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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Carriage Services First Quarter 2023 Earnings Call. (Operator Instructions) 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, Executive Vice President, Chief Administrative Officer, General Counsel and Secretary. Please go ahead.

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

Hi, everyone, and thank you for joining us to discuss our first quarter results. In addition to myself, on the call this morning from management are Mel Payne, Chairman of the Board and Chief Executive Officer; Carlos Quezada, President and Chief Operating Officer; 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 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 Mel, Carlos and Kian 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 Mel.

Melvin Payne ***Carriage Services, Inc. - Chief Executive Officer and Chairman of the Board***

Good morning, everyone. It brings me a miss joy to join you all today following weeks of rigorous rehabilitation. Through support and thoughtful prayers and wishes I have received from so many people across our company during my recovery have been nothing short of heartwarming, even humbling and I will be forever grateful for each and every one of them. Although my rehab journey to full recovery continues, I am fueled with unwavering motivation and optimism by the overwhelming encouragement from everyone at Carriage, but especially from our senior executive team, Carlos, Steve and Kian, who, together with me, comprise our Strategic Vision and Principles group. I formed this group of senior leaders almost 3 years ago is part of my succession plan to serve as a vehicle from which I would develop and mentor the future executive leaders of Carriage. And after working with Carlos, Steve and Kian intimately, over the last 2 months on various issues for Carriage, I am delighted to report that the future executive leadership at Carriage is indeed in great hands.

Nearly 33 years ago, I embarked on a journey to build a great company in this industry, not to be the biggest, but to be the best. Today, I am proud to see that dream come to fruition as Carriage has evolved into a high-performance culture company. And despite our challenges, which we view as opportunities, our progress is a testament to our unyielding commitment to excellence and our vision and mission of being the best.

Thanks all of you for your interest in our company, and I will now pass it on to Carlos for more color on the first quarter performance.

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

Thank you, Mel. Good morning, everyone. We are pleased to announce that our first quarter financial performance exceeded our expectations. As we mentioned during our last earnings call on February 23, we anticipated a challenging first quarter compared to the record-breaking first quarter of 2022, which was highly driven by the spike in COVID-19 cases. To put things into perspective, our first quarter of 2022 had 10.5% or 1,409 of our [at-need] funeral volume attributed to COVID cases. In contrast, this year, only 2% or 242 cases were attributed to COVID-19, representing a swing of 8.5% or 1,167 cases.

With this in mind, let's review our operating performance. For the first quarter, our total funeral operating revenue was $66.5 million, a decrease of $3.7 million or 5.3%. However, when we offset the COVID-19 volume in the first quarter of both 2022 and 2023, we saw an increase of 1.2% in funeral volume over 2022. As a result, our total funeral field EBITDA was $26.6 million, a decrease of $4.6 million or 14.9% with a total funeral field EBITDA margin of 40.1%, a decrease of 440 basis points.

In the first quarter of 2022, we had a record year with record margins, so the bar was very high. Additionally, inflationary costs put some pressure on our margins, mainly from salary benefits and general and administration expenses. However, we continue to work to adapt and pass on this cost increases to the consumer.

Moving on to our cemetery portfolio after overhauling our whole cemetery sales strategy over the last 2 years, we are very excited at all the hard work starting to pay off. For total cemetery operating revenue for the quarter was $21.6 million, an increase of $1.1 million or 5.5%. Our total cemetery field EBITDA was $8.4 million, a decrease of $202,000 or 2.4%, with a total cemetery field EBITDA margin of 38.8%, a decrease of 320 basis points.

Our preneed teams were instrumental in driving the total cemetery revenue performance. In the first quarter of this year, we ended at $14.5 million in preneed cemetery sales production, reflecting an increase of 4.8%. Even after a record high comparison, our preneed teams executed very well, and we see the positive impact of the sales edge and our preneed cemetery strategy is making broadly.

Additionally, I mentioned in our last call that we have been working on recruiting new sales customers and strategically upgrading a few sales leadership positions. I am excited to report that we have achieved these goals. Just in March alone, we experienced year-over-year growth of 17.3%, with these positive trends against challenging comps, I feel very positive about delivering high performance in preneed cemetery cells.

As I mentioned in other calls, this is only the beginning for preneed cemetery cells at Carriage, and we have many opportunities to grow over the next 3 to 5 years. Consequently, we confirm our previously communicated 2023 target of low double-digit year-over-year growth in preneed cemetery sales.

Regarding total revenue, we ended the quarter at $95.5 million, a decrease of $2.6 million or 2.7%, and our total field EBITDA was $41 million, a decrease of $4.4 million or 9.7%. This variance is driven by the record first quarter during COVID-19 pandemic spike that led to higher volumes and margins. In addition to this year's inflationary cost. However, when we compare the first quarter results of this year to our 2019 base year, we have grown at an 8.4% CAGR in total revenue, a 9.7% CAGR in total field EBITDA. Furthermore, the total EBITDA margin in the first quarter of 2019 was 41% compared to 43% in the first quarter of the year, representing 200 basis points of improvement.

Now let me share an update on the progress of our new system Trinity. We are pleased to announce that Trinity has achieved a significant milestone over the past quarter by completing the discovery phase, which involve documenting requirements that will inform the product's final design. This work involved more than 150 hours of workshops with internal experts who provide details on critical processes within courage services accounting, finance and operations.

Information gathered will be used to finalize the functionality of Trinity during the design and build phase, which is expected to conclude in the third quarter of this year. This project is currently tracking to its original plan and will begin testing levy this year. A full-scale deployment is anticipated to commence at the beginning of the first quarter of 2024. Upon deployment, Trinity will provide exceptional value by enabling unique digital experiences for families, enhancing efficiency through highly automated processes and supporting Carriage ambition 10-year growth plan through scalability and improved productivity.

Moving on to other great news. I am thrilled to share exciting updates. Firstly, have you had a chance to produce our 2022 shareholder letter, which is packed with valuable insights and outlines our bold 10-year goal. If we haven't had an opportunity to dive in yet, I encourage you to do so at your earliest convenience.

Now to the news that are sure to pick your interest. As communicated on our last call, we have been working tirelessly on our new pre-arranged funeral strategy, and I am delighted to announce that it came down to the wire with two finalists. As a result, we are ready to make the final evaluation, and we will announce the new partnership that will work alongside us and bring this vision to fruition before the end of this month.

With this new partnership, we're going to revolutionize the way we serve and protect families through the power of preplanning while also creating substantial financial value for our shareholders. The possibilities are endless, and we cannot wait to share more information. So stay tuned for updates as we embark on this new exciting journey.

As I close my prepared remarks, I am thrilled to share that we are pleased with our first quarter performance. We remain fully committed to maintaining our consistency and discipline in executing with excellence to achieve our goals. With the COVID-19 pandemic high comparables now behind us, we have a clear path to delivering high performance through market share gains, delivering exceptional results through seamless acquisition integrations, driving growth in our preneed cemetery sales and optimizing financial performance in each of our portfolio of businesses. I want to express my gratitude for entire team's hard work and dedication, without whom none of this would be possible. And with that, I'll now pass it over to Kian. Thank you.

Kian Granmayeh ***Carriage Services, Inc. - Executive Vice President, Chief Financial Officer and Treasurer***

Thank you, Carlos. Before I dive into the review of our quarterly financials, I wanted to express my gratitude to Mel, Carlos and Steve as well as the broader Carriage family on welcoming me to the Carriage team and to the company's strategic vision and Principles Group. This week marks my sixth week in the seat. And as you can imagine, I've been drinking through the fire hose as I work my way up the learning curve. I'm fortunate to have assumed the leadership of a hard-working first-class team within my CFO organization and working with my stellar colleagues across Carriage. I am super excited to have joined Carriage at such a pivotal time and I look forward to being a part of the company's continued success to drive long-term shareholder value and performance.

Now turning to a review of the quarterly financial results for the first quarter of 2023 under Generally Accepted Accounting Principles, Carriage reported total revenue of $95.5 million and net income of $8.8 million or $0.57 per diluted share. This compares to total revenue of $98.2 million and net income of $16.4 million or $1 per diluted share in the same period in 2022.

Now looking at our adjusted financials, which are reconciled in the Appendix tables of our press release, this quarter, we reported adjusted consolidated EBITDA of $27.8 million, adjusted consolidated EBITDA margin of 29.1% and adjusted free cash flow of $17 million. This compares to adjusted consolidated EBITDA of $32.5 million, adjusted consolidated EBITDA margin of 33.1% and adjusted free cash flow of $12.4 million in the first quarter of 2022.

As you can see, a comparison of the financial results for the first quarter of this year to last year reinforces the point Carlos made earlier that an elevated first quarter 2022 performance was driven by a spike in COVID-19 cases. Nonetheless, we are excited with how the first quarter of this year turned out relative to expectations.

Taking a look at this quarter's income statement compared to the same period last year, Carlos already touched on field level revenue and EBITDA, so I will focus on the other corporate expenses.

First, I'll start off with total G&A, which includes regional and other corporate costs. In the first quarter 2023, total G&A increased approximately $0.7 million, primarily related to an increase in salaries, benefits and incentive compensation. Second, interest expense increased nearly $3 million, mainly driven by the average interest rate for our credit facility, increasing from 2.1% in the first quarter 2022 to 7.9% this quarter. Lastly, income tax expense decreased $1.6 million as a result of our lower taxable income for the quarter.

Turning back to adjusted free cash flow. We saw an increase of $4.7 million or 37.8% this quarter over the same quarter last year. This increase was attributed to favorable working capital changes and lower maintenance capital expenditures through our disciplined approach to capital outlays.

From a leverage perspective, as the team signaled on the fourth quarter call back in February, the first quarter of 2023 would hit a peak leverage ratio with the Greenlawn acquisition. Despite a $44 million cash outlay for Greenlawn in the quarter, we only borrowed an additional net $23 million from our credit facility.

Using our bank covenant compliance ratio as defined by our credit agreement, we ended the quarter with 5.5x leverage. Our expectation, which is aligned with our 2023 guidance is that the quarter end leverage ratio will continue to steadily decrease throughout the year.

With all the positive momentum in the first quarter, we are reaffirming 2023 guidance of $375 million to $385 million in total revenue, adjusted consolidated EBITDA of $110 million to $115 million, adjusted diluted earnings per share of $2.25 to $2.40 and adjusted free cash flow of $50 million to $60 million. As we continue to realize our results and deliver on our plan through the year, we will tighten up or update our guidance ranges.

With that, I'll pass it over to Steve.

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

Thank you, Kian. As it relates to our growth through acquisition strategy, we were excited to enter the Bakersfield, California market in the first quarter by closing on the purchase of Greenlawn Funeral Homes and Cemeteries. Greenlawn is a significant addition for us as it generated roughly $18 million in revenue last year and is the market leader in Bakersfield with an approximately 40% market share.

In addition to our recent acquisitions in Charlotte and Orlando, Greenlawn continues our strategic focus of acquiring premier businesses in large growing markets. Our team will continue to focus on the integration of Greenlawn throughout the year as we maximize the growth potential that continues to make this such a unique and attractive opportunity for us.

As Mel referenced during our December release, outlining our high-performance credit profile restoration plan, we've identified a few potential divestiture opportunities that involve businesses that no longer align with our long-term strategy and which we believe can potentially generate a premium valuation. As we grow through acquisition of larger businesses in bigger markets, we will also look to prune our portfolio, when and where it makes sense. Our intent is to then use those proceeds to support our efforts to pay down debt. We expect to have more to share in this area in the upcoming quarters.

Finally, as Carlos mentioned earlier, we included a comprehensive outline of our long-term growth plan in our annual shareholder letter. In that letter, we noted that a key focus for this year is adding new talent to our Board of Directors. As we pay down debt and reposition ourselves for continued significant growth opportunities in the future, we want to ensure that we have the right expertise and experience supporting those efforts at the Board level.

To that end, we've engaged Russell Reynolds to assist with our search, and we are committed to strengthening our Board this year through further diversification of our directors, including gender, experience and skill set. We look forward to identifying and welcoming at least 2 new directors within the next 6 months. We'll continue to keep our shareholders apprised of our Board refreshment efforts in the coming quarters.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Alex Paris of Barrington Research.

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

First of all, congrats on the better-than-expected first quarter results. Second, I wanted to welcome Mel back to the call. It's so good to hear your voice. And lastly, welcome Kian in general, his first call and look forward to working with you. So as for my questions. I have a couple. Starting first with the acquisition activity since you did a pretty good overview of the organic results in the quarter.

So you made 3 acquisitions over the last 12 months, significant, including Greenlawn. Could you give us sort of an order of magnitude on those 3 acquisitions, what they ought to contribute to 2023 revenue, either actual or since Greenlawn was just closed recently on a pro forma basis, if you added the revenue of the 3 up and the adjusted EBITDA contribution from the 3 for 2023.

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

Alex, this is Steve. So I think in terms of order of magnitude, Greenlawn, obviously, not only the largest of the 3. But quite frankly, I think we were talking about this yesterday, the largest from a revenue perspective that we've added in the history of Carriage. So that $18 million that they did last year, we're looking to hopefully grow on this year. So that one is going to take a lot of our focus on integration. So that would be at the top of the list.

And then in Charlotte with Heritage, which we talked about on the last call, that's another one that has a lot of opportunity for us. It's a little bit larger than San Juan in Orlando which we did in August. They have the potential on the cemetery side, they have multiple funeral homes. So that's probably number two on the list.

And then San Juan, which is just a very different business for us, very high call rate. They do a ton of business had 2 smaller locations in Orlando. They focus on a very particular demographic that we really think about. And so their growth opportunities are a little bit different from the 2 that have the cemeteries attached to it.

From a pro forma revenue perspective, roughly speaking, we're looking at kind of $25 million to $30 million this year in pro forma revenue. Still working on what that EBITDA will look like as we're taking some opportunities to work on prices in both Charlotte and Bakersfield. So we'll have some more detailed information on that as we go through that price change.

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

Then Carlos, you gave us a little bit of an update on Trinity. This is the new ERP system that's going to be part of funeral services going forward. And I believe it's integrated in fact into -- or will be integrated into sales edge on the cemetery side. What is it that you hope to accomplish with these 2 new technology platforms on the funeral services and cemetery side going forward? And to what extent are they rolled out? I believe Trinity is nearly rolled out. So just an update there on those 2 technology platforms.

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

Yes. So Alex, we're still in the process of the rollout itself will be somewhere around the first quarter of 2024. Right now, we're in the process of finding what our processes are here compared those to the ERP that we call Trinity. And then closing that gap over programming and actually the development of the tool itself is very, very broad in terms of its capacity. But at the end of the day, we really believe Trinity will enhance how we service families in the front of the house, we just call it that, as well as being able to be more efficient and productive on our funeral reporting accounting processes and overall how we work. We serve families, in general terms. We will be able to do cemetery contracts digitally, which right now is still on a manual basis. That will be a huge driver because then we will be able to close preneed cemetery sales on site at the moment, whether that's a family home and events and things of that nature.

From a reporting perspective, it will enable us to have very tight reporting more than anything live because right now, we work based on batches from (inaudible) gets information from the field. And we certainly are going to get some benefit from a productivity perspective. So it is very broad, but we're not close to a pilot. The pilot is programed sometime around the last quarter of this year and started deployment in 2024.

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

And then my last question, I'll direct this one at Kian. And understanding fully that you've only been in the seat for 6 weeks. But given the outperformance of the first quarter, you've reaffirmed guidance for the full year. And again, that could be related to your tenure in the seat as well as some element of conservatism. But just wondering what sort of color you can give me there? And is it safe? Or is it aggressive? Is it safe or aggressive to say that you'd more likely be at the higher end of full year guidance ranges?

Kian Granmayeh ***Carriage Services, Inc. - Executive Vice President, Chief Financial Officer and Treasurer***

I think you've somewhat answered your question or your question with your question, I guess the conservativism and also me being kind of new to the seat. As I mentioned, I'm 6 weeks here, and for us, what I would prefer is that we have a little more visibility in kind of how we're performing in the second quarter and kind of how the forecast looks for the rest of the year before we tighten up guidance. So look for us too as we get more visibility for us to either tighten up guidance or update guidance.

Now for us to guide today as to whether we're tracking towards the high end of the range, again that's not something that we have full visibility on or I just want to make sure that we have that confidence level of meeting that guidance range. So right now, we're just not comfortable providing that update.

Operator

One moment for our next question. Our next question comes from Liam Burke from B. Riley Financial.

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

Mel, it's great hearing you back on the call. First question I had was on the funeral home business. Could you give some sense as to how cremation sales were either on a year-over-year or a percent of revenue basis? And how that contributed in terms of relative margin?

Melvin Payne ***Carriage Services, Inc. - Chief Executive Officer and Chairman of the Board***

Yes, absolutely. As you know, the cremation mix continues to change somewhat consistently over the last few years. For this quarter, we got a little uptick on our cremation mix around 2%. The positive side, you were able to offset a lot of that with $134 increase in our average, that 2.5% improvement year-over-year. This is comparing Q1 to Q1. That's for total. As it relate to same-store, 2.2% of our cremation mix went up, but our average when were higher by 189%, and that's 3.5% offset from a source average perspective.

We're not really, really concerned. We do have a very good strategy as it relates to cremation conversion. That means families are going to a funeral home that want to have a cremation how we present them with all of the options, they can choose a cremation with service or a different type of celebration of life allow us to then make up some of that cremation exchange. So pretty much where we thought it would be and look at strategies to continue to tackle on that front.

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

So I just want to make sure I have it straight. You saw year-over-year growth in cremation sales and then higher per sale realization.

Melvin Payne ***Carriage Services, Inc. - Chief Executive Officer and Chairman of the Board***

That is correct.

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

Okay. Now how about on the EBITDA margin side? Have they been better than traditional burials or the same? Or how has that contributed to the EBITDA margin?

Melvin Payne ***Carriage Services, Inc. - Chief Executive Officer and Chairman of the Board***

So we don't really look at the EBITDA contribution by business in each category, right? We look at cremation EBITDA, burial EBITDA or funeral with service EBITDA. We just look at EBITDA in general terms business by business. I can tell you that the margins, they're really, really strong, right? So ending up where we ended up, which is 40 -- I mean look at 40.1%, those are very strong margins. When compared to Q1 of 2022, yes, there is 440 basis points drop. But those margins to status are sustainable, are very, very difficult. Actually, we feel very proud of the margin we have, as in my opinion are probably some of the highest in the industry by far. And so we feel pretty strong. There's opportunities, nevertheless to continue to maximize that on both funerals cemetery businesses to continue to pass down some of those inflationary costs through the families that we serve. But we're keeping pretty good track.

Now always explain, Liam that it's a fine balance, right? We never want to just push prices up. This is a managing partner decision, and they're really, really wise as to how they do it because they never want o volume for the sake of improving margins, right, by raising prices. So we keep managing this delicately, keeping up serving business on a monthly basis, and we're pretty satisfied with the progress so far.

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

And on the cemetery side, it looks like you're getting great traction on preneed sales. The guidance is for double-digit growth. Where are you in terms of building out the marketing or the sales force or the marketing effort, however you want to couch it?

Melvin Payne ***Carriage Services, Inc. - Chief Executive Officer and Chairman of the Board***

Yes. We actually made tremendous progress. As I mentioned in other calls, when COVID-19 suddenly stopped somewhere around Q3, 2022, the family that will typically go in for the previous 3 years to ask about preneed, were no longer going, right? So there was a shift of mindset in strategy and really pushing customers and managers to go out and find the business. It took a little bit of time to realign that strategy to provide the support, the development tools made that happen. And we start to make progress as the coming months came after September and very, very happy to report that we have it very tight right now.

We feel very confident to say that we have a full roster of very talented sales managers. Our recruiting capacity from a counselor perspective has been very, very good as well. We have actually new teams that we did not had the year before. We have and example we now have an advanced planning team at Fairfax, which on their first month, they almost tripled their target. And so very good strategy, very happy with the performance of the team and the whole director support and the leadership team of our sales are doing. And that's why we feel confident that this trend will continue.

Operator

One moment for our next question. Our next question comes from JP Wollam of Roth MKM.

John-Paul Wollam

Mel, great to have you back on the call here. If we can maybe first start with a couple of housekeeping items. On the last quarter release, you shared the consolidated funeral contract number. I think that was as part of a way to simplify reporting going forward. I was just curious if you could share that number for Q1 here? And is that something that you're going to be sharing normally going forward or is that just a onetime kind of annual number?

And then the second one is just how you get to the $17 million of adjusted free cash flow. If I start at $25 million of cash from ops, I'm guessing that backs out the cash from the trust and then maintenance CapEx. But if you could share any color there, that would be great.

Melvin Payne ***Carriage Services, Inc. - Chief Executive Officer and Chairman of the Board***

JP Wollam, I'll address the first question and then Kian will follow-up to the second one. So what I explained on the last call is that for pretty much many, many years, Carriage will have an approach of 5 years keeping their acquisition business separately from same-store. And we thought that was a very unfair comparison to other companies where they have it on 1 year. And once you have an integration you keep it for 5 years, you're not really being fair to year-over-year growth on your acquisition portfolio.

So we decided to move it to 1 year for the polling purposes effectively Q4 or last report in Q4 2022. The thing that we have right now is that we only -- by doing so or doing that, we only have now 3 businesses on our acquisition segment, which will be the recent one, Bakersfield or Greenlawn or Charlotte with business acquired in North Carolina and then San Juan. And so what we wanted to wait for before deciding whether we wanted to split same-store and acquisition is to see the magnitude of the numbers, right, because those 3 businesses.

Now given that Greenlawn is significant that we just got it on the last week of March, we haven't been able to really track all of that we need to in order to consider that point. If this become significant, then we'll probably do that. But then think about it next year, which will not be acquiring additional businesses based on our amendment to the credit facility. We'll then basically remove those 3 businesses from that line and it would be 0 reporting on acquisitions and will be all just in stores. So we thought it will make sense just to keep it on total for now until we're able to get back on track aggressively on our decisions.

Kian Granmayeh ***Carriage Services, Inc. - Executive Vice President, Chief Financial Officer and Treasurer***

Right. And JP, I'll answer the second question you had regarding the reconciliation to adjusted free cash flow. We actually have a table the last table in the appendix of our press release, is kind of just a quick overview. When we start from cash provided by operating activities of cash flows from operations, we'll then take out maintenance CapEx, which is a little bit -- it's about half of what we spent in the same period last year. And then you're correct in identifying that the rest of the adjustment is related to about $7 million that we withdrew from a premium cemetery trust investment.

John-Paul Wollam

Great. And I must have missed that. That is laid out there. So apologies for that. Second question just on a comment from the prepared remarks. Regarding the inflationary costs, and I know the comment was something about being able to push some of the pricing on to customers. But just curious kind of where you're seeing the biggest cost pressure? And if that has normalized at all in the most recent months or if it's lingering throughout the year in your expectations?

Kian Granmayeh ***Carriage Services, Inc. - Executive Vice President, Chief Financial Officer and Treasurer***

Yes, absolutely. So when you think about the increases, right? So as the trend continue to do increases, there will be a catch-up because we see that throughout the year, right? So as they improve or increase the rates, also people increase prices consequent to that, we have pressure on that side. As it relates to Q1, we have just about shy of $0.5 million on insurance increase about $750,000 on salary benefits about $500,000 on G&A in administrative. That adds to $1.7 million increase and that -- when you divide that to our revenue, that's about 1.8% of the margin that's lost on that front.

We continue to keep a very close eye on what's going on. There is a competition out there in terms of your employees. And if we want to keep our employees that are loyal to our company, you have to be able to satisfy their niece there's pressure on their pockets as well. So we try as much as we can to continue to be passing those additional costs to the foundries. As I mentioned earlier, we wanted that carefully and thoughtfully with some strategy so that we can definitely not lose volume, right? I mean you can increase your prices a little bit, but then you lose a few calls and then your wash or down to your revenue.

So we'll continue to keep track. We have this on a very close eye month-to-month business-by-business basis, and we do feel confident it will continue to progress. Last that I'll share on that is that even with the margins where they were the right now from a total EBITDA perspective on both funeral cemetery, those are very high margins standard for the industry, above like I said, most of the competition is not confident we can continue to keep them at the year.

Melvin Payne ***Carriage Services, Inc. - Chief Executive Officer and Chairman of the Board***

Coming out of '21 where we had record lift from COVID in the revenues and volumes in our industry, which has high fixed cost, the operating leverage is a big deal. So if you have left in your revenues from a pandemic or market share, your margins go up and your profits go up. We suffered when the pandemic started to phase out on our revenue and our margins in '22. And a lot of that was volume driven in ways that we could change. Some of it was cost driven visionary costs like Carlos mentioned. And what we've seen that we laid this out in our high performance and credit profile restoration plan.

We call ourselves being in the high-value personal services business and sales and when you're in that business, you on pricing power or better than your competition. And I think over the last 6 or 7 months, our people in the field have been raising their prices without losing market share. And what we started to see in March and now in April is year-over-year volumes are good other than expected in a post-COVID environment, but the average revenue per contract has also been going up and that's because of pricing power on what they were doing before and also new services being offer and accepted.

So we began to see year-over-year positive variances in revenue in both our funeral portfolio and our cemetery portfolio, which is also translating into higher margins at field level. That's a really good trend makes my day, and we hope that continues in May, June and the rest of the year. We'll take luck shows up. But so far, I've never counted on luck all the hard work and you got to work smarter and harder to get the lucky.

Operator

All right. I would now like to turn it back over to Mel Payne for today's closing remarks.

Melvin Payne ***Carriage Services, Inc. - Chief Executive Officer and Chairman of the Board***

As we end today's call, I am more excited than ever about where we are as a company and what we call good to great journey that never ends. To get some sense of why I'm so excited about where we are. I think Carlos touched on it you should refer to the 2022 shareholder letter. It was a beautiful collaboration between Carlos, Steve and me. And as much -- as I was so impressed with the content I laid out, we captured the essence of carries both past, present and future.

The presentation of the shareholder letter was all done in-house, our A.J. and his marketing team, and I want to congratulate them and thank them today. It was first class all the way, the graphics, the design and the layout, first class in total quite a story of our people and the company. So A.J., thank you so much.

And to close, I'd like to mention, we have outlined our financial goals and a plan to restore our high performance and credit profile by the end of 2024. And this plan has been executed with excellence, Carlos and his operating new sales teams. So for Carriage for sure, the best is yet to come, and we look forward to keeping you updated as we make that progress on our journey. So thanks to all of you for tuning in today, and I'm just so happy to be back. That concludes our call today. Thank you.

Operator

Thank you. Thank you for your participation in today's conference. This does conclude the program. You may now disconnect.