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Q3 2020 Carriage Services Inc Earnings Call

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to Carriage Services' Third Quarter Earnings Call. (Operator Instructions) Thank you. As a reminder, this conference call may be recorded.

I would now like to turn the conference over to your host, the Carriage Services leadership team.

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

Thank you, and good morning, everyone. This is Viki Blinderman, the Chief Accounting Officer. Today, we'll be discussing the company's third quarter results for 2020. Our related earnings release was made public yesterday after the market closed. Carriage Services has posted the press release, including supplemental financial tables and information on the Investor page of our website.

This audio conference is being recorded and an archive will be made available on our website later today through November 2. Replay information for the call can be found in the press release distributed yesterday.

On the call today from management are: Mel Payne, Chairman and Chief Executive Officer; Ben Brink, Chief Financial Officer; Peggy Schappaugh, Vice President of Operations & Acquisitions Analysis; and Steve Metzger, General Counsel. Today's call will begin with formal remarks from management followed by a question-and-answer period.

Before we begin, I would like to remind everyone that during this call, we will make forward-looking statements. Certain statements on this call, including financial estimates, assumptions or statements about our plans, future results, expectations or beliefs may constitute forward-looking statements under applicable securities laws. We make these statements on the basis of our reviews and assumptions regarding future events, business performance and other factors at the time we make them and do not undertake any obligation to provide updates or revise any of these forward-looking statements after the date of this call, whether to reflect their current events, circumstances or changes in expectations, except as required by law.

These forward-looking statements are subject to a number of risks and uncertainties and actual results may differ materially from the results expressed or implied in light of a variety of factors, including factors contained in our annual report on Form 10-K, quarterly reports on Form 10-Q and in our other filings with the SEC. Please note that a reconciliation of non-GAAP measures, that may be referred to on this call to equivalent GAAP measures, can be found in our earnings press release that was issued yesterday and on the company's website.

And with that, I'd like to turn it over to Mel.

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

Thank you, Viki. Today, I won't say a whole lot. There's a lot of information in our earnings release for this quarter. And the earnings release is anything other than another quarter release. It's all about our company. And I wanted to simply state that we do a lot of communications beneath the covers of what is reported to the public. I would like to share a little of that with everybody on this call.

So this went out to every managing partner, every sales manager, every field support leader, directors of support, and every employee and leader in our Houston Support Center. This went out about 5:24 p.m. yesterday with our quarterly 9-month release.

"I have never in my life been more honored and inspired by anyone or any group of people than I have been by the amazing leadership and performance of our managing partners and sales managers and our funeral and cemetery portfolio of businesses over the last 9 months and especially the last 6 months after the coronavirus pandemic shocked our country with both a continuing health and economic crisis. The same is true for all the support leadership and teams, who enabled all of our frontline coronavirus battle warriors and their courageous teams of employees to remain in the battle of serving their client families and communities when it counting most. On behalf of Carriage's executive team and Board of Directors, thank you for your heroic service and for making Carriage a very special place for very special people to unite in a common cause on noble work for so many client families and communities. Attached as our third quarter and 9 months earnings press release, it was truly humbling to write about what you have achieved this year, a year of record performance by a company full of high-performance heroes. Let's finish the year strong, and all the best, Mel."

Now when this goes out, it generates a lot of attention. We do a lot of communication and recognition in the company. So we'll have so many people from Carriage across the country on this call. So I know I'm speaking to them as they hear this. And now they're hearing it, not just reading it. And I often get many responses to these kinds of communications. But I'll just read you one. It's from Loren Forastiere this morning at 5:23 a.m.

"Mel, thank you for your words of encouragement and enthusiasm. We have been working hard and keep pushing for revenue enhancement while serving the families with higher flexibility and awareness to each need related to the pandemic. It has been wonderful to have the support of all members within Carriage Services. We truly are united. I am looking forward to the call."

Loren is the daughter of Frank Forastiere. I'm sure they're on the call. The Forastiere family business is the business in Springfield, Massachusetts. They joined Carriage and came our partners in October of '98. Frank was one of the original standards council members and he had to rotate off a couple of years ago when he passed the leadership managing partner role to his daughter, Loren.

Every Thursday, Loren, we hear about what you and your team is doing, not always on a Thursday. But the main subject over the last weeks getting ready for this call is where are we gaining market share? How much of this is COVID only? And how much of it is market share? And I will tell you, Loren and Frank, we know who you're growing the business, how you're growing the business. And even when the outbreak slowed, you didn't. We know where the business is coming from. And I'm not going to mention their name, it's a big business, but it's getting smaller by the month. So thank you and your team for what you do. Because this is the exact example of what's going on broadly across Carriage.

With that, I'd like to turn it over to Ben to put a little meat on the bone of what transformative really looks like.

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

Thank you, Mel, and thank you to everyone who has joined us on the call today. Our extraordinary third quarter performance is a reflection of a company that is completely aligned at all levels to our 2020 theme of transformative high performance. And the continued momentum we see in all areas of the company is the Carriage high-performance flywheel in full effect.

These results also demonstrate the strength of our decentralized entrepreneurial standards operating model, the quality of our managing partners and their teams and our ability to rapidly innovate and adapt in the face of unprecedented challenges brought on by the coronavirus crisis. We are excited to share these results with you today.

For the third quarter and year-to-date results, all of our reported operating and financial performance metrics were records. As I review our results, it is important to recognize the full impact of the operating and financial and value creation leverage dynamics that allowed Carriage to leverage organic revenue growth into higher growth rates in total Field EBITDA, adjusted consolidated EBITDA and adjusted diluted earnings per share.

For the third quarter, we earned $84.4 million of total revenue, an increase of 27.6%; $37.3 million of total Field EBITDA, an increase of 45% with total Field EBITDA margins improving 530 basis points to 44.2%. Adjusted consolidated EBITDA improved $10.4 million or 60.1% to $27.7 million. And our industry-leading adjusted consolidated EBITDA margin improved 670 basis points to 32.8%. Adjusted diluted earnings per share increased an impressive 82.1% to $0.51 in the quarter.

Year-to-date, total revenue has increased 17.9% to $239.4 million. Total Field EBITDA has increased 24% to $100.6 million. Total Field EBITDA margin increased 200 basis points to 42%. Adjusted consolidated EBITDA increased 32.3% to $75.9 million. Adjusted consolidated EBITDA margin increased 340 basis points to 31.7%. And our adjusted diluted EPS increased 34% to $1.30 for the first 9 months of the year.

At this point, I will turn the call over to Peggy Schappaugh, Vice President of Operations & Acquisition Analysis, for a review of our operational performance. Peggy?

Peggy Schappaugh ***Carriage Services, Inc. - VP of Operations & Acquisitions Analysis***

Thank you, Ben, and good morning, everyone. It is truly an honor and a privilege to have the opportunity to share the insight on the hard work, creativity and pure grit of our managing partners, sales managers and their teams.

When COVID started to hit our country, we wanted to, first and foremost, ensure the safety of our people and give them peace of mind so that they were still able to provide outstanding service to our families. Shawn Phillips, regional partner, led the charge and centrally gathered an abundance of PPE here in Houston to disperse to our funeral homes and cemeteries across the country. This gave our managing partners and their teams one less thing to be concerned about and more time to focus on serving every family while still maintaining CDC guidelines.

Because our managing partners are true owners of their businesses, they remain focused on high performance as it pertains to not only revenue growth but also EBITDA margin. In 2019, some adjustments were made to our Being The Best incentives as it relates to margins, further motivating our managing partners to produce higher margins. So when the uncertainty of COVID hit, there was immediately an acceleration of expense management from our intuitive managing partners.

Funeral Home same-store net revenue was up 3.3% September year-to-date while same-store Field EBITDA was up 9.6%, propelling the September year-to-date Funeral Home same-store margin from 38.4% to 40.7%, an increase of 230 basis points. Our managing partners and sales managers also made great strides in quarter 3 on Cemetery sales. After finishing quarter 2 behind $1.9 million in Cemetery same-store operating net revenue, largely due to the cancellation of our annual Ching Ming event, we were able to closed the gap in quarter 3 to within 250,000 operating net revenue and bring our same-store margins from being behind $1.6 million in quarter 2 to being flat on a year-to-date basis. In quarter 3, we continue to see an increase in sales at our 3 new Cemetery acquisitions, increasing operating net revenue 28.7% from quarter 2, improving margin of 35.4% in quarter 2 to 44.7% in quarter 3, bringing the year-to-date margin to 38.1%.

We continue to see accelerated integration of our 4 large acquisitions that were made at the end of 2019 and in January of 2020, even amongst the pandemic, which has proved to make our partnership with these businesses even stronger. The improving results, since the first quarter, reflects the great work that is being done by the managing partners and their teams at each of these businesses with the continued support from our operational leadership team. This is just the beginning of the higher performance at these 4 large strategic acquisitions, which will continue to grow and translate into even higher margins into next year and many years to come. And the most important thing to note is the power of our decentralized model, which gives our managing partners the ability and freedom to make decisions locally as it relates to each of their markets. So as guidelines and restrictions were put in place, they were able to quickly adapt and make the necessary adjustments to serve our families in safe and creative ways.

At the beginning of 2019, we rebooted our standards and added 2 key components: an intense focus on compounded net revenue growth and we introduced a new standard, the service guest experience. The service guest experience standard was something new to everyone. But the goal was to truly differentiate ourselves and create even more value and personalization for each of our families. The creative juices began in 2019. But the level of creativity that has been stimulated during this pandemic with the CDC guidelines and restrictions in place has been simply remarkable and amazing to witness. Our people have found more unique ways to give families what they need, a service to honor the lives of their love one, and the important time to agree with their family and friends, even if that meant doing visitations in small groups or having people RSVP for a service or conducting drive-through visitation or holding services outdoors.

In addition, we increased our number of funeral homes that offer live streaming from only 30 to now 125 in an effort to overcome restrictions and give our families, that don't feel safe attending a service in person, an opportunity to participate in the service virtually. We believe that these creative ideas won't go away but have become the new way we show value to our families. We knew that our managing partners were true entrepreneurs. But that spirit has really shined through during this pandemic. They continue to grow market share above the lift we have seen from COVID cases. A vast majority of our same-store funeral homes had market share growth on a year-to-date basis and approximately 75% of those businesses had market share growth beyond COVID.

Due to early local restrictions on gatherings, we did see a dip in our Funeral Home averages, starting at the end of March, the lowest point being in April. But with the inspiring and innovative ideas at our businesses, both our burial and cremation averages have been picking up ever since. On a same-store basis, we saw an increase in our burial average of 3% in the third quarter versus the second quarter and an increase in cremation average of 6.4%. We believe this upward trend in average will continue the rest of this year and into next year.

And when talking about cremation average specifically, we saw an increase in our cremation calls with the reboot of standards in 2019, which put more emphasis on net revenue growth. At the end of '19, we put more focus on converting those cremations into a cremation with some type of service. We remain dedicated on taking time with each of our families to educate them on what is possible when choosing cremation as a disposition. And cremation is just that, it's a type of disposition. It does not mean there is no service or celebration of life.

We have heard so many great stories of how our funeral directors take the time to connect with each family and simply listen as the family share stories and interest about their loved ones. This allows us to provide unique and creative ways to honor them and share that with everyone that attends the service, transforming a stat occasion into a lasting memory. I would like to share just a few examples of how our people incorporate unique touches to every service.

One of our businesses organized a parade for someone down Main Street because they always wanted to have a parade in their honor. We had another business create replicate tickets of their favorite sports teams to hand out at the service. And another business that made laminated miniature vinyl cards for a former music producer for all who knew him to have a reminder of the life he was so proud of. And another business that had the unique idea to give a grieving husband the opportunity to apply the insignia of their family brand on a wooden casket that would be the final resting place for the love of his life.

These things may seem small to someone looking in, but they are a touching moment for the family that has just lost someone very close to them. This is how our people make such an impact and touch not only the family that is grieving but anyone attending the service, leaving a lasting memory so that when they are in the unfortunate position of losing someone close to them, they know who they can rely on to create that customized memorable service.

And with that, I'll turn it back over to Ben.

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

Thank you, Peggy. Great job. The third quarter marked the first period of time where the full effect of the successful execution of our trust fund portfolio repositioning strategy was reflected in our reported financial revenue and EBITDA. As detailed in our press release, the work we did at the depths of the coronavirus market crisis positioned our trust fund portfolio for further upside capital appreciation and a significant increase in the amount of recurring annual income generated from the portfolio.

The recurring annual income generated from our trust fund portfolio is currently $15.7 million, up from approximately $9.4 million prior to the execution of our strategy. Initially, this 67% increase in recurring annual income will primarily benefit our recognized revenue through our cemetery perpetual care trust, while increasing the value of preneed funeral and cemetery trust contracts to be recognized over the long term.

For the third quarter, financial revenue increased 44.5% to $5.6 million, driven by a 111% increase in cemetery trust earnings. Financial EBITDA increased 51.6% to $5.2 million and financial EBITDA margin increased 440 basis points to 93.8% compared to the third quarter of last year. Next year, we expect financial revenue to be between $22 million and $23 million and financial EBITDA of approximately $21.5 million, an almost 50% increase from our financial EBITDA prior to the execution of our repositioning strategy. Going forward, this higher level of recurring financial revenue and EBITDA will be significantly accretive to our adjusted consolidated EBITDA and adjusted consolidated -- adjusted free cash flow margins that are reflected in our updated 3-year milestone scenario.

Overhead increased $1.1 million while overhead as a percentage of revenue, the measure of our ability to leverage our overhead and support platform, fell to 11.8% in the third quarter. All of the increase in our overhead for the quarter was due to an increase in the incentive compensation accruals, primarily for our Funeral Home and Cemetery Being The Best annual incentive awards. We are now fully accrued for a higher field incentive compensation at the end of the quarter.

As Peggy mentioned, an important turning point for Carriage was the update to our standards operating model in late 2018 to focus on 3-year annual compound local revenue growth, driven by market share gains, as we deliver a high-value personal service and sales experience to every family we have the opportunity to serve. Our managing partners and their teams are able to share in the local profits of their business with no overhead allocations when they achieve at least 50% of their annual standards for our Being The Best incentive program. I'm looking forward to continued growth in our field incentive compensation accruals in the future.

Our strong operating performance led to an extraordinary free cash flow generation and debt reduction in the third quarter. For the quarter, our adjusted free cash flow increased 120.3% to $27.6 million and our adjusted free cash flow margin expanded 1,370 basis points to 32.7%. The continued expansion of our adjusted free cash flow margin represents a greater percentage of revenue generated as cash capital that is available to responsibly grow the intrinsic value of Carriage.

We were able to pay down $37.5 million in debt during this third quarter, equal to 7.4% of our debt outstanding at the beginning of the quarter. This included the repurchase of $3.6 million of our 2.75% subordinated convertible notes in privately negotiated transactions. For the year, we have paid down $63 million of debt, which is equal to 11.8% of our total debt outstanding post the close of Oakmont Memorial Park and Mortuary on January 3. We are currently well ahead of our previous expectations for debt reduction. And we now expect our total debt outstanding to be approximately $460 million by the end of the year.

Our net debt to pro forma adjusted consolidated EBITDA fell to 4.8x at the end of the quarter due to the accelerating growth in our adjusted consolidated EBITDA, combined with a large amount of debt reduction through the quarter. We were able to reduce our leverage on an absolute basis by over 1 full turn during the third quarter. The rapid and substantial decrease of our leverage ratio demonstrates not only our ability but our commitment to operate Carriage at a lower leverage profile now and into the future. We expect our leverage ratio to be approximately 4.5x by year-end and below 4x by year-end 2021.

During the third quarter, we divested 6 businesses for total proceeds of $7.3 million. We currently expect to sell approximately 20 businesses or excess real estate for total proceeds of around $17 million and be substantially complete by the time we look to execute a refinancing transaction in the second quarter of next year. These transactions will be accretive to our leverage profile and will incrementally improve the organic growth rates and field margin profile of our same-store Funeral Home segment. Our debt repayment in the quarter was also helped by the receipt of a $7 million federal tax refund related to tax law changes made in the recently passed CARES Act. We expect to receive an additional $1 million refund prior to the end of the year and we will be a full cash taxpayer again in 2021.

As we have previously stated, our primary focus for capital allocation over the next 3 quarters will be the continuation of the significant progress we have made to reduce total debt outstanding and reduce our debt-to-EBITDA leverage ratio. Our rapidly improving credit profile positions Carriage to execute a refinancing transaction of our existing 6.625% unsecured high-yield notes when they become callable on June 1 of next year. We expect this transaction to reduce our interest cost by a minimum of 200 basis points, reduce our cash interest cost by a minimum of $8 million and add a minimum of $0.29 of earnings per share on an annual basis. This transaction will also lead to a material improvement in our cost of capital. These assumptions are conservatively included in our updated 3-year milestone scenario and in our updated rolling fourth quarter outlook.

After the completion of this refinancing transaction, Carriage will have a maximum financial flexibility to pursue a range of value creation and capital allocation opportunities, including partnering and acquiring the best remaining funeral home and cemetery businesses in the country, who will look to Carriage as the succession planning solution of choice within our industry; invest in strategic growth projects throughout our portfolio; opportunistically repurchase our shares, all while remaining at a more modest leverage profile as the vast majority of these will be funded by our growing and recurring free cash flow.

The final piece of our capital allocation strategy will be to steadily increase our dividend over time. We are pleased and excited to announce the decision by our Board of Directors to increase our annual dividend by $0.05 to $0.40 per share. This increase marks the second $0.05 increase in our dividend since the onset of the coronavirus crisis and should be viewed as an additional sign of confidence in our future performance. At $0.40 per share, our annual dividend payments will be $7.2 million per year and represent approximately 10% of our projected 2022 adjusted free cash flow. Beyond 2022, we will target a dividend policy of approximately 10% of our adjusted free cash flow and a 1% dividend yield on the market price of Carriage shares.

We're also pleased to announce an updated rolling 4-quarter outlook and updated 3-year milestone Roughly Right Scenario that both show a significant increase in our performance expectations through 2022 and beyond. We expect to achieve important company performance milestones of over $100 million in adjusted consolidated EBITDA and industry-leading 32% adjusted consolidated EBITDA margin and earn over $60 million of adjusted free cash flow this year whereas we previously expected those milestones to be met in 2021 and 2022. We also now expect to earn between $1.80 and $1.85 in adjusted diluted earnings per share this year, growing to between $2.15 and $2.25 in 2021 and growing further to $2.48 to $2.60 in 2022, when we have the full year effect of a lower cost capital structure.

We have increased our performance expectations in all major categories as we see continued growth in local market share in both our Funeral Home and Cemetery segments at higher and sustainable margins, improved preneed cemetery property sales, continued performance improvement from our 4 recent strategic acquisitions and the full impact of the increase in financial revenue and EBITDA from our preneed trust fund portfolio repositioning strategy. We view these performance expectations as readily attainable through 2022 and believe we have multiple opportunities to exceed these expectations through continued improvement of our existing portfolio and through savvy and disciplined capital allocation post a refinancing transaction.

And finally, I'd like to take this opportunity to echo the sentiments of our entire leadership team, that while the coronavirus crisis impacted our results in a variety of ways, our third quarter and year-to-date results are the byproduct of the tremendous work by dedicated leaders and teams across our entire company over the past 2 years. We cannot thank them or recognize them enough for their efforts. We look forward to a strong finish to this year and achieving the goals we've set out before us in the future.

For those investors who are new to Carriage or are reading one of our earnings call transcripts for the first time and have further curiosity about us, I would encourage you to visit our website and study our investor materials, beginning with Mel's 2015 shareholder letter and subsequent years, press releases and our 5-annual and 5-quarter transparent trend reports. These materials will detail Carriage's almost 30-year evolutionary journey and the key concepts that drive our high-performance culture. Then give us a call, or better yet, come for a visit in Houston for a deeper dive into the fastest-growing, highest-margin and second-longest tenured funeral home and cemetery consolidator based in the U.S. We're happy to host, socially distanced, of course.

And with that, I will turn the call over to General Counsel and Senior Vice President, Steve Metzger. Steve?

Steve Metzger ***Carriage Services, Inc. - Senior VP & General Counsel***

Thank you, Ben, and good morning, everyone. When Mel first asked me to participate in today's earnings call, admittedly, I was a bit surprised. It isn't exactly standard practice for your General Counsel to actively participate in these calls.

However, I know that with Mel, there's always a longer-term goal to an idea that, at the time, may seem a bit unorthodox. So the more I thought about the request, the more I came to appreciate the value and being able to share with our investors a little more about the different teams who are behind the scenes every day collaborating with one another as well as with our managing partners and their teams to help drive the performance that Mel, Ben and Peggy have shared with all of you this morning. So with that in mind, it is a real privilege for me to have the opportunity to talk about our support center teams generally and our legal team more specifically.

Now on preparing my remarks, I asked Mel if there's anything in particular that he'd like me to cover. And those of you listening, who routinely follow Carriage, will not be surprised by Mel's direct response. He said, "Steve, I only have 3 things for you to consider. First, talk about anything at all as long as it has to do with the company." And then he simply said, "Say what you mean and mean what you say." That response, as short and direct as it is, pretty well exemplifies a mindset that I believe is at the heart of our performance. There are no prepackaged playbooks or one-size-fits-all scripts to follow but rather trust in our people to generate good ideas and then go out and perform.

The results from that approach are often viewed in terms of financial metrics, like EBITDA and EPS. However, behind those numbers and trends is a team of uniquely talented individuals. Managing partners and their teams, who we reference often, absolutely lead that performance. And whatever they -- and what they do in the non-pandemic environment is special to watch. But as Peggy mentioned, to see how they've adapted their leadership skills to continuously find new, creative and responsible ways to serve each and every family during a time where the environment and the rules governing that environment are continuously changing, likely even as we have a call this morning, so it's nothing short of inspiring and motivating.

Now behind the scenes, supporting those managing partners and their teams is an equally impressive group, who have also risen to numerous challenges this year. Whether it's our IT team quickly rolling out live streaming tools and remote document execution options to help keep our families and employees safe; or our field operations support team, jumping in to assist our businesses with around-the-clock administrative support when those businesses become shorthanded; or our HR, risk management and legal professionals, partnering together to oversee and manage a 24-hour hotline to ensure any question our frontline professionals have had during this pandemic is answered immediately, the collaboration, selflessness and problem solving demonstrated by these teams have put the work of each one of these behind-the-scenes professionals front and center within Carriage.

Now most public companies have some version of a support center. Whether it's referred to as headquarters or simply corporate, the idea of a single location, where traditional back-office functions take place, is certainly not a novel one. With that said, what makes Carriage's support team stand out is the fact that the same philosophy of entrepreneurship and autonomy that drives our decentralized model and the approach and success of our managing partners extends to our support center teams. The formula is simple, find the very best talent and then put them in a position to do what they do best. This includes allowing leaders at all levels to act quickly with authority and without the need for time-consuming meetings and layers of approvals, which, at best, delay and, at worst, destroy progress, improvement and growth.

As it relates to our legal team, I have the privilege to work with professionals who bring much more than impressive and diverse legal backgrounds to the table. I often tell Mel that our in-house attorneys take great pride in being consulted on business matters, not just legal issues. We intentionally provide our attorneys with financials, weekly performance updates by business, weekly cash debt balance activity and other critical financial metrics. The goal behind providing all this data, that some may believe is reserved for operations, finance and accounting teams, is so our attorneys can continuously dig deeper into learning more about our businesses and understand what ultimately drives the results we release each quarter and then apply that knowledge to how they provide guidance and make decisions.

That purposeful financial focus and ownership mindset truly result in our attorneys serving much more as business partners, who just happen to have a legal background, than simply as lawyers. We frequently have discussions about big-picture strategic objectives and capital deployment. And their feedback and thinking not only contribute to ultimate decision-making, but just as importantly further enhance and guide the support they provide each day. Our legal team and many of their support center colleagues invest a significant amount of time in proactive, continuous learning about not only the business but the financial drivers. And as a result, they have great awareness and ownership in the financial health and growth of their company.

For example, in explaining the financial impact of a proactive matter one of our attorneys has been working on for some time, he recently briefed me by saying, "Steve, that recovery is going to come in around $0.01 a share." His reference to our EPS metric was not unusual, it's a language and a perspective that is used often. And it's a great example of the work they do to understand our financials in the mindset applied to spending and decision-making throughout our company.

Now I share all of this regarding the Carriage entrepreneurial philosophy and ownership mindset extending to our support teams to tie back to the incredible work performed during this pandemic for a couple of reasons. First, when things initially became uncertain and the challenges unprecedented back in March, our teams in the field and here at the support center were already well-equipped, prepared and most importantly empowered to act quickly, responsibly and wisely. And second, the ownership mindset shared by leaders here in the support center creates an environment where they're encouraged to not just fill a function but to ask questions, think strategically and act confidently when a time-sensitive pivot may be called for.

This pandemic has required the full complement of collective talent within our team. And they have exceeded the already high expectations that they set for themselves. As a company, we talk a lot about the entrepreneurial spirit that drives our business. And I have the good fortune to see it in action every day, not only in the work performed by our frontline professionals but also by our support center team.

So again, I know it's not customary to have the General Counsel actively participate in these calls, but I want to thank Mel for providing a platform for us to share a little more with our investors about some of the less talked about but equally important drivers of performance. I know I speak for our legal team as well as our support center colleagues when I say it is an absolute privilege for all of us to have the opportunity to work with and support our managing partners and each of the frontline leaders who serve our families every day during the most challenging of circumstances. And to those behind-the-scenes professionals here at the Houston Support Center, thank you for all that you do.

And with that, I'll turn it over to Mel.

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

Thank you, Steve. So if anybody out there takes Ben up on his invitation to come and visit, we'll introduce you to some of Steve's dragon slayers. And you'll see exactly what we mean by that.

So 2 days ago, Shawn Phillips and I got an e-mail. We got that e-mail from Dewayne Cain. Dewayne is the founder of Rest Haven in Dallas. And it reads as follows, "Wednesday, October 28, marks our 1-year anniversary." So he's referencing 1 year ago today, when we closed the day before the acquisition of Rest Haven, which was founded 50 years ago by Dewayne.

The e-mail said as follows, "My decision to form a partnership with Carriage was the third-best decision I ever made. The two that preceded it were: one, asking Jesus into my life; and two, asking Ann to marry me. Last October, no one could have predicted what 2020 would bring. But I can truthfully say that in these last 12 months, my belief in Carriage as well as my admiration and respect for you and Shawn has grown. May God continue to bless our great country, our wonderful families, our successful company and our continued friendship."

So I e-mailed Dewayne back yesterday. Now for those of you who've been around a while and might have been on that call a year ago, Dewayne was my guinea pig. I wanted him to do a testimonial, the first one that would have ever been done by a former owner, one 12-hour period after he wasn't the owner. But we made it clear to Dewayne that he never will not be the owner. And he still uses the same parking spot and he doesn't pay me any rent. It's okay, Dewayne, I forgive you.

This is what I've sent Dewayne back, "Dewayne and Ann, amen, partner, to your prayer. May God continue to bless our great country, our wonderful families, our successful company and our continued friendship. Happy 1-year anniversary. I have attached our third quarter earnings release that just went out this afternoon, which is not about just a quarter, but it's all about a company full of wonderful businesses with wonderful people, doing amazingly noble work in the midst of a coronavirus pandemic crisis. My only regret is that you won't be here tomorrow morning on our conference call to express your thoughts and feelings on 'the third-best decision you ever made.'

So my dear friend and partner, if you don't mind, I might take the liberty of reading your e-mail instead. Stay safe and healthy." And Dewayne e-mailed me back last night, 7:21 p.m., "You definitely have my permission because it's so very true."

Now what we couldn't have known 1 year ago, when we invited Dewayne to do his testimonial, is that Mike Doherty, the third-generation member of Fairfax Memorial Park and Funeral Home in Fairfax, Virginia, was on that call and listening carefully to what Dewayne had to say about Carriage being a family succession solution, which Fairfax was looking for at the time. He later called Dewayne personally to ask him about Carriage. That led to Carriage being the winner for Fairfax, which I've known about a long time. And it put this big business in Carriage. It was founded 62 years ago by Mike's grandfather. And we have promised Mike, and when we went and presented to Mike and the other members of the Board, Dave Dodrill was a big owner, had come in to help the family. And Dave and Mike, if you're listening, thank you for your trust in us.

So you have -- you never know in this business who's listening and they're paying attention to what is said by not those of us in the company always, but by those of us who -- by those of you who joined the company, especially owners of great businesses. You are known by the company you keep and the reputation they have will also build your own reputation.

This is who we are. The best years of our company are in front of us. We will get through this coronavirus as a country, I hope soon. But I have never been more proud of our people than I am now. And our future has never looked so bright. So we look forward to reporting that future performance to you as it occurs. Thank you very much.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We have our first question coming from the line of Alex Paris from Barrington Research.

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

I just wanted to start off by saying congratulations on just an outstanding quarter, another beat and raise. And in fact, the raise suggests that this momentum is going to continue into the fourth quarter. I also appreciate the 3-year milestone outlook. I know Mel has never looked at this company on a quarter-by-quarter basis. It's really the long-term story. And I think, from everything that I see this year, you're really setting up for a good next several years. I've been covering the company for 8 years now. I just looked at it, 32 quarters, and I've never seen such a strong and broadly-based outperformance for Carried Services. So again, congratulations.

I just thought, at this point, a lot of information was covered. I might just dive a little deeper into a couple of the things mentioned on the call. I think Peggy touched on a few of these. Starting off with funeral services, obviously, contracts were up sharply. And you attribute that to taking market share. My question is where is that market share coming from? How are you picking up this market share? And are these market share gains sustainable beyond COVID?

Peggy Schappaugh ***Carriage Services, Inc. - VP of Operations & Acquisitions Analysis***

So Alex, the market share, we have -- like I said, we rebooted our standards at the end of 2018, where we put an extreme focus on net revenue growth. And so our managing partners, where before we had an average standard, where we -- there were some cremation calls that maybe weren't being served, now we take every call. And we've been working hard on, with our cremations, converting those into some type of service.

But I spoke about some of the unique things we're doing out there. Even during COVID, when other funeral homes may have been turning families away out of fear, our people just stepped up and continued to serve those families. And we see broad growth past COVID cases. And it's not just in the areas, you talk about New York, which is a heavy -- was heavy in the second quarter. That's not even the businesses that we're talking about. It's not just the hotspots, it's everywhere that we've just continued to take market share from our competition.

And being unique, we talked about the outdoor services. We had a managing partner share that people were driving from 40 miles away because they heard about the outdoor services that we were providing. It's just the unique touches that our people are putting on services out in the field. And the people in attendance then know who they can turn to, to have a personalized service of their own.

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

So Alex, it's Mel. Each Thursday, and I mentioned this in the press release, we get an operational update call via Zoom with the directors of support. And these are all people located in the regions. They each have their own portfolio, maybe 15 businesses they support. We have Peggy's team of [SOPs]. They're the sharpest people I'd like to be around. They know what's going on. And so on those update meetings, each person has a chance to give some amount of time to talk about what's going on in their area and in their portfolio and in their specific businesses. And we've heard over and over -- since we knew this would come up as an issue over and over about market share gains because of this reason, that reason, this reason, that reason. And in every case, these stories, which are very specific by business, even families, are inspirational and the creativity -- and I know this is hard to -- for someone outside the industry to get their the brain around, wrap around, but it is entrepreneurial. And it's having ideas about what can be done.

I mean we had -- I mean we've got a great business in the Inland Empire, Justin Luyben. We also have conference calls with our standards council. And they give us updates about what's going on in their markets. And I said, "Justin, how are you doing what you're doing?" And I know his competition, which used to be a big competition, I think it's a lot smaller. He said, "Mel, it's amazing." He said, "When the state of California, which is pretty tough, says you can't do this, then our -- everybody who loses a loved one, that's what they want to do." He said, "I wish I had thought of this 5 years ago." And I said, "Look, Justin, whatever you're doing, I'm just glad I'm not your competitor because I know who that is. And you're doing things that are just really off the beaten path of ideas."

This is why, Alex, we're broadly growing is we empower them to do what is possible. They decide what that is. And sometimes, it's -- I mean you never come up with these things. Having Christmas in July or this or that and already, they're making plans for Christmas now across the country and how that's going to be executed. The word gets around our group because they do share. And so it's been a -- I mean it's been very inspirational for us. We can never -- we can have a brain trust of the brightest minds in the universe and not come up with these ideas down locally. They execute it. And I said this in the press release, the families, because they're told what they can't do, are seeing more value in what is possible. But we don't know what is possible here. But they definitely are figuring out what is possible there. And they're taking market share, and we hear this across the country, specific stories every week.

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

That's great. I appreciate that. And I appreciate that additional color. Early on in the crisis, in the pandemic crisis, there was the thought that people may do kind of the bare bones minimum, whether it's a direct cremation or some other burial or other disposal. And then there was a thought that maybe this wasn't lost revenue, it might be deferred. That there was the opportunity to have these people back at some future date to perform the memorial service and that sort of thing. I remember talking about that back in April. I'm just wondering, have we seen that at all in Q2 and Q3?

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

No. That's not what we're seeing. We're seeing real-time can do now what is possible now. I know that was a thought then. And I even gave an interview to Forbes. They wanted to find a business that must have been booming, so they reached out to us in April and had an interview. And their editors wanted to find a business that was booming. And I told the guy at the time, maybe we were booming in the Northeast in a few hotspots. But generally, it was pretty slow in most of the country.

Well, he went back and his editors didn't buy that. I said, "Where are your editors?" They must be in New York City. He said, "They are." I said, "Well, they need to get out and see the country. So it's a big country, a lot of things possible out here." So he came back and interviewed again. And I knew he was trying to find a catchy little thing. So he can get people to look at their website or whatever. So finally, he put out an article, Coronavirus is Killing the Funeral Business.

Well, if he called me back for another interview, I wouldn't take it because he would -- this is the terrible reporting you get compared to the actual reality of getting down and really knowing what's going on with our people and getting down beneath the reported numbers and finding out, just like Steve said and Peggy said and Ben said, what is this company all about and why is it different? It's different because it's small, it's dynamic, it's entrepreneurial and it hires great people, put the great people in the spot where they can be greatly successful and turn them loose and support them. That's how simple this is. But people get all caught up in this and that is the way it's supposed to be in the funeral business. It's not true. When we say this is a high-performance culture company that happens to be in the funeral and cemetery industry, we actually mean it. And now the numbers support that idea.

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

Great. And then just maybe on the (inaudible) I've got lots of little questions I can follow up offline. But cemetery, preneed sales were hit early on. I think I believe you've been seeing sequential sales improved since. Any update there? And then I wanted to talk a little bit about Carlos Quezada, what he's doing differently, what he hopes to accomplish. And obviously, there's a lag impact from when somebody like this starts. When will we start to see the fruits of his initiatives hit the P&L?

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

So you're very prescient. Did Ben tell you to ask that question? All right. So the next person that will be featured as a guest on a call on February 21, when we announce year-end and an update in our outlook, will be Carlos. And by then, he will have developed his plans to basically build within Carriage, which we never have had, a high-performance organization with the talent in place, along with the systems, the incentive plans, a cemetery sales model that will be integrated into our operating model. So it will be all -- it will be a perfect fit.

And I don't want to spoil what Carlos will say about the future and the performance that we expect. But we have long been known in this industry as a funeral operations company more than a cemetery sales and operations company. That was true. And that will change. And I think he and Ben are joined at the hip developing something that, along with the rest of our operations team, the 3 RPs, Paul Elliott, Shawn Phillips and Chris Manceaux, and Peggy and her team. I will just leave it like this, we're all excited about what that will look like and what that will produce in terms of additional performance over what we put out there. We're going to roll all that out on February 21.

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

Well, that's great. I'll look forward to that, Mel. I appreciate it. And then last thing, more stock market-related. By the way, you're one of the very few green stocks on my screen today. The stock market is down a...

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

Why do we have to pick today to have a performance like this? Luck of the draw.

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

Yes, exactly. So I've been saying for a while now that Carriage Services is the fastest-growing and most profitable company within the funeral services industry. And it's been the cheapest versus its peers. And it's become just a little bit cheaper today, given the increase in guidance. And while the stock has recovered nicely from your mid-April low, what pushback do you get from investors, if any, in terms of investing in Carriage Services? Because again, the valuation gap is too large. It needs to close over time. What's the typical pushback you get from potential investors?

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

Yes. Alex, I think from where I sit, the 2 things that we've heard the most here over these past couple of quarters is about the consistency in our results and about leverage. And I think we are addressing those loud and clear certainly here in the third quarter. I mean we paid down a lot of debt in the quarter and our leverage ratio is screaming lower. And we intend to be around that 4.5x levered by year-end, well positioned to do an incredibly important refinancing transaction in the second quarter of last year. And I believe strongly what you're seeing in the third quarter is indicative of results to come and where we will have consistent high performance from all areas across Carriage for many years to come.

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

Yes. Alex, I -- look, Carriage is all I own. And I'll be 78 in January. Maybe that's why people have -- might have a problem with my age. I don't know. But I don't have a problem with it. If they want to come and work out with me at the gym, they can, would like to have a little bet on that. Because I'm very fit, I'm very blessed to have good health. And just coming here, listening to this team, and there are many more that are going to be on this call over the next year, including a couple of board members, I want everybody in the company to be able to say what they think about the company.

And we talked about the valuation yesterday at our board meeting. It's dirt cheap. I mean I haven't seen many -- I know investing, okay? I've been doing this for a very long time in valuation methodologies. So it's very cheap and the upside is tremendous. We put out something on dividend equity yield. If you look at our free cash flow and the sustainability of it in the free cash flow equity yield based on the price that we're at right now, it's 14%, 15% free cash flow equity yield, which is ridiculous. And that's real and sustainable. And once we do the refinancing next year, it won't stay that way.

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

That's great. I think it sounds like you're addressing those outstanding issues. And it's obviously the quickest way to close that valuation gap. So congrats...

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

Yes. I mean as far as we're concerned, Alex, there are no outstanding issues. It's other people not buying the stock because they think they're outstanding issues. We're okay with that. Just keep it where it is. Then over time, we'll own more of it.

Operator

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

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

I want to echo the congratulations, and thank you for all the insight into the business and so far on the call as well. Maybe just a follow-up for me on some of the leverage comments on capital allocation. Ben, I think you've kind of touched on this a little bit. But if you were to achieve the 3.8 to 4.2x, how do you think about potential M&A? What does the pipeline look like right now? Are you seeing maybe an uptick of candidates possibly, just been everything going on? Or should we think of maybe you're staying away from M&A, a little bit until the planned refi? Just how do you think about M&A potential-type targets and timing?

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

Yes. Komal, I appreciate you calling in and great question. Really clearly, our focus over these next 3 quarters is to continue to improve our credit profile. It's improving rapidly. Again, we think it sets us up to execute the refinancing transaction, which will be the best -- the biggest bang for our capital allocation buck we can do here in the next year. Post that refinancing transaction, we feel we'll have the maximum financial flexibility to pursue all of our capital allocation opportunities, including acquisitions. Nothing -- no comment on the pipeline today. But we know that as we emerge and are ready to allocate capital towards acquisitions, there will be great businesses, owners of funeral homes and cemeteries, they're looking to Carriage as their succession planning solution.

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

So this is Mel. Look, I'm going to disagree with Ben a little bit. We have one big acquisition on our radar. It will cost $20 million cash. We're going to acquire $400 million of high-yield bonds at a very low rate hopefully in June of '21. And that's going to be the best acquisition we could make in the history of mankind. Because if you can -- you prepay a penalty of $20 million and we can save $9 million or $10 million in interest costs every year, I mean, come on, that's a great acquisition. So we're focused 100% on bagging that baby.

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

And I think what's important to recognize going forward from a leverage and a capital allocation standpoint is that the majority of our capital allocation and acquisitions will be funded through growing and reoccurring internally generated free cash flow. So leverage as a whole will continue to remain modest in that 4x range going forward. The days of us levering up and going above 5.5x are frankly over. We are just at a different point as a company.

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

Yes. And the interesting thing about this is post that refinancing -- but I mean, you can even see it now, I mean, how in the world could a company our size pay down so much debt in 1 quarter and reduce leverage by a full term? 20% of our debt ratio, we reduced it. Because the EBITDA went way up and the free cash flow went way up and the debt went way down, we kind of like that dynamic. And this is how we always thought maybe we could get to, where you can leverage the overhead and you get operating leverage going for you in all these various sectors because the operating leverage at the local level is so strong. When revenues are going up, your margins are going up, your free cash flow is going up, you leverage the additional revenue over the fixed cost.

Now we have that happening broadly in every sector and we have these new acquisitions, which gave us the critical mass. Yes, I declare victory too early because I thought -- I could see the concept of the leveraging dynamics all working at the same time simultaneously and becoming an incredible cash flow value creation platform. That's where Carriage is today. We will not go back to some other version of Carriage. When we get this free cash flow and the balance sheet refinanced, we will have a very much lower cost of capital. So then we can put that capital to work and capture that spread on the high return of what we do with it and the low cost of our capital. That will create a lot of value, a lot of intrinsic value, over the next 5, 10 years.

If the market doesn't agree with that, we can help Mr. Market get rid of this depression by buying your shares. But we don't want to do it and get back leverage again. So we're going to do it at no more than 4 -- about 4x leverage. And the reason that's not high is because we produce so much cash for every dollar of revenue compared to a company who doesn't have that advantage. So we don't view our size as a disadvantage on the credit profile, just the opposite.

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

Perfect. That's incredibly helpful. And then maybe just one other question for me. Anything worth calling out, you think, on the cost savings side that also helped drive EBITDA margin? For example, anything on the labor side that you want to highlight or other fixed spending that you think is more permanent for the business in terms of cost structure going forward?

Peggy Schappaugh ***Carriage Services, Inc. - VP of Operations & Acquisitions Analysis***

Sure. This is Peggy. So we have -- Mel mentioned the weekly calls we have with the directors of support, they are just constantly helping the managing partners. Again, the managing partners are very good about knowing what revenue they have, how to affect their margins and cut on certain cost. We saw a lot of savings on our part-time employees, which we know was in the beginning because of having less services. But we've also seen them manage those expenses over the last 2 quarters as well as promotional expenses, just expenses in general, again with the incentive changing a little bit at the end of '19, putting more focus on making sure when we grow that revenue and we bring it to the bottom. And then there's a reward at the end of that for our managing partners and their teams.

Operator

Your next question comes from the line of Chris McGinnis from Sidoti & Company.

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

Just one quick question, I know the call is going a little late here. Just around the commentary around the acquisitions that you made at the end of '19 and the expectation of greater growth and greater profitability kind of going forward. And it sounds like a lot of confidence in the statement in the release last night and then today on the call. Just can you just talk a little bit about what's driving that kind of confidence behind the comments that those -- just the opportunities to grow from profits around the businesses?

Peggy Schappaugh ***Carriage Services, Inc. - VP of Operations & Acquisitions Analysis***

It takes time to -- usually, we say 6 to 12, maybe 9 to 12 months, for an acquisition to truly be integrated and build that partnership. With COVID and everything that's happened, we had comments from some of our acquisitions saying, "We don't know what we would have done without the support if we weren't partnered with Carriage before the pandemic." So it's just the continued support from our regional leadership, our directors of support, our regional partners, my team and across the company, just everybody helping them become that partner and truly understanding what Carriage is about.

And also, we talk about the sharing of these ideas. We have a partnership portal out there, where when you're an independent, you don't have that extra ideas to feed off of from your fellow partners. And we see a lot of that, and we've seen a lot of that over the last 6 months. So it's just working on all of the things that -- just learning the Carriage culture and seeing where they can get ideas spread from their partners here at Carriage.

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

Chris, also with Carlos here, we're taking a fresh look at maybe 13 to 15 sizable cemeteries and taking a fresh look at what is called a master plan for development of product over 10, 20, 25, 30 years. Those master plans, the more that they're looked at fresh with what is possible with a high-performance sales organization gets us all really juiced up here. And the opportunity to do more estate sales, things like that, which we've never been really very good at, is going to be broadly something we pursue in places where the market accepts product like that if you can sell it.

And I think you will see, in particular, the 3 acquisitions we made will have huge upside on the cemetery side. But not just on the cemetery side, but especially on the cemetery side over the next 5 years. And -- but that will also apply to maybe 13 of our existing cemeteries, which have always been more hit and miss. And now there will be high performance and sustainable sales, preneed property sales, at high margins. So that's in the works, master plans and building an organization to sell the product. And then allocating the capital necessary to do it will be a very high return option.

Operator

Your next question comes from the line of Justine Ho from Mesirow Financial.

Justine Ho ***Mesirow Financial Inc., Research Division - Senior Analyst***

I just wanted to follow up on an earlier question that -- I'm sorry if I missed the answer, but the question was basically asking about how your Cemetery preneed sales were hit during the peak of COVID and wanted to get an update on how that has trended since then.

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

Yes, Justine, absolutely. Certainly, early on during the coronavirus crisis, particularly at the end of March and early April, we did have some difficulty in making those sales, people coming into the park, having tours in what is very much a face-to-face sales process. But credit to our entire Cemetery sales organization, we have seen sequential improvement in our Cemetery preneed property sales since April. And we are back to and above kind of normal trends or where we expected to be. And so what we said -- spoke about earlier, really excited about Carlos Quezada joining our team and the work that him and the rest of us are going to do to build a world-class Cemetery sales organization moving forward.

Justine Ho ***Mesirow Financial Inc., Research Division - Senior Analyst***

Okay. And on the -- you also mentioned that early on, people were thinking that people would not -- would just either defer service, memorial service or funeral services or just do the bare minimum cremation. And I think you were saying that, that ended up not being true. People actually ended up real time doing the services. So just wanted to double-check, does that mean that except for the month of probably March or April, where there were much more restrictions, have those restrictions all been lifted in terms of group gatherings?

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

Yes. So Justine, in terms of restrictions, that's kind of a moving target, I think, as many people unfortunately are getting accustomed to. So the short answer is no, they have not all been lifted. And oftentimes, we will see them lifted temporarily and then put back in place. And so it continues to be a moving target. But there's a lot of communication and collaboration between our field leaders and then again the support center leaders here to make sure that we've got creative solutions to address those in real time.

Peggy Schappaugh ***Carriage Services, Inc. - VP of Operations & Acquisitions Analysis***

And just to add to that, April was that month that I look at is where everybody was figuring it out. So even if more restrictions get in place at any time in this year, we have figured out these creative ways to work around that. We talked about smaller gathering, having people RSVP, doing outdoor services have been really popular. So April was really that month to figure it out. And we do not foresee going back to that level of average again.

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

It's Mel. Look, California was the first to put, what I said, were draconian restrictions in place. And we have some unbelievable businesses in California and some incredibly creative managing partners and sales managers in some of our biggest parks. And what they've been able to do with these restrictions, which are still in place, is nothing short of -- I mean, it's just amazing. It's just so creative in the collaboration between our managing partners and sales managers, I mean, it's a high-performance club.

And the coronavirus has forced them to even be more creative than they normally are. And believe me, they were creative before the coronavirus. But it's been something to witness, where the restrictions were first mandated and haven't really been lifted, to see their performance sequentially over this period of time. I mean, you just find it hard to believe that they can get done what they're getting done. And I have no idea how they're doing it. But I know it's legal.

Operator

Thank you. Speakers, I am showing no further questions at this time. I would like to turn the conference back to Mel for closing remarks.

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

Thank you all for listening to our call. I hope you enjoyed it and the performance that we expressed in our press release as much as we did writing about it and talking about it today. It's a lot of fun here to be at Carriage right now. And we look forward to your continued following our progress. Thank you very much.

Operator

Thank you, everyone. Ladies and gentlemen, this concludes today's conference call. Thank you all for joining. You may now disconnect.