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Carriage Services Inc High Performance and Credit Profile Restoration Plan Call

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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to High Performance and credit profile Restoration Plan Conference Call. At this time, all participants are in a listen in mode. After the speaker's presentation, there will be a question-and-answer session. (Operator Instructions). Please be advised that today's conference is being recorded. I would now like to hand the conference over to the Executive Vice President, Chief Administrative Officer and General Counsel, Steve Metzger. Please go ahead.

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

Thank you, Carmen, and good morning, everyone. Today, we'll be discussing our press release issued yesterday after the market closed. We posted the release, including supplemental financial information on the Investors page of our website. This audio conference is being recorded, and an archive will be made available on our website later today.

In addition to myself, on the call this morning from management are Mel Payne, Chairman of the Board and Chief Executive Officer; Carlos Quezada, President and Chief Operating Officer; and Ben Brink, Executive Vice President and Chief Financial Officer. Today's call will begin with formal remarks from Mel 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. Any comments made by our management team that state our plans, beliefs, expectations or projections for the future are forward-looking. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such statements. These risks and uncertainties include, but are not limited to, factors identified in our press release, which is available on our website.

During this call, we'll also discuss certain non-GAAP financial measures. A reconciliation of these non-GAAP measures to the appropriate GAAP measures can also be found in our press release as well as on our website. Thank you all for joining us this morning. And now I'd like to turn the call over to Mel.

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

Thank you, Steve. As the cofounder Carriage on June 1, '91, I have a best and one for a feature, which is my memory. I didn't know what I was doing. It was 48 years old. I started Carriage. And back in the '90s, all the companies were in a mania to buy, buy, buy, buy and build up a portfolio of funeral homes and cemeteries because the idea then was even though cremation rates would go up about 1% a year forever, the baby boomers were about to start to die. And so if you didn't build a big group fast and pay you anything that it took to do that, you were going to miss out on wealth creation-- funny part of that concept is the cremation rate went up from the teens until we're about 56% today as a portfolio.

The baby boomers didn't start to dive. I mean some did, but not many and they grow older and not necessarily healthy. And so COVID comes along and suddenly the dynamics of death rates seem to have changed, and that was a catalyst. The funny thing about this history, we've been a public company and we went public in August of '96 -- is that -- I didn't know anything about being a public company CEO and the company was really no good as an operator and consolidator of funeral homes and cemeteries.

It didn't matter. It didn't matter. We got packaged up by a fantastic investment bank. I don't want to mention the name, much like the consumer mortgage has got packaged up and created the great financial credit crisis of '08, '09 and turned out to be junk. We were a junk consolidator and operator. And so our stock -- however, the stock took off. And within 2 years, that would have been about 25 years ago, we were about $23, $24, which is what we've been here recently. -- and we were no good. You went up to $29 and then the whole industry crashed, and then we went to about a 6- or 7-year restructuring. We hit the $1 twice. Everybody thought we'd go bankrupt, never did. It's a great business for cash flow, and I was learning on the job.

And when we came out of that, starting in '06, we started looking at getting ready to grow again, we started to grow again in '07. So since then, since '03, we have rebuilt this company, the foundation, the ideas, the concepts, but especially the talent and the quality of the assets in our portfolio. And unlike when we were $23, $24, 25 years ago, being $23, $24 today makes no sense. And yet, that's where we've been trading.

And so we -- I've learned the business. I guess I haven't learned really how to message with Wall Street communicate as well as I should. I'm learning, we'll do better. I promise. But it was ridiculous that our stock plunged after the end of the third quarter. I realize the uncertainty of normalization. I realize we did some things discretionary that we could have done differently. But that was in, and this is now. And going into 2023 and the stock plunged, we all got together and said this is ridiculous. We've never had a company so full of great assets, and we got new ones coming in. Bakersfield, unbelievable business, Green lawn. We got talent, galore, never had talent like this in all the areas of the company.

We got outperforming trust funds. We got everything going for us, except for misunderstood maybe because of our own inflicted mis-messaging. And so we put together a plan called the High Performance and Credit Profile Restoration Plan. Anyone who knows me knows in my history, if things are not right in the real world, I will make a plan to make it right. And I did. And I collaborated with Carlos with Ben and with Steve initially, and we built this plan and then we brought a lot of other people in. This is not just our plan, a top-down plan. This is a plan to restore high performance, much like we had in '21, except this time without the COVID lift by the end of '24 or before.

This plan is a great plan. This plan has already been launched. This plan is already being executed. This plan is already exciting the troops throughout the company. This is a real deal plan. That will restore our credibility as a high-performance culture company that happens to be in this industry. It will store our reputation in the industry is second to none. Otherwise, we wouldn't be getting these fabulous acquisitions opportunities, choosing us over somebody else.

So I went from being a little bit demoralized, a little bit sorry for myself for a few nanoseconds to building this plan with the team and then getting everybody else in bottoms up. And now you will not find me ever more excited than I am right now about what's going to happen next, and then next, and then next, and then next over the next 2 years and done after that.

We're all excited here, and there are a few things that I want to do because I'm very grateful. And that is, I want to thank Ben Brink. I want to thank Ben Brink for the last 14 years of his life, his career coming into this company, working with me on so many different things at so many different times, sometimes on a difficult circumstances. He's choosing to leave our company, but he has left our company. He's been intimately involved in this whole project -- and Ben has been my foxhole buddy. I know wherever he goes next. They're going to be very lucky to get him, but he had not gone yet.

And I'm going to turn it over to him to make some remarks, but I just want to thank Ben from the bottom of my heart for what he's done for this company and for me personally, I want to thank his family. He's got a wonderful family. And we do not have a candidate to fill his seat, but he's been here in preparing everything. Nothing's going to fall through a crack. So don't worry about that. But also I want to thank the bank group.

We really wanted to do this Greenlawn acquisition, even though we found ourselves in a temporary overleveraged position. Most companies in today's market, which are the most difficult that I've seen in a long time, and I'm a credit guy in my history, most companies have had to go out and do what I call punitive financing, either with an equity component or mafia like interest rates, where do you have to secure it with your family, your babies, your whole life is mortgaged. We didn't have to do any of that.

We went back to our bank group led by BofA and Scott Singhoff and Adam Rose, I want to thank you personally for all the good work you've done on this amendment. This has not been an easy environment to get your bank to go along, we're going on the offense first by making a big acquisition before you then turn around and go on defense, not defense, but just pay down the debt and become a deleveraged company by the end of '24. It's a great plan. It will be accretive all the way through in huge ways. We laid all those ways out in all the elements. This is a well-thought-out plan, and there's a lot more particulars and specificics behind each one of the elements in the plan.

We'll be glad to answer any questions we can want to open it up for questions. But I want to thank Scott Singhoff we go back with BofA 26 years. They've done our lead bank, and we've been through thick and thin. This is not them now. This is difficult, but not then. They know our company. They know the industry. But they also know our character and our determination to get back down to a leverage ratio that will take away the perception that we're on thin ice waiting for some bad event to happen.

And I especially want to thank Ben Brink. He's been wonderful. He's worked with our bank group on this for years, but he especially work with them closely here. And I want to turn the call over to Ben. This will probably be his last public comments here at Carriage and Ben back to you.

Carl Benjamin Brink ***Carriage Services, Inc. - Former CFO, EVP & Treasurer***

All right. Thank you, Mel, for those kind words, and thank you to everyone for joining us on the call today. I'd also like to add my thanks to the team at Bank of America for leading the credit facility amendment process and to the teams at Regions, PNC and Citizens Bank for their diligence and support in approving the amendment. This amendment will allow Carriage to execute the purchase of Greenlawn funeral homes and cemeteries early next year and then provide Carriage the necessary flexibility to execute our high performance and credit restoration plan over the next few years, which we outlined in the press release yesterday.

We will use our high amount of recurring free cash flow to pay down approximately $90 million to $100 million of bank debt over the next 2 years. And when combined with improved operating performance will lead to a reduction of leverage from an anticipated high point of approximately 5.4x in the first quarter of 2023 to between 4.3x and 4x by year-end 2024.

Debt pay down and a lower leverage profile will also be highly accretive to earnings per share as we pay down higher interest costs, higher interest cost floating rate debt and reduced the interest rate spread on our credit facility.

The relatively quick approval of the amendments in a difficult credit market is a testament to the strength and resilience of this industry and Carriage's reputation and long-term track record with our banking partners to always deliver on our commitments. Once again, I'd like to thank those partners for their support.

And as Mel mentioned, this is going to be my final conference call with Carriage, and I'd like to take a few moments to simply offer a few notes of gratitude. To our managing partners and all of our teams out in the field, I've been truly amazed by what you do each and every day, the work you do to serve families and communities and their worst times has always inspired me to be better. And it's been truly an honor to get to know each and every one of you and what you do on a daily basis and it does truly make carriage a really special place to be and to work at.

To our leadership team, I worked with a number of you for almost a decade, and it's been an incredible journey for us through thick and thin. As we've grown the company, improved the talent, as Mel said, across the organization, and I have all the confidence in the world and your leadership that the best days of Carriage are truly ahead.

To everyone here in the Houston Support Center, who have gotten to work incredibly closely with over the last 14 years. Our goal has always been to create a world-class support center to support our businesses and our teams down the field. We know we're never going to get to perfection, but I have always been amazed and awed at the hard work, the diligence and just the commitment to make Carriage a really special place. It's been a wonderful part to work with everybody on a day-to-day basis, and I am really excited about what you all are working on and what is ahead when it comes to building out our world-class support center.

And following the Mel, thank you for allowing me to be a part of this journey. Carriage, like I said, is a very, very special place, and I feel honored to play a small part in it over the last 14 years. Thank you for being a boss that's always demanded more out of me and make sure I did it. Thank you for being a mentor who has taught me got everything I know about finance, business and people in life along the way. And then most importantly, thank you for being my friend. It's been a lot. And while my journey here at Carriage is ending here officially at the end of the year, I always consider myself a part of the Carriage family, and I'll be cheering like hell from the sidelines as I watch you guys continue to execute and build what I consider the best company in the world.

So thank you all for the opportunity. And with that, I'll go ahead and open it up for questions.

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

Hang on Ben, just a few more comments. I just wanted to say, part of Ben's package is -- and he chose this to take 30,000 shares instead of another payout, which you could have taken. And so I just wanted him to know he's already got other shares, but he's going to keep his shares in Carriage. And so I want you to know -- you are a part of the family, whether you're an employee and executive here or not. But more than that, you're a partner. And if I'm ever thinking, are we good enough in this or that? I'm going to conclude no we're not. We got to get better because Ben's going to kick our but if we don't. He's our shareholder boss.

And I just want you to know that's the standard I'm going to have in my mind is working for you. So I want to end before we open up for questions with a funny quote. And you'll know how good it is if I'm being humorous at the end of this, you'll know how good it is in our company right now. Warren Buffet famously said in his autobiography, Snowball " You want to live your life with an inner scorecard versus an outer scorecard and you ask a rhetorical question, would you rather be thought of as the world's best investor, but actually be the world's worst investor".

He said, that's an interesting question. Or would you rather be the world's worst investor and have everybody think or the world's best investor Well, he's obviously thinking that he didn't give a rat's ass what everybody else thinks about it. He's going to -- he wants to be the best. And so I'm not that much different -- but I will make a funny analogy now between what he said and what I would say about Carriage right now today.

With our stock trading below $25, the world thinks or thought we were the world's worst operator and consolidator of funeral homes and cemeteries. No doubt. Does that bother me? Well, it bothers me because I don't want our people to feel like their great work and their excitement is for not. But what I'd rather be who we are, we're not saying where the world's greatest when I say the world is great, but I can tell you one thing, we're not the worst, and we're really good. And we have never been better, never been better than we are today.

So the fact that our shares are selling like the market thinks we're the worst creates an opportunity for somebody. Let's open it up for questions.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions) One moment for our first question, it comes from the line of Alex Paris with Barrington Research.

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

Before I get started, I'd just like to express my thanks to Ben Brink as well. I picked up the company 10 years ago this month. And at the time he was Vice President of Finance had not yet been named Chief Financial Officer. So I've been on this ride with him, and he has been absolutely indispensable in terms of covering this company and very easy to work with. So Ben, I wish you good luck going forward, and please keep in touch.

Carl Benjamin Brink ***Carriage Services, Inc. - Former CFO, EVP & Treasurer***

Appreciate it, Alex.

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

Sure. So moving ahead with my questions. This is great news, and thank you all for this press release and this mid-quarter update in terms of plans, the additional information, particularly the debt paydown plan and fiscal 2024 goals should go a long way to kind of alleviate or kind of allow the stock to get where it needs to go? Because at the end of the day, it's earnings is what drives equity prices, and I think you have a nice plan laid out.

So the first couple of questions are first, related to Greenlawn. It looks like an awesome acquisition. This is the acquisition that you talked about briefly in an opaque way, I guess, on the Q3 conference call, it was under letter of intent. We knew it was going to be a big one. We knew it would be a big and growing market. Maybe you could take this opportunity to give us a little bit more color about Greenlawn, which is based in California in a large and attractive and growing market?

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

Yes, Alex, this is Steve. Yes, we're really excited about Greenlawn. So it's for several reasons. The first and most importantly for us is they were interested in us. So this was despite the fact that this is an incredibly large and impressive operation, and they would have had many choices. They reached out because they were interested in Carriage. They had followed Carriage. So we were very flattered by that. And so we were able to go spend some time with them when they reached out and very quickly realized it was going to be a fantastic fit between how Carriage operates and how we look at things and how Jim LeMar and Tom Bell and their team look at things.

So it's been a fantastic process up to this point. And some of the standouts for the business, numbers-wise, you've got multiple cemeteries, multiple funeral homes, multiple crematories. They're serving over 3,000 families last year. over $15 million in revenue last year. But most important, this is a business, and Mel has seen more than I have, so he can comment on this point in particular. This is a business where we have not seen the level of investment in future growth in any other acquisitions. They have planned incredibly well over the decades for the future growth of this business, not only from the cemetery perspective and making sure they acquire future land for future growth, but also planning where do we want to be in terms of adding funeral homes to the operation and investing in real estate on that front. So they've just done a fantastic job and a unique operation unlike any that we've seen in our portfolio or out there on the market. So Mel, I don't know if you want to add anything to that?

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

Yes. Alex, I heard about this business maybe immediately after our entry into California on January1, '97. 25 years ago, and I kept hearing about it from a guy named Mark Wilson, who built our Northern California portfolio. And -- but it was never upper most of mine because no one ever thought it would come up for sale or a succession plan, and that's what this is.

And so when Steve called me and said, "Oh, I talked to this business in California, we got an opportunity. He's used to calling me and so, okay, this is on the radar. This is on the radar. And we turned down a lot of deals, a lot of deals, a lot of activity never makes it the first base because our strategic criteria are very difficult to qualify. And when he mentioned the name, I'm going, what? And he said, "Yes, they only want to do it with us. They have a succession plan to explain. I mean I said, "Wow, can you get out there yesterday -- and so that's how I started Alex, this is a wonderful opportunity. We've all been out.

It's an amazing property in a market, like you said, there's multiple locations, but the amount of investment that they have made in future growth and development is like nothing I've seen before. And so we'll be able to speed that up and capitalize on those investments, turn them into real performance fruit that can be harvested over the next few years and get very high returns on our invested capital.

And because of that and because of that and the attractiveness of this particular one if it has just been any deal, we may have passed on it and not had to go up on our outstanding borrowings with BofA in our bank group, we would have just gone into a debt paydown. But because this was so attractive, we got with our banks, and they understand. They understand how we operate in that what we've done in the past, like at the end of '19 and early '20, they totally get it. And so we've shared all of this with them, all the pro formas, everything, and they went along unanimously in a very difficult credit environment. So we're very grateful for our bank group as well.

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

That sounds great. Shifting gears a little bit in the press release, you talked about Q1 and Q2 after having a strong Q1. But Q3 on a monthly basis, took a turn for the worse in the month of September. And in the press release, you talked about that improving since in October and November and December to date. I'm wondering what do you attribute that recovery in volumes and revenue to? Is it a cold and flu season, RSV, COVID related, maybe all of the above, we've all been quarantine for so long. It seems as though everyone I know, is sick. So wondering what led to the improved volumes? And is it durable? Would we -- you didn't update anything about 2023. You gave goals for fiscal 2024, and I realize it's not just going to step up in 2024. I suspect our estimates for 2023 are a bit too conservative in the absence of guidance. But what has driven the turnaround for a lack of a better word in volumes and revenue?

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

Alex, this is Carlos. So as you know, Q3 was quite a difficult quarter, specifically September was a very difficult month. Traditionally, September has been probably #10, 11 or even 12 on the month-by-month performance on a yearly basis, historically speaking. Last year, September was #2. Number two, for the full month-by-month comparison for the full year of 2021, which make it a huge comparable and quite a significant challenge to overcome. However, what we have seen since then is that our COVID cases have decreased significantly, roughly around 1.5% to 2% is what we're seeing versus 15% to 17.5% to last year. And the makeup of that in the difference, some of that's coming from market share, but also we have seen an uptick on -- and this is actually reported on a national actuary survey that was conducted in August of this year and what they call lifestyle, which is basically an increase in suicide, drug addiction, but also lifelike choices. So enter leaving coming from COVID-19 over the past 2 years and actually work from home that it's making an impact on health from people having a sedentary life in their homes.

And so -- but in all mix, we also believe there may be a little beginning of baby boomers just because we're tracking average age of death and it seems like it's getting a little younger from these multiple sources. So that's what we believe. We believe it is based on September, October, November, in what we reported on this release, seems like it is trending in a very positive way, specifically as you compare to 2019, which numbers are double-digit growth over the 2-year period -- 3-year period now, and that's very, very significant. So regardless of what the death rate will be in 2023, we believe will be significantly higher than it was pre-COVID.

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

And Alex, this is Mel. Look, after 31.5 years, and the baby boomers didn't start to die, then COVID came along with like a designed virus to clean out the older unhealthy baby boomers. But there's a lot of research, and we've done a lot of discussions with people who are in the know and have to be in the know in the medical field, a baseball casket company, for manufacturing, planning and so on. And I think the consensus view is that we have entered an elevated death rate environment for reasons other than purely COVID and that, that could last who knows how long, and it's hard to predict month-to-month as we saw September, October, November and now December. But it just might be, and this is the thesis that the industry is entering a period where those things that could not previously be controlled have turned in their favor, and that's the level of volumes and death rates. If that turns out to be the case, and we're executing our models with better talent, business by business, we'll do extremely well in the future.

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

That's great. And then just the last one. Do you still expect to be in a position to provide formal guidance for 2023 when you report fourth quarter results in February.

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

Yes. We -- the third quarter was just difficult. Carlos and his team had already begun to make moves operationally. -- vendors raising prices by a huge amount blah, blah, blah, labor coming back in that couldn't work during COVID. So we have some margin compression, broadly speaking. And you could say, well, we should have anticipated in this and that. But we've really been working hard in Carlos and the entire organization have been real busy business by business, market by market. And we showed the November same-store funeral volumes and revenue in October and gave you a hand on December. We have the financial results for October and November. And I would simply say that I've been very pleasantly surprised that all those things that are listed as elements in this plan are already showing success in our portfolio.

Operator

It comes from the line of Liam Burke with B. Riley Financial.

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

Thank you. Good morning, Mel. Ben, I'm sure your next chapter will be equally or more successful than your last run at Carriage. So congratulations. Mel, if I look at third quarter sort of as a baseline in terms of where you want to move up from, I looked at pricing. I looked at external volumes or mortality rates. And then I looked at internal operations where you mentioned that there were some shortfall in terms of performance. If I mix all 3, and I forget about the 2022 and look in to 2023, how much progress do you think you can make understanding that mortality rates are going to be what they're going to be.

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

Yes, that's a great way to think about it. The only reason we didn't want to put out anything on 2023 yet, is that while September just the bottom fell out related to September '21, -- it didn't fall out related to September of '19. And you see very consistent double-digit increases, as Carlos mentioned. But because of the dramatic drop, the margins dropped dramatically as well because we had not anticipated that degree of drop. But since then, a lot of work has been done, as I mentioned, and we're seeing portfolio field margins, not everywhere, but major league began to increase back up to what we call our performance standard ranges in October and November. And the whole idea is we want to get the company back to a position where we're having positive comps with the prior year.

The fourth quarter, we were concerned about was a very record quarter last year. I don't know how December is going to turn out, but I can tell you so far through November, we're not -- I'm not concerned about that anymore. We'll turn our concern to the first quarter. But in the meantime, our troops are executing and they're executing at a very high level, and we see progress month-by-month on margins, and that includes overhead margin coming down, field EBITDA margins going up -- and so when you have that combination, you get a double whammy improvement in your consolidated EBITDA margins, your EPS and your free cash flow. So the trend has become our friend again in the most recent short term. The only thing we didn't want to do is take 2 months and then project that over the '23 period. We'd rather have a little more experience. December, January, we'll have in most of February revenue before we put out a '23 outlook. And by then, I would say we'll be very confident notwithstanding whatever death rates are, then we can perform at a very high level, very high level and won't disappoint Mr. Market again.

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

Okay. And you suspended your buyback program. Obviously, you've got a peak leverage level after these acquisitions that you'll work down through your internally generated cash. Is there a level of debt where you're comfortable? Or is it 3x where you're comfortable in going back and buying back shares if you see the opportunity?

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

Well, I mean, the covenant right now, we could -- it allows us to get up to 6x, but we're not going to get up to 6x. I think I mentioned in the press -- we're going to peak out at about 5.4x at the time we buy Greenlawn. But when we said that 5.4x our forecast was prior to what we've seen recently, which is an improvement in EBITDA and margins. And so our policy is to get back down to about a 4x total debt to consolidated EBITDA. And if that doesn't expand our multiples of our performance metrics, I'm willing to take it below that because that's what we're missing right now. We're going to have the performance go way back up and the debt go way back down. But if our multiples don't expand because people have confidence that we will be predictable and we won't do anything stupid, then we have to keep doing the right thing until we get the confidence in the market back.

Operator

It comes from the line of George Kelly with ROTH Capital.

George Arthur Kelly ***ROTH Capital Partners, LLC, Research Division - MD & Senior Research Analyst***

So most of them have been asked and answered, but I guess I have a couple left. First one, could you detail how the credit facility has changed? What is the rate going to? And then the second question is on your CapEx expectations. You mentioned in your prepared remarks just that those CapEx is going to decline a bit in the near term. Just curious where you expect it to land?

Carl Benjamin Brink ***Carriage Services, Inc. - Former CFO, EVP & Treasurer***

Yes, not on the CapEx, really not much different from where we've been over the past couple of years. We've been $20million, $21 million to million in total CapEx. We'd expect it to be around $17 million, $18 million moving forward. So I think Carlos can speak to it, but just continuing to take a look at all the projects we have available and making the right decisions on how we allocate capital.

George Arthur Kelly ***ROTH Capital Partners, LLC, Research Division - MD & Senior Research Analyst***

And then the updated credit facility, the terms?

Carl Benjamin Brink ***Carriage Services, Inc. - Former CFO, EVP & Treasurer***

One moment we are have a little technical difficulty.

Operator

One moment for our next question, please. And our next question comes from the line of Robert [Longaker] with (inaudible).

Unidentified Analyst

Can you guys provide any detailed conversations you had with the banks about the current dividend and under what circumstances that might have to change?

Operator

Well morning, ladies and gentlemen, we're having some technical difficulties. We are standing by. My apologies, -- ladies and gentlemen, this is an unforeseen audio technical difficulties today. We can hear you led and clear, and we were on the stage with Mr. Longaker with (inaudible). Please repeat your question.

Unidentified Analyst

Can you guys just give some details on what the discussions with the banks were like around the current dividend and whether there be a possibility of that dividend policy changing?

Carl Benjamin Brink ***Carriage Services, Inc. - Former CFO, EVP & Treasurer***

Yes. I think, Robert, as of right now, we said it in our -- there was really no discussion around the dividend specifically, but we've made the commitment to hold the dividend steady and not have an increase here over the next 2 years as we put in the release, and that's what we intend to tend to adhere to.

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

Yes. This is Mel. And look, as a former banker, I'm very familiar with how this works. And -- we got ourselves into a temporary overleveraged position. And then we have these acquisitions show up that were strategic, incredibly attractive. We know what we can do with those once we integrate them into our company, we didn't anticipate it. They weren't on the radar and they popped up all of a sudden. So it put us in a difficult financial position of being somewhat inflexible in terms of covenants and things like that. So we got with our bank group. And this is an easy decision to make. It's not like they -- we said, look, we want to do these deals. And they're incredible deals. They don't come along like this very often. And as a quick pro quo willing to be restricted. We're going to restrict ourselves anyway. We want to get our debt down. So we want to increase our dividends. We won't buy any more of our stock gain. We've already bought 20%, blah, blah,blah and we'll dedicate excess cash to paying down the debt beyond the allocation of capital to internal cemetery product development that gets very high returns on invested capital, creates revenue and EBITDA and free cash flow. So it was a collaborative agreement as opposed to a negotiation.

Unidentified Analyst

And can you guys also talk a little bit more about the expense cuts, 13% would be a lot lower than you've been in the last couple of years. I'm wondering how you're a little more details on how you're going to get there, please?

Carl Benjamin Brink ***Carriage Services, Inc. - Former CFO, EVP & Treasurer***

Yes. We try to let the market know as we were going through '21 that a lot of the increased overhead were accruals for incentive comp because with all that high performance being optimized during COVID partially because of COVID, but partially because we were just a lot better in cemetery sales than a lot of other ways. Once we rolled over into '22, one of the things we did, we had to delay very important annual recognition trips that we've taken, both for our cemetery top performers and our funeral home top performers in '20 and '21, we delayed. And so I know this might sound crazy. We thought it was the right thing to do. But we actually took 6 trips between November of '21 and early June of '22 that were related basically to '19, we never took a trip for the 19 winners, '20 and '21. And so we've got all of our cemetery people together. We also have a cemetery sales, rewards trip, -- we had a good rate 5-year trip. We had 2 Pinnacle trips, both in Mexico, and then we had a huge first time we've had it in 3 years, managing partner forum, there was so much expense related to travel and hotels and people having replaced those who had left the businesses.

All of that going into '23 now is minimized and not repeatable. We also are looking at accruals on bonuses with performance down, visits 2 businesses. We learned how to do Zoom and not every business needs to have people visiting it all the time. And so that might seem like a high hill to climb but it's actually not. -- what we're seeing already in October and November is a very rapid trend towards that number of 13%. When the field goes up, the revenues go up, fill margins go up and your overhead as a percent of revenue comes down, your consolidated EBITDA margins go up. And so that's -- we're seeing fruit on that trend already that can be harvested. Plus, we'll have the additional $23 million, $24 million from the acquisitions without the overhead going up. So that in itself dilutes the percentage of overhead to revenue. Yes, we don't accept that the problem. And we don't expect that to be a problem, and we don't expect to wait until '24 to get there. It will be sooner rather than later.

Unidentified Analyst

And then last question. You guys put in $9 million for maintenance CapEx number, which seems kind of a little low from what you've been doing over the last couple of years, and I know there was some deferred maintenance. Can you just kind of talk about how that number compares to historicals?

Carl Benjamin Brink ***Carriage Services, Inc. - Former CFO, EVP & Treasurer***

Yes. It's -- like I said, it's not radically different than what we've done historically. I think $10 million to $11 million for maintenance CapEx is where we've been over the past year or 2. So -- and we've done a lot. And so tighten the belt and having a little bit less that $9 million is not the end of the world, and we'll continue to invest in our businesses, which we feel is really important. So it's not any dramatic shift from where we've been historically.

Operator

Thank you. (Operator Instructions). One moment for our next question. John Franzreb with Sidoti & Company.

John Edward Franzreb ***Sidoti & Company, LLC - Senior Equity Analyst***

Just on the press release, there's 2 mentions of price increases, both at the funeral level and the cemetery level. I'm curious if those price increases have gone through? Are they still being put in place? And how are they being received at the field level?

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

Absolutely. This is Carlos, John. So we have to be very sensitive as it relates to our ability to grow market share. So when it comes to price increases, the managing partner who knows best what's needed in the community. They know what the increases have been from different vendors, whether casket merchandise, what kinds of different things. We -- what we do from our Houston Support Center is to give them some guidance as to what impact financially speaking, those cost increases are making into the financial performance. Through those conversations, they decide then what type of increase they want to take into their price list, so they can be absorbed by the consumer at the specific communities. Some have gone above and beyond what's needed. Some have gone sequence of not there yet just because the last thing we need is also to decrease market share gains opportunities because we're putting our prices too high. And so in the blend, we feel pretty comfortable that the strategy is working and that the cost of goods that have been increased over the last 2 years will be well absorbed within our price increase in average basis.

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

So John, this is Mel. You we don't monitor at the consolidated level, how much price increase there is by business. What we do watch is the average revenue per contract average. And much like I think we mentioned a little bit on the third call -- third quarter call. We've seen some meaningful average revenue increases. Some of that was in the data we had in the press release, but we're continuing to see that across the company, broadly speaking, in terms of burial averages and cremation averages that are up materially high single digits. And so that offsets any volume efficiency compared to peak volumes last year to a large degree. And so we're -- you know that without knowing who all raising prices, we do know they're incentivized our people are incentivized to hit a margin range, which they control. And without -- if they let their costs go up and they don't raise prices where they have the opportunity to because they have the value perceived by the community, then they won't hit their margin range and their bonus will go in half.

John Edward Franzreb ***Sidoti & Company, LLC - Senior Equity Analyst***

And just, I guess, thinking about the 2024 number, and you mentioned in your press release that there's going to be substantial reduction in stock options and grants. I'm curious what kind of share count are you using to get to that EPS number in 2024. Are you assuming a gradual increase in the shares? Or what do you use your baseline assumption there?

Carl Benjamin Brink ***Carriage Services, Inc. - Former CFO, EVP & Treasurer***

Yes. So right now, we're diluted, we're right at about 15.6%. And I think as we get into -- over the next couple of years, we probably had, let's call it, 15.8%, 15.9% is what we had in there in 2024. Not a whole lot of share issuance or additions, but there'll be a little bit.

Operator

And I am not showing any further questions in queue. I will turn the call back to Melvin Payne for his final comments.

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

Yes. I want to mention something that John referenced there because that's near and dear to my heart. As the largest shareholder, my wife and I and my 2 kids together own about 12% of the company. And our performance has been down. Our shareholders sold the stock off. Last thing we want to do, and I want to do is see the shares continue to explode in terms of share count. We need to do all the things to get the share price back up by creating the performance. And the people who are here, they already have ownership and have options, they're going to benefit mostly by creating new value that drives the price up rather than getting new shares. And in that way, I think we're fully aligned with outside shareholders who don't want to see us breeding shares like Rabbits.

Look, we got a great company. We've got a great plan. We appreciate all of you hanging in to with us. We're going to execute this plan, and we're going to get back on top and never look back. And 2 years from now, we'll look back at this as maybe a blip, a bump in the road on the way to something much greater. Thank you very much.

Operator

Thank you. And ladies and gentlemen, this concludes today's call. Thank you for your participation, and you may now disconnect.