Carriage Services 2nd Quarter 2024 Earnings Webcast Transcript

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Operator: Good day and thank you for standing by. Welcome to the Carriage Services Second Quarter 2024 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, Steve Metzger, president. Please go ahead, sir.

Steve Metzger: 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 Carlos Quezada, Chief Executive Officer and vice chairman of the board of directors, and Kathy Shanley, Chief Accounting 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 includes 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 Kathy and will be followed by a question-and-answer period.

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

Carlos Quezada: Thank you, Steve, and thank you all for joining our second quarter earnings call. We're excited to share our progress in executing our five-year strategic objectives, which delivered another outstanding financial performance this quarter. But before we do, I want to express my heartfelt gratitude to every Carriage employee for their continuous commitment to excellence and never settling for less. Your dedication makes a real difference for the families we serve in our company. We sincerely appreciate your support and commitment to our shared goals. I want to thank Kathy Shanley, our superstar Chief Accounting Officer, for participating in this call as the search for a new CFO continues. On today's call, I will share some of our key financial metrics and provide an update on our most relevant initiatives. Kathy will focus on overhead, cash flow, and our leverage ratio.

Now on to our financial results. For the second quarter, our total revenue was $102.3 million, a significant increase of $4.6 million, or 4.8%. This quarter marks another remarkable milestone in Carriage history, as it is the second time we have surpassed the 100 million mark in a single quarter. The first being the first quarter of this year. These exceptional results were primarily driven by a phenomenal 31.1% increase in preneed cemetery sales compared to last year, and the continued execution of our funeral home pricing strategy, which boosted our funeral average revenue per contract by $212, or 4%. This financial success is a testament to our strategic planning, which has positioned us for continued growth and success, as well as the dedication of our team.

As we look at each of our revenue segments, total funeral home operating revenue decreased by 508,000 or 90 basis points to 59.2 million. This revenue decrease is driven by the expected slight decline in volume resulting from the pull-forward effect we have discussed in prior calls. However, we are able to make up a bit over $2 million in revenue through our increased average revenue per contract, which has delivered an increase in total funeral fuel EBITDA of $1.8 million, or 8.4%, and 340 basis points in total funeral fuel EBITDA margin to 39.5% compared to 36.1% last year. The comparable revenue on a lower cost base demonstrates our unwavering commitment to cost control and a strong partnership with our field leaders.

Now let's move to cemetery operating revenue. We ended the quarter at 34.8 million, an increase of 5.9 million, or 20.6%, compared to the same quarter last year. For total cemetery fuel EBITDA, we finished at 17.1 million, an increase of 4.2 million, or 32.6%, and a total cemetery field EBITDA margin of 49.1%, an increase of 450 basis points compared to 44.6% last year. This is another key achievement for Carriage, and we couldn't be prouder of our entire preneed cemetery sales teams for their determination to provide day-in and day-out, best-in-class performance in preneed sales.

For total financial revenue, we ended the second quarter at 7.1 million, an increase of 1 million, or 16.9%. This growth was driven by the continued execution of our preneed funeral sales strategy, which delivered an increase in general agent commissions, and in the quarter, at 1.4 million, an increase of 1 million, or 251% compared to the 406,000 during the same quarter last year. Our preneed funeral strategy continues to yield positive results and we're excited about our future performance as we continue to build upon our sales strategy.

As we move to adjusted consolidated EBITDA for the second quarter, we finished at 32.6 million, an increase of 3.9 million, or 13.6%. The combination of a higher average revenue per contract and the continued execution of our cost management initiatives delivered great success demonstrated by our adjusted consolidated EBITDA margin of 31.9%, an increase of 250 basis points compared to the same period last year. From a GAAP perspective, net income ended at $6.3 million, a decrease of $2 million compared to the previous year. This decrease was driven by non-recurring expenses related to our strategic review process and our prior CFO separation agreement. When adjusting net income for these two items, we ended at 9.9 million, an increase of 1.7 million, or 20.1%. Kathy will share more details on overhead later on the call.

Adjusted diluted EPS in the second quarter ended at $0.63 per share, an increase of $0.10, or 18.9%. And with the execution of the amendment to our credit facility, we are very well positioned to unlock additional value for shareholders due to the reduction of near-term interest expense. We are very proud of these results and after reviewing our key operational metric trends and forecast, we're excited to share that we're increasing our guidance for 2024 to the following ranges. 390 to 400 million in total revenue, adjusted consolidated EBITDA of 117 million to 123 million, and adjusted diluted EPS of $2.30 to $2.40. Adjusted free cash flow remains at 55 to 65 million. Kathy will share more details about our revised guidance.

Our second quarter performance marks six out of the last seven quarters in which we outperform expectations as we continue to deliver on what we have previously communicated to our shareholders. We are filled with joy and excitement that our focus on our three main strategic objectives disciplined capital allocation, purposeful growth, and relentless improvement is yielding solid and consistent results. We will remain diligent through the execution of these strategic objectives, and we will continue to find opportunities to maximize our platform and unlock value for our shareholders.

For example, through relentless improvement, we are re-engineering our approach to our supply chain strategy. The first phase of this strategy will broadly impact all merchandise options resulting in elevated service delivery for our client families and increased savings from leveraging our scale. We expect to recognize some savings this year in a full phase one impact in 2025. Phases two and three will follow and additional savings are expected.

As a quick update, we continue searching for a CFO to help drive our long-term and strategic growth plan forward. While we have conducted multiple interviews, we have a very clear vision of what we need at this stage of our journey as this critical role will be a catalyst towards value creation and best-in-class financial planning. We look forward to reporting back once we fill this key position.

In closing, we are pleased with our second quarter performance and progress in executing our five-year strategic objectives plan. With plenty of opportunities yet to materialize, we're excited about where we are in our journey. And with that, I will hand it over to Kathy.

Kathryn Shanley: Thank you, Carlos. Thank you to all who are joining us on the call today. As Carlos mentioned, we increased our full year guidance given our strong operational performance for several quarters in a row. I will start by providing the cash flow and overhead highlights, then talk about what we can expect for the full year. Results for the quarter and year-to-date included adjusted free cash flow of 1.7 million, which was down slightly from the prior year quarter of 3.8 million. However, we are ahead of prior year on a year-to-date basis at 22.6 million versus 20.9 million, or 1.7 million ahead.
We recently amended our credit agreement, which shifted us from BSBY to SOFR. We retained our credit facility capacity and will also have a more favorable fee schedule resulting in near-term interest expense reduction. The new agreement will also align the bank and financial leverage ratios, resulting in a 4.58 times leverage ratio for the second quarter of 2024. This amendment demonstrates the strong partnership with our banks and their confidence in our performance and the opportunities that lie ahead for Carriage.

Turning to our progress this year, as it relates to capital expenditures, we continue to demonstrate our focus on disciplined capital allocation. Year-to-date, we have invested 7.1 million back into our businesses through capital expenditures. Growth CAPEX was 4.4 million and maintenance CAPEX was 2.7 million year-to-date.

Now shifting to overhead. Overhead was 20.4 million for the quarter versus 12.1 million in the prior year quarter, resulting in just over an $8 million increase in overhead. The overhead variance was driven by a one-time $5 million expense related to the company's review of strategic alternatives. This is a notable G&A expense item, driven by the last of the anticipated expenses relating to this review, which concluded earlier this year. You will note that it is a non-recurring item and is reflected in our non-GAAP addbacks for adjusted EPS and adjusted consolidated EBITDA.

However, for cash flow purposes, we anticipate the payment of the 5 million to be spread evenly over the course of the next 12 months. Additionally, we had 1 million relating to Project Trinity costs and 800,000 for executive severance, which was also a non-GAAP addback in the period. And lastly, 400,000 of corporate short-term incentive compensation expense driven by our strong performance. Overhead, as a percent of revenue was 20% for the quarter. However, excluding strategic review costs and executive severance, overhead as a percent of revenue was 14.3 versus 12.4 in the prior year quarter.

Now, let's shift to what we can expect for the full year. Adjusted free cash flow for the full year will remain in the range of 55 million to 65 million. Although we have increased revenue guidance as we grow our business organically, the growth is projected to be primarily driven by cemetery preneed sales, which are collected over time. We are expecting capital expenditures to land about 18 million for the year. 9 million for growth CAPEX and 9 million for maintenance CAPEX, which is slightly lower than our initial expectation.

For overhead, as we continue to execute on our strategic objectives, we expect to experience slightly elevated overhead costs driven by Project Trinity. However, in the long term, as previously communicated, we anticipate overhead efficiencies after implementation is complete and after completion of other internal initiatives. We are targeting a leverage ratio of 4.5 times to 4.75 times for year-end. And as I mentioned earlier, we are expecting to experience a reduction in interest expense of 400,000 to 600,000 for the rest of the year as a result of a more favorable fee schedule provided by the new credit facility amendment.

That concludes my prepared remarks, and I will turn it back over to the operator to open for questions.

Operator: Thank you. We will now conduct a question-and-answer session. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure that your mute function is turned off to allow your signal to reach our equipment. Again, press star one to ask a question. We'll pause for just a moment to allow everyone an opportunity to signal. We'll take our first question from Alex Paris with Barrington Research. Your line is now open. Please go ahead.

Alex Paris: Thank you. And good morning, everybody.

Carlos Quezada: Morning, Alex.

Alex Paris: I just wanted to congratulate you on another beat and the guidance raise, which we've been anticipating. So, I have a couple of questions here that come to mind. First, on funeral services, volumes were down 4.5% in the quarter, as expected, generally because of the pull-forward effect of COVID, largely offset by an increase in the average revenue per contract. Not too different than what the industry leader, Service Corp announced last night. They had an unexpected decline in volume offset partially, at least by average revenue per contract. So as I said, not a surprise, but particularly because you said on the last call that March and April were a little weaker than January and February. How should we think about funeral volumes in the second half? I'm presuming that we're still going to have the effect of pull-forward and maybe some growth next year. Your thoughts?

Carlos Quezada: Absolutely, Alex. As we have shared in past calls, we still feel pretty strong about the trends. We believe third quarter and fourth quarter will continue to show a slight decrease in volumes from prior year, but to wash out pretty much by Q1 of 2025. The decrease will be slight. We should be able to continue to make up a big chunk of that volume loss through revenue increase through sales average. And so, we feel pretty confident based on our current trends, that we should be able to have a pretty decent third quarter and fourth quarter related to volume decrease.

Alex Paris: Got you. How did July go at this point? Or said another way, what the monthly trend during the quarter in terms of funeral volumes? Was it worsening? Was it lessening? And then the first month of the quarter.

Carlos Quezada: Slightly above last year on volume for July.

Alex Paris: Got you.

Carlos Quezada: So, as you can see, Alex, from July alone, we feel quite encouraged that we will still expect a slight decrease overall for the third quarter. We do see the balance of the year starting to level up from a comparable perspective on volume.

Alex Paris: So, in keeping with that trend that maybe the fourth quarter volume decline would be less than the third quarter volume decline. Is that reasonable?

Carlos Quezada: That's our expectation. Yes.

Alex Paris: Got you. Okay. And then specifically with regard to the interest rate on the variable debt, what was it in the quarter versus the year-ago quarter?

Carlos Quezada: Specifically, to our credit facility?

Alex Paris: Yes. I think you gave it last quarter 100 basis points lower. In Q1, you had said it was 8.9% versus 7.9% a year ago. I'm wondering those same numbers on a second quarter basis.

Carlos Quezada: Only 100 basis point difference between second quarter of 2023 and second quarter of 2024.

Alex Paris: Okay. So a similar increase or was it a –

Carlos Quezada: Similar increase. Very slight increase. But we've been very – and it's not coming, Alex, just to put some point of clarification, it's not coming from the rate itself is because we have decreased the size of our usage of the facility in comparison to last year.

Alex Paris: Exactly. So interest expense was lower because you had less revolver debt outstanding. Less variable rate debt outstanding. I think 154 million at the end of the quarter versus 189 million last year because you paid down debt there.

Carlos Quezada: That is correct.

Alex Paris: Okay, great. And then last and related question regarding the credit agreement. I think Kathy just mentioned that we would have 4 to $600,000 less in interest expense over Q3 and Q4. I think you extended the term. What other color can you give us on the amendment to the credit agreement?

Carlos Quezada: We are happy to share a lot of color on that. We achieved basically five things from our amendment to the credit facility. Number one was the allowance of up to 20% of EBITDA adjustments that resulted in aligning our financial and bank leverage ratios calculations. Number two is extending the term of the facility through 2029. Number three was a decrease of the rates by pretty much about 5/8 on tiers above 4.2 times, which we expect will be riding over the next probably year and a half.

That will result in savings in short-term interest expense. Also allows for M&A flexibility with a race to the cap, as you remember what was four point and a 4.25 now is 4.5. So, we have that flexibility moving forward. And it really reiterates the high level of confidence that the banks has encouraged. And so, we're pretty excited about where we are with our credit facility amendment. So very positive result from that.

Alex Paris: Great. I appreciate those answers to my questions. I'll get back in the queue. That's all I have for now.

Operator: We'll move to our next question from Liam Burke with B Riley. Your line is now open. Please go ahead.

Liam Burke: Thank you. Good morning, Carlos.

Carlos Quezada: Good morning, Liam.

Liam Burke: Carlos, the cremation margins were very high vis a vis even when the past where they were mid-40s and you posted a high 40s number here. Understanding that quarter-to-quarter, these margins bounce around but what created that significant leap?

Carlos Quezada: Well, we have launched a strategy for our cremation families and basically it has two fronts. One is an educational component to show all options to all families that are choosing cremation. This is related to let's call them packages, but it is really a walkthrough of what's truly possible in cremation. So as somebody walks in with a direct cremation idea, they may walk out with a recommendation with service, recommendation with increased merchandise, recommendation with a life celebration or some sort of gathering. And that, of course, is increasing our sales average per contract on the cremation side.

Our goal is to decrease the direct cremation impact from last year between 3% to 5%. So we'll have less recrimination and more direct cremation with service. So that's the goal. That has been a strategy rolled out pretty much throughout Q1 and really executed formally in Q2 across the field home portfolio and is making some significant impact. That's the biggest piece.

The second part to that, it has been a strategic review to pricing on all of our merchandise and services product. That doesn't mean that we do big increase across the company. It only means that we sit down with the managing partner with a lot of data analytics, so they can decide based on the trends on a five-year basis, what is the best option to make up for pricing including market share gains, including pricing of the competition, pricing for the businesses on the different categories for five years. And as they see all those trends, they make the most educated decision that is more convenient for their business.

Liam Burke: On that note, did you see growth in both traditional burial and cremation contracts or just cremation?

Carlos Quezada: On sales average?

Liam Burke: No, just on the actual contracts.

Carlos Quezada: Oh, no. So burial rate is down a little bit. For the quarter, 1.8%. However, cremation rate is up 1.4%. And so, we do continue to see that 1% to 2% trend that goes up and down to the quarters on an annual basis typically stays between 1% to 1.2%. But the strategy we're using to make up the loss of a higher average on the burial side to a higher average on the cremation side is actually working really well, as seen by our Q1 and Q2 performance.

Liam Burke: Great. And then lastly, on cemetery margins, they were high 40s, which is pretty darn good. Again, quarter-to-quarter basis, they do vary but why were they so significantly higher or can you keep doing it I guess is a better question.

Carlos Quezada: That's a great question. I wouldn't say they're sustainable over time. They're going to be on the high side between our first quarter and second quarter. But we did have a spectacular second quarter. And when you think about that, we did about $9 million of large sales. We had Qingming, which in the specific case of rolling hills, a really nice station-driven preneed property marketing out of California, had a spectacular Qingming season, and that really helped us drive these margins and this performance for the quarter.

We do believe that because where we are in our sales preneed cemetery journey or preneed sales journey. We still have a lot of upside because we have not been close to maximize our platform in our communities and the opportunities that we have out there. And Shane Pudenz our senior vice president of sales and marketing has done with the support of marketing an incredible job generating the leads that are giving these results. So while I don't expect the margins to stay close to the 50% number, I do expect for them to keep pretty high and for this continuation of performance probably over the next two to three years at least.

Liam Burke: Great. Thank you, Carlos.

Carlos Quezada: You bet. Thank you so much, Liam.

Operator: We'll move to our next question from John Franzreb with Sidoti & Company. Please go ahead.

John Franzreb: Good morning, everyone. Thanks for taking the questions. I have to start with your response to the previous question about cremation. I'm curious how much of that is the acceptance of other services, and how much of that is maybe because cremation has a lower ASP that it's easier to raise prices in regards to increasing the value of those contracts

Carlos Quezada: Well, that's a great question. I appreciate that, John. So we just started to track when I say just about two and a half months ago, at the beginning of the quarter, really to really understand – we have this switch from our current ERP system called CIFAS to Trinity. So, CIFAS doesn't really allow us to do much information on data analytics, but we have some. So, we were able to program the system to give us some data on this, let's call them for purpose of this call, packages.

So we can know how many families that come in with the idea of getting a direct cremation. They actually been upgraded to a cremation with something. Not enough data to actually me feel comfortable sharing on this call yet but I will feel more comfortable as we close on the third quarter, and I'll have second quarter and third quarter to compare, as it is a quite new strategy for cremation consumer. But we'll give you more update on that. But it is very positive. It's a significant take-up rate as that will be my expectation as per the average that we're seeing on the cremation side.

John Franzreb: Makes sense, Carlos. Thank you. And in regards to your supply chain and procurement review, you said phase one is done or near done and you expect results by the fourth quarter if I heard properly. What kind of magnitude do you expect in the phase one completion to impact the P&L?

Carlos Quezada: Absolutely. So we did the pre-work to the phase one. Pre-work meaning all the analytics around our merchandise, specifically more around urns and caskets and other areas too to discover what was the size of the opportunity. So that work was completed. And now we launched the strategy on the first phase, which will be related to specifically diamonds, upgrades on diamonds. That's the creation of diamonds from cremated remains and urn strategy and vendor strategy.

What that means is vendor agreements. It means the selection of core lines. It means creating the specific alignment of caskets so managing partners can choose to partner with those vendors at a better pricing than we ever had before because we are negotiating agreements with those vendors and get some additional benefit for Carriage. On that front just wave one or phase one of that supply chain strategy from now to the end of the year and we're in execution of phase one currently, we do expect to get somewhere between 450,000 to $700,000 in savings in other benefits from this strategy by the end of the fourth quarter. And then we do expect for just phase one, somewhere around $2 million in savings throughout 2025.

Now, as we go into phase two and phase three, there's other elements on the merchandise, both indirect and direct procurement that will land somewhere around potentially an additional $5 million over 2025 and 2026. Potentially more to come on that front as we continue to get deeper dives into the data and the opportunity. But it is quite an – it's really low-hanging fruit that is there for us to capture today. And that's really the approach to at least the first phase and then phase two and three through 2025 and 2026.

John Franzreb: So that's certainly very impressive. And I guess one last question regarding the outlook and the expectations that the death rate is going to continue to work against you in the second half of the year. But if I recall correctly, last year we had a surprise September. So when we start thinking about the comps on a year-over-year basis, we should still have a positive comp maybe in the September quarter and then a negative comp in the December quarter. Am I thinking about that properly or not?

Carlos Quezada: Well, so if you go back even to 2022, we had quite a big drop on September 2022 and we were not expecting a second big drop on September specifically of 2023. And we had them both. For some reason, September came lower than expected both years. I don't expect again, especially out of the comment I made on July trends for September to be such a big drop. I do expect that there be at least comparable, if not an increase to 2023. And so that's really where we stand but it was a surprise 2022 and it was a surprise 2023. So, it could be a surprise 2024 but not expected.

John Franzreb: It could be a surprise. Okay. All right. Fair enough. Thank you. Thank you for taking my questions, everyone.

Carlos Quezada: Thank you, John.

Operator: As a reminder, if you would like to ask a question, you may join the queue now by pressing star one on your telephone keypad. We'll move to our next question from George Kelly with ROTH Capital Partners. Your line is now open.

George Kelly: Hey, everyone. Thanks for taking my questions.

Carlos Quezada: Morning, George.

George Kelly: Morning, Carlos. Maybe if we could start as kind of a follow-up to that previous answer that you gave on the merchandise, the different phases of opportunity that you see over the next two or three years. I guess the question is, are there other areas beyond merchandise sourcing? I don't know if it's potentially labor or other significant areas that you're also targeting or does merchandise kind of represent the biggest by far area of efficiency as you look out over the next call it two to three years?

Carlos Quezada: So, merchandise is really the biggest bucket but there are other opportunities we're looking at as of today. I'll give you an example. We already moved from an internal audit team to an external audit team that is going to help us from that point of view. It's not big savings, but these are type of strategies we're implementing. Additionally, we are actually going to fully centralize accounts payable to our new system, Trinity, effectively January 1st of 2025, which should result in some additional savings. We are leveraging our scale on all technology, telephony, mobile phones, that type of thing.

So, it's very, very holistic approach. We have not been able to put a specific number to every single category and we're close to. We have enough data. We just don't want to commit to it just yet. We need to do a little bit more work on cleaning up that data up to make sure that it is reasonable and achievable. But there's significant opportunity that will come out of this supply chain procurement strategy as we move into the rest of this year and then over the next three years through 2026.

George Kelly: So, is it fair to say then, that getting back to a consistent 40 plus per, maybe call it low 40% funeral EBITDA margin is a very realistic situation, just as you look out over the next two years?

Carlos Quezada: Well, so really great question. As you know, we're close to that right now but that's been a result of a couple of things. Catching up to the inflation cost specifically on utilities, labor, transportation that we have experienced over the last couple of years. And we're still doing some catching up on that front so that get us closer to that goal. Additionally, from the revenue side, the sales average per contract making a significant impact, making up for that slight loss of volume.

But where we're really encouraged is once we get the volume back on track, once we wash off of this pull-forward effect and we're able to be on a comparable basis as we continue to deliver the strategies on supply chain that I just mentioned, continue to work on our pricing strategy and on the cremation improvement for upgrading that consumer. We do feel pretty strong that revenue will continue to grow and that the margin should be expanding to that 40%. But that will be probably 2025. I don't expect to get us to 40 through maybe Q4, but there's not that expectation just yet.

George Kelly: Okay. That's helpful. And then two last quick ones for me. Are there still more non-core assets that are under consideration for sale? And then second question is on pricing back to your funeral business. Thinking about next year, your commentary about volumes was helpful. Just about your anticipation for volumes to turn positive maybe this year, at the end of the year, but most likely, early next year. And I guess the question is just on pricing. Are you anticipating continuing to take pricing, or do you think you're getting kind of close to hitting a ceiling there and it'll go back to kind of flattish or just slightly positive for next year?

Carlos Quezada: I feel confident that we will continue our pricing strategy throughout Q3 and Q4. We have quarterly meetings through our regional partners and the directors of operations with our managing partners to review where we are. We can't suddenly just go 10% increase across the board. So, it's been slowly but surely because we want to balance the price increase with volume. We don't want to lose volume and lose our ability to compete.

And so, we're kind of like trying to see where the demand meets that perfect pricing to continue to increase volume and gain market share if possible, which is what we've been doing. But I do expect for those meetings to continue Q3, Q4, with some improvements, maybe not as big as we have done so far on pricing, but continue to be up maybe 100 to 200 basis points by Q4. And as it relates to your question on the divestitures, I'm going to ask Steve to answer the question.

Steven Metzger: Yeah. Good morning, George. Yeah. So for divestitures, we've already closed a couple of deals earlier this year for a little more than $11 million in proceeds. And we're looking at a couple of other opportunities. The good news for us is while they are non-core assets, they're still profitable businesses. So really, kind of making sure that the premium we get is significant enough to where it makes sense for us. But we have several opportunities we're looking at.

Secondary category where we've got some momentum is excess real estate. We like that because we're not losing any EBITDA, but we do have some excess land that is not in our plans for future development in some prime locations. So, as we look ahead to the end of the year, we think there's a good opportunity potentially to get between $20 and $30 million with relatively low EBITDA loss on that. So, we'll have more to report next quarter but it's progressing well so far.

George Kelly: Well, that's significant. Okay. Appreciate all the color. Have a good one.

Carlos Quezada: And George, just to add a little bit more on that one, our plan is as we continue to work on those divestitures, and we do feel we will be able to execute on some before the end of the year. It is important to highlight that we have paid down $60 million compared to a year ago from the peak of our credit facility, and that's very significant. That's about 0.79 turns in just about a year right on our plan with delivering.

And as we find this type of opportunities from a divestiture front, we'll continue to accelerate that commitment to paying down our debt. And as you have seen, we'll see some savings from our credit facility amendment and potentially some expected savings as the Fed does execute on September potentially. So very excited about our journey, about our financial position, about the execution of our plan as of right now.

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

Carlos Quezada: Thank you, everybody, for joining our call. The future at Carriage is full of opportunity and excitement, and we are filled with great enthusiasm. Our ongoing strategic initiatives and progress over the past year placed us in a strong position for continued innovation and financial growth. Our focus extends beyond immediate successes. We are laying the foundation for enduring value that benefits our shareholders for the long term. Thank you for your interest and support, and we look forward to reporting our progress on our next call.

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