third quarter results reflected encouraging improvement in funeral contract volume and average revenue per contract, offset by weaker cemetery preneed sales performance and lower financial income. While the overall financial performance was below our expectations, the quarter also demonstrated the importance of our continued focus on operating execution, cash generation, and disciplined capital allocation. Today, I will review our third quarter financial results, compared with the third quarter of 2025, discuss cash flow and capital expenditures, provide an update on our balance sheet and capital allocation priorities, and conclude with our outlook for the remainder of 2026.

For the third quarter, total revenue was $100.3 million, compared with 102.7 million in the prior year quarter, a decrease of approximately 2.4%. Adjusted consolidated EBITDA was $27.7 million, compared with 33 million a year ago, a decline of approximately 5.3 million. Adjusted EBITDA margin was 27.6%, compared with 32.1% in the prior year quarter. The year-over-year EBITDA change was primarily driven by two components; comparable cemetery EBITDA declined approximately 3.5 million, reflecting weaker cemetery preneed sales performance, while financial EBITDA declined approximately 2.5 million. As Carlos mentioned, financial revenue was adversely affected by additional trust taxes associated with the sale of certain Master Limited Partnership investments held in our trusts. The financial EBITDA decline includes that impact, along with other year-over-year changes in financial income and related expenses. These decreases were partially offset by modest growth in our funeral comparable EBITDA, incremental acquisition EBITDA, lower overhead expense, and other changes. Our funeral comparable businesses generated 20.4 million of EBITDA, essentially flat to slightly higher than last year, despite some margin pressure. Comparable funeral revenue increased 3.6%, reflecting stronger contract volume and average revenue per contract, while comparable funeral EBITDA margin was 35.9%, compared with 36.9% last year.

In cemetery, comparable EBITDA was $13.6 million, compared with 17.1 million a year ago, and the comparable cemetery EBITDA margin declined to 41.8% from 48.3%. Comparable cemetery revenue was $32.5 million, down 7.8%, with preneed sales production of $25.7 million, compared with $27 million in the prior year quarter. This shows the significant impact that sales productivity and revenue mix can have on a segment profitability. As Carlos described, efforts are underway and our team is focused on more consistent execution, with an emphasis on sales leadership, productivity and conversion. Adjusted diluted earnings per share were $0.59, compared with $0.75 a year ago, primarily reflecting the lower adjusted operating contribution and trust taxes. Excluding the impact of trust taxes, our adjusted diluted earnings per share results would have

been $0.70 for the third quarter of 2026. GAAP-diluted earnings per share were $0.56, compared with $0.41 in the prior year quarter. The difference in year-over-year GAAP and adjusted results reflects, in part, the impact of prior year divestitures.

Moving to cash flow. Cash provided by operating activities was $24.7 million for the third quarter, essentially unchanged from the prior year quarter. Year to date, operating cash flow totaled $47.2 million, compared with $46.6 million in the first nine months of 2025. Adjusted free cash flow for the third quarter was 19.3 million, compared with 19 million last year. For the first nine months of 2026, adjusted free cash flow was 33 million, compared with 39.3 million in the prior year period. The year-to-date decline principally reflects higher capital expenditures and the difference in the adjustments between operating cash and adjusted free cash flow. We continue to view cash generation as a critical component of our capital allocation strategy, supporting reinvestment in our portfolio, selective acquisitions and financial flexibility. During the quarter, we closed on our new $300 million credit facility, increasing borrowing capacity commitment by 50 million. The new agreement provides additional flexibility to support strategic initiatives and is an important step in managing our capital structure. At quarter end, our bank leverage ratio remained flat at 4.1 times compared to the third quarter of 2025.

Interest expense was approximately $200,000 lower than the prior year quarter. Our average borrowing rate under the credit facility was approximately 80 basis points lower in the third quarter of 2025. Capital expenditures totaled $5.8 million in the quarter, compared to 6.7 million a year ago. Through the first nine months of 2026, capital expenditures were $15.1 million, compared to 12.7 million in the prior year period. Of the total capital expenditures in the quarter, maintenance capital was $2.7 million, growth capital was 3.1 million. We remain focused on investing in the facilities and cemetery development opportunities that support the long term performance of our businesses, while maintaining appropriate discipline around returns and cash flow. Overhead expenses were $13.6 million in the third quarter, compared to 13.7 million in the prior year period. As a percentage of revenue, overhead was 13.5%, compared with 13.4% last year. Year to date, overhead has decreased to 40.5 million from 41.5 million, or 13.1% of revenue, versus 13.3% a year ago.

We continue to manage our cost structure carefully while investing in people, tools and systems that we believe will improve execution and support our growth. Given the variability in revenue, maintaining expense discipline remains an important priority. Turning to our outlook for 2026, we are revising our full year expectations to reflect the year-to-date results, including lower-than-anticipated mortality rates during the first half of the year, weaker cemetery premium sales performance and the revised timing of expected acquisitions. While the improvement in our funeral business during the third quarter is encouraging, our updated outlook reflects the financial performance achieved to date and our current assessment of the fourth quarter. Our revised full-year outlook anticipates revenue between 415 million and 420 million compared with a previous range of 435 to 445 million. Adjusted consolidated EBITDA between 125 and 130 million, compared with 135 million to 140 million.

Adjusted diluted earnings per share between $2.90 and $3.05, compared with $3.35 to $3.55. We now expect adjusted free cash flow between 40 million and 45 million, compared with 40 million to 50 million previously. Our capital expenditure outlook remains unchanged at 20 to 25 million. Based on the first nine months of results, the revised ranges imply fourth quarter revenue of approximately 106 to 111 million and adjusted consolidated EBITDA of approximately 30 to 35 million.

In closing, our revised outlook reflects the areas where performance has fallen short of our expectations. We are encouraged by the improvement in our funeral segment but recognize that restoring cemetery performance and improving overall consistency remain important priorities. We will continue to focus on disciplined cost management, cash flow and capital allocation decisions that support long-term value creation for our shareholders.

This concludes our prepared remarks. I will now turn it back over to the Operator to open the line for questions.

Operator: Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you're using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. And again, press star one to ask a question. We'll pause for a moment to allow everyone an opportunity to signal for questions. And while we build that queue, we'll go to our first question from Laura Maher with B. Riley Securities. Please go ahead.

Laura Maher: Good morning. Thank you for taking my question. My first question is in cemetery. Is the weakness concentrated in a few large properties that are broad based across the 28 cemeteries?

Carlos Quezada: Yeah, it's a great question. Thank you for the question, Laura. So as we look at the analysis, and I'm going to give you some year-to-date numbers. It's pretty clear that it's highly concentrated in the California cemeteries. As we look at year to date, we look at California being down 7.1% on preneed cemetery property where everywhere else is up 10.1%. And so it seems like a very highly focused area. Specifically, once you look into the different brackets of pricing within California, it's pretty clear that the contracts between – below 10,000 – but really below 20,000 are the ones driving the most deficit on the preneed cemetery growth, whereas contracts between 20,000 and 30,000 is up by eleven point – I'm sorry – 13.7%. So we are addressing these challenges. If we're looking, if it's an inventory issue, if it's just a type of lead source issue to make sure that those, I call it, bread-and-butter contracts below the 20,000 average, we can target more and really get our contract count back on track in the California markets.

Laura Maher: Thank you. Thank you. My second question, is there any update on the non-core divestiture program and expected proceeds?

John Enwright: No, Laura. So we've pretty much wrapped up our divestiture focus. I haven't sold any additional businesses this year and don't have any plans to sell any in the future.

Laura Maher: Okay. Thank you. I'll pass it on. Thank you.

Operator: Thank you. And our next question comes from Alex Paris, Barrington Research. Please go ahead.

Alex Paris: Good morning, everybody. Thanks for taking my questions. Where to start? I think I'll start with the M&A pipeline. Very exciting. First question. Very exciting because you've only done one this year in May, and it was probably about a million-and-a-half in revenue by my estimation. So you got 14 million in annual revenue in the pipeline. Some will close in the fourth quarter, some will close in the first quarter. First question. How many businesses does this include and are they funeral, cemetery or combo businesses?

Steve Metzger: Okay. Good morning, Alex, this is Steve. So yeah, it includes a combination of all the above. So it's funeral homes, it's cemeteries, it's crematories spread out through five different states. And it's a mix of both new markets for us, which we're really excited about, bigger markets that are growing that we've been working to get into, but also increasing our presence in some markets that we've really been doing well in the past few years, and so working to build out the presence in those markets. So it's a really nice cross mix of all those things. And when we talk about the pipeline, this is my ninth year at Carriage, and we've never been anywhere close to the number of quality conversations we're having right now with businesses that align with our growth strategy. So what we talked about earlier in the year was the back half would be pretty active. And that will really be the launch for what we think is the new normal for us in terms of cadence on acquisitions. And they're going to look a lot like the types of businesses you've seen us acquire in the past. So high-quality combination businesses, funeral homes and cemeteries, high-quality standalone funeral homes with the opportunity to expand a presence in the market. So it's going to be a lot of what you've seen us do in the past.

Alex Paris: Okay. So just to follow up on that. How many closings are we expecting? Is it one, two, three, four acquisitions?

Steve Metzger: Yeah. So it's going to be five.

Alex Paris: And some will close in the fourth quarter, some will close in the first quarter, based on your current thinking?

Steve Metzger: Correct. And primarily driven by regulatory approvals and their timeline.

Alex Paris: Got you. And then I assume pricing is in line with your historical discipline.

Steve Metzger: Correct.

Alex Paris: Great. And then just let me move on. I wanted to – you talked a lot about cemetery, so I'll focus my question on funeral. Funeral was pretty exciting on a same-store basis. Funeral contracts were up 2.3% in the third quarter. That's an improvement from the second quarter, when it was down 3.5%, and the first quarter when it was down 5.8%. In your guidance, in your implied guidance for the fourth quarter, do you expect that comparable contracts to persist, comparable contract growth to persist in the fourth quarter?

John Enwright: Alex, this is John. So as we think about guide for funeral, we do anticipate it to be called low single digits in the fourth quarter. So we anticipate year-over-year growth, slight growth ultimately. And we do think there's an opportunity as we think about just funeral for some ARPC, some growth in pricing as well, which will help us get to, call it, that low single digit in total revenue growth.

Alex Paris: Just to be clear, the low single digits you refer to in funeral, you're talking about contracts, and then on top of that average revenue per contract?

John Enwright: Yeah. So I would say ultimately, flat to, call it, 1% from a contract perspective. Ultimately, then some benefit associated with ARPC to get a little bit higher in low single digit growth expectation.

Alex Paris: Okay. And as I – just conservatism? You're up 2.3%. Having – 0-1% – is that just conservatism or –

John Enwright: Yeah. I would say in the third quarter of last year – I don't want to call it an easy comp – but, if you remember, August was down, September was down. So there was an easier comp in the third quarter compared to the fourth quarter as we look at our data. As we close, and we're not fully closed with October, so we see we're slightly up in October, which is meeting our expectations. It's not up to the, call it, the 2.5% or 2.3% that we achieved in the third quarter.

Alex Paris: Mortality.

Carlos Quezada: One quick caveat to that is that if you remember last year, there was some shifting of the flu season from December to January based on how weather impact – especially some of the northern states. And so that's just a function that we can really forecast for. So we're just using our best trends for the last few years to kind of like guide for that. But I'm just putting that out there that if some shifting of the flu season were to happen again, then it becomes a little more difficult

to forecast.

Alex Paris: Got you. And is the mortality rate back to normal in the third quarter? Obviously, it was below trend in the first half. But is it – my working understanding is the death rate in the United States is approximately 1% per year. It was below that in the first half. Are we back into that 1% range? And where is your source of data on that other than your own internal operations?

Carlos Quezada: Well, as you know, CDC data is a little behind, typically around three, four months behind to what's currently happening. So it's difficult to say the death rate is back to normal. From our perspective, the way I look at things, if I compare it to the available information that I have, I'm going to use SCI example for the third quarter. Core funeral home for them was down by 50 basis points, whereas our volume, total funeral volume comparable was up 2.3%. And so to say that's a function of death rate, it will be complicated. I do think it's a function of more market share gains and the focus we have in in strategically gaining families through our phone shopper training, through our package presentation, conversion cremation and things to that nature. And so it seems to me that that's a reasonable explanation for the volume increase that we have.

Alex Paris: Makes sense to me. Thank you for that. And then last quick question. Funeral, that tax implication, is that confined to the third quarter? Do you expect fourth quarter funeral revenue and field EBITDA to be comparable to what it was before Q3?

John Enwright: Yeah. The trust tax impact was confined to discrete item for – our expectation is the third quarter. We don't expect to see any of that hit the fourth quarter going forward.

Alex Paris: Okay, great. I'll get back in the queue. I'll let somebody else focus on deep dive and cemetery. Thanks.

Operator: Thank you. And we'll next go to Scott Schneeberger with Oppenheimer. Please go ahead.

Scott Schneeberger: Thank you. Good morning. Carlos and John, just curious. I'll do that deep dive on preneed cemetery. From the first question, it sounds like you're performing well broadly geography, except for California, and it's the low end of the market. Is it just that? Is everything operating smoothly elsewhere? I know in the second quarter it was a little bumpy as well, and there's some new systems implementations and perhaps some distractions for the salesforce. So could you just speak about maybe the top two or three drivers? Geography is number one, but what's behind that and what system wide versus localized? Thanks.

Carlos Quezada: Yes. Historically speaking, we see that when there's some discretionary spending pressures in

the markets, California is one state that reacts perhaps more aggressively than other states. And it seems like we see a little bit of that there. But that's not the only reason why we see that decline. It's pretty clear, and I stated that in my prepared remarks and even on the release yesterday, that we – it seems like we have parted ways from some basic fundamentals for sales related to our headcount targets for recruiting, the training programs we have to elevate the skill set and being able to really improve the closing ratios that we have, and the management of the activity related to lead generation and the sales funnel that drives the performance. And so from my point of view, we have some significant improvement to do broadly. That includes outside of the California states. But I do see specifically to California some additional pressure we don't see as much elsewhere. We are addressing that through pricing, through inventory training, headcount; and even, as I mentioned on the prepared remarks, sales leadership improvement. But we did feel confident, as we have proven in the past, that our ability to drive preneed cemetery sales, diagnose the problems, execute with discipline, it is at a high level. And we believe we will be able to get back to that pretty soon.

Scott Schneeberger: Thanks, Carlos. And just – Oh, John, were you saying something? Sorry.

John Enwright: No.

Scott Schneeberger: Okay. I thought I heard something. Yeah, just a follow up on that topic, guys. What do you – I mean, Carlos, you mentioned improvement. What should we think about for time frame? Because it sounds like perhaps the macro factors, and then obviously it sounds like there's some productivity enhancements that you'd like to be making. What kind of type of time frame do you see that? And I guess I'll dovetail in, what should we think about in the fourth quarter for production?

Carlos Quezada: Absolutely. It's a good question. So we're able to diagnose this a few months ago. So it's not something we suddenly got surprised by as we saw the third quarter results. It's something we've been looking at for the past few months. Around the month of August, we had a pretty broad meeting with the sales teams to really get deep into what were the areas that we needed to execute better, identify areas of improvement in the three areas of sales, recruiting, training and activity, meaning lead generation and management of those leads. And we deploy some good plans since then. So through the month of September, October, and as we speak, we have been able to improve on the execution of that. We haven't seen the lift as fast as I would have hoped, but I do believe as we continue to execute on the program, we continue to recruit the headcount needed because we are below what we had last year at this time around and continue to provide inventory needed within those brackets that I mentioned, especially around California. We should be able to get back on track by the end of the fourth quarter. We are not putting on our guidance, meaningful growth on the preneed cemetery side, just to be mindful of the trend we have seen. However, I do expect to get back on track by the first quarter of 2027, like fully back on track.

Scott Schneeberger: Excellent. Thanks for that. And just one more I'm going to pop over to the funeral segment. Nice revenue growth there with some volume and revenue-per-service lift. But the margin didn't expand correspondingly. So could you just speak, I guess, John, of what were some drivers impacting margin over on the funeral side in the quarter? And what you think for that going forward? Was it investments? What was it otherwise? Just curious where you see that to project out next quarter and beyond. Thanks.

John Enwright: Yeah, it's a good question. We saw some pressure in really kind of the salary and benefit line ultimately was the main driver of kind of the point erosion. There were some other pieces and parts that ultimately I would call non-significant we can work through. But ultimately, as we think about kind of the leverage and the loss of leverage, call it the point, we saw that really being driven by salaries and benefits. So that will persist into the fourth quarter. But we are looking at ways to kind of manage that.

Scott Schneeberger: Great. Thanks. I'll turn it over, guys. Appreciate it.

Operator: Thank you. And next we'll go to Parker Snure with Raymond James. Please go ahead.

Parker Snure: Hi. Good morning. So just one quick one on the fourth quarter revenue guidance. It seems to imply a step up from roughly 100 million in the third quarter, up to about 108 million in the fourth quarter at the midpoint of your new guidance. Just curious if you could give some color on the drivers there. It seems like the tax item is going to go away. That was about 1.7 million, by my math. Correct me if I'm wrong there. I believe you also said some acquisitions will fall in the fourth quarter. So just maybe try to parse out some of those details; how much of it is acquisitions, the tax item and then just other organic growth from 3Q, 4Q. Thanks.

John Enwright: Yeah. So you can think about that, the tax item was over 2 million. So call it $2.5 million just to use an average number, a round number of impact in the quarter of Q3. We – typically funeral volume is a little bit higher just generally speaking in the fourth quarter compared to the third quarter. So we just see that natural growth of that as well as we're going to see a couple points of improvement associated with that. And as we think about our acquisitions, some will close in the third quarter. So if I think about if you're trying to get to the midpoint of – sorry – $108 million, call it, two is going to be associated with that trust improvement, a couple million dollars probably going to be associated with funeral. We're going to have acquisitions of a benefit of maybe $700,000 to $1 million roughly around that number in the quarter. And then ultimately, cemetery performance could be a little bit better. And then there's some other benefits that we may see through the financial income performance as well. As we think about the impact of the third quarter, we're looking at potential benefits that we can have in the third – excuse me, from the third quarter into the fourth quarter that may drive the financial benefit a little bit higher.

Parker Snure: Okay. Thank you. Okay. That's helpful. And then just on broadly on acquisitions, appreciate your comment on the timing and the expected multiples and things like that. Just more of a high-level question. Have you seen any changes in the competitive nature of the bidding process for these businesses, whether it be competition from private equity, other large competitors, things like that? You've returned to M&A over the last year or so, but you took a bit of a break for a few years. So just curious if there's been a material shift in the number of competitors in these bidding processes, whether that's maybe putting some pressure on multiples, it doesn't seem that way, but – and just anything else that you would note that has maybe changed in the M&A environment recently?

Steve Metzger: Yeah, Parker. This is Steve. And from our perspective, the thing we're most excited about on the M&A front is the majority of deals we're looking at right now are home-sourced, for lack of a better term. And so they're not competitive deals. They're relationships that we have with these owners. And that's our preference obviously. On the competitive deals, when there are things that other people are looking at, whether – that process, the multiples continue to kind of be in the range we've seen over the years. Sometimes depending on the participants, it gets a little too rich for our blood and we tap out. We've seen that happen again this year. And primarily from some of the private equity-backed players who have entered. And we've got enough activity to where it's easy for us to be selective and say we'll pass on those and focus on some of these others.

Parker Snure: Okay. Thank you. Okay.

Operator: Thank you. And we'll take our next question from George Kelly with Roth Capital Partners. Please go ahead.

George Kelly: Hey, everyone. Thanks for taking my questions. To start, maybe I'll just follow up on the prior – M&A-related question. Two more for you. How do you plan to finance these transactions that you – assuming all five of these close, how do you plan to finance them?

And then second question is, how should we think about the cadence for next year and beyond? Is the pipeline beyond these five – is there a lot still in that pipeline or just – any kind of commentary on next year would be helpful as well.

John Enwright: Hey, George, I'll answer the first part of question and pass it on to Steve for the second. From a financing perspective, we'll use our free cash flow that we generate in the fourth quarter as well as our facility to finance.

Steve Metzger: George, on cadence. We expect this to look similar to kind of the new normal for us. We've got a number of opportunities in the pipeline. We have some offers outstanding that we're having

ongoing discussions with. So it's always tough to predict which quarters they'll fall into, because a lot of that just depends on the comfort of the owner in terms of when they're ready. But we think that we'll have a pretty steady cadence quarter by quarter that is similar to this.

George Kelly: Okay. Okay. And then, John, do you anticipate leverage getting much above 4 inclusive of these deals, or where do you think it'll move?

John Enwright: No. So we anticipate yearend to be between – given kind of the change in our EBITDA expectation, we expect to be between 4 and 4.1 at yearend.

George Kelly: And that's inclusive of all transactions?

John Enwright: That's inclusive other transactions. Yeah. Some will close again in Q1 of next year. Right. So some of that funding will be there.

George Kelly: Okay. Okay. And then second question is on the revenue guide change. It was – I think at the midpoint, it's around $22.5 million. Can you just help us understand the key pieces of that 22.5, like where did it stem from, M&A and funeral and cemetery, etc.?

John Enwright: Yeah. So the funeral is pretty consistent where we expected it to be. So the third quarter results were close to where we anticipated as well as the fourth quarter we're projecting kind of – we haven't made any real changes to our expectations given the fact that we were close on the third quarter. The largest changes in cemetery sales, when we talked and released in August, – July was good, June was good. And ultimately we expected to make up some of the shortfall that we had seen from our normal expectations for preneed sales. So the vast majority of the change is associated with cemetery sales performance. Obviously, from a trust tax, we took out, call it, the $2.5 million. We didn't anticipate that. That was about, call it, 10% of that change. That wasn't anticipated in our guide at that point in time. So we've adjusted our full year guide for financial income associated with that. And then when we were talking about acquisitions, we had expected, call it, between zero and five, depending on the timing of that. Ultimately, we're going to be on the lower end of that this year because most of them are going to close, call it, December. And the timing – we had initially thought maybe it'd be a little bit sooner than that. So really those are the components of how it's driven. Funeral did not – are not driving any real change to our forecast.

George Kelly: Okay, excellent. And then last one for me on Trinity. Any update there? The pilot rollout. Anything would be helpful. That's all I had. Thank you.

John Enwright: Yeah. So from a Trinity perspective, we are – we brought in a third party. I think you may have seen

ultimately we've changed leadership in IT. We brought in a third party just to help us assess kind of our program in total to make sure we're going down the right path. So we will share a lot more, call it, at the end of the fourth quarter. But ultimately, that's where we're at today.

George Kelly: Okay. Okay. Thanks.

Operator: Thank you. And with no further questions in the queue, I'd like to turn the call back over to Carlos Quezada for closing remarks.

Carlos Quezada: Thank you, everybody. I really appreciate joining the call this morning. And we really hope to have really, really good news as we continue to execute on our plans. I continue to be super-excited about Carriage and the vision we have for 2030. And we keep making progress, slowly but surely. I know that our preneed cemetery sales was sort of a disappointment this quarter, but we have made the changes in the process and systems to make meaningful improvements as we continue through this next few months. And I'm really excited to give you better news as we report the fourth quarter in February. Thank you, everybody.

Operator: Thank you. And this does conclude today's call. We thank you for your participation. You may now disconnect.