Carriage Services 3rd Quarter 2023 Earnings Webcast Transcript

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Operator: Good day and thank you for standing by. Welcome to the Carriage Services Third Quarter 2023 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, resident. Please go ahead, sir.

Steve Metzger: Good morning, everyone, and thank you for joining us to discuss our third 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 Kian Granmayeh, Executive Vice President and Chief Financial Officer. On the Carriage Services website, you can find our earnings press release, which was issued yesterday after the market closed. Our press release is intended to supplement our remarks this morning and include supplemental financial information, including the reconciliation of differences between GAAP and non-GAAP financial measures. Today's call will begin with formal remarks from Carlos and Kian 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 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 Quezada: Good morning, everyone. We're pleased to share our third quarter financial performance with all of you. For today's call, I will start by giving you some color on our impressive third quarter operational results, in addition to providing you with a few updates. Following my prepared remarks, Kian will share our financial performance and our views for the remainder of 2023 and an early look at 2024. But before doing so, we would like to thank every Carriage employee for all the hard work and passion in pursuing our being the best mission. These results reflect your wavering commitment to service excellence and a best-in-class customer experience for all the families that we serve. Now to the results. For the third quarter, our cemetery portfolio delivers impressive growth of 15.5% of total cemetery operating revenue compared to last year's third quarter. Our pre sales team did an outstanding job delivering growth of 27.2% in total printed property production and an increase of 8.4% of our same store portfolio.

Total cemetery field EBITDA grew to 9 million or 14.4% over the prior year. These results are primarily driven by the execution of our high-performance cemetery sales plan through increased activity, marketing lead generation efforts, and the optimization of sales edge. Our in-house customer relationship management platform. Our high-performance sales organization is still in the interesting stage, and we expect to continue to grow consistently in the low double digits on an annual basis. As it relates to our funeral home portfolio. While we have seen a 5% decline in not need volume as a consequence of the expected COVID-19 pull forward effect on our same store portfolio, our acquisition portfolio and increase in sales average more than made up for it, resulting in total funeral operating revenue of 59.4 million, which is 478,000 more than the same period last year. Our total fuel EBITDA for the quarter was 22 million, an increase of 318,000 or 1.5% leading to a combined funeral and cemetery field EBITDA, including financial income of 36.1 million, an increase of 2.5% over the same quarter last year.

And despite inflationary cost pressures and microeconomic headwinds, we successfully maintained a 39.9% total fuel EBITDA margin, one of the highest in the industry. These results demonstrate our successful navigation of cost pressures and our ability to grow revenue against a lower death rate. CDC data in the states where we operate show a 9% decline in debts compared to last year. However, our volume only declined 5% during the third quarter. Moreover, our general data shows that we continue to gain market share broadly throughout our portfolio. Our adjusted consolidated EBITDA was 24 million for the quarter, an increase of 1.4 million or 6.1% over last year and our adjusted consolidated EBITDA margin of 26.8% was an increase of 70 basis points over the prior year's quarter. This performance is a result of the hard work of our managing partners and their teams and all they do to serve families while managing their cost structure in this inflationary economic environment.

We thank you all for the great work. These strong operating results translated into robust free cash flow generating 21.4 million for the quarter, allowing us to reduce our variable rate credit facility by 16.7 million. However, despite this pay down, we experienced an increase of 2.6 million in interest expense compared to last year's quarter, significantly impacting our adjusted earnings per share, which ended at 33 cents against 45 cents last year. After accounting for approximately 12 cents increase in interest expense, our adjusted diluted earnings per share are flat compared to the prior year. We will continue to execute our capital location strategy with a primary focus on accelerated debt repayment and reducing interest expense. Now let me provide three additional updates. The first is related to our preneed funeral sale strategy, which is in full swing. Our partnership with the National Guardian Life Insurance Company and Precoa preneed has been deployed and fully integrated throughout our Western region.

We are in the final stages of integrating the central region and the Eastern region is scheduled to be completed by January, 2024. While we are still in the early innings of integration process, we have already started to see the benefits of this strategy with GA revenue growth of 31.9% over the prior year. We expect these results to continue as we complete integration and grow exponentially over time, allowing families to plan their final wishes while our businesses are able to secure future market share. We are very excited about this performance and look forward to reporting continued progress in future calls. The second update is our digital transformation journey known as Trinity. We have completed the data collection and the GAAP analysis and we're in full-time programming mode with a pilot set to be launched at the end of first quarter of next year. Once deployed, Trinity will increase efficiency and insights related to finance, accounting, data analytics, pricing, and other operational functions.

Moreover, the automation processes will transform how we engage with families and radically improve the customer experience. Lastly, we continue our review for strategic alternatives, and we'll provide additional details once the board has completed its review. Until that time, we will have no further comment on the process. In closing, after three quarters of a strong operational performance, we're very excited about where we are as a company and while we have some headwinds due to the current microeconomic environment, inflationary cost, variable interest rates, and the death rate normalization as a pull forward effect of COVID-19 continues to impact volume. We believe we're well positioned to navigate the current environment while continuing to build on the areas we have highlighted throughout the year. We are very encouraged by the progress that has been made in 2023 and our ability to execute the strategy and create shareholder value over time. Thank you, and I will now pass it on to Kian.

Kian Granmayeh: Thank you, Carlos, and good morning, everyone. Carlos already touched on most of the principal financial metrics and highlighted the company's key performance indicators for this quarter when compared to the same quarter last year, but I will dig into a few additional financial highlights with respect to this quarter. Provide context on our updated full year 2023 guidance and offer some broad thoughts as we start to think about 2024 in providing more detailed color on our February call. First, I will start off with corporate overhead. This quarter when adjusting out special items related to our ongoing review of strategic alternatives. Our overhead costs total less than 12 million or approximately 13% of revenue, which is a positive indication as we are targeting the same levels by year and 2024 on an annualized basis. The general decrease in overhead expense this year is primarily a result of lower incentive compensation relative to prior quarters, but also our focus throughout the year on optimizing and reducing overhead costs.

Second, I would like to discuss our cash flow from operations, which increased to 22.7 million this quarter up from 19.9 million the same quarter last year, despite net income decreasing 1.2 million during the same period. With our capital discipline, we spent nearly 1.5 million less in maintenance CapEx during the quarter, resulting in a robust adjusted free cash flow of 21.4 million after adding back special items. This strong free cash flow generation along with our well-defined capital allocation strategy brings me to my third highlight, the reduction in outstanding borrowings under our variable rate credit facility. This quarter, as Carlos mentioned earlier, we were able to pay down 16.7 million on our credit facility, reducing the outstanding borrowings to 187.3 million by quarter end. Using our bank covenant compliance ratio as defined by our credit agreement, we have steadily decreased our leverage ending the third quarter with 5.28 times net debt to EBITDA. Despite the pay down interest rates continued to increase in the quarter with a weighted average interest rate of 9% for the quarter on our credit facility as compared to 4.3% in the same quarter last year.

Considering this new reality in interest rates, we will continue to be laser focused on capital allocation and paying down the variable interest debt. Fortunately, the credit facility only accounts for a little over 30% of our financial borrowings. The remaining 400 million has been locked in at 4.25% through May, 2029 via our senior notes. So, as we continue to pay down outstanding borrowings on the credit facility, this should vastly improve our credit profile and reduce our interest rate burden. Now turning to our update on full year 2023 guidance over the last two quarters, we have prudently reaffirmed our annual guidance as we waited for more data and clarity on the macro headwinds that Carlos mentioned earlier and how these challenges would ultimately impact our business. After the third quarter and now partially into the fourth quarter where we stand today on this call, we have updated our full year 2023 guidance to the following.

First, we have tightened our guidance range for total revenue to 375 to 380 million to reflect the decrease in contract volume as a result of the COVID pull forward effect, which has been partially offset by our increase in average revenue per contract. Second, we have updated guidance for adjusted consolidated EBITDA to 105 to 110 million to reflect the general inflationary cost environment we have continued to experience across both the funeral home and cemetery businesses. Third, we have updated guidance for adjusted diluted earnings per share to $1.90 to $2. When comparing to our original forecast at the beginning of the year, cost inflation has translated into 32 cents lost in diluted earnings per share, and higher interest rates have accounted for an additional 15 cents. Lastly, we reaffirm our strong free cash flow generation, which remains resilient as we navigate the macroeconomic headwinds of 50 million to 60 million for the year.

With the clear visibility into the current macroeconomic environment and its effect on our business, we have updated our view on 2024. The current headwinds of a moderate decrease in volume as a result of a COVID pull forward continued cost inflationary pressures and higher interest rates will require us to review our 2024 forecast, which we will update fully on our February call. However, we are well positioned to successfully navigate and grow our financial metrics during this period with our discipline around capital allocation, further offsetting cost inflation by increasing price where it makes sense, and to use our free cash flow to continue paying down our variable interest debt. At the point the macroeconomic conditions improve, whether that is in 2024 or later, we are prying for growth as we continue executing on our strategic efforts around preneed cemetery, preneed funeral sales, project Trinity and more. And with that, we will open it to questions.

Operator: Thank you. We will now conduct a question-and-answer session. If you'd like to ask a question, please signal by pressing star one on your telephone keypad. If you're using a speakerphone, please make sure your mute function is learn – turned off to allow your signal to reach our equipment. Again, press star one to ask a question and we'll pause for a moment to allow everyone the opportunity to signal for questions. And we'll take our first question from Alex Paris with Barrington Research. Please go ahead.

Alex Paris: Hi guys. Can you hear me?

Steve Metzger: Yeah. Yes, we can. Can you hear it? Good morning. Okay, good.

Alex Paris: Good morning. I had some technical issues on prior conference calls, so I'm glad I'm getting through. So, I got a few questions for you, and I'll start where you left off Kian, updated 2023 guidance suggests flat fourth quarter revenue and lower adjusted EBITDA margins. Does this reflect anything we know about the month of October?

Carlos Quezada: I'd be happy to respond that Alex, so it is not just a reflection of what we have seen as a significant drop in our case, 5% or not need volume. And we believe that's coming from the pull forward effect from COVID-19, but also the high impact on income, I'm sorry, in interest expense that we have experienced through different hikes as you know, throughout the year ramping up, you know, through Q3 and now continue because we don't believe that's going to be, you know, decline anytime soon. And so, taking all of that into consideration the interest expense is significantly greater than we expected. With the debt that we have as you know; it does make a significant impact in our financial performance.

Alex Paris: Got you. And just to be clear because I missed that at the early part of the call, you said at need funeral volume was down 5% in the third quarter?

Carlos Quezada: That is correct.

Alex Paris: Yeah. Okay. Good. Given your expectations for the fourth quarter do – and Kian's comments about next year growing financial metrics do you, just to be more clear, do you expect to return to revenue growth and margin expansion in 2024 at this point? I realize we have to wait till February for full guidance, but just wondering from 50,000 feet, can revenue grow next year, year over year? Can margins expand?

Carlos Quezada: The way we're looking at this, Alex, is if you look at the first quarter of 2023, the decline on volume year over year from at need basis was 8%, and that's trending down now in the third quarter to 5%. We believe it is going to take probably another full year for the full, or maybe even two for the full effect of the full forward impact to wash off and to come back to a normalized level. However, we do expect a more seasonalized year in 2024. We have some seasonality now back in 2023, which is something we haven't experienced over the last three years since COVID started. But with a seasonality coming back in with an expected decline we do believe revenue growth is going to be achieved, but not on a same store basis. It will be because of the accretive acquisitions we have done over the past few years and the work that all of the managing partners are doing to increase sales average and to, you know, add services and merchandises to their – to the families that they're serving. So yes, we do believe there'll be growth on a year over year basis, but it will be making that up from acquisitions and [inaudible] perspective.

Alex Paris: Good, thank you. That's very helpful. And then speaking of acquisitions, I was wondering if we can get an acquisition integration update. On the second call you said it was go – on the second quarter call, you said it was going well, and I'm speaking of Green Lawn Heritage and funeral area, San Juan.

Carlos Quezada: Yeah, so Heritage is going really, really well. And as you remember with Heritage, we have Heritage

Funeral Homes, we also have Forest Lawn East Cemetery, and in both ends the integration of those businesses into the Carriage decentralized model is going as suspected with the performance packing up, especially on the cemetery side to preneed sales. Preneed is ramping up at a very fast rate in that market and funeral home continue to be the leader provider of funeral services in the market. And so, we're very excited with that integration, how that's going with that acquisition and the performance of the team so far. San Juan, I mean it's a small business when you think about it from the point of view of the square footage of the business, from a call volume perspective is very, very large. We acquired that business when it was doing you know, around 800 cases. And that that continues to grow consistently. That team is doing an incredible job continue to captivate the market share specifically on the Hispanic demographic in the Orlando area, and because of the integration and the support that we can provide to that business [inaudible] that has grown and will continue to do that over the foreseeable future.

Alex Paris: Great. And then I guess last one for me right now and again, it's a follow up with regard to debt reduction, it was great to see you reduced your credit facility by 16.7 million in the quarter. I'm curious on how fast you think you will reduce it, barring anything that comes out of strategic alternatives. In December of 2022, I believe you said that you would reduce that from the $212 million peak in Q1 to somewhere in the range of 110 to 120 million by the end of 2024, taking the leverage ratio down from roughly 5.5 times to closer to four times. Is that still the expectation?

Kian Granmayeh: Yeah, so I'll take a first crack at that, and Carlos will supplement. You know, those forecasts were done before I got here, but you know, in terms of what we're tracking, you know, we continue to target and goal, you know, our goal is to hit that target at the end of 2024. But in that assumption and in that forecast was included some divestitures, which would help accelerate that de-leveraging. So, we've kind of put that on pause during this review of strategic alternatives, but it is something that, you know, depending on where we go forward, that is an option we have to accelerate our de-leveraging profile.

Carlos Quezada: Yeah, a lot of, a couple of comments to that, if you don't mind, Alex. And it, you know, when we – when Mel put that out in December 12th last year, the high-performance credit profile restoration plan, it included a set of items that would allow us to accelerate debt repayment. That was the focus and continues to be the focus. When we announced the strategic review, we have to stop a few things within that plan because it is what it deserves in terms of attention. As we continue to evaluate our review and at some point, we'll close that end we will come back and accelerate those points including potential asset sales that was announced back in December 22. We prepare for that through the first half of 2023, and we're ready to execute once we are ready to do that, if that's what we'll continue to do.

Alex Paris: And then in terms of asset sales, this is my last follow-on question. The asset sales, you know, you have over 170 funeral homes at this point. What are the criteria for divestment? Is it the smaller locations or the locations that have had lower growth due perhaps to size of market or demographic? How many, just to get sort of an idea, how many funeral homes might be under consideration without identifying them, obviously.

Steve Metzger: Yeah, good morning, Alex. This is Steve. So, when we look at potential divestitures, we're really focused on those assets that we don't really consider core when we look at our strategy moving forward. So, if you look at the acquisitions that we've completed over the past four years it's a pretty specific profile. You know, bigger businesses, larger markets, growing markets, more cemeteries and that's where our focus is as we look at growth in the future. So, the assets that, you know, don't really fit that vision moving forward they're smaller assets. They're in what we think are either low growth or no growth markets but really one of the bigger drivers is we get a lot of outreach from folks, and if ultimately the multiple is of a premium that is attractive to us, then we'll consider it if it, again, it's not in a high growth market for us. So, with all of that said, you know, we've identified some businesses that fit that profile but we're also reviewing some others that might help us to Kian's point, accelerate our de-leveraging focus over the next 12 months.

Carlos Quezada: And Alex, just to add a little bit more to that. You know, these are assets that we would sell either way, regardless of our debt condition situation, even if we didn't have the debt we have today, we will divest from these assets because we have become more disciplined with our capital location focused on return on investment of that capital, we would reinvest that capital in ways that are marketed to the company. So, this strategy is not as a consequence to the debt. It is something that Carriage has done for years in terms of pruning the lower performing or lower assets in terms of the strategy that we have designed for Carriage moving forward.

Alex Paris: Got you. Well, thank you guys, and I appreciate the additional color. I'll get back in the queue.

Operator:If you find that your question has been answered, you may remove yourself from the queue by pressing star two.

We'll go next to Liam Burke with B. Riley. Please go ahead.

Liam Burke: Thank you. Good morning, Carlos, Kian, Steve.

Carlos Quezada: Good morning, Liam.

Liam Burke: On the cemetery, you had a slight – I understand that the EBITDA margins will bounce around from quarter to quarter, but and year over year, you're down slightly, which would, you know, be normal. But looking sequentially, you were down from, you know, the 40% range in the second quarter. What created – was it just entirely input costs or raw material? I mean product costs?

Carlos Quezada: No, I would say, Liam, that the main reason why this is happening, we have included two new cemeteries Forest Lawn and Green Lawn into our mix. And those were cemeteries at the time when we acquired them that had lower averages. Since then, we have made increases to the sales average and to the printed sales impacting that performance. Over time, I do believe the margins will come back to where they should be. From a same store basis, we have, you know, experienced a little bit of cost in the maintenance area from our cemeteries, hitting a little bit of those margins. We're working through efficiencies to make sure that our maintenance costs is in alignment with our expectations to make sure from a same store basis, we can improve the margins as well. But I do expect the cemetery margins to continue to rise up as we continue to integrate the businesses and as we continue to work on our maintenance expense.

Liam Burke: Great. Thank you. And you mentioned a 5% volume decline in funeral home as it normalizes from the high

COVID mortality rates, but you also mentioned higher average per customer for collect reward. Are you just getting back your higher product costs? Are you able to get any kind of margin out of that?

Carlos Quezada: Yeah, we're trying to catch up with cost increase, right? We have experienced several, you know, price increases from vendors throughout 2023 actually began at the end of 2022, and sometimes it's difficult to continue to, you know, increase your prices every, you know, every month or every two months once you get an increase. Since then, we have, you know, met with most of our vendors come to agreements to put some caps into cost, you know, increases and making sure that we're able to catch up to that expectation from a price increase perspective to the families that we serve, passing those costs into the families and making sure we don't lose volume while we do it. As we mentioned on other calls, there's a very fine balance between keeping the price up and getting to a point when you start to lose volume.

And so, we're trying to find out where that point of inflection is to make sure that we don't lose volume, but we also capture as much price as we can in every single transaction. As it relates to the volume decline, what I do want to add to, and I did put that on my remarks, is that the CDC data shows that the states we operate drop 9%. That's a very significant drop for the third quarter 2022, to the third quarter of 2023. However, we only dropped 5% in those same states in our businesses. And so that tells me that we hire – we have been able to not only sustain and make up the death rate, but also gain some market share in the same states that I just mentioned. So, for the states that I just released.

Liam Burke: That was my other follow up on the funeral home. You do – you're not seeing sticker shock, I guess, yet, and I'm presuming that you just have to manage through the balance there.

Carlos Quezada: That is correct. Yep, I agree with that.

Liam Burke: Great. Thank you, Carlos.

Carlos Quezada: You got it, Liam.

Operator: Once again, if you'd like to signal for a question, please press star one and we'll take our next question from J.P. Wollam with ROTH MKM. Please go ahead.

J.P. Wollam: Thank you. And good morning, guys. Just a couple of questions for me, maybe one, just kind of talking about the difference that you experienced in terms of your volume, that 5% relative to kind of the average in the area. Sounds like you had taken some market share. I think you made that comment. I'm just curious if you can maybe expand on that a little bit and just kind of give us a sense of, you know, at the operating level, what is really driving that market share, or what do you, and what do the partners attribute those share gains to?

Carlos Quezada: You know, we – as you know J.P., we are very decentralized and that allows and empowers a managing partner to make decisions locally that really matters in the community that they serve. They're able to build the relationships and the connections that truly drive volume in that specific business. Those relationships have been built up over the years, especially through COVID-19. There were many instances where other businesses were not able to serve families through that period. And I do believe we gained tremendous preference in a lot of our businesses because we were able to serve those families when they needed to be served. You know, so that goodwill, if you will, is really making a significant difference as we continue to move forward throughout. In addition to that, there has been a lot of work done from our marketing team regarding, you know, presence online, digital, you know, strategies to being able to make sure that we direct traffic from our websites into the funeral home, capture that call, capture that family, making sure we, you know, address questions and keep that family, you know, if we can. And that's including social media and other digital mediums. And so, I do believe that in addition to the rates or the scores really we have from a star review perspective on Google and Facebook and other mediums are making also significant impact.

J.P. Wollam: Understood. Thank you. And then maybe if we could just talk about the Guardian and Precoa partnership. I think you said that it was fully integrated in the Western region, and I think you gave some stat in there, but just curious if you can kind of quantify what the benefit has been in the Western region now that it's been rolled out.

Carlos Quezada: Absolutely. So, if you remember when we rolled this out, I mentioned the previous condition that we had where we had a lot of fragmented preneed sales companies and insurance agents and or companies really. And now we have consolidated to one insurance company and one, you know, preneed seller. And so Precoa who is the one representing our businesses across Carriage portfolio we're able to integrate into the west fully for the third quarter of this year and started to integrate this quarter really for the central region. And we'll finish by January on the eastern region. And so, when you think about a year over year basis, I'm going to mention the pre-arranged funeral sales that included the all strategy for all the regions versus this year where we only have the Western region in the third quarter of 2023.

And so last year we had $13.8 million of prearranged funeral sales. This year with just the change of the Western region in the third quarter, we have 15.7 million of appearing sales. That's 13.9% increase on preneed funeral volume. Now from a general agent commission perspective, last year we received 352,000 for the third quarter of 2022. This year we have received 465,000 in commissions, which is an increase of 31.9% on a year over year basis. That is a very significant improvement especially thinking or considering that only the west is in these numbers. Once we finish the fourth quarter, we'll have the west and the central in these numbers. And once we get into Q1 2024, we have all of Carriage. Over time, I mentioned this in the past, we do expect to grow at a 40% rate, you know, year over year from a GA revenue perspective. And that will increase over time as Precoa continues to ramp up sales agents in the businesses where we operate and continue to really integrate into our model and with our leadership team.

J.P. Wollam: Great, that's really helpful. And then if I could just squeeze one last one in for Kian about, I think you made a comment in there about kind of a reduction in some maintenance CapEx to kind of, you know, give you a little flexibility on cash flow and certainly helpful in terms of paying down the credit facility. I know it's maybe not much when we look on a dollar basis, but I'm just curious, you know, if that's something that we could see more of going forward just in terms of, you know, kind of reallocating some CapEx dollars or anything else that you might think could help us in terms of free cash flow generation and ultimately de-levering.

Kian Granmayeh: Yeah, J.P., so I'll take a first crack at it and then I'll pass it over to Carlos in terms of what we're doing, you know, at – in the field when it comes to maintenance CapEx, but from the financial perspective, you know, we're just, you know, we're focused on the cost side, we're focused on, you know, paying down our debt, so it's really high grading and prioritizing these projects that we need to spend money on. And, you know, differentiating between what's discretionary in nature and kind of what is a, you know, a must have, and that's just, you know, something we've been focusing on. So that way we do pay down our debt because, you know, as I mentioned, you know, our variable rate debt is, you know, trending around 9% in terms of interest rates. So, we're just, you know, trying to prioritize our capital allocation here.

Carlos Quezada: Thank you. And what – what'll add to that is if you look at our balance sheet you have the, from cash flow, the acquisition of Green Lawn, which was very significant. We can't forget that we'd invested, you know, over $4 million on that business from cash flow generation. In addition to that, we have been able to do really, really good work as it relates to managing CapEx on both ends, growth and maintenance. From a growth perspective, we have not stopped growth opportunity because preneed cemetery has done an amazing job. Matter of fact, we have put a significant amount of capital this year to make sure we have enough inventory to continue to accelerate sales, especially in the new businesses that we have. We have opened a new garden at Green Lawn. We are about to start construction in Forest Lawn East in Charlotte.

And the same, you know, in the businesses we already have like Oakmont, Dwelling Hills and [inaudible] and every cemetery as well. From a maintenance perspective, we've been more conservative, making sure that our capital allocation decisions are based on where the capital is generating the highest return. If it's an emergency, we're going to of course invest in it and make sure that the families are served well, taken care of. If it is something we can manage over a couple of years, then we allocate that capital towards interest, you know, payments, because as you know, that's what's – the cash is going right now, a very significant rate. And so, we want to make sure we manage that very, very well without putting families at risk, our business at risk or decreasing the quality of service.

J.P. Wollam: Understood. Thank you, guys, for the time today and best of luck going forward.

Steve Metzger: Thanks, J.P.

Operator: And this concludes today's question and the answer session. I'll now turn the floor to Carlos Quezada for any additional or closing remarks.

Carlos Quezada: We want to thank all of you for joining the call today. I want to share that we have a very strong company with tremendous fundamentals. We do have significant debt; we're working on it. We will continue to focus our cash – free cash flowing to paying down our debt as much as we can to accelerate that repayment and lower interest expense. We'll continue to focus on grow on the same store and acquisition basis especially through preneed sales on both ends cemetery and prearranged funeral. We're very excited about the performance we just presented to you from operational perspective in the businesses we continue to grow. We continue to put some really good numbers on the board, and we hope to report even better numbers that we continue to, you know, have these calls. And we'll talk to all of you in February.

Thank you very much, and we'll talk to you soon.

Operator: Thank you. This does conclude today's teleconference. We thank you for your participation. You may disconnect your lines at this time.