



# Carriage Services 1<sup>st</sup> Quarter 2025 Earnings Webcast

**WEBCAST DATE:**

Thursday, 1<sup>st</sup> April 2025

**Operator:** Good day and thank you for standing by. Welcome to the Carriage Services first quarter 2025 earnings webcast. Please be advised that today's conference is being recorded. I would now like to hand the conference over to our speaker today. Steve Metzger, President. Please go ahead, sir.

**Steve Metzger:** Good morning, everyone, and thank you for joining us to discuss our first quarter results. In addition to myself, on the call this morning for management, are Carlos Quezada, Chief Executive Officer and Vice Chairman of the Board of Directors, and John Enright, Senior Vice President and Chief Financial Officer.

On the Carriage Services website, you can find our earnings press release, which was issued yesterday after the market closed. Our press release is intended to supplement our remarks this morning and 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 John and will be followed by a question-and-answer period. Before we begin, I'd like to remind everyone that during this call, we'll make some forward-looking statements, including comments about our business, projections and plans.

Forward-Looking statements inherently involve risks and uncertainties and only reflect our views as of today. These risks and uncertainties include but are not limited to factors identified in our earnings press release, as well as in our SEC filings, all of which can be found on our website. Thank you all for joining us this morning, and now I'd like to turn the call over to Carlos.

**Carlos Quezada:** Thank you, Steve, and welcome to everyone joining us for today's first quarter earnings call. It is an exciting time at Carriage. As we turn the page on a strong 2024, I am proud to share that our momentum continues. We delivered another strong performance in the first quarter of this year, which reflects the strength of our financial strategy and our focus on discipline execution.

Before diving into the numbers, I want to recognize the incredible dedication of our Carriage team. Their passion and purpose allow us to consistently deliver comfort and care to our client families, delivering premier experiences during very difficult times. They are the heartbeat of our performance and the reason why we continue to turn vision into value. Thank you to everyone for all that you do.

Today, I will walk you through key financial highlights and the progress of some of our most important initiatives. Then John will provide additional insight into our cost structure, cash flow, and gap numbers, focusing on this year tax benefit and leverage ratio.

Let's begin with the financial results. For the first quarter, we reported total revenue of 107.1 million, an increase of 3.6 million or 3.5% compared to the same quarter last year. The breakdown of total revenue is as follows: Total funeral operating revenue ended at 69.1 million, an increase of 3 million or 4.6% over the same period last year. This growth was driven by an increase in funeral home average revenue per contract of 1.8% or \$103 per contract and an increase in funeral home admin volume of 2.4% or 282 contracts.

As previously communicated, we observed a shift in the flu season moving some of the volume we would typically expect to see in the fourth quarter to the first quarter. If we look back on a comparable basis, the fourth quarter of 2024 was down 5.3% in volume compared to 2023, effectively creating a positive variance of 7.7% compared to the first quarter of 2025.

Moreover, comparing funeral home amid volumes of the fourth quarter of 2024 to the first quarter of 2025 on a same store basis, we saw an increase of 1,435 calls or 13.5% in the first quarter of this year. We estimate that only a portion of the first quarter's volume is related to the flu season shift. Typically, the first quarter of the year represents our highest funeral home volume.

We ended the quarter with total cemetery revenue of 27.9 million, an increase of 1.5 million or 5.8%. While this performance represents strong growth for

cemeteries, we expect our year over year pre-need cemetery growth rate to be between 10% and 20% for this segment of our business.

During our last call, I mentioned that we have been working through several strategic cemetery development projects involving a handful of our top performing cemeteries. We expect these projects to be fully completed shortly and return to expected growth rate range during the second quarter. We generated total financial revenue of 7.4 million during the first quarter, an increase of 613,000 or 9.1%. This increase was primarily driven by our strong pre-need insurance, funeral sale strategy and the pre-need funeral commission's income that is generated from these sales.

To showcase this growth, we finished the quarter with 2,541 net pre-need insurance contracts, an increase of 332 contracts, or 15% compared to the same quarter last year. We are excited about the progress made through our insurance pre-need funeral strategy and we look forward to continued execution this year.

Moving to adjusted consolidated EBITDA. We ended at 32.9 million for the first quarter a decrease of 653,000 or 1.9%. Adjusted consolidated EBITDA margin was 30.8%, a decrease of 170 basis points compared to last year. This decrease was primarily driven by the plan investment in our Trinity system, which for this quarter was 800,000 and an additional 800,000 from our field leadership development efforts invested in our managing partners forum aimed at elevating the skills and performance of these outstanding leaders. We do not adjust for either of these two expenses. However, the good news is that adjusted diluted EPS for the first quarter was \$0.96 per share, an increase of \$0.21 or 28% compared to the prior year quarter.

We are excited about the progress made during the first quarter, and as we reflect on our strong financial results, it is natural to consider whether an update to our full year guidance is warranted. Our results certainly point in a positive

direction and showcase the strength of our strategy and discipline execution across Carriage.

However, while we are encouraged by our moment, we also recognize that the broader economic environment continues to be uncertain. The US economy continues to send mixed signals regarding market volatility, inflation, and recession concerns. This reminds us to stay focused, disciplined and forward thinking. With that in mind, we believe the most responsible course of action is to maintain our current guidance for now. This does not reflect any lack of confidence in our performance. It is quite the opposite. It demonstrates our commitment to being thoughtful and prudent stewards of the company, ensuring we remain agile and prepared in this dynamic economic environment.

While April trends have remained strong, we continue to closely monitor our performance. If our current momentum holds throughout the second quarter, we expect to raise guidance accordingly. As always, our commitment remains to execute with the same strategic discipline in operational excellence that drove our strong first quarter results. We will continue to build on this foundation and create lasting value for our shareholders.

Moving to updates on our strategic objectives. Our Trinity system is in phase one of implementation, which is primarily related to back office systems. Phase two should beginning the third quarter. We're in the final stages of testing and are excited about the benefits and synergies Trinity will deliver. We will report more on our progress throughout the year. On the supply chain front, we have successfully launched our new earned core line, a key step in optimizing procurement, improving margins, and strengthening our national partnerships while delivering a better experience for our families through better offerings and a more thoughtful presentation of options.

As we enter the next phase, we're excited about the rollout of our express funeral funding partnership, which will simplify insurance assignment processes, improve families financial flexibility, and unlock new sales potential across all

funeral homes. Future supply chain phase will focus on our casket core line, fleet management, and other essential procurement categories, which will help us reduce complexity, drive cost efficiency, and elevate service delivery across all businesses. These initiatives are part of our broader continuous improvement strategy, which is now embedded into our daily operations.

If you have not had the chance yet, I strongly encourage you to read our 2024 shareholder letter. It captures the foundation we have built over the past two years, outlines our current strategic focus and most importantly, charts a clear path forward through our ambitious 2030 vision. It positions Carriage for sustainable growth and long-term value creation. You can find our shareholder letter on the carriage website.

In closing, we are proud of our strong first quarter results that reflect the strength of our strategy, the power of our culture, and the relentless execution of our high performance teams. This momentum results from a clear vision, discipline, leadership, and an unwavering commitment to excellence. We are redefining how value is created in our profession. Operational excellence, innovation, and a deep passion for service are not aspirations. They are the actions that consistently deliver premier experiences to the families we serve and unlock sustainable value for our shareholders. As we move forward, we do so with confidence, focus, and bold vision of the future. Thank you for your continued trust and believe in Carriage. I will now turn the call over to John.

---

**John Enright:**

Thanks, Carlos, and good morning, everyone. We're glad to have you with us today. After just over three months at Carriage, I feel incredibly fortunate to be part of such a talented team. It's meaningful to work for a company so focused on providing the very best experience to families who trust us in their most personal and challenging moments.

As Carlos mentioned, we're very pleased with our first quarter performance. It's a strong start and we're energized by the momentum heading into the rest of the year. While the macro environment may be a bit unpredictable, we're staying

laser focused on what we can control and pushing forward with our key initiatives. So let's dive into the first quarter results.

First quarter Gap Net income was 20.9 million, an increase of 13.9 million or 200.1%. The variance is primarily driven by non-recurring expense that occurred in 2024. Specifically, professional service expense related to the review of strategic alternatives as well as severance and separation expense, coupled with discrete benefit in the first quarter of 2025, associated with a tax windfall per shares vesting at a higher price than their grant value. The effective tax rate in the first quarter of 2025 compared to the first quarter of 2024, is close to a 15 point benefit in the rate, which also benefited diluted EPS ending the first quarter at a \$1.34, an increase of \$0.89 cents per share or 197.8%.

Moving on to cashflow statement. Cash provided by operating activities for the quarter was 13.8 million, which was down 5.9 million from the prior year quarter of 19.7 million. The change in value year over year is primarily driven by changes in working capital adjustment, specifically reductions in accounts payable and accrued liabilities.

Turning to capital expenditures for the first quarter. We had total capital expenditures of 3.2 million compared to 3.6 million in the prior year first quarter. We invested 1.8 million in growth CapEx and 1.4 million in maintenance CapEx. We also spent 1.9 million for Project Trinity in the first quarter. Based on CapEx spend our adjusted free cash flow for the first quarter was 13.4 million, which was down to 5.1 million from the prior year quarter of 18.5 million.

We paid \$17 million toward our outstanding debt this quarter, ending with a maintain leverage ratio of 4.2 times from five times at the end of the first quarter of 2024. We experienced a reduction in interest expense for the of 1.4 million due the amendment in our credit facility in 2024, as well as lower outstanding balance on the facility, "and our credit facility at 120 million drawn".

Now shifting to overhead. Overhead was 15.3 million for the first quarter compared to 19.4 million in the prior year first quarter, resulting in a 4.1 million

decrease in our overhead expenses. Prior year first quarter had 6.6 million in special items, primarily associated with professional service expense related to the review of strategic alternatives as well as severance and separation expense. If we were to remove those expenses, adjusted overhead in the prior year first quarter was 12.7 million or 2.6 million lower than the current year. The 2.6 million overhead variance was primarily driven by \$800,000 related to Project Trinity, \$800,000 related to the managing partner forum, \$600,000 related to payroll tax expense primarily associated with vesting of prior year grants, and 530,000 related to one-time non-recurring miscellaneous expenses. Of these expenses, we anticipate approximately \$1.9 million to be non-recurring and \$800,000 specifically the managing partner forum to be an expense that happens annually.

Overhead as a percentage of revenue was 14.3% for the first quarter of 2025, which is 200 basis points higher than our adjusted overhead percentage of 12.3% in the first quarter of 2024. If we exclude costs associated with expected non-recurring expenses, overhead as a percentage of revenue would be 12.5%, which is in line with our prior year and our communicated range.

Now, let's shift to the outlook for 2025. As Carlos indicated, we are maintaining our previously disclosed outlook as we continue to navigate the macro environment and fully expect to increase our outlook after our second quarter results provided current momentum continues.

As a reminder, our outlook includes the impact of planned divestitures but does not take into consideration any impact associated with acquisitions. As a reminder, our outlook for the following metrics were revenues are expected to be in the 400 to 410 million range. Adjusted consolidated EBITDA is expected to be in the range of 128 to 133 million. Adjusted diluted EPS of \$3.10 to \$3.30. Overhead expense to be in the 13% to 14% of revenue range, adjusted free cash flow in the range of \$40 to \$50 million. That concludes our prepared remarks, and I turn it back over to the operator to open it up 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 are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, that is star one to ask a question. We'll pause for just a moment to allow everyone an opportunity to signal. And we can take our first question from Alex Paris with Barrington Research.

**Alex Paris:** Hi, guys. Thanks for taking my questions, and then congrats on the strong start to the new year.

**Carlos Quezada:** Good morning, Alex.

**Alex Paris:** Morning. So I'll start with the funeral segment which was up as expected particularly given your comments on the last call that January and February were up. First question, how was March and April? I think you kind of implied in your overview comments that April continued strong as well.

**Carlos Quezada:** Yeah, the momentum has continued same from January all the way through April. Pretty strong on the funeral home site, mainly related to volume increase on a year to year basis and some 150 to 200 basis points related to average revenue per contract.

**Alex Paris:** Gotcha. The strength year over year, does this suggest that the COVID hangover is behind us?

**Carlos Quezada:** That's a good question, Alex. It's a little challenging to forecast that we have two questions. One is the one you just asked, and the second one is with the flu system shift we have experienced this year, we'll continue to be the new seasonality on flu season moving forward. That answer we don't really know, but as it relates COVID, we have been speaking about it for quite a long time. If you take up the number of deaths coming from COVID-19, and then you account

for reduction on or negative volume over the last few years, it should pretty much call for a wash off moving forward for this year. We truly believe this is a year that it levels up, that there should be a wash off and potentially increase of volume moving forward, and that's really what we have forecasted in our guidance.

---

**Alex Paris:**

Great. And then, on the cemetery side, pre-need and terminal rates sold were down in the quarter year over year. It was a similar situation over at your largest competitor Service Corp. I saw their press release last night that they also had a decline in pre-need property rates sold. First of all, it looks like Q1 is usually a smaller quarter seasonally for pre-need and terminal rates selling in looking back over the last couple of years. So seasonality could be one explanation for that decline a tough comp, as well, since that business has really ramped up over the last few years. But also something you refer to in your prepared comments, economic uncertainty. To what do you attribute the decline in pre-need in terminal rates sold?

---

**Carlos Quezada:**

So we have not seen a decline of pre-need cemetery revenue coming from pre-need cemetery sales related to discretionary spending. We have not seen, as a matter of fact, we have seen an expansion on our average revenue per contract, even on the cemetery side. What we attribute the decline or these acceleration -- because we saw pretty significant growth. We had a pretty decent growth on pre-need cemetery sales on a year over year basis. But what we have seen is the delay of available inventory in two of our premier cemeteries that we have, and particularly one which is in California. And during the Qingming season, our Asian community really goes and buys tremendous amounts of property out of this cemetery. And we took a little bit of time, I mentioned last call that we had a sinkhole out of that one cemetery, so it took us a little longer to get the permits to get the cemetery development aligned. But now we're back on track with that, and we believe we will return to our normal

10% to 20% pre-need cemetery growth on a year over year basis, starting in the second quarter of this year.

**Alex Paris:**

Right. That was helpful. Then I had a question about the divestitures in the quarter. In the press release you talked about proceeds of 18.7 million and a gain of 5.8 million on those sales. The question is, is this the 7.9 million in revenue and the 2.3 million in EBITDA that you talked about in your guidance revenue and EBITDA associated with the properties held for sale? Or are there other things left to sell in that bundle?

**Steve Metzger:**

Yeah, I'll just handle the question in regards to the guidance. This is a portion of that guidance. We still have another property that we looked like to divest in the second quarter, but we're aligned with the \$7.9 million where we expect that to be a good number of what we will miss.

In the analysis to follow up on John's point. There are some additional opportunities we're looking at that are not core assets that we feel good about in terms of having the opportunity to divest later this year. And I think the thing that we're really excited about, and we want to highlight, is when you look at the last 16 months, we've essentially sold about let's call it, \$7 million worth of EBITDA. We've raised about 31 million of proceeds. During that time, we've increased top and bottom line. So as we returned acquisitions, the organic growth engine of Carriage is very strong right now, and it's been able to make up for the fact that we've actually had fewer businesses in the past year, despite growing the company. As we are able to add some more premier businesses through acquisition, which we intend to do this year, and we can combine those two things together, that's where we think we accelerate growth for the shareholders moving forward. So it's a big part of our story.

**Alex Paris:**

That's a great segue for my final question. With the significant improvement in your balance sheet and your targets for year-end net leverage, do you expect -

- and it sounds like, and I think you even said it in the last call, you expect to do some M&A this year. Scale and timing, I'm curious about should we expect to see it in the third quarter, the fourth quarter?

---

**Steve Metzger:** Yeah, so we're talking to a number of owners right now, and again, just kind of going back when you think about those 16 months and \$38 million of proceeds. We do intend to reinvest some of those in higher quality EBITDA producing businesses and expect to be able to share more about that in Q3, and then again in Q4 as well. So back half of this year, there'll be more to report there, but excited to be able to add acquisitions back to the value creation story for Carriage.

---

**Alex Paris:** Great. Thanks for the additional color, and I'll get back into the queue. Thank you.

---

**Operator:** Thank you. Our next question comes from John [inaudible] with [inaudible] & Company.

---

**John Enright:** Good morning, everyone and thanks for taking the questions. Carlos, I'm curious about your opinion. I know in the first quarter we had pandemic conditions, but I'm curious about your opinion about vaccine fatigue. And how do you think that's playing out and impacting your business?

---

**Carlos Quezada:** Honestly, I don't hear managing partners, funeral directors, nobody of our team speaking around vaccine fatigue or any of pandemic related issues. I truly believe is just a function of our strategy or plan. The changes we have made to our core line, the changes we have made to our pricing structure, the changes we have made to the corporate model we have, our operating model as well. And we've been executing on those now for probably about two years, and it

seems like the momentum is continued to pick up and to continue to execute at a better pace. So I don't think it's related to those items at all.

**John Enright:** Okay. Fair enough. And can you just remind me what cost saving measures you are currently engaged in if any, the timing of the completion and would that be completed in this year or not?

**Steve Metzger:** Yeah, John, I can cover a few things just on the supply chain focused front. So right now, we completed last year moving into this year of RFP processes around insurance assignments, earns caskets, so really the big ticket items for us. We're working on a few things right now with websites and surveys that we think will result in meaningful savings. We'll have better insight into what those dollars look like next quarter. And as Carlos mentioned in his remarks, fleet is a big area for us, and so we've already seen material savings with our new approach to fleet. We have around 800 vehicles. So for us, that's an opportunity we continue to focus on. So that's over the next quarter to two quarters. That's where our focus remains, and we'll continue to grow on that as the year concludes.

**Carlos Quezada:** And, and just to add a little bit more to that, John. What's really exciting is that we are on the early stages of recognizing some of those savings. You know, our core line is being rolled out across the board at Carriage. It doesn't mean that it is fully executed in every single business. You know, it takes time for funeral directors to adopt to change, and meaningful savings will continue to be realized quarter to quarter through the end of this year. So we're really excited about those savings.

**John Enright:** Got it. And Carlos, I can appreciate the measure of caution given consumer sentiment. I guess two questions. Can you remind us of how Carriage reacted

in previous recessions and what kind of levers you anticipate bullying should we go into a recessionary environment?

**Carlos Quezada:** Yeah, so as you know, John, you've been following this industry for quite a while. It's quite a resilient industry and it's years of existence have shown through recession and depression times that continues to be pretty strong, and it's a good place to invest during these times because of course, death continues to occur and doesn't stop. People would think that most likely then families will stop spending money on celebrations of life and caskets and things like that. But through recession, whether it was 2008 or any recession we experienced lately, we have not seen that decline. The only thing that becomes perhaps a bit more difficult is the pre-need side.

However, in my experience on sales over the many years I've been in this industry now, it's pretty clear to me that it's just a numbers game.

So for example, if before you had to talk to, let's just say 10 families to sell one pre-need cemetery contract, all it means is now maybe you need to talk to 15 families to sell one pre-need cemetery contract. And so all we do is just accelerate and plan for lead generation programs, deliver those numbers to continue to fulfill our goals to 10 to 20% growth on a year over year basis on pre-need property. And so that's really all I have seen and haven't seen and have been in this industry now over two recessions. So I feel pretty strong about it.

**John Enright:** Great. Thanks for the color, Carlos, I appreciate it.

**Carlos Quezada:** Thank you, John.

**Operator:** Thank you. And our next question comes from George Kelly with Roth Capital Partners.

**George Kelly:** Hey, everybody. Thanks for taking my questions and congrats on a strong quarter. First, just to follow up to one of the prior questions. How big is the property you're contemplating monetizing in 2Q? And can you just ballpark like what could the proceeds be from that?

**Steve Metzger:** Yeah, so I would say in Q2, George, probably around 6 million in proceeds at this point. You know, some of that is contingent on closing conditions and timing, but I think 6 million is a good number for Q2.

**George Kelly:** And that sale is already factored into your guidance?

**Steve Metzger:** Yes.

**George Kelly:** Okay. Understood. And then second question for you on the cemetery business. Appreciate all the detail on the various CapEx projects that have been underway. It sounds to me like you're already seeing a return to that 10 to 20% growth. Is that a fair statement? It's a big uptick sequentially, and you had such a great Q2 last year. So just wanting to make sure, like what is your visibility on that 10 to 20% as soon as Q2. And then maybe secondarily, my understanding is there's another big project underway at a different property on the East coast. What stage of completion is that project?

**Carlos Quezada:** So we feel pretty strong about being able to come back to that 10 to 20% on the second quarter. We ended up at 5. 2% pre-need property sales over the previous quarter and the first quarter of this year, which is actually for most cemeteries, a pretty decent amount of growth more than I know for sure. However, because of the early stages of cemetery sales strategy at Carriage, it's only been less than five years. We believe we have a little bit of a longer, runway than most companies. And so that's where my confidence comes from and from knowing the job, our sales teams led by Shane Pundez are doing in creating a strategy that creates the lead generation programs and the training

and the recruiting and everything related to a successful sales team in this industry.

And so, those properties, the one you refer to in the East, have actually started to complete their developments, and so I have no concerns over that. As a matter of fact, I would share that good news we have from that specific business in terms of pre-need cemetery sales in the month of April already. And on the one in the West coast, what really slow us down was not being able to sell pre-need cemetery during Quingming. In this community where last year they had a very big month, and so this year we couldn't do that because the Asian community don't buy pre-developed property for the most part. They like to see it, they go to celebrate and mourn their death and then they go and purchase property that they see. And so, since now that passed and it's under Q1 for the most part, there'll be a little bit of that in April, but we still feel pretty strong about April's performance. I have no concerns on being able to sell pre-developed in properties moving forward and for the remaining of this year. So that's where the confidence comes from, George.

---

**George Kelly:** Okay. That's real helpful. And then maybe just one last one. On the other side of the business, on the funeral side of the business, just wanted to make sure I understood your comment. So what you've seen in April is a continuation of kind of, call it low single digit pricing and low single digit volume growth. Is that right?

---

**Carlos Quezada:** That is correct, yes. It is positive, certainly different than we have seen over the last almost three years since COVID-19. And so it looks pretty strong, very positive and excited about that.

---

**George Kelly:** Okay. I lied. I have one more quick one. And apologies if I missed it. Any kind of expected tariff impact?

**John Enright:** Thanks, George. No. From a significance perspective, we don't think that tariff's going to impact us significantly this year. If you look at our merchandise cost, it's a small percentage or any material and percentage is going to be associated with stuff that we import. So when we've looked and did an analysis, the maximum impact would be less than 10 basis points, and that's on a full year basis, so that's significant.

**George Kelly:** Okay. Excellent. Thank you very much.

**Carlos Quezada:** Thank you, George.

**John Enright:** Thank you, George.

**Operator:** And it does appear that we have no further questions at this time. Mr. Quezada, I will turn the call back to you for any additional or closing remarks.

**Carlos Quezada:** Thank you, everybody. And as we look ahead, we remain confident in our momentum and focus driving continued growth, innovation, and a long-term value creation. We appreciate your continued support and look forward to sharing our progress in our next call.

**Steve Metzger:** Thank you, everybody.

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