



Carriage Services 4th Quarter 2024 Earnings Webcast

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Operator: Please stand by, we're about to begin. Good day and thank you for standing by. Welcome to the Carriage Services Fourth Quarter 2024 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, president. Please go ahead, sir.

Steve Metzger: Good morning, everyone, and thank you for joining us to discuss our fourth quarter and year end results for 2024. 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 John Enwright, 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 John and will be followed by a question and answer period. Before we begin, I'd like to remind everyone that during this call, we'll make some forward-looking statements, including comments about our business, projections, and plans.

Forward looking statements inherently involve risks and uncertainties and only reflect our views as of today. These risks and uncertainties include, but are not limited to, factors identified in our earnings 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. Now I'd like to turn the call over to Carlos.

Carlos Quezada: Thank you, Steve, and welcome to everyone joining today's fourth quarter and full year earnings call. I am pleased to share the outcomes of a transformative year at Carriage Services. A testament to our dedication and strategic execution. Our results reflect our financial strategy and commitment to innovation and service excellence. Before sharing the results, I want to express my deepest gratitude to every member of the Courage team. Your unwavering dedication is a cornerstone of our success and provides needed comfort to the families we serve. We truly appreciate you and your alignment with our vision and values.

I am also thrilled to welcome John Enwright as Carriages' new Chief Financial Officer. In just seven weeks, John has dived deeply into our operations, embrace our culture, and provided invaluable insights and leadership as we continue to grow into a best in class organization. Welcome to Carriage, John. Today, I will highlight our financial performance for the fourth quarter and the full year and update you on the progress of some of our strategic objectives. John will provide additional detail focusing on overhead cash flow, leverage ratio, and our guidance for 2025.

Now let's move on to the financial highlights. For the fourth quarter, we reported total revenue of 97.7 million, a decrease of 1.1 million, or 1.1%, compared to the same quarter last year. We experienced an anticipated decline in funeral volumes against a challenging prior year comparable, resulting in a 7.3% decrease, partially offset by a 1.4% increase in our average

Carlos Quezada: revenue per funeral contract. The volume decrease is primarily linked to a shift in the flu season, which usually starts late in the fall and increases through the winter months.

Our January and February volume trends are positive, indicating that a late flu season may have shifted volume from the fourth quarter of last year to the first quarter of this year. Additionally, we experienced an 8.4% increase in preneed interment rights sold and a 4.2% increase in the average price per preneed interment rights sold, which helped offset total revenue to a decrease of just 1.1%.

When breaking down revenue, funeral operating revenue was \$58.7 million in the fourth quarter versus \$61.3 million last year, a \$2.6 million decrease, or 4.2%. Lower funeral home volumes resulted in a reduction of 831 contracts, or 7.3%. This was partially offset by a slight increase in average revenue per contract of \$75, or 1.4%. Cemetery operating revenue for the fourth quarter was 29.8 million versus 26.7 million last year, resulting in a 3.1 million increase, or 11.6%. Driven by an increase of preneed interment sold of 263 contracts, or 8.4%, and an increase per preneed cemetery contract of \$937, or 9.2%, compared to the same period last year, almost offsetting the revenue loss in our funeral segment.

For the full year, total revenue finished at 404.2 million, an increase of 21.7 million, or 5.7%. Primarily driven by the continued growth in consolidated cemetery preneed sales, as we experienced a 22.9% increase in preneed interments rights sold and a 7.3% increase in the average price per pre-need interment rights sold, which led to total preneed cemetery sales of \$94.3 million, an increase of \$19.9 million, or 26.7%, when compared to the same period last year.

Moving to adjusted consolidated EBITDA for the fourth quarter, we ended at \$29.3 million, a decrease of \$3.1 million, or 9.6%. This decrease was driven by the lower revenue in our funeral segment, combined with an expected \$1.2 million increase in our Trinity system investment, which we don't adjust for. For adjusted consolidated EBITDA margin for the fourth quarter, we finished at 30%, a decrease of 280 basis points compared to last year. For the full year, adjusted consolidated EBITDA finished at 126.2 million, an increase of 13 million, or 11.5%.

Adjusted consolidated EBITDA margin for the full year remained strong at 31.2%, an increase of 160 basis points compared to last year. Adjusted diluted EPs for the fourth quarter was \$0.62 per share, down by \$0.15, or 19.5%, versus the prior year quarter. For the full year, we ended at \$2.65 per share, an increase of \$0.46 per share, or 21%. We are pleased with our financial performance for the full year of 2024, highlighted by a continued focus on execution while optimizing our systems and approach to support organic growth.

Our strategic adjustments throughout the year paid off despite a decrease in funeral volumes in the fourth quarter, influenced by the shift in a later than normal flu season. After raising our guidance twice in 2024, we are thrilled to report that we exceeded expectations across most of our financial metrics. This achievement underscores our management capabilities and operational excellence, setting a strong precedent for continued growth.

Carlos Quezada: In alignment with our ongoing commitment to excellence, we are excited to announce the expansion of our supply chain strategies through the introduction of our new Earned Core line.

This launch reinforces our national partnerships and aligns with our strategic objectives of continuous improvement and disciplined capital allocation. These efforts collectively enhance our service capabilities and create additional shareholder value. Moving into phase two of this strategy, we're focusing on leveraging our new national partnership with Express Funeral Funding for insurance assignments. This collaboration will provide added value to the families we serve by enhancing the financial flexibility of our offerings, potentially increasing sales across our operations.

The full rollout of this program is anticipated in the second quarter of this year, marking a significant milestone in our strategic plan. Subsequent phases will address casket core line, fleet management, and other essential procurement needs, further optimizing our operational efficiency and service excellence. In closing, as we reflect on our accomplishments and insights gained in 2024, courage is at the dawn of an exciting future.

With a robust foundation built over the past two years, we're ideally positioned for sustained financial growth and industry leadership. Our strategic commitments to passion for service, optimizing our supply chain and fostering continuous improvement have sharpened our competitive edge and set the stage for groundbreaking innovations. As we move forward, our culture of excellence through our teams are more equipped than ever to deliver superior service.

Driven by our unwavering commitment to creating premier experiences, we are eager to expand our horizons, deepen our connections with the community, and become a best-in-class organization. At Carriage, we don't just adapt to change, we lead it. Thank you, and I will now pass the call on to John.

John Enwright: Thank you, Carlos. I would like to welcome everyone to the call and share a brief update on my first couple of months with the company. I have now been at Carriage for seven weeks, and in that time, I have become even more excited about the opportunity that lays ahead for me and the company. The vision that has been laid out and executed upon over the last two years is exciting, and I feel fortunate to join the company at a time when there are so many opportunities in front of us. As important to me are the people and the culture. The team that Carlos has built is impressive, and I look forward to working with everyone in the organization to continue to drive value for all stakeholders.

Now on to fourth quarter results. Cash provided by operating activities for the quarter was \$9.3 million, which was down \$4.4 million from prior year quarter of \$13.7 million. Adjusted free cash flow for the fourth quarter was \$8.9 million, which was down \$3.9 million from the prior year quarter of \$12.8 million. The change in adjusted free cash flow was driven by lower income in the quarter, primarily the funeral segment, working capital adjustments, and

John Enwright:

spend for Project Trinity, which equated to approximately \$1.2 million in expense.

We paid \$3 million towards our outstanding debt this quarter, ending the year with a maintained leverage ratio of 4.3 times, representing almost a full turn from 5.1 times at the end of 2023. This reduction in leverage illustrates our commitment to disciplined capital allocation, along with the impact of our strong annual performance. We experienced a reduction in interest expense for the quarter of 2.1 million due to the mid-year amendment of our credit facility. At year-end, we had paid down our credit facility by 42.1 million from 179.1 million at the end of 2023 to 137 million at the end of 2024.

Turning to capital expenditures for the full year, we have invested 8.8 million for gross CapEx, 7.3 million for maintenance CapEx, and 2.9 million for Trinity. Now shifting to overhead. Overhead was 12.9 million for the quarter compared to \$11.9 million in the prior year quarter, resulting in a \$1 million increase in overhead expenses. The overhead variance was driven by \$1.2 million relating to Project Trinity costs as we prepare for our exciting implementation of this ERP and customer experience platform early in 2025.

Overhead as a percentage of revenue was 13.2% for the fourth quarter of 2024, which is up 120 basis points from the prior year quarter of 12%. If you exclude costs associated with Project Trinity, overhead as a percentage of revenue was basically flat to prior year quarter at 12%, which is within our communicated range. Now let's shift to the outlook for 2025. As we review the outlook, it is important to note that all metrics include the impact of planned divestitures, but do not include any potential benefits or impacts associated with acquisitions.

As we get back to growth mode, any benefits or impacts associated with acquisitions, we will adjust our forecasts accordingly. Revenues are planned to be in the 400 to 410 million range, compared to 404.2 million. That would result in an expectation of sales being plus or minus 1%. However, if we were to exclude the impact of divestitures, we are anticipating revenue growth in the low single digit range, primarily driven by preneed property sales.

Adjusted consolidated EBITDA is expected to be in the range of 128 to 133 million, compared to 126.2 million. We are anticipating slight improvement in our margins based on our investment in supply chain in 2024, coupled with normalization of certain corporate expenses. Adjusted diluted EPs of \$3.10 to \$3.30, primarily driven by lower interest rates and a lower effective tax rate. We are expecting interest expense savings in a range of \$5 to \$6 million. Associated with the paydown of our credit facility in both 2024 and 2025, coupled with a full year benefit of the midyear amendment, which resulted in lower fees.

The adjusted tax rate is expected to be in the range of 28% to 30%, down from 34.2% in 2024. For overhead, we continue to focus on our strategic objectives, which will result in slightly elevated overhead costs in 2025, driven by Project Trinity. However, in the long term, we anticipate overhead efficiencies after implementation is complete and in connection with other internal initiatives. For the full year, we expect adjusted overhead to finish within 13%

John Enwright: to 14% of revenue, which is within our expected range. Based on the above assumptions, we anticipate adjusted free cash flow in the range of \$40 to \$50 million.

As a reminder, we have adjusted our calculation of free cash flow to include total capital spend rather than just maintenance capital. Total capital spending in 2025 is expected to be in the range of 19 to 21 million. We anticipate our leverage ratio to end 2025 between 3.7 and 3.8 times, right within our long term leverage ratio target of three and a half to four times. The forecast on interest expense and leverage ratio assumes that we do not have any acquisitions in 2025. That concludes our prepared remarks, and I will turn it back over to the operator to open it up for questions.

Operator: Thank you. We will now conduct a question and answer session. If you would 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 turned off to allow your signal to reach our equipment. Again, press star one to ask a question. We'll pause for just a moment to allow everyone an opportunity to signal for questions. We'll go first to Alex Paris with Barrington Research.

Alex Paris: Hi, guys. Thanks for taking my call and congratulations on the beat versus the tough comp.

John Enwright: Thank you very much.

Alex Paris: Yeah, my pleasure. First question, just a point of clarification on funeral volumes. On the last conference call, you said that October was kind of weak versus your experience in the third quarter. It sounds like November and December were weak due to the shift of the flu season from fourth quarter to first quarter, said simply. You said that the trends improved in January and February, are you saying January and February volume was up year over year? That's the point of clarification.

Carlos Quezada: Happy to address your question, Alex. Great question, by the way. Yes, in October we noticed a little decline on volume on a year over year basis. It wasn't expected because I have mentioned in the past that the pull forward effect will wind up through the fourth quarter no later than the first quarter of 2025. It caught us by surprise to see that negative volume on an annual basis in October. As you remember, we updated our guidance in October as we release Q3, and we were being very thoughtful and conservative because of that trend.

That trend continued in November and December, leading to the negative that we just disclosed for the fourth quarter. However, as we look into what happened, we did some research with CDC. It seems pretty clear that there is a shift of the flu season that came late this winter season and started really more into the end of December, beginning of January, and of course, continues as we speak today. Consequence of that, it is that today we do have greater volume for both January and February that we had in Q1 of 2024.

Alex Paris: Great. Thank you for that. Then, your revenue guidance, 405 million at the midpoint for 2025, again, excluding those divestitures that you called out to be more like 413, which is very close to my estimate of 415 million. On the divestitures specifically, what did you do on that front in 2024? I think that there were some divestitures in 2024. The question is, how much revenue did those divestitures that were completed account for? How much adjusted EBITDA did they account for, and what were the proceeds of whatever you sold in 2024? Just to prepare you, I'm going to ask you the same question about 2025.

Steve Metzger: Good morning, Alex. This is Steve. For 2024, roughly, we sold about \$5.5 million worth of revenue, which represented around 1.8 million in EBITDA. Proceeds were just over 12 million for the year, so again, just to highlight these are non-core assets for us so not really our premier performing assets. As we look ahead, I'll skip to your next question anticipating 2025.

As we look at 2025 right now, and some of this is what we're targeting, we have a couple of things under contract that have not closed. But we're looking at roughly, call it \$25 million worth of proceeds. There's a mix here of certain non-core assets and then some real estate. That amount accounts for around 9.5 million of revenue and about 3.3 million of EBITDA, kind of rough numbers on a trailing 12.

Alex Paris: But the impact, you said, would be \$7.9 million in revenue and 2.3 million in EBITDA. You just quoted a last 12 month number for our 2024 number for those non-core assets that are being sold.

John Enwright: Yeah, that's correct, because we're seeing some of that benefit or seeing some of that revenue and EBITDA benefit in 2025 until we divest.

Alex Paris: Then after completing these divestitures, how many funeral homes will you have remaining in terms of core funeral homes?

Steve Metzger: You firm the number. This should result in more fewer funeral homes.

Alex Paris: Then what did you finish 2024 with? Funeral homes wise, I don't think it was in the press release.

Steve Metzger: I believe, and I'd have to confirm, I believe it's 2017.

Alex Paris: That includes the cemeteries, which is fine. Then moving on again on the guidance front, 130.5 million in EBITDA at the midpoint, up 3.4% year over year, you're getting some leverage out of Opex and so on. But then your guidance for adjusted EPs up 21% at the midpoint, 320. Is that being driven by I think you touched on it in the overview comments, a lower interest rate expense assumption and a lower tax rate assumption. Does that explain the difference?

John Enwright: That's correct Alex. It's ultimately the tax rate is about call it five to six points lower

- John Enwright:** expected to be as well as about \$5 to \$6 million worth of savings in interest expense.
- Carlos Quezada:** We also took some savings that will transform EPs from our supply chain strategies as well.
- Alex Paris:** Great. Then I guess my last ones, real quick are D&A and CapEx both up, D&A up 10%. I'm assuming that's related to the Trinity rollout.
- John Enwright:** A portion of that will be associated with Trinity because the Trinity won't go 100% live in 2025, so we'll see. It won't be a full year's worth of Trinity. That'll be a portion of that. A portion of that will be the amortization of cost of the preneed property.
- Alex Paris:** Then on the CapEx front, total CapEx of 21 million this year, up from around 16 million last year, up 30%. I'm assuming that's still 5050 maintenance growth, and what explains the increase? What are you spending incremental money on in 2025 versus 2024?
- John Enwright:** There's some larger projects we're doing in certain cemeteries. Ultimately, that is inconsistent or different than what we did in 2024, which is really kind of the main driver of the increase.
- Carlos Quezada:** The other thing, Alex, is, as you remember the last two years, and by that I mean 2023 and 2024, our focus was to drive as much as we could organic revenue. We were pretty much on the back seat of acquisitions. Our last acquisition was in March of 2023 with a green lawn, and then we focused on paying down our debt. Part of that effort was to allocate capital to high growth projects, which was basically preneed cemetery and allocating maintenance needs, really that were required in the field.
- And so as a consequence to that, we had a lower CapEx number for 2023 and 24, but we have traditionally done. I remember 2022 was around 26 million. 2025 allow us to now, since we are in a range where we feel comfortable with the leverage ratio. To allocate more capital to growth opportunities on the cemetery side for preneed property. Also, some of those businesses that we did not put some maintenance CapEx to go back to work on 2025.
- One more thought as I wanted to address this one on revenue. What you see that guidance on revenue a little lower than expected because you see the improvement on EBITDA, and of course, EPs, we wouldn't divest from those businesses. Our guidance would have been 410 to 520 million of revenue for this year. Just want to point that out.
- Alex Paris:** Good. No, I appreciate that. Last question, I promise. With your year-end CapEx or, net leverage ratio target of 3.7% to 3.8%, in line with that long-term goal of three and a half to 4%. I'm assuming that you'll be perhaps in the second half evaluating acquisitions again. You'll get more active on that front.
- Steve Metzger:** Yeah, Alex. We're excited to get back to growth. I think for us, we have some, as we just

Steve Metzger: mentioned, some divestiture proceeds coming in that are not insignificant. We will look to redeploy some of those funds towards higher quality assets. Talking to a number of owners right now, with some really premier properties, don't know how those are going to progress, but we do think it's indicative of what will be available in 2025. As Carlos and John mentioned, while the revenue number does not contemplate growth through acquisition, we do expect to have more of an update in Q2, and we do expect to grow through acquisition this year.

Alex Paris: Great. But just to be clear, the revenue guidance does not assume any incremental inorganic growth.

Steve Metzger: That's correct. That's right. We want to get a better feel on what that's going to look like here in Q2. I think there'll be a better update then.

Carlos Quezada: Yeah. Alex, think about it from this perspective. The organic growth continues to be a focus at Carat. However, this is the year that we're able to go back to growth mode. We have been able to get the structure that we needed over the last two years, get the team in place, get the systems right. Being able to launch Trinity in 2025 is a really big deal for us this year, and this enables us with a better margin than we had before. Our margins are probably second to the highest one, which was 21 as a result of COVID-19. Now we're able to focus on growth, and as Steve mentioned, we have really good plans for that and an update in Q2, I'm pretty sure we'll get the excitement across the board from what we have planned for 2025.

Alex Paris: Awesome. Thank you very much. Appreciate you taking my questions. I'll get back in the queue.

Operator: We'll move next to John Franzreb with SIDOTI&Company.

John Franzreb: Good morning everyone. Thanks for taking the questions. I'd like to start with the fourth quarter results and what you've gleaned from maybe a seasonally somewhat weaker fourth Q with your changing the pricing strategy, on a more regionalized basis in light of maybe some of that weakness. Carlos, Anything you could share about the pricing strategy and how it's playing out when you have maybe some unexpected curves in the volume.

Carlos Quezada: Yeah, that's a great question, John. Good morning. As we recognized back in October that we're struggling with some declines in volume that were not normal. As you remember this on a normal seasonal year or seasonalised last year, you will have Q1 being the largest quarter of the year. Q4 will be the second largest, and again, Q2 will be the third and Q3 will be the fourth. However, if you look at 2024, Q4 is actually the last quarter of the year, which is very abnormal.

But because of that, and we were able to recognize that early, we fought for any call that

Carlos Quezada: was there, whether it was cremation or burial, that didn't allow us to be as competitive as we were in terms of keeping the price up, because we wanted to keep as much volume as we wanted. You didn't see that continuous trend on our pricing capacity over the last three months of the year, however, our strategic pricing review strategy continues in place. We are holding our strategic pricing review meetings for January, February, and March to update our pricing for 2024, and that will continue to be an ongoing basis for 2025, quarter to quarter.

John Franzreb: Good. Fair enough. Listen, there's been a fair amount of commentary in the media about this being the worst flu season in 15 years. You mentioned that January and February are off to good starts. Can you kind of put it in context of how good of a start it is in light of some of the flu numbers? Also, do you expect that flu season to spill over into the second quarter?

Carlos Quezada: I wouldn't know about the second quarter, it really depends how the weather plays out in the spring months, as it's getting warmer already, at least here in Houston. It seems like it may not last as long as we thought. But as it relates to your question for volume, I'll just give you some ranges about 1% to 3% year over year volume for January and about the same for February.

John Franzreb: Got it. Just to shift a little bit about some of the cost side of the equation here. Are you done adding personnel as far as the supply chain initiatives in 2025, or they're still additive costs that are going into the [inaudible]?

Steve Metzger: Just to clarify, John, you're asking if we're going to add personnel to support the supply chain focus?

John Franzreb: Correct.

Steve Metzger: We do have plans. We think there's a lot of opportunity there, so we do have plans to add another individual to help drive and accelerate those opportunities. At some point in 2025, we expect that to be the case.

John Franzreb: Okay. We're going to see some increase in SG&A costs. Understood. I guess one last question. Maybe a little bit on the debt, expecting pay down. Is that going to merge that debt paydown, come post the sale of the acquisition, are you going to do steady state debt repayments with about the balance of the year?

Carlos Quezada: I'm struggling hearing your question. I think you're asking if we're going to allocate the proceeds from the divestitures this year to pay down our debt, is that what you're asking?

John Franzreb: Yeah, just looking at the timing of debt repayments and how I should think about it through the balance of the year.

Carlos Quezada: Yeah, we have cued over the last two years that our long term range for leverage ratio

Carlos Quezada: is 3.5 to 4 times. We want to keep it like that. Short term, we do have a nice pipeline of opportunities for acquisitions. But until we have something that it is in the books, any proceeds from divestitures goes down to save interest expense to our facility. Then we'll use some of those proceeds once we're ready to close on some of those deals.

John Enwright: John, just to circle back on your question regarding Opex, we built all that, the additions into kind of our expectations. In our commentary in regards to Opex or guidance, already includes any additions that we're contemplating.

John Franzreb: Understood. Thanks, guys. I'll get back into queue.

Carlos Quezada: Thank you, John.

Operator: We'll go next to Liam Burke with B Riley.

Liam Burke: Yes. Thank you. Good morning Carlos. Good morning John. Morning, Steve. Carlos, you had a higher average revenue per funeral contract in the quarter, but also a higher percentage of cremations in the mix. Typically, cremations are a lower revenue per contract. How were you able to have more cremation customers but higher revenue per contract?

Carlos Quezada: That's a great question, Liam. What we've been focusing on over the last, I would say about a year, maybe 10 months, is what we call conversion ratio. It is those families that come in with the idea of having a cremation, and perhaps for them, that means a direct cremation. Through a process of educating the families on what it is available to them, we're able to have them choose something that is not just a direct cremation. That could be a cremation with a service, full service, that could be a cremation with just upgraded urn, and perhaps a small gathering to say a final goodbye.

That could be some memorialization options for the family. It could be also a full-blown visitation followed by a life celebration. Now we're really working on team development and helping our teams of funeral directors across our businesses so they can really present all options to all families. Because we believe that perhaps some of those families that come in, they come in with that idea of cremation but don't really know what it means and what is actually available to them. That's been the strategy over the last 10 months, and we'll continue to be for 2025.

Liam Burke: Thanks, Carlos. John, on your free cash flow guidance, I know you mentioned that it's an all in CapEx estimate, but how much influence does the preneed cemetery sales have on that cash flow guidance?

John Enwright: It includes kind of the similar kind of ratio, as you would think from prior years at preneed is going to kind of turn a little bit slower than kind of funeral business. Ultimately, you could think about it. It is a discounting kind of the transition from revenue into free cash flow.

Liam Burke: Okay. The preneed sales rate is going to be above or below this year's cadence for 2024

Liam Burke: cadence?

John Enwright: Well, the expectation it will be kind of below this year's cadence. But it's still higher than funeral revenue expectation.

Liam Burke: Great, okay. Thank you.\

Operator: Once again, it was star one if you had a question. We will go next to George Kelly with Roth Capital Partners.

George Kelly: Hey, everybody. Thank you. Just a couple of questions for me. First, on Trinity, I was curious if you could go through the expected timing of the various sort of functionality, what Trinity is bringing. Can you just walk us through when you expect to turn on that functionality?

Carlos Quezada: Yeah, absolutely. Happy to do that, George. Over the last year, as you know, as we've been working mostly on programming, but the last few months have been now working on the testing side, doing parallel testing, making sure that everything that's being done on the programming will work once we go live. There's been several iterations of that to make sure, as you know, any ERP implementation it's very involved, is quite challenging, and you find some prices along the way. I don't think I've heard of one that goes 100% successful to plan.

However, we're pretty much at that point where we're going to go to a pilot of the program in the second quarter of this year. Then 30 to 60 days after that, depending on how that pilot goes, a full launch to a rollout throughout the remaining of 2025 in every business, specifically funeral homes. Then we'll move into cemetery in the first quarter of 2026. We do believe that Trinity will be quite a significant opportunity to maximize, to become more efficient, improve our systems, and it is not just an ERP. I do want to emphasize that it is. It will give us all the back office that we currently have with our legacy system, which we call [inaudible]Cypress, which is pretty outdated today, but it will enable us to do analytics.

It will allow us to bring AI into our accounting procedures and become more efficient on that. Reporting will become tremendously better. But most importantly, in addition to our compliance items, is it contains a family portal. That's how we call it the family portal. But that is a way to engage families from the moment they call the business to the moment they leave the funeral home or cemetery, both services, and it is a way where they can continuously see where they are in each step of the stage of the funeral or the cemetery. That's how we are going to be able to submit paperwork, documentation, and they can track every single item within their services that are being provided.

Very exciting. We're very happy about that because I don't believe that's an option that's currently available out there for families today but know that I know of at least or familiar with. And so, from my point of view, I think we're the first one to have something like that, and that will certainly deliver better experience to the families. That should also deliver

Carlos Quezada: referrals and better experience, better reviews. As a consequence of that, potentially also better average because we'll be able to present better to families, our services, and our products.

George Kelly: Okay. That's really helpful context. Thank you. Then second question on your guidance. On your revenue guidance I'm a little confused. You mentioned in your prepared remarks that your guide reflects a low single digit organic growth number. But the confusion, I guess, is just why wouldn't it be higher? You just mentioned that January and February funeral volume was positive, low single digits. I would imagine there's pricing on top of that. Then your cemetery preneed, I'm guessing would be it. I don't know, maybe a double digit rate or close to it. I'm just a little confused on what the disconnect is. What am I missing I guess on your organic growth target?

John Enwright: George, the low single digits is when you exclude the impact of the divestitures, so that is part of the driver. But I think your question is why isn't the core business that is still here growing at a greater rate, given the fact that January and February businesses have uptick to last year. But as Carlos indicated, that was low single digits, 1% to 3% is the information you gave. From a cemetery perspective, our numbers might be a little bit lower than kind of double digits right now as an expectation as we kind of work through the year. I think it might be a lounge if you're looking at your model associated with what you have in there for cemetery.

George Kelly: Okay. Maybe just to be more specific, your organic growth assumptions in your funeral and cemetery business for 2025 are what?

Carlos Quezada: It's about 1% on the funeral side and about high single digits on the cemetery side.

George Kelly: Okay. Not to belabor this too much, but are you just saying on the funeral side, it's too hard to have, two months doesn't make a trend, and you want to watch the year develop before you get too optimistic. Is that the real issue, or is there some kind of challenging comp that you'll be facing mid-year?

Carlos Quezada: No, I don't think this is a challenging comp. I do feel pretty confident where the pull forward is today for 2025. I do think we are at the end of it. But if it is a fact that the flu system shifted from the Q4 of last year to Q1 of this year, that's not sustainable. It will go away of 2020, of Q1. I don't think that's going to create a trend in terms of volume for the rest of the year, and so while Q1 is looking better than we expected for that reason, and it's 1% to 3% better on the volume side. I'm not speaking about revenue, just volume.

It will be difficult to assume that that's going to be the trend for the remaining of the year. As you have noticed, our style is more around making sure that we commit to something that we believe we're going to really hit. Hopefully, we can do better and overdeliver what we promise. That's been pretty much our thesis of work and why we've been somewhat to your question conservative on the guidance organically speaking. Because we did have

Carlos Quezada: a pretty good 2024 organically speaking, and so it will be a significant amount of growth on top of that already pretty significant growth for 2024. That's why we're trying to be somewhat conservative.

George Kelly: Okay. That's helpful. Thank you.

Carlos Quezada: Thank you, George.

Operator: It appears there are no further questions at this time. I'd like to turn the conference back over to Carlos for any additional or closing remarks.

Carlos Quezada: Thank you, operator. As we conclude today's call, the key takeaway is that our 2024 results reflect our collective passion, innovation and unwavering determination to achieve our strategic objectives. As demonstrated by the impressive organic growth and a significant debt repayment accomplished last year. Carriage is set for an exciting and promising future. We are dedicated to creating premier experiences and concentrating on growth. We will continue to reach new heights and attain even greater success. Thank you. We look forward to speaking to you again when we report our first quarter performance. Have a fantastic day.

Operator: Thank you. Ladies and gentlemen, that concludes today's call. Thank you for your participation. You may now disconnect.