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Full Year 2018 Carriage Services Inc Earnings Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to Carriage Services Year-End 2018 Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will be given at that time.

(Operator Instructions) As a reminder, today's conference is being recorded.

I would now like to turn the call over to Viki Blinderman, Senior Vice President and Chief Accounting Officer. Ma'am, please begin.

Viki King Blinderman ***Carriage Services, Inc. - Principal Financial Officer, CAO, Senior VP & Secretary***

Thank you and good morning, everyone. Today we'll be discussing the Company's full year results for 2018. A related press release was released yesterday after the market closed. Carriage Services has posted a press release including supplemental financial tables and information on the Investors page web -- of our website. The audio conference is being recorded and an archived will be made available on our website later today through February 26. Replay information for the call can be found on the press release distributed yesterday.

On the call today from management are Mel Payne, Chairman and Chief Executive Officer; Ben Brink, Chief Financial Officer and myself. Today's call will begin with formal remarks from management followed by a question-and-answer period.

Please note that during the call, we will be making forward-looking statements in accordance with the Safe Harbor provision of the Private Securities Litigation Reform Act of 1995. I'd like to call your attention to the risks associated with these statements, which are more fully described in the Company's report filed on Form 10-K and other filings with a Securities and Exchange Commission.

Forward looking statements, assumptions or factors stated or referred to, on this conference call are based on information available to Carriage as of today.

Carriage Services expressly disclaims any duty to provide updates to these forward-looking statements, assumptions or other factors after the date of this call to reflect the occurrence of events, circumstances or changes in expectations.

Furthermore, during the course of the morning's call, we will reference certain non-GAAP financial performance measures. Management's opinion regarding the usefulness of such measures together with the reconciliation of such measures to the most directly comparable GAAP measures for historical periods are included in the press release and the Company's filings with the SEC.

Now, I'd like to turn the call over to Ben.

Carl Benjamin Brink ***Carriage Services, Inc. - CFO, Senior VP & Treasurer***

Thank you, Viki. For the full year 2018, total revenue grew 3.8% to $268 million. Field EBITDA was flat as $104.3 million. Adjusted consolidated EBITDA grew 2.2% to $70.2 million. Adjusted consolidated EBITDA margin was 26.2% and adjusted diluted earnings per share decline 16% to $1.17.

The year-over-year decline in our adjusted diluted earnings per share was primarily attributable to the 160 basis point decline in our total field EBITDA margin and an $8.1 million increase in interest costs, due to the balance sheet recapitalization activities we undertook throughout 2018.

The primary difference between our estimated adjusted diluted EPS from our pre-release last month and the actual was due to field incentive compensation after the formalization of our Standards Achievement for 2018.

For the year, as a bright spot, adjusted free cash flow increased $5.3 million to $47.2 million. Total overhead for the year was $37 million and included $1.4 million of severance charges, a $1 million reserve for potential legal settlement and related expenses, and national disaster expenses that were booked in the fourth quarter. Adjusted for these large non-recurring expenses, overhead as a percentage of revenue, was 12.7%, which continued a multi-year decline in that metric.

Non-cash stock-based compensation of $6.6 million included a $3.3 million non-cash charge due to the cancellation of equity performance awards, also in the fourth quarter. In the fourth quarter, we purchased $22.4 million face amount of our 2.75% subordinated convertible notes and privately negotiated transactions. We also repurchased, in the quarter, 1.1 million shares of our common stock for $17.7 million, which leaves our diluted share count right at about 18.1 million.

Our bank covenant compliance leverage ratio was 5.1x at year-end and our pro forma leverage ratio of 4.8% is based on a $78 million adjusted consolidated EBITDA midpoint of our Four Quarter Outlook. Our discretionary trust portfolios declined 8.3% in 2018 with majority of the decline occurring in late fourth quarter due to the short term equity and credit market volatility.

We took the opportunity to allocate a portion of our cash position equally across our equity and fixed income portfolios during that time. The trust portfolios returned approximately 10% year-to-date, led by the performance across our equity portfolio. Our current Rolling Four Quarter outlook is for adjusted consolidated EBITDA between $77 million and $79 million and adjusted diluting earnings per share of $1.34 to $1.44.

The expected year-over-year growth in adjusted consolidate EBITDA and adjusted EPS will be primarily be driven by improved operating execution and a reduction of corporate overhead expenses.

Adjusted free cash flow will be between $37 million and $40 million in 2019, which includes $23.5 million for cash interest expense, $10 million for maintenance capital expenditures, and $5 million for shareholder dividends. We now expect total capital expenditures to be closer to $18 million in 2019 with the majority of growth capital invested in cemetery inventory and select funeral home remodels.

Over the past 2 years, total field EBITDA margin has declined 310 basis points, representing a lost EBITDA the opportunity for Carriage of approximately $8 million. Our managing partners, support center partners and teams across Carriage are focused on high performance execution in each of our businesses, so that as we progress through 2019, we make significant progress towards showing the true earnings powers of Carriage.

Now, I would like to publicly recognize our Carriage 2018 Pinnacle of Service Award winners and our 2018 Good To Great award winners. First off, our Good To Great award winners. These 5 managing partners showed sustained excellence over a 5 year period and compound rate of growth with their businesses above 3%.

First off, Sue Keenan, Byron Keenan Funeral Home & Cremation in Springfield Massachusetts; Matthew Simpson, Fry Memorial Chapel, Tracy Californium; Mike Conner, Conner-Westbury Funeral Home, Griffin Georgia; Curtis Ottinger, Heritage Funeral Home, Chattanooga Tennessee; and Ben Friberg, Heritage Funeral Home and Crematory, Fort Oglethorpe, Georgia.

And now on to our 2018 Pinnacle of Service Award winners; the following achieved an average of 70% or above in Standards for a total of 3 years. Jeff Seaman, Dwayne R. Spence Funeral Homes, Canal Winchester, Ohio; Justin Luyben, Evans-Brown Mortuaries & Crematory, Sun City, California; Jeff Hardwick, Bryan & Hardwick Funeral Home, Zanesville, Ohio; Andy Shemwell, Maddux-Fuqua-Hinton Funeral Homes, Hopkinsville, Kentucky; James Bass, Emerald Coast/McLaughlin Mortuary, Fort Walton Beach; Steven Mora, Conejo Mountain

Funeral Home and Memorial Park Camarillo, California

Brian Binion, Steen Funeral Home, Ashland, Kentucky; Curtis Ottinger, Heritage Funeral Home, Chattanooga, Tennessee; Sue Keenan, Byron Keenan Funeral Home & Cremation; Alan Kerrick, Dakan Funeral Chapel in Caldwell Idaho; Bob Prindiville, Bright Funeral Home & Cremation Center, Wakefield North Carolina; Mike Conner, Conner-Westbury Funeral Home; Ashley Vella, Deegan Funeral Chapels, Escalon, California; Kim Borselli, Fuller Funeral Home-Cremation Service, Naples, Florida; Brad Shemwell, Latham Funeral Home in Elkton, Kentucky; Kyle Incardona, Hillier Funeral Homes, Bryan and College Station Texas

John Fitzpatrick, Donohue and Cecere Funeral Homes, Westbury, New York; James Terry, James J. Terry Funeral Home in Downingtown, Pennsylvania; Bob Lotz, Lotz Funeral Home in Salem, Virginia; Wayne Lovelace, Lotz Funeral Home, Vinton, Virginia; Todd Muller, All Cremation Options, Naples, Florida; Verdo Werre, McNary-Moore Funeral Service, Colusa California. Bill Martinez, Stanfill Funeral Home, Miami Florida; Jason Cox, Lane Funeral Home-South Crest, Rossville, Georgia; Roger Allen, LaGrone-Blackburn-Shaw Funeral Homes in Amarillo, Texas

Dan Simons, Everly Community Funeral Care in Falls Church Virginia; Robert Maclary, Kent-Forest Lawn Funeral Home, Panama City, Florida. Congratulations Robert and your team down there. Nicholas Welzenbach, Darling Funeral Homes -- Darling Fischer Funeral Homes and Los Gatos Memorial Park in San Jose, California.

Now on to who are achieve a both 70% standards and 100% standards in one year; Ken Summers, P.L. Fry & Son Funeral Home, Manteca California; Matt Simpson, Fry Memorial Chapel; Courtney Charvet in North Brevard Funeral Home in Titusville, Florida

Jeff Steadman, Sansone Funeral Home, Bristol, Rhode Island; Patrick Schoen, Jacob Schoen & Son New Orleans, Louisiana and Tim Hauck, Harvey-Engelhardt/ Metz -- Fuller Metz and Lee County Cremation Services in Fort Myers Florida. And also, Cyndi Hoots, Schmidt Funeral Homes in Katy, Texas.

We look forward to celebrating those winners in Scottsdale Florida in early April. And we look forward to celebrating even more winners at this time next year.

And with that, we'd like to open it up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from the line of Alex Paris of Barrington Research.

Chris Howe

I had a few questions here for you. As you look at the different improvements that you've made through this restructuring plan over the past 5 or so months, can you give a current status update as to how those specific locations are doing and how some are perhaps adapting to the changes quicker than others and some that are standing out from the pack?

Carl Benjamin Brink ***Carriage Services, Inc. - CFO, Senior VP & Treasurer***

Yes, I think, in most cases it's too early to tell. We've just implemented the new standards here in January 1. We always do comparables year-over-year for especially in the month of January was going to be difficult. I would say the alignment, the excitement and the cohesion of the teams across the Company is better than we've ever seen it. We're excited about the progress we have seen in portions of our business, but recognize that we have ways to go in some others and we're working hard at that.

Melvin C. Payne ***Carriage Services, Inc. - Founder, Executive Chairman, CEO & COO***

Yes. Chris this is Mel. The morale and alignment across the Company I don't think has ever been this good. But the rebooted standards that emphasize our compounded revenue growth over 3 years will not necessarily be easy to achieve right out of the gate and slower revenue growth compounded over 3 years has a smaller waiting like 10% and the maximum is 35%. So we hope, during the year, as more

-- and there are some other things that are very innovative that our teams are -- that are learning. We provided some tools IT, through a portal, our Director of Support, Standards Council are all involved. So I think the Group have seriously -- where we had serious issues, have been addressed. But to get the performance back where it was before and recapture some of the 310 basis points, would take some time and it won't be all at once. It'll be one business at a time. And the way I expect this to go throughout this year, is we're going to see how we do in the first quarter. That's a tough comparison to last year. The second quarter is when things started really get weaker, really in February last year but January was so strong and then the third quarter was the weakest of all. And then we had a little bit of a comeback in December after we jumped in the middle of it. But I think you'll see progressively broader and deeper performance throughout this year and we ought to head into next year with our portfolio having very few businesses with issues. And I think those that will have issues will be on the smaller side, so they won't have a huge impact. And I think you'll see the whole portfolio performance just go through the year with incremental change in consolidated numbers. But what that really is, is a lot of change here, less change there and getting each -- it's not like we did the same thing everywhere and we expect the same result all at the same time. That's not how this will work. That's how I envision the year laying out.

Chris Howe

That's helpful. And my next question is in regard, you had mentioned, Ben had highlighted the improvement that you saw on an annual basis in adjusted free cash flow. As we look at the restructuring plan and the different learnings and discoveries that you made within the portfolio, how should we look at the potential for cost savings or cost initiatives that can be implemented over this next period, this so-called great to -- we can call it Great-to-Greater, as I like to think of it and -- to 2023, for potential improvement on margins and then that flow through to free cash flow.

Carl Benjamin Brink ***Carriage Services, Inc. - CFO, Senior VP & Treasurer***

Yes. I don't think it's appropriate just to look at it from a pure cost or cost initiative perspective. Really the focus and what Mel just referred to is, compound annual revenue growth at each local business and the focus on that and with the reboot of our Standards Operating Model. That's where the improvement in margin will come. That's where we get the operating leverage at these individual businesses. We've spoken a couple of times before about specific things we've done from a corporate overhead perspective in 2019 and we expected to be approximately $4 million from a cash expense lower than where we were in 2018. But really again, at a local level focused on compound annual revenue growth is where margin improvement will come from.

Melvin C. Payne ***Carriage Services, Inc. - Founder, Executive Chairman, CEO & COO***

Yes, it's Mel again Chris. I think what had happened and it really showed itself on last year was, we expected the operating performance in the portfolio to continue to improve incrementally after 2016. And instead, what happened was, it began to tail off a little bit in '16, even though '16 was a good year. I mean it started to tail off in '17 and then it accelerated in the first half of '18 after January. And during this time, because we expected to have incremental increases in portfolio performance trends, the overhead also trended up. And so, what we've done now is just done a deep broad review and looked at every business, looked at every department here in Houston, looked at our field support team and we've reduced the cost, Ben says about $4 million, I would say probably it is going to end up being closer to $5 million. But we got smaller, at the same time, we got better. And now I think we'll see both the operating performance come up in the field and we won't have a commensurate increase in the overhead here supporting that. But the support is very much focused, very much productive and the teams are very much aligned and we did eliminate a number of people, who weren't in alignment with the vision and the goals of the Company and we're very effective at executing.

Chris Howe

Staying on the topic of the teams, the respective sales teams, can you add some color on how their targets have been redefined or adjusted for this plan towards 2023? And has there been anything that we should be aware of as far as market positioning or what you're seeing in the pricing environment as your sales team goes up against the competition?

Carl Benjamin Brink ***Carriage Services, Inc. - CFO, Senior VP & Treasurer***

Yes, we did the same thing in the cemetery that we did on the funeral home. We had a separate council meeting late in December and we did a thorough review of our history of our cemetery and the cemetery standards which hadn't been updated really since '07. And so once again, we developed compounded revenue growth, preneed property sales in the cemetery. And in that case, we even weighted them higher than we did in the funeral home side, because it really is driven by preneed property sales. And so we not only weighted it higher, we made the compound growth categories a little bit higher. So I think we had 3 or 4 categories. And if you can't grow your revenue, compounded revenue, preneed property sales, you're going to fall beneath our minimum standards and you probably won't be here. So we think this -- but the incentives are very high. So we think this will lead to better talent, better sales managers and ultimately sustained performance over the next 5 year. But we have a lot of work to do in this area.

Melvin C. Payne ***Carriage Services, Inc. - Founder, Executive Chairman, CEO & COO***

Lot of work to do, but a lot of opportunity.

Carl Benjamin Brink ***Carriage Services, Inc. - CFO, Senior VP & Treasurer***

Yeah a lot -- this is probably where we have the greatest upside.

Operator

And our next question comes from the line of Duncan Brown of Wells Fargo.

Unidentified Participant

Hey, good morning, it's (inaudible) on for Duncan Brown. We appreciate all the color, as always guys. We just had one quick kind of question, given the thorough review of the business that you've just completed, what are your kind of thoughts around the best use of capital between acquisitions, debt repayment, dividends, buybacks and kind of internal projects.

Carl Benjamin Brink ***Carriage Services, Inc. - CFO, Senior VP & Treasurer***

Yeah I think -- so a couple of things. We, in general, our capital allocation will be focused around acquisition activity. I think as we look at our review and as we've communicated over the past couple of months, we'll continue to be selective and our selectivity may even become sharper over these next couple of quarters around that. And then continue to work down to paying down debt and getting our leverage towards that 4.5x target that we talked about during the recapitalization process. And then, we've looked at capital expenditures to be a little bit higher than they were last year. That's really around opportunities that we find to invest particularly within our larger cemeteries.

Melvin C. Payne ***Carriage Services, Inc. - Founder, Executive Chairman, CEO & COO***

Let me add to that. My answer would be a bit different. That was a good answer, Ben, but as the operating guy, I fully expect our EBITDA performance to come way up not just this year, but just what we own today and then we'll get a big chunk of that 320 field EBITDA base is back on increasing revenue. And then into 2020, I expect it to continue to increase the margin on slightly increasing revenue without any acquisitions. And so I think our EBITDA will, purely from a financial improvements and performance, bring our debt ratio down from where it is right now and then we will be, be accumulating free cash flow and deciding where to put that. Now if we -- if we get up into a situation because I think one of the things, high yield investors always -- always worry about is whether your performance trends continuing to go low and yet you're allocating your capital in ways that are not debt friendly. We want to get in position where that's not a concern of yours and the best way to do that is through much higher operating performance, so that you see the trend is our friend and the leverage declining is our -- is our friend, which puts us back into being more flexible on allocation of capital, including to grow by acquisition, but they have to be very selective. We have realigned our acquisition criteria to align with our standards on both funeral home and cemetery that emphasize compound revenue growth not over the history of the last 5 years, but over the future of the 5 or 10. So I would give -- I'd give that as a more complete answer. I think we're done on the share repurchases. I think we're done on the share repurchases. We pulled in the converts. We cleaned that up. So I think now it's really looking at high return internal investments, primarily cemetery inventory in some of our bigger places and that we will do a lot of new builds on the funeral home side this year and we're going to focus on operations, bringing the leverage ratio down and then if we have acquisitions come along, probably in the second half, we'll look at that and make a decision.

Unidentified Participant

Thank you. That's really helpful. Just one follow-up, how is the acquisition pipeline kind of looking given that you have become more selective?

Melvin C. Payne ***Carriage Services, Inc. - Founder, Executive Chairman, CEO & COO***

It's been active. There is competition and we're not -- we're not pulling out of the -- out of the market and we are talking to a number of people. But we are selective and we turned down a lot more than we actually vet thoroughly. But we've -- we have a pipeline, I wouldn't say that's deep but it's very high quality. And so we haven't been out there beating the bushes here over the last 5 months, on the contrary and yet I wouldn't be -- I wouldn't be surprised if we didn't have an opportunity here in the second half to bring something in here that would satisfy both our equity, shareholders, and our debt holders.

Unidentified Participant

It's really helpful. One last one from us and this is kind of a big picture question. But you talked about the [Steel] Standards and kind of forward integration and the eroding of culture kind of across the board. And as the organization grows, how do you prevent these issues from happening again and how do you kind of maintain and restore the high performance culture across the platform?

Carl Benjamin Brink ***Carriage Services, Inc. - CFO, Senior VP & Treasurer***

Yeah, I think the first -- the first part of it was the reboot of the Standards, that was ridding ourselves of arcane ARPC standards and people standards that were, had become subjective and using ways to hold people back. That was the first and foremost. I think for us, continue to listen to and communicate and collaborate with our managing partners and our field businesses, hear their best ideas, learn how we can support them better as we move forward. Those are my 2, Viki, do you have anything else?

Viki King Blinderman ***Carriage Services, Inc. - Principal Financial Officer, CAO, Senior VP & Secretary***

Yeah, I would just say, it's always about the people, having the right people in the place and always searching to have great leaders in all our businesses and we'll continue to do so.

Melvin C. Payne ***Carriage Services, Inc. - Founder, Executive Chairman, CEO & COO***

This is Mel. It's been a very fascinating 5 months and I made the mistake of believing that a team of about 8 or 10 people that reported to me got the culture, could spread the culture, live the culture, lead the culture and I was wrong. So once that problem was eliminated, we went to work as a team and brought in field leaders not at the MP level, but we did it because of the Standards Council. But we had about 50 support leaders as well and we went through a process that was really unbelievable called Carriage University curriculum about the company, the ideas, the concepts, the standards and there were so many people that participated, brainstorm and there were so many great ideas across the platform that had been -- that had been pushed down, held down, not listened to. And now, you would find, if you come here there is this much larger, deeper, broader team that really owns the culture. I think anybody that came in here and tried to injure it now probably would be locked up for a long jail sentence. They'd have a mutiny on their hand. We just had a Board meeting yesterday and I stepped out and I had -- I don't know how many came in on this. We call them the 4L team and that's Listening, Learning, Loving and Leading and they come from accounting, HR, IT, Corporate Development, all across the Company. And my Board was shocked at the energy, at the engagement, at the collaboration, at the teamwork -- it's in 5 months. If I had told myself 5 months ago, this is what I hoped to do; well it look like I wouldn't have believed it. So I'm very proud of what this team has done and they got me really excited, so I'm signing up again. I couldn't leave this even if somebody wanted me to right now. It's too exciting and I see them down here on the end of the table smiling like just work like a [Tesoro cat]. So anyway, I don't think you -- I think we injected the culture with an antibiotic that was real strong and the immune system grew a lot stronger, deeper and broader. I don't think anybody can come in here and do that again.

Operator

And our next question comes from the line of Komal Patel of Goldman Sachs.

Komal Rohit Patel ***Goldman Sachs Group Inc., Research Division - Fixed Income Analyst***

Mel, a question for you. We're excited that you're staying onboard for another 5 years as Chairman and CEO and will be able to see through the turnaround efforts. Just respectfully, we wanted to ask about succession planning for the company and any plans have been made so far in that regard?

Melvin C. Payne ***Carriage Services, Inc. - Founder, Executive Chairman, CEO & COO***

Yeah. No, that's a great question. Not -- that's the first time I get that question. So I'm 86 and I don't act like I'm 76, hopefully I don't sound like I'm 76 and I have a lot of energy and passion. My health is never been better in 30 years. So, I don't even believe in the concept of retirement unless I reach a point where this team would tell me, I'm not adding value as a leader with my ideas and teamwork and vision, but that's not now and we are all over the subject of succession planning. I do not have a CEO successor in the Company at this point. That's not to say somebody couldn't jump up there and prove themselves. But I'm not assuming that will be the case and so over the next 2 years, I'll be looking at candidates first to take over the [CLO file]. I'm having lot of fun with that. It's what I know and I'm having lot of fun with operations in our VLP pool. But I can't, -- it can't just be me. And so, I think over the next 2 to 5 years, this is something I work on with my Board, we talked about it yesterday. I talked about it openly with the team. It's not a secret, but is not also an emergency. If something happens to me, like I get hit by a bus, we do have a plan. I don't want to say what it is, but we do have a plan and you know if somebody is worried about it, one of the reasons we wanted to do that, believe it or not, plan was to let people know that rather than worrying about the downside, maybe if I am here, maybe they think I'm the reason we are messed up, which I made the mistake of putting wrong people in place or if they're worried about if I'm not here. So, I think we're in good shape. That's an issue. It's been identified but I have to tell you, I started hearing the same question after Sarbanes-Oxley and that was after 2002 and I went through a lot of problems trying to find and bring in candidates to take my spot and every time I did, it backfired. So I think this time, I'm back in this, I'm having fun. My team is all fired up and I will be looking for my successor. But Warren Buffett is 88. He hasn't named one yet. I'm a wannabe Warren Buffett. So we'll see, but I don't want anything to happen to the Company and all the people in it, if something happens to me. So that is a fiduciary duty I take seriously and they all know it.

Komal Rohit Patel ***Goldman Sachs Group Inc., Research Division - Fixed Income Analyst***

Got it. Okay, that's great to hear and appreciate all the comments. And in regards to the, believe it or not program, also appreciate that there isn't much dilution and the threshold for the incentive is pretty high to be awarded? I guess 2 questions on that. And the first one is, just how far down the management team does that incentive go and does it include regional or property specific managers as well. And from the employee standpoint, what has the response been so far? Is the threshold too high or too long term for employees to get excited. Just some added color there is helpful?

Carl Benjamin Brink ***Carriage Services, Inc. - CFO, Senior VP & Treasurer***

No, it's actually been the exact opposite. I mean, the feedback has enough in both excitement and complete buy-in from the group that participate in the program. This will be for senior leadership and operational leadership including our -- including flex support. Our partners here in Houston mainly focus the ones that are communicating, testing our field each and every day. Working with our managing partners and our new operations and analysis support partners.

Melvin C. Payne ***Carriage Services, Inc. - Founder, Executive Chairman, CEO & COO***

Partners?

Carl Benjamin Brink ***Carriage Services, Inc. - CFO, Senior VP & Treasurer***

Didn't got that right, still working on the title.

Melvin C. Payne ***Carriage Services, Inc. - Founder, Executive Chairman, CEO & COO***

So this is the way to think about that. The way to think about that is, prior the operating leadership that was here, we came to learn, had kind of separated themselves, especially when performance started to go down, making excuses, keeping away the other groups who had a vested interest like Ben and Viki and their teams and others, including me. I mean, they didn't want me to get in their business. And so I would say that the company, from an operating side and all these teams kind of broke into I won't -- silos or factions or -- and there wasn't collaboration, there wasn't brutal honesty. And now what this has done, it's been kind of fun for me to see. The people who support our MPs are called Directors of Support, (inaudible). The people who are there -- analyst and partners to achieve these standards are here in Houston and their boss is Peggy Schappaugh, she reports to me. That group has a direct influence on Standards Achievement at each business. They have a whole portfolio assigned to each of them and so, they are also now named partners to our MPs and then we have regional partners, including the Director of Support. And Directors of Support also are partners to our field people and so what this is doing, it's causing every one of those to care whether we have underperformance at any business anywhere in the portfolio and to be very open and honest about what the issues are collaborate on what kind of solutions can be implemented sooner rather than later.

Collaborate and brainstorm on, do we have the right who as a managing partner, as a sales manager. It's opened up and given ownership to everyone who has an opportunity to change performance and in the whole portfolio, it only takes $250,000 of incremental EBITDA equal a $0.01 a share. They've all been educated on that and now their language is, we found $0.005 a day over here; we found $0.01 over there. We got a $0.05 over 3 years in this business and so it's been really an amazing thing to watch and it's all happened over a short amount of time. So that's what this is intended to do. And they all know what the targets are, and they all think you know, okay, we can do this. That's why we say, believe it or not, that's mostly for internal.

Komal Rohit Patel ***Goldman Sachs Group Inc., Research Division - Fixed Income Analyst***

Got it, okay. That's really helpful. And the last one from us, any changes to the trust fund side of the business for 2019. Anything you expect to do differently, either from a management perspective or a portfolio allocation standpoint that could help offset some lower 2018 numbers?

Carl Benjamin Brink ***Carriage Services, Inc. - CFO, Senior VP & Treasurer***

Nothing in particular. I think we continue to actively manage that portfolio. We have deployed almost $20 million of cash within the last and that's about 10% -- over 10% of our portfolio over the last 6 or 8 weeks and continue to look and see opportunities both on the core fixed income side. We'd like to build up our recurring income within the portfolio and select equity securities. We're pretty consistent in our strategy in how we look at the market and manage that portfolio and I don't see that changing here in 2019.

Melvin C. Payne ***Carriage Services, Inc. - Founder, Executive Chairman, CEO & COO***

We've had a strong start to the year. Like everybody else, we got hit in the last quarter, but we've had a very strong start to the year. We actually pulled out of the market at the right time last year, build cash. So we didn't go down as much as a lot of people who've stayed in it. And so we put it back, a lot of it back to work at the right time and I think we're off to the races with some new ideas.

Operator

(Operator Instructions). Our next question comes from the line of Chris McGinnis with Sidoti & Company.

Christopher Paul McGinnis ***Sidoti & Company, LLC - Special Situations Equity Analyst***

Just a quick question around the M&A strategy going forward and the comments so far, have your thoughts around M&A or your targets, anything that you're looking at, and your target changed since your latest review?

Melvin C. Payne ***Carriage Services, Inc. - Founder, Executive Chairman, CEO & COO***

Chris, this is Mel. Yeah, I mean, we've revamped what we call strategic criteria, that we use for vetting candidates and those candidates will now be vetted on criteria that are aligned with our Standards criteria, which are very much oriented toward businesses that can come into the portfolio, be integrated under our Standards operating model and then, compound growth in revenue over a 5 or 10 years higher than our existing portfolio, especially our same-store. And so the way we're defining that now we'll cut down on the number of businesses that actually qualify, even if they do, and we believe we can grow revenue at a small amount of compound growth, the multiple will -- won't be as high. So the multiple will be related to the, what we predict the compound revenue growth can be over 5 or 10 years because we know when that happens and it's integrated into this model, the field EBITDA compounds at a much higher rate of growth and that creates a lot of shareholder value.

Christopher Paul McGinnis ***Sidoti & Company, LLC - Special Situations Equity Analyst***

Okay. Thanks for that. And then, just one question around, maybe just the underperforming assets, say give it 6 to -- 6 months or twelve months. If they are underperforming, I guess just maybe your thoughts around maybe rightsizing the portfolio, if that's right way to think about it. Are those the actions or would you kind of continue to look at options to fix some rather than maybe exit them?.

Carl Benjamin Brink ***Carriage Services, Inc. - CFO, Senior VP & Treasurer***

We will -- you know with the new standards, we didn't have much of a write-down on our existing portfolio at year-end. Once we did -- redid the standards, we said look, a lot of these have declined quite a bit over 4, 5, 6, 7 years. They're smaller in almost every case, not real meter movers although if you got all the lost revenue and EBITDA back it would be material as a Group. So I think -- and we have a lot of new MPs in positions to turn those around and look like heroes. So I think, we wanted to give it this year to see what they can do. We're very encouraged in a lot of them that we can already see material improvement, but we'll look at the portfolio at year-end and absolutely overtime, prune those that take too much time, there is not enough upside, there is not enough opportunity to keep nursing it. And -- but at the same time, I think we'll be growing them. Whatever that is, it won't be material to performance.

Operator

And our next question comes from the line of Barry Mendel with Mendel Money Management.

Barry Mendel

Yeah, thanks. You know my question, how do you prevent another replay of 2017-'18 happening? I mean what -- you took a while for that to, for you guys to react and how do you catch it earlier this time around? What's been put in place?

Melvin C. Payne ***Carriage Services, Inc. - Founder, Executive Chairman, CEO & COO***

Well, thank you, Barry. That's a good question. It took a year and a half, but what you didn't see under the covers was a lot of reaction by me at different times during 2017, but I had a lot of turnover here at the senior level over the years, probably had a bad reputation for not getting it right, well deserved. But I knew if I got right back in it, this leader with would have his legs cut out from behind -- from behind them and he would have no credibility with our field people. And so I kept trying to coach him and mentor him, but I left him in place and there were 2x or 3x when I came real close to not doing that. So, there was a lot of stuff going on you didn't see. But I kept saying, okay, I think we're doing the right things, seems like we'll pull back out and see how it turns out and it never really changed and whatever actions were taken as a national leader to all of our field people, I would think okay, that's a good message, that will get a response, the response never came. And so, I think I said this in one of the memorandums I wrote. I've often defined leadership as someone who has ideas about the present and a vision of the future that others want to align with and follow. And without strong followership, in our field businesses and MPs and sales managers, there is no leadership. I made that mistake, it was obvious out of the gate. I almost changed it 2x or 3x. I didn't I regret it. Everyone on this team now has a vested interest in that not being wrong the next time, and rather than me banking the choice, given my history to making mistakes, I'll have a couple of -- 3 board members, Ben and Viki, council members are vetting this person to see if he or she is the right leader for the company.

Operator

And I'm showing no further questions at this time, I would now like to turn the call back to Mr. Mel Payne for any closing remarks.

Melvin C. Payne ***Carriage Services, Inc. - Founder, Executive Chairman, CEO & COO***

I have no closing remarks, except to say those were great questions today and we all appreciate it, and I'd like to just do a shout out to all of our people listening on the call and there are a lot of them, let's get it done.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program and you may all disconnect. Everyone have a great day.