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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Carriage Services Fourth Quarter and Full Year 2022 Earnings Webcast. At this time all participants are in listen only mode. (Operator Instructions)

I would now like to hand the conference over to your speaker today, Steven Metzger, Executive Vice President, Chief Administrative Officer and General Counsel. Please go ahead.

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

Thank you, Catharine. Good morning, everyone, and thank you for joining us to discuss our fourth quarter and year end results for 2020. On the call with me this morning is Carlos Quezada, our President and Chief Operating Officer. Mel's currently recovering from knee surgery and will not be joining us on today's call.

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 me, and will be followed by a question and answer period. Before we begin, I'd like to remind everyone that during this call we'll make some forward-looking statements, including comments about our business and plans as well as 2023 guidance.

Forward-looking statements inherently involve risks and uncertainties and only reflect our view 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 R. Quezada ***Carriage Services, Inc. - President & COO***

Thank you, Steve. Good morning, everyone. We're excited to present our solid financial results for the fourth quarter and full year of 2022 and our 2023 outlook. Our team continues to execute our topline growth strategy for market share gains while delivering unique customer experiences and improving our bottom line performance.

But before we dive into the numbers, I would like to extend my sincere gratitude to everyone at Carriage. Your work is a testament to the fact that even in death, we can show love and compassion to those who have passed away. Your dedication and commitment serve as a reminder that life is ephemeral, but love and kindness are eternal. Thank you for your unwavering support.

Today, I will share our fourth quarter and full year performance in a brief update on our digital transformation journey. Then Steve will provide an update on acquisitions, financial performance and our 2023 outlook.

Before getting into the numbers, as you may have noticed, our earnings release format is different from previous releases. For the past year, we have carefully considered the feedback from investors and analysts. As a result, we have redesigned the format to share the Carriage success story in a concise and more traditional manner. We hope you find it informative and insightful.

Now to the results. The fourth quarter exceeded our internal expectations, especially after we held back on providing an outlook in Q3 2022 due to uncertainty regarding the post-pandemic death rate and its normalization. Our total revenue for the quarter of 2022 was $93.9 million, which represents a decrease of 2.1% from the previous year. For the full year, our total revenue reached $370.2 million, representing a decrease of only 1.5% after a high comparison driven by the peak impact from COVID-related deaths.

To put the impact of COVID into perspective, for the fourth quarter of 2022, we had 1.9% COVID contracts against 13.4% last year. That is an 11.5% less contract than in Q4 2022. And our revenue only decreased 0.1%. And for the full year 2022, we had 4.6% COVID-related contracts compared to 11.8% in 2021. That is 7.2% fewer contracts. To add more perspective, our total revenue increased by $96.1 million compared to pre-pandemic levels, representing 10.5% compounded annual growth rate since 2019. Our net income for the year was $41.4 million, representing a 24.8% increase over the prior year at a compounded annual growth rate of 41.7% from our 2019 base year.

Adjusted diluted EPS for the fourth quarter ended at $0.64 with a decrease of $0.14 per share compared to the previous year. And for the full year, our adjusted diluted EPS was $2.61, representing a decrease of $0.41 per share. However, we're proud to note that this number represents an increase of $1.35 per share on an annual compounded growth rate basis of 27.8% over the $1.25 of our pre-pandemic baseline of 2019.

Regarding our funeral home segment, we ended the fourth quarter with 11,811 funeral contracts, representing a slight decrease of 5% or 622 contracts. However, we're pleased to report that our funeral operating revenue was $64 million, with a slight decrease of 1.4% or 2.1%. Our funeral team has worked hard to improve the sales average, which was up by $158 per contract over the prior year. This led to a smaller variance in funeral operating revenue against a high comparable COVID impacted fourth quarter of 2022.

On the preneed funeral side, I am pleased to report that we have been actively engaged in redefining our preneed funnel strategy over the past year. Our objective is to streamline our operations and shift away from a previous approach of having multiple agreements with various insurance providers and marketers, to instead focus on a single provider and 1 to 3 marketers with a national presence. We're committed to working diligently to identify the most suitable partnerships for our organization and we're optimistic about the positive impact this new plan will bring.

After carefully evaluating various potential partners, we're confident that there is a significant potential for growth in preneed funeral, with projections indicating 30% to 40% increase in insurance sales within the first year of launching this new strategy.

As we continue to finalize all the necessary details, we're targeting the second quarter of this year for the launch. We're confident that our new preneed funeral approach will prove to be a resounding success and help us better serve our client families in a more efficient and effective manner while growing our preneed funeral backlog.

Now, moving to cemetery operating revenue. We're delighted to report that we ended the fourth quarter with $23.2 million of revenue, representing an increase of $708,000 or 3.2%. Our cemeteries continued to be an area of great opportunity for Carriage. We're focused on building our sales organization and continue to see upside being realized through the successful integration of our recent acquisitions. Our ongoing investment in new cemetery inventory will add to our value creation strategy in 2023 as many of these new cemetery projects are near completion.

As mentioned in our release from yesterday, we expect preneed cemetery sales to grow above 2022 levels by low double digits, while continually building up and developing our sales leadership team. Since launching our high performance sales strategy in 2019, cemetery operating revenue has grown by an impressive 22.2% compounded annual growth rate. We're excited about the potential for our cemetery segment and are confident in our ability to deliver continuous growth, particularly as we continue to add premier cemeteries in large growing markets through our acquisition strategy.

Now let me give you an update on our digital transformation journey. The investments we have made in our new ERP customer-facing platform known as Trinity is a strategic move that positions Carriage for exponential growth, continuous innovation and scalability, a unique approach in the death care industry. Trinity will be designed to deliver cutting edge technology that focuses on the 3 core pillars of our service goals: families, managing partners and support staff.

Through Trinity, we can create personalized family experiences through online engagement while offering additional revenue opportunities. Furthermore, leveraging our partnership with Funeral 365 and Microsoft Assured Cloud will enable us to maintain and have edge for the foreseeable future when it comes to technology.

The investment in Trinity will provide several benefits for our organization, including increased efficiency in finance, accounting and operational functions and automation of manual and paper driven processes that will transform how we engage with families. This will decrease risk while delivering an elevated customer experiences for the families that we serve.

Our operation partners will also have greater resources to provide inventory visibility and staff scheduling, among many others. Additionally, increased data analytics will empower decision making process. It will also ensure that personal information remains compliant with enhanced security and privacy controls, provide an increased protection to our client families.

Finally, I would like to share a theme for 2023 and 2024. At Carriage, we believe anything is possible if we push ourselves beyond our limits and strive for excellence every single day. This is the definition of our mission and vision of being the best. At the same time, possibilities are the field that drives progress and the foundational high performance.

But to truly unleash the power of possibilities, we must combine it with high performance mindset. Therefore, our 2023 theme of creating high performance possibilities is about turning these opportunities into reality. It means taking action to achieve our goals and pushing beyond our limits to move from good to great. High performance is the art of pursuing excellence in everything we do. It is about setting high standards, challenging ourselves to being the best we can be and embracing continuous improvement.

At Carriage, we're committed to creating a high performance cultured company full of possibilities. And by setting ambitious goals, embracing creativity and innovation and pushing ourselves to achieve things we have never achieved. We can create a culture where anything is possible.

In closing, we're pleased with our 2022 financial results, which is a testament to our team's hard work and dedication. We remain committed to our growth strategy and providing the highest customer experience while creating sustainable shareholder value by creating high performance possibilities in the years to come.

Now I'll pass the call to Steve.

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

Thanks, Carlos. I'll begin my comments this morning by discussing our free cash flow for both the quarter and the full year as well as provide a brief overview of our capital investments for those same periods. I'll then provide an update on our M&A activity before discussing our full year trust fund performance. And finally, I'll wrap up my remarks by providing an overview of our 2023 outlook.

During the quarter, we generated $8.9 million of adjusted free cash flow, a decrease of 13.6% as compared to our 2021 fourth quarter. This quarter-over-quarter decrease was primarily driven by higher interest payments and lower adjusted consolidated EBITDA. For the full year of 2022, we generated $49.8 million of adjusted free cash flow, a decrease of 34.2% versus 2021. Again, 2021 served as a high watermark comparable for us due to the COVID-related impact, which is driving the year-over-year decrease in cash flow.

We also paid approximately $8 million more in 2022 for incentive compensation that was earned for that peak 2021 performance. This number includes roughly $2 million for our good to great incentive award that will not be repeated in 2023.

During the fourth quarter, we also invested approximately $5.7 million back into our businesses through both maintenance and growth

CapEx, with roughly 42% of that total investment allocated to cemetery development projects. While we invested approximately 60% less in maintenance and growth CapEx for the fourth quarter of 2022 as compared to the fourth quarter of '21, our year-over-year capital investments increased by roughly $1.2 million to a total of approximately $26 million for the year.

The year-over-year increase was primarily driven by investments in our cemetery development projects as we continue to focus on providing new high margin inventory to our recently acquired cemeteries. As we look ahead, we expect our capital investments to decrease this year when compared to both '21 and '22 in alignment with achieving our leverage ratio target.

As it relates to our growth through acquisition activity, we mentioned on our last call that we'd entered into a definitive agreement to acquire Greenlawn Funeral Homes and Cemeteries in Bakersfield, California, and we expect to close that transaction subject to regulatory approval within the next couple of weeks. Greenlawn builds upon our growth strategy of acquiring larger businesses in growing markets. While we tend to do fewer transactions than some of our peers on an annual basis, our transactions tend to involve larger businesses with significant call volume and revenue.

To provide some context to our growth strategy, you can simply look at the last 3.5 years, a time period during which we've added approximately $80 million in additional revenue through acquisition, split almost evenly between our Funeral Home and Cemetery segments. So the businesses we've acquired in just the last 3.5 years will account for more than 20% of the midpoint of our 2023 guidance for total revenue, and we've done all of that while reducing our share count.

As we said many times before, we don't believe in the strategy of growing simply for the sake of getting bigger. Rather we focus on finding premier businesses that have the greatest growth potential located in strategic markets. And while it's difficult to predict when those businesses will be available, it's this selective approach that we will continue to propel our high-quality growth over the long term.

As it relates to our trust funds, while the markets ended 2022 on a negative note as concerns about inflation, higher interest rates and the risk of a recession drove volatility throughout the year, the performance of our discretionary trust portfolio outperformed the major indices and finished the year with a positive return of [0.7%] as compared to the S&P 500, which was down 18.1% for the year.

And to remind everyone, our portfolio has allocated roughly 46% fixed income, 43% equities and 11% cash, which makes that full-year positive return even more impressive, contributing to more than $22 million in financial revenue for the year. This outperformance was driven by our equity portfolio, which largely consists of companies that generate solid free cash flow and reward investors with high and sustainable dividends.

Since the beginning of 2020, we've realized approximately $46.5 million in long-term capital gains, including roughly $13 million in 2022. Our portfolio is producing approximately $10.2 million in recurring annual income at the beginning of 2020. As of the end of '22, we've more than doubled recurring annual income to roughly $20.8 million. There's been a lot of good work by Mel and the team to reach this point, and we believe that the portfolio is well positioned to continue generating solid capital gains and strong recurring annual income in the year ahead.

As Carlos mentioned earlier, we've spent a lot of time listening to feedback from our shareholders and rethinking the way we tell our story and how we message our results. As part of that focus on continuous improvement, we've not only updated the manner in which we present our earnings, but we've also decided to begin providing full year guidance at the beginning of each year. We'll update that guidance, if necessary, on a quarterly basis.

For 2023, we're forecasting total revenue in the range of $375 million to $385 million, which would be a high point in the company's nearly 32-year history. We're also projecting year-over-year growth in adjusted consolidated EBITDA in the range of $110 million to $115 million. We expect to generate free cash flow in the range of $50 million to $60 million this year and adjusted earnings per share of between $2.25 to $2.40.

While our projected adjusted EPS for 2023 represents an impressive increase of more than 85% as compared to our pre-COVID benchmark in 2019, we're forecasting a decrease from last year, driven primarily by increased interest payments of approximately $7 million. The increase in these interest payments is due to a combination of higher rates and higher debt balances and represents roughly $0.32 per share of earnings.

Our leverage ratio and increased interest expense will hit a peak when we close the Greenlawn transaction in a couple of weeks, and then both will steadily trend downward as we focus our capital allocation efforts this year on paying down our debt. Consistent with our high performance and credit profile restoration plan outlined in our December 12 release, we expect to finish 2023 with leverage of around 4.7x net debt to EBITDA. We'll then continue our focus on debt reduction next year, maintaining our target of finishing 2024 with a leverage range of 4 to 4.3x.

With regard to how we see the year unfolding, we expect Q1 to be the last challenging COVID impacted comparable as this period in 2021 continued to be significantly impacted by COVID-related deaths. Following Q1, we expect more normalized comps throughout the rest of the year.

Looking ahead, there are 3 key areas of focus that we want to highlight for our shareholders. The first is paying down our debt. As we've demonstrated in the past, when we commit to aggressively paying down our debt, we're able to delever quickly, and that's our plan for 2023.

The second is to continue our focus on integration and realizing the potential within our recent acquisitions. We've invested close to $0.25 billion in acquisitions in just the last 4 years. Internally, we're focused on all the opportunities within these acquisitions as there have been significant investments made for future growth by prior owners that we're currently in the process of developing.

Also, as highlighted by Carlos earlier, we continue to have strong growth opportunities through our cemetery sales and preneed efforts to drive continued growth of the nearly $40 million in cemetery revenue that we've added since 2019.

The third area is our focus on organic growth driven by new tools being offered to our businesses, ranging from service and guest experience investments, enhanced marketing efforts and continued investment in technology as an accelerator for our growth. The focus on earning every call and winning market share is discussed on a daily basis throughout our businesses, and we'll continue to make sure our teams across the country have the best resources to achieve these goals.

As you can probably tell, we're excited about our 2022 performance and the opportunities we have in front of us this year as we continue to position the company for sustainable long-term growth.

Finally, to wrap up our prepared remarks, I'd like to believe everyone enjoys when I talk about cash flows, capital investments and full year guidance. I am pleased to provide an update that we've made some good progress with our CFO search and hope to have more to report in the coming weeks.

Mel, Carlos and I have dedicated a lot of time to this search and have met with a number of great candidates. While they all have impressive backgrounds, we've been laser-focused on finding someone who can truly partner with the leadership team to execute on all the things we discussed this morning.

One of those key areas is how we tell our story. We know that Carriage has a compelling story, driven by one of the highest quality collection of businesses in the industry, first-class leaders, a nearly 32-year history and a well-paved runway for significant growth in the future. We like to say that despite the strength of the company today, we still don't believe we've hit our growth spurt, and that's what we're building towards each day.

While our story is an intriguing one, we're hard at work to make sure our storytelling is equally compelling. That storytelling component involves everything from how we present our earnings, setting expectations with full year guidance and focusing on the important stuff, those key drivers that are most important to our investors. As we welcome a new CFO to the team, rest assured, it will be someone who can help lead that focus and help drive the commitments we've laid out in both our high performance and credit profile restoration plan and on our call this morning.

And with that, we'll open it up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Liam Burke with B. Riley.

Liam Dalton Burke ***B. Riley Securities, Inc., Research Division - Senior Research Analyst***

Carlos, could you give us some sense as to the progress you're making on the direct cemetery sales team and where that stands and where you'd like it to be?

Carlos R. Quezada ***Carriage Services, Inc. - President & COO***

Absolutely. Happy to do that, Liam. So, as you know, we launched our CRM for the first time at Carriage around February 2022. We call that SalesEdge. That tool took a little bit of time to adopt, but right now it's fully adopted by the whole sales organization. And from that, now we've been able to actually get some interesting metrics as it relates to activity and the type of activity that are actually driving closing ratios and sales. And so we're very excited about that side.

Also, throughout the year, we have worked in developing the sales leadership from a skill set perspective, and that includes the counselors, but also growing as much as we can our sales force. We have also focused on making sure that we have all the right tools, sales leadership in the right seat in each one of our cemeteries that will continue to drive through technology and lead generation activities on a day-to-day basis our strategy for high performance growth on our cemeteries.

And so, I do feel pretty good. Like I said before, I still believe we're somewhere around 70% of optimization where we should be as it relates to cemeteries. But we'll continue to do more and more. I feel very positive about 2023, more than anything, because all the groundwork we have put as a foundation over the past year, but also because to back that up, we have invested a significant amount of dollars into cemetery inventory.

And we'll continue to do that, to provide enhanced inventory options to the families that we serve and to give those different tools to different cemeteries and their leadership as we continue to represent the families.

Liam Dalton Burke ***B. Riley Securities, Inc., Research Division - Senior Research Analyst***

If I looked at your results year-over-year, they were obviously down. But on a sequential basis, you've made a significant step-up in both Cemetery and Funeral Home. Are you comfortable you can continue that momentum now that you have everything in place?

Carlos R. Quezada ***Carriage Services, Inc. - President & COO***

We do. We're committing to low double-digit growth, preneed cemetery sales, property sales that is. We believe that some of the hurdles we have hit throughout 2022 had to do with the adoption of our SalesEdge platform, our CRM. But also working on making sure we had everybody in place. We have made some changes from a sale leadership perspective in some cemeteries. And we have probably 2 more that are going to be joining Carriage in really -- premium cemetery is coming up pretty soon. And once that happens, we're going to be 100% aligned with our goals and being able to really capitalize on our opportunity, which is significant.

Operator

Our next question comes from Alex Paris with Barrington Research.

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

Congrats on the better-than-expected finish to 2022. I wanted to dive a little bit more into Q4 by month, if possible. On the last conference call, the Q3 conference call, you talked about the sudden and dramatic decline in same-store funeral volumes and revenue in September. When you did that mid-quarter update in December, you said that things had -- or you noted a material improvement I suspect in October and November. Just wondering if we can get a little bit more color on that? And did that continue into December and January, same-store funeral volumes? Yes.

Carlos R. Quezada ***Carriage Services, Inc. - President & COO***

Yes. So as we mentioned before, we had a huge comparable in Q4 2022. And we were skeptic at the end of Q3 because of that significant drop, more specifically in the month of September. Reason why we didn't want to put out there an outlook for the remaining of the year. And so as October, November and then December started to show up, we were very optimistic about the volumes, especially as you compare the COIVD impact that I mentioned earlier.

When you have such a swing between Q4 2021 from COVID impact deaths contracts versus this year, we're able to not only make up a significant amount, but only have a total drop of funeral contracts of 5%. And that makes us very, very happy because it was just a very, very big comparable month. And I think that's true throughout the industry.

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

Great. I appreciate that. And then thanks for the 2023 guidance, which in keeping with the better-than-expected fourth quarter results is generally above my estimates and consensus. Now embedded within that guidance is your stated confidence that you can continue driving organic growth plus the contribution of acquisitions, and then taking a proactive -- taking proactive measures with regard to inflationary cost pressures. What are you doing there specifically with regard to inflation and offsetting?

Carlos R. Quezada ***Carriage Services, Inc. - President & COO***

So we continue to monitor that on a month-to-month basis. We have created something that we call cost to operate, which is basically a little financial statement with all the controllables at the managing partner level, which business have their own set of metrics that are being tracked on a month-to-month basis to make sure that we have visibility to any minor changes that need to be made.

That approach is allowing us to have really great conversations to our managing partners who know better about their business, their communities and their clientele than we will hear from the home office. But those conversations may lead to some decisions as it relates to pricing or expenses that are going up that need to be offset through either more market share gains or other revenue opportunities.

And so we do feel pretty confident and prepared as we move forward to 2023 that we will not have surprises because we're tracking that on a month-to-month basis business by business.

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

Got you. That's helpful. And then I guess the last question from me for now is your 2024 goals. Now that you've put out 2023 guidance, do you have any changes to communicate on your 2024 goals, which you also provided in mid-December?

Carlos R. Quezada ***Carriage Services, Inc. - President & COO***

Yes, we remain committed to our goals that we put out there for outperformance and great profile restoration plan. We do believe that our goals on 2023 are very close as the midpoint of where 2024 will be at the end of the year. And so we remain committed to that goal and to achieve those metrics.

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

I got you. So the midpoint of 2023 guidance for revenue is $380 million. The midpoint for those 2024 goals would be $395 million. And it kind of goes down relatively comfortable with those numbers that you had put out in December. I'm just confirming.

Carlos R. Quezada ***Carriage Services, Inc. - President & COO***

Well, yes, because -- I mean, there will be still some small impact. I mean, we mentioned that we had 1.9% of COVID-related deaths in December -- well, not December, Q4 2022. So there will be some impact in Q1, which is a huge comparable, by the way. This will be the last really tough comparable from a COVID impact perspective. But we feel confident we'll be able to make that up throughout the remaining of the year.

But as we move to 2024, we do expect a more normalized, seasonalized traditional year. And so we don't want to be too aggressive on the forecast going out 2 years. We do want to be conservative to where we believe our integration of acquisitions will lead us and our internal organic growth may be able to allow us to get there. And we'll adjust. As we continue to go throughout 2023, quarter-by-quarter, we'll adjust when we need to and give an update on our expectations.

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

Congratulations and keep up the good work.

Operator

Our next question comes from George Kelly with ROTH.

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

So first one for you is on your plans regarding some of these tech initiatives. Carlos, I think you went through it. I was on and off during your prepared remarks, so I may have missed a part of it. But I think you laid out the major initiatives for this year. And then I remember you mentioning that they should drive additional revenue opportunities. So just curious if you could be more specific about that.

Carlos R. Quezada ***Carriage Services, Inc. - President & COO***

Yes. So Trinity is replacing our current contract management system, which is called [CFES], which is old technology. This is a very significant system change for Carriage that will replace completely how we operate.

Within that change, we will be able to then provide tremendous amount of efficiencies. I have mentioned a little bit of this in the past, but for example, Trinity will able to deliver elevated customer experiences only because everything will be seamless through the computer in the screen, in the Richmond conference, contract will be [painted] right here, selections will be done right here. And so the conversation will generate an easier way to show families all of their options without having to walk away from the Richmond conference room.

Typically, we have noticed that, that type of approach -- because we have a couple of business doing that as we speak as pilot, not with Trinity, but other systems. And the result is an increase of average just because families are able to now see all of what's possible as it relates to the celebration of life of their love one.

Additionally, we will have some opportunities to have more revenue just because of the capacity of Trinity. The type of product we're putting in, we have integrations -- easy integrations as it relates to upgrading flowers or other items that are typically are more difficult to sell, whether it's online to our business websites or right there at the funeral home. And so we will be very, very optimistic about what Trinity could do.

Additionally, all the forecasts we have done this year does include all of the investment. So the forecast that you see or outlook for 2023, those have the investment for Trinity as laid out. It is a 2-year -- well, 2.5-year investment, but the 2023 component of it is already baked in into our outlook. Just to put things in perspective, it's really not a huge investment. It represents -- for 2023, it's about $2.5 million, which represents around 70 basis points as a percentage of revenue for our forecast for 2023.

However, the benefits coming from Trinity are a little bit difficult to quantify as we speak because the efficiency is just from a labor perspective, being able to have an immediate and real-time numbers, being able to process from an accounting perspective, reconciliations of contracts. Right now, we do manual contracts for Cemetery. All of that now will move to a digital form.

And so as we continue to move forward to the programming and creation of Trinity and run the pilot around November of this year, then we should be able to have a little bit more specific numbers as it relates to the economic benefits that will come from this investment.

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

Okay. Excellent. That's good background. And then 2 other quick kind of modeling-related questions. So your fiscal year '23 revenue guidance, I was curious if you could break it down at all by kind of what's the organic growth assumption within that? And how else did you get comfortable building as far as volume and pricing -- like any other kind of key assumptions that helped drive that number?

Carlos R. Quezada ***Carriage Services, Inc. - President & COO***

What we expect to see is a decrease mainly on our same-store portfolio just for Q1 2023. And then being able -- on a normalized basis from a death rate perspective, being able to then make up some of those Q1 numbers because then we're really after the (inaudible) as being able to compete to ourselves at the field level business by business.

Our acquisition portfolio continues to integrate really, really well and we don't expect huge drops in Q1 from that point of view. But as we continue throughout the year, we do see some gains from a market share perspective on both same-store and acquisition. Low to middle single digits, that's kind of like what we're looking at. That's the expectation that we put out on our managing partners, 1% to 3%, and that's really where we believe we will be at the end of the day.

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

Okay. Great. And then last one for me is on CapEx. I think I've heard on the call that it's going to step down this year below where you were in the last couple of years. Can you quantify that? And how long -- I understand debt pay down is a real priority. So kind of how long can you maintain CapEx at whatever level it will be this year?

Carlos R. Quezada ***Carriage Services, Inc. - President & COO***

So our target for CapEx this year is $20 million, roughly around half to growth CapEx and half to maintenance CapEx. We want to be very disciplined about that even though we did spend $26 million last year. Steve talked about our capital allocation and disciplined focus towards paying down our debt. We believe that the best return on investment right now is to really decrease our leverage and significantly decrease interest expense.

And so we believe we are consistent to those expectations. We will not slow down our cemetery sales because most of that investment will go down to inventory development. But also, we will be able to keep up to the needs of our funeral businesses to continue to provide an excellent experience with the families in each one of those businesses.

Operator

(Operator Instructions) Our next question comes from Robert Longnecker with Joe Street.

Robert Longnecker

Can you guys talk more about the new change in the preneed approach and what that might mean in terms of pricing? And I know they're kind of -- I guess, I'd call it, neighborhood community relations.

Carlos R. Quezada ***Carriage Services, Inc. - President & COO***

Sure, absolutely. So preneed funeral has never really been a huge focus on Carriage and it's not like we want to make it a focus. However -- but we are organizing some tiny little tweaks here and there. We believe we can really capitalize on significant opportunity.

As I mentioned on my remarks, the way we have it structured right now, we have multiple insurance providers with multiple marketers. And that makes it a little bit difficult to be able to then create a strategy, a nationwide strategy that is accretive to our preneed funeral expectations from an insurance sales perspective.

And so by being able to partner with one insurance provider, the immediate benefit is that we get better commissions, right? As a company, we expect to get a higher rate on commission or bonus, as some of them call them. But also being able to then have a little bit more control over what type of product, insurance product is being offered to the customer.

You know insurance products work in different ways. Sometimes maybe the commission to the customer is significantly higher than the growth of the policy over time, which is where we don't like it, because if you're selling at a price today and you don't have any growth on that policy over time, you're really selling your future at a discount price. And so we're trying to have a little bit control over that. But also by being able to partner with one insurance company and maybe 1 to 3 marketers, we will be able to increase strategy that shows year-over-year growth from our pre-arranged funeral perspective.

And based on our estimates, we do believe that opportunity is somewhere around 30% to 40% within 1 year of launch of the program, and immediate gains from a recognized revenue perspective coming from those commissions from the insurance companies.

Robert Longnecker

Okay. That makes sense. And then I understand the desire to streamline your financials, but I'm surprised to see that you're not reporting same-store numbers. Obviously, your biggest peer does that. I think that's going to be particularly important in the next year or so as you guys integrate these pretty big M&A deals. So can you talk about why you wouldn't be reporting same-store numbers like you have in the past?

Carlos R. Quezada ***Carriage Services, Inc. - President & COO***

Yes, absolutely. So internally and externally before this release, we have tracked same-store separated from acquisition. Acquisition on a 5-year basis, right? We keep it on the books for 5 years and after 5 years, then move into same-store.

We thought that was, from a comparable basis with other public companies, a little bit unfair because when other companies keep it for a year -- when you keep it for 5 years and you have tremendous growth in acquisitions and not the same level of growth on same-store, it may not be a fair comparison. And so we decided to then move acquisitions to a 1-year comparison. However, because all of the businesses that we acquire or most of the businesses we acquire were in -- at the end of 2019 and beginning of 2020, all of those would move to same store. And our acquisition for this year would only be San Juan and Heritage in -- the recent acquisition we just did in October, September.

And so, it was so minimal that it didn't really make much sense to put it out there. We are happy to provide those numbers, but that's really the main driver of why we did that.

Robert Longnecker

Is it going to be minimal going forward given you guys are about to close several large transactions?

Carlos R. Quezada ***Carriage Services, Inc. - President & COO***

Well, once we get Greenlawn, our Bakersfield acquisition, we're pretty sure we can evaluate and see if it makes sense to split up. And if it does, we will. I think that will probably be important for all of you to see. And if that's the case, we'll show you that information.

Robert Longnecker

Okay. Yes, I think that would be helpful.

Operator

And I am showing no further questions in the queue. I'd like to turn the call back to Mr. Carlos Quezada for closing remarks.

Carlos R. Quezada ***Carriage Services, Inc. - President & COO***

Thank you very much, and thank you for joining the call. We will continue to focus on execution excellence and disciplined capital allocation. And we will look forward to report our progress when we report on the first quarter of 2023. Until then, thank you for your support, and we look forward to seeing you then.

Operator

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