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Q2 2021 Carriage Services Inc Earnings Call

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## PRESENTATION

**Operator**

Good day, ladies and gentlemen, and welcome to the Carriage Services Second Quarter 2021 Earnings Results Conference Call. (Operator Instructions) As a reminder, this conference call is being recorded. I would now like to turn the conference over to your host, Mr. Steve Metzger, Executive Vice President, Chief Administrative Officer, General Counsel. You may begin.

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

Thank you, Julie, and good morning, everyone. Today, we'll be discussing our second quarter results. Our related earnings release was made public yesterday after the market closed, and we have 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 and Chief Executive Officer, Ben Brink, Executive Vice President and Chief Financial Officer, and Carlos Quezada, Executive Vice President and Chief Operating Officer.

Today's call will begin with formal remarks from management, followed by a question-and-answer period. Before we begin, I'd like to remind everyone that during this call, we will 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, both factors identified in our earnings release and in our filings with the SEC, both of which are 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 on our earnings release as well as our website. Thank you for joining us this morning. And now I'd like to turn the call over to Mel.

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

Thank you, Steve. This is a very exciting time for me and all the rest of us on the Carriage during the great journey bus. Record high second quarter earnings release in this call, but the first since we refinanced $400 million of 8-year unsecured senior notes at Tom Brady bond pricing of 4.25%. We are now turning our focused attention to the Rodney Dangerfield equity pricing by putting our money where our mouth has been. And on June 1, we celebrated the 30th anniversary of our founding by me and 3 other cofounders. After I replaced the traditional budget and control performance management system with a nonorthodox and counterintuitive standards operating model at the end of 2003, the last 18 years have been akin to using the scientific method on an evolutionary trial and error learning journey. Continually adapting from what wasn't working to those ideas that worked better. Never being satisfied with simply good and always trying to become great in every area of the company.

While there have been periods of underperformance over the last 18 years, some longer and others shorter, all of those periods, when you reflect back on them were directly related to not having the right leaders in the right seats on the bus. There have been turning points at various times over the last 18 years. In particular, 2003 when the standards operating model was introduced effective January in '04. 2006, when we realized it was more of a leadership model than a management model and adopted the 4E Leadership Model. At the end of '06 and '07, when we went back on a growth path using a new strategic acquisition model and new trend reports, very transparent. 2008 and 2009 when we took over our trust fund management, and in 2011, the end of which we launched the first 5-year time frame of good to great. But the last 2.5 years of high-performance transformation have been a function of 3 major changes. Transformative large strategic acquisitions, 4 of them at the end of '19 and early '20. Updated high-performance standards that emphasized compounded revenue growth and sustainable high field EBITDA margins for both our funeral and cemetery businesses at the end of '18 and more recently in the cemetery side. And top grading the leadership in all areas of the company starting in October '18, which led to the recent promotions of Ben, Steve and Carlos, who together with me now form the vision, Strategic Vision and Principles Group of the 8-member executive team.

The future leadership of Carriage will at some point emerge from this group with 3 leaders. Although given my excellent health, my passion and energy for our business and our people, plus the fact that I've never had so much fun, now with our leadership across the company winning, it's a time for Carriage to win, and this period of winning will last for years. I can't imagine having a job and getting paid to be here with so many high-performance people and leaders. So I would like to end this call with something that Shane Hinds told me on the way out yesterday afternoon to our cars in the parking garage. Shane Hinds is one of the superstar senior operations and acquisitions partners on Peggy Schappaugh's team. He's one of four. And on the way out, Shane said, Mel, I joined the company in 2012, first year of the first 5-year Good to Great Journey. It's been an incredible journey. Those 5 years, we went from $5.60 to $38.64. Then we had a little decline in '17 and '18, but then we got busy and look at where we are today. He said, Mel, I know we've had really periods where we celebrate, but this is so unique and so different. He said, Mel, we're good. We're good everywhere. Hey, but don't take it the wrong way. We can get better. And we're working on specific places where we could get better. Specific businesses, specific leaders, specific markets. I said, I know, Shane, we always have to get better. He said, but Mel, this is one of those special moments in my journey and we need to celebrate it. We'll go back to work, but let's take the moment and celebrate the moment. So I agree with Shane. After 30 years, it's a moment to celebrate. It wasn't easy to get here. It was anything but. But every moment of every year, every quarter, every year, all the highs and lows are now worth it. Look where we are and look where we're going. So Shane, I co-dedicate this call to you, our DOSs in the field who support all of our wonderful businesses and all the wonderful leaders, managing partners, sales managers, employees and all of our Houston support leaders. Let's celebrate the moment. Carlos?

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

Thank you, Mel. Good morning, everyone. I hope you are as excited as we are because we have so much wonderful news to share with you. I am so glad to be here in order to have the privilege to represent all of our Carriage family today. When I joined Carriage on June 26, 2020, I knew that I was coming into a high-performance culture company, but I did not realize that being absolutely the best is the norm every single day at Carriage. At the time, we were in the midst of the pandemic, which served as an accelerator to technology adoption across our industry. But Carriage had already been diligently working at our Good to Great transformational high-performance journey since 2018. Our performance achievement is simply a result of our high-performance hero partners and teams of Carriage employees across our portfolio of businesses and our Houston support center. We have been able to adapt, pivot and drive significant positive change that is highly focused on superior service and guest experience, which is reflected in our market share growth and consistent high performance. Trends over not only this year, but over the last 2.5 years. Now that the pandemic is receding, even if new variants remain as a new normal, we're more prepared and ready than ever before. This is the primary reason why all of us at Carriage are so thrilled and passionate about what we do and to be part of a company with such a prosperous future. While our stock price continues to trade at a large discount to intrinsic value, we will continue to work very hard on our value creation platform and deliver high operating and financial performance for years to come.

Our second quarter and year-to-date operations results are as follows. For our high-performance funeral portfolio, our second quarter of 2021 funeral home same-store volumes are maintaining at a healthy level compared to the elevated pandemic volumes of 2020. What is more impressive is the increasingly sustainable volume growth of 11.4% compared to pre-pandemic second quarter of 2019. Of the 11.4% increase, 6.7% is market share growth, while only 4.7% of the increase comes from COVID-19 related deaths. As our managing partners continue to focus on 3-year compounded net revenue growth after primary standard, they together with their wonderful teams of funeral directors and arrangers, passionately pursue every opportunity that comes through their doors to provide the best service and guest experience to every family, their friends and their communities. Our mission of being the best means creating incredible personalized moments and memories for every family every time for that final goodbye without ever forgetting that a life lived is a life remembered. On a comparative basis for the second quarter of 2020, our total funeral operating revenue grew to $55.8 million, an increase of $2.5 million or 4.7% over prior year. And for the first half ending June 30, grew to $122.7 million, an increase of $13.8 million or 12.6% over the same period last year. Moreover, while we have recently experienced a more normalized pre-pandemic volume behavior, we continue to grow market share broadly as well as our average revenue per contract, with an increase of 6.7% over Q2 2020. Such performance should become consistent and sustainable as we continue to focus on cremation conversions, service and guest experience, and educate families on all of their available options for unique personalized services and life celebrations. Our total funeral field EBITDA of $21.9 million for the second quarter is a decrease of 2.6%, while our total funeral field EBITDA margin declined 290 basis points. This decline is mainly due to our lower volumes of 9.4% in the eastern region, as we had a tough comparable from 2020, with a huge COVID-19 surge in the Northeast audience last year. However, the inter-region higher revenue averages and continued growth in market share relative to normalized post-pandemic volumes, are clear signs that we will continue to deliver broad high-performance throughout all geographic regions of our funeral portfolio.

We continue to see improvement in our cremation averages back to pre-pandemic levels. In Q2 2020, our average was $3,075 versus Q2 2021 with a $3,416 average, an increase of $341 per contract or 11%. This comes as the result of our efforts on cremation conversions driven by the partnership between directors of support and our managing partners who coach, inspire and lead their teams to focus on spending time with each family while educating them on the value of funeral services when selecting cremation as a final disposition.

On our field acquisition performance, we continue to grow our partnership with our 4 most recent acquisitions. The funeral homes of these acquisitions increased $1 million in net revenue for the first half ended June 30, an increase of 10.1% and an increase of $979,000 or 25.3% in adjusted EBITDA.

I have a very aggressive travel agenda over the rest of this year to visit many of our amazing funeral businesses and meet our incredible managing partners and their teams of employees. I've already had the opportunity to visit many of our California funeral homes over the past several weeks and will continue to visit the remaining businesses in the upcoming months, where my main goal is to build relationships and establish partnerships, understand the intricacies of individual businesses and their communities, and help identify opportunities for potential growth.

Now moving to our transformational cemetery portfolio, record-breaking Q2 high performance. It has been a little bit over a year since we started executing on our plan to create preneed property, high-performance sales teams across our cemetery portfolio to drive sales that are sustainable through time, capturing all available opportunities and higher operational margins. The plan has worked much better than expected. And after we first introduced our main sales high-performance drivers, we have delivered record-breaking success to the partnership due to the partnership with all of our Houston support center leaders and our awesome team of cemetery managing partners, their sales leaders and sales counselors. Prior to this amazing cemetery transformation, Carriage primary business segment was our funeral portfolio. And certainly, we were a funeral driven organization that happened to own cemeteries. Our cemetery performance history shows flat to low growth over the years, mainly driven by our 2 top cemeteries. In fact, we became so codependent to the performance of these top 2 that if one of the 2 businesses got the flu, the whole cemetery portfolio will get sick and suffer. And if 1 or both of these 2 cemeteries would perform well, it would be a home run for the whole team regardless of the performance of the rest of the cemetery portfolio. Today, we're very excited to share that our cemetery portfolio is performing at an all-time high. Our total cemetery revenue for the full year of 2017 was $42.7 million. In 2018, $44.6 million. In 2019, $49.3 million. In 2020, $69.1 million, and our rolling 4-quarter ending June 30, 2021 is $86 million, a growth of an additional $43.3 million or 101% over the 4-year period. Our total cemetery field EBITDA in 2017 was $13.4 million. In 2018, $13.8 million. In 2019, $17.2 million. In 2020, $26.6 million. And in 2021, rolling fourth quarter is $39.6 million, an amazing 3 bagger from 2017. And our total cemetery field EBITDA margin in 2017 was 31.4%. In 2018, 31%. In 2019, 34.8%. In 2020, 38.5%. And our rolling fourth quarter ending June 2021 is 46.1%. I would like to thank all of our leaders and teams in the field, in our Houston Support Center, that from day 1 of the creation of our aggressive and highly ambitious sales plan, all supported and embraced very significant and uncomfortable change that now has completely reshaped our cemetery portfolio with record-breaking high-performance over the last few months.

We initially started this transformation with 14 selected cemeteries. However, today, we have consistent performance. On average, 23 of our 31 cemeteries deliver over target high performance. And if one of the previously mentioned top 2 cemeteries get the flu today, the other cemeteries show up to the plate and hit a homerun, giving the Carriage team a huge win. The cemetery portfolio transformation has been remarkable. But there are still great things happening. And to name a few, we have recruited David Bailey as our new community relationship partner, where his main goal will be the development of our Seminars program, which will focus on educating the consumer on the value of protecting their family through preplanning, while creating new leads for our sales counselors and generate future sales. David comes with years of experience and we look forward to his success.

We're in the final stages of the implementation of Microsoft Dynamics 365 CRM, which will launch with a pilot in 5 of our cemeteries in September and fully adopted across the portfolio by January 2022. The we also added marketing to our new CRM which will enable intentional savvy and measure robust digital marketing campaigns, increasing our marketing return on investment. We have partnered with Cold Springs for the launch of our new and unique private memorial strategy, which is aimed to generate demand of high-end and exclusive private mausoleums. We are deploying more capital to high-growth cemetery developments to create new and innovative inventory and continue increasing sales velocity.

For sales quarter record cemetery high performance, I will start with our same-store comparison, which is as follows. Inventory operating revenue in the second quarter of 2020 was $11.5 million compared to $60.5 million in 2021, an increase of $5 million or 42.8%. Our field EBITDA in 2020 was $3.7 million versus $7.6 million in 2021, an increase of $3.9 million or 106.7%. And our field EBITDA margin in 2020 was 31.7% against 45.9% in 2021, an increase of 1,420 basis points over prior year. Moreover, for a same-store first half comparison ending June 30, cemetery operating revenue in 2020 was $22.4 million compared to $31.1 million year-to-date, an increase of $8.6 million or 38.5%. Our field EBITDA last year was $6.8 million versus a stunning $13.3 million this year, an increase of 6.4%, excuse me, I'm sorry, and 94.3%. And field EBITDA margin in 2020 of 30.5% against 42.7% this year, an increase of 1,220 basis points. For cemetery acquisition comparison for the second quarter, our operating revenue in 2020 was $4 million compared to $8.2 million in 2021, an increase of $4.1 million or 101.6%. Our field EBITDA last year was $1.4 million and in 2021 grew to an impressive $4.7 million, an increase of $3.3 million or 230.1%. The field EBITDA margin in 2020 was 35.4%, against 57.9% in 2021, an increase of 2,250 basis points. For the first half of the year, acquisition cemetery, operating revenue in 2020 was $6.9 million compared to $15.2 million in 2021, a decrease of $8.3 million or 121.1%. Field EBITDA last year was $2.3 million versus $8.8 million in 2021, an increase of $6.6 million or 290.8%. And field EBITDA margin in 2020 was 33% against 58.3% in 2021, an increase of 2,530 basis points.

The material impact of this performance to our financial statement is not only impressive, but it has transformed our mix between funeral and cemetery. To put this comment into perspective [audio lost]. This new financial dynamic has changed the cemetery and funeral EBITDA contribution mix. For the first half ending June 30, our total combined operating field EBITDA is as follows. In 2020, field EBITDA contribution was 82.8% and 17.2% for cemeteries compared to 2021 field EBITDA of 70.2% and 29.8% for cemetery, an increase of 12.6% for cemetery. But even more amazing is that the growth compared to prior year on total combined operational field for cemetery is a remarkable 60.8% of incremental EBITDA.

With transformational cemetery high performance that I just shared with you, our estimation is 15% related to COVID-19 deaths through admin and 85% is correlated to our premium strategy and execution of our transformational cemetery plan for the creation of sustainable high-performance sales teams across our portfolio of businesses. And as previously mentioned, we are still in execution mode with more to come.

In closing, Carriage has a unique and special DNA made of unorthodox out of the box thinking, concepts and ideas that are so creative, sophisticated and nontraditional, they are simply not found in the [death care] industry and hardly outside of it. Starting with our fundamental principles, which lead us to our true North, a successful decentralized model, our standards operating model that continues to bring the best-in-class entrepreneurs, our flywheel framework, our Good to Great Journey along with our 4E Leadership Model and our continued focus on First Who, Then What acquisition program, all together create what we call our high-performance culture that is now the foundation of all things Carriage and the launching path for a high-performance rocket on its way to space and beyond, fueled by sustainable and record-breaking results over the next 5 to 10 years. We still have incredible opportunity in both of our cemetery and funeral portfolios. And certainty, more positive change is on its way as we continue accelerating our flywheel and gain tremendous momentum and reach higher altitudes like we never have before. All of this while keeping our very unique Carriage DNA, our identity, and what set us apart from everyone else intact. Thank you and follow us closely because it is a great time to be with Carriage and the best is yet to come. Now I'll pass it onto Steve.

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

Thank you, Carlos. As we look back at the last 2.5 years here at Carriage, it's easy and it's important to focus on the numbers that represent the transformative process we continue to talk about on our earnings calls. However, more importantly, and in my opinion more impressive than those numbers, is the energy and all the developments occurring across the company that combine to drive these results. There has been and remains a significant focus throughout Carriage on relentless improvement, and there's not an opportunity for incremental growth that is too small for our team. The details matter and discussions focused on those details are taking place every day. It truly is this mindset that drives the high-performance flywheel effect we refer to so often.

It's also this mindset, along with the new balance sheet following our refinancing efforts earlier this year, that has positioned us to have a number of opportunities related to the strategic allocation of our capital that have not before been present in the company's 30-year history. From being prepared to secure, close and successfully integrate 4 large strategic acquisitions in late 2019/early 2020, to aggressively paying down our debt to a level that now serves as our internal benchmark, while also increasing our dividend twice last year, to our current capital allocation focus of internal growth projects, share repurchases and identifying the best remaining independent businesses to join the Carriage family, disciplined capital allocation is the driver of every decision we make. Our senior leadership team appreciates the unique position we're in and the heavy lifting it has taken to reach this point. As we remain focused on making capital investments that will maximize value for our shareholders, our leadership team has worked together to build a capital allocation evaluation framework which will now serve as the foundation for these critical decisions. We referenced the substance of this evaluation framework and our allocation philosophy in our earnings release, which we encourage everyone to read. What you will see in this structure are clear guideposts for each of our primary allocation opportunities. For example, we're focused on maintaining our current leverage ratio of approximately 4x, which allows our total debt to remain relatively flat, while our free cash flow is allocated to higher return on invested capital growth opportunities. We've also announced an annual dividend target equal to approximately 10% of our adjusted free cash flow and 1% dividend equity yield on Carriage shares. This is also a target we have met. We have defined internal growth priorities, subject to a return on invested capital target of at least 15%. And we have also defined what we believe serves as a material discount to the intrinsic value of our stock, and we will continue to focus on share repurchases when our stock trades at that discount.

While this framework is intended to be flexible, given potential opportunities that may be difficult to predict, it is the foundation we will reference as we continue to focus on being good stewards of our capital and maximizing value for our shareholders. One of the capital allocation opportunities we're particularly excited about is acquisitions. As mentioned earlier, after significant activity at the end of 2019 and beginning of 2020, we turned our focus immediately to paying down debt over the remainder of 2020 and beginning of 2021. We are now positioned and excited to get back to identifying the bigger, better independent businesses who are ready to join the Carriage team. In addition to building out a more structured capital allocation framework, we also recently completed a detailed review and refresh of our strategic acquisition model, inspired and driven by the success of our most recent acquisitions. The performance of those 4 acquisitions is broken down by business in our 2020 shareholder letter, and it is this performance and profile which serves as the model for our acquisition strategy moving forward.

In addition to more specifically defining the profile of a business primed to be successful within the Carriage portfolio, we are also focused on strategic markets that have both organic growth potential and present opportunities for competitive advantages. We're excited to see more activity within the current pipeline of acquisition candidates. And true to our model, we will remain selective and focused on only the best remaining independent businesses. Our approach to acquisitions does not simply involve identifying the right multiple for our business. It includes inviting owners to visit with our management partners, to talk with former owners who previously joined our team, and to take a trip down to Houston to spend time with the support center leaders who will ultimately provide guidance to their business. Our people and culture are our greatest assets, and we believe the better an acquisition candidate gets to know the larger Carriage team, the more excited they'll be to join our company. When it comes to our acquisition philosophy, adding businesses simply for the sake of growth is not our goal. Rather, the quality of the business and future growth opportunities within particular markets are the drivers. With that said, we're involved in ongoing conversations with candidates and look forward to providing more updates on acquisition activity in the coming quarters.

As I mentioned at the beginning of my remarks, it's truly exciting to see the focus on relentless improvement and identification of incremental growth opportunities throughout our team, as evidenced by the comment from Shane Hinds that Mel referenced earlier in his comments. Not just in the crucial areas of capital allocation and acquisition strategy, but throughout the field and within our support teams. The hard work of so many over the past 3 years has helped place Carriage at an exciting and critical inflection point, and we will continue to identify and focus on opportunities for continuous improvement, while building a thoughtful and disciplined structure to support our high-performance flywheel driven approach to growth. With that, I'll turn it over to Ben to provide more detail on our current capital allocation focus.

**Carl Benjamin Brink** ***Carriage Services, Inc. - CFO, Principal Financial Officer, Executive VP & Treasurer***

Thank you, Steve. As we report record second quarter and first half operating and financial results, it's incredible to reflect on the truly high-performance transformation that has occurred here at Carriage over just the past 2.5 years. Over the course of that time, we have increased annual adjusted consolidated EBITDA by 69.9% or $49.1 million to $119.3 million, increased adjusted consolidated EBITDA margin by 700 basis points to 33.2%. Adjusted consolidated EBIT -- adjusted free cash flow has increased 85.2% or $36.3 million to $78.9 million, and adjusted diluted EPS has increased 116.2% to $2.53 over the past 12 months.

The impressive growth in our reported and financial numbers are the result of evolutionary and transformative change that has occurred across our entire company. And as evidenced by our record second quarter results and consistent with our 2021 theme, the high-performance flywheel has only just begun to accelerate here at Carriage.

Now on to the results. For the second quarter, total revenue increased 13.9% or $10.8 million to $88.3 million. Adjusted consolidated EBITDA increased $3.3 million or 12.9% to $28.7 million. Adjusted consolidated EBITDA margin decreased 30 basis points to 32.5%, and adjusted diluted earnings per share increased 42.2% to $0.64 per share. For the first half of 2021, total revenue increased $29.9 million or 19.3% to $184.9 million. Adjusted consolidated EBITDA increased 31.3% or $15.1 million to $63.4 million. Adjusted consolidated EBITDA margin increased 310 basis points to a record 34.3%, and adjusted diluted earnings per share increased 83.5% to $1.45 per share.

On May 13, we completed the refinancing of our 8-year $400 million unsecured senior notes and entered into a new $150 million 5-year revolving credit facility. The new coupon rate of 4.25% is a reduction of 2.375% compared to our existing senior notes and represented a spread of 276 basis points to 8-year treasury notes at the time of issuance, or as we like to call them, the Tom Brady price. The lower coupon rate will translate into a reduction of annual cash interest cost of $9.5 million and be accretive to adjusted diluted earnings per share by approximately $0.36 annually. On a pro forma basis, assuming the refinancing transaction would have occurred on January 1, 2021, our pro forma second quarter adjusted diluted earnings per share was $0.70, while our year-to-date pro forma adjusted diluted earnings per share was $1.60, representing increases of 55.6% and 102.5%, respectively. The full impact from our lower interest expense will be impaired in our third quarter results and moving forward.

Additionally, the lower cash interest costs from our successful senior note refinancing transaction resulted in a 100-basis point decrease in our weighted average cost of capital to 6.4%. Total overhead in the second quarter increased $1.9 million to $11.4 million and has increased $7.6 million or 43.8% to $25 million for the first half of the year. Overhead as a percentage of revenue has increased 230 basis points from 13.5% in the first half of this year as well. The primary driver of the increase in overhead expenses is a $4.7 million increase in our variable field and corporate incentive compensation accruals in the first 2 quarters of this year as compared to 2020. With the uncertainty that was brought on by the early onsets of the COVID-19 pandemic, which dramatically reduced both our incentive compensation accruals in the first and second quarter of last year, as we detailed in the press release, our operating performance for the second half of last year and continued with the record performance for the first half of 2021, has caused us to significantly increase the amount of field incentive compensation as more of our managing partners and their teams reach even higher levels of standards achievements. In 2020, this resulted in us having to accrue almost $5.5 million more incentive compensation in the second half of the year as compared to the first. We believe that we have a more balanced approach to our incentive compensation accrual so far this year, and we anticipate the variable overhead in the second half of this year to approximate what we have booked these past 2 quarters.

Our second quarter and year-to-date results benefited from a 250-basis point reduction in our GAAP effective tax rate from 31% in the first quarter to 28.5% currently. This translated into a $0.04 accretion to adjusted diluted earnings per share in the quarter and a 28.5% tax rate has been included in our updated and increased rolling 4-quarter outlook and roughly right 2-year scenarios. We continue to work to find additional incremental decreases in our effective tax rate irrespective of what may happen with federal tax policy in the near term.

The strong performance from our discretionary Trust Fund continued in the second quarter with a 14.2% total return for our portfolio through the first half of the year. The successful execution of our Trust Fund repositioning strategy during the coronavirus market crisis just over 1 year ago, has positioned our portfolio to generate significantly higher amounts of reoccurring investment income and realized capital gains. As a result, our reoccurring annual income within the portfolio has increased almost $8 million to currently $17.4 million annually, while we have recognized approximately $25 million of long-term capital gains over the past 12 months, the majority of which we recognized just this past quarter. This incremental $33 million of trust earnings over the past year will provide long-term benefits to our reported financial revenue and financial EBITDA through higher reoccurring earnings through our cemetery perpetual care trust and higher values of maturing preneed funeral and cemetery contracts. Over 95% of the $25 million of realized capital gains will accrue to the underlying preneed funeral and cemetery merchandise and service contracts, which will be recognized as an increase in financial revenue and EBITDA as those contracts mature over the course of the next 10 to 12 years on average. We have an additional $20 million of unrealized capital gains currently within our portfolio and expect the portfolio to be positioned for higher capital appreciation as we move forward.

Financial revenue increased 23.5% to $11 million and financial EBITDA increased 24.1% to $10.1 million for the first 2 quarters of the year. We currently expect pro forma annual financial revenue to be at the high end of our previous range of $23 million with a financial EBITDA margin above 94%. For the first 6 months of 2021, our adjusted free cash flow has increased 38.7% or $9 million to $39.5 million, while adjusted free cash flow margin has increased 320 basis points to 22.9%. Our adjusted free cash flow margin metric is defined as the amount per dollar revenue available of cash equity available to grow the intrinsic value of Carriage. For the past 12 months, our adjusted free cash flow was $78.9 million, and our adjusted free cash flow margin was 22%. Our adjusted free cash flow in the quarter was lower year-over-year by approximately $5.6 million due to cash tax payments and slightly higher amount of maintenance capital expenditures in the quarter compared to previous year. Remember, Carriage is a cash taxpayer this year as compared to last year when we weren't.

Our net debt to adjusted consolidated EBITDA ratio ended the quarter at 3.9x, an increase from the first quarter due to the $19.9 million premium payment we made to call our 6.625% senior notes, offset by an increase in our trailing 12-month adjusted consolidated EBITDA of $119.3 million. Pro forma, the benefits of lower cash interest costs are roughly right range for normalized adjusted free cash flow is between $75 million and $79 million in 2022. The midpoint of that range, $77 million of adjusted free cash flow, equates to approximately $4.20 of adjusted free cash flow per share or a free cash flow equity yield on Carriage shares of 11.5%, which we view as incredibly attractive in a current continued low yield environment. Based on the sustainability of and the continued growth of our free cash flow, we believe it is appropriate to calculate a roughly right range of equity intrinsic value by applying a free cash flow equity yield range of 6.4%, our current weighted average cost of capital to 7.4%, our cost of capital prior to the refinancing transaction to that $77 million 2022 midpoint estimate. This equals a Carriage equity market capitalization range of $1 billion to $1.2 billion and an updated estimate of Carriage equity intrinsic value of $55 to $65 per share.

As Steve detailed in his comments, our formalized capital allocation framework will be how we make capital allocation decisions going forward in order to drive an accelerated growth and a return on invested capital to sustain higher organic growth rates. With the completion of our senior notes refinancing, we believe the high, sustainable and reoccurring almost $80 million of annual free cash flow provides us the necessary financial flexibility to allocate capital towards shareholder value creation opportunities, including investing in high-return projects across our existing portfolio, selective and accretive, high quality acquisitions, opportunistic share repurchases and steady increases in our annual dividend. We view the $19.9 million premium payment we made to call our existing 6.625% senior notes as the greatest use of our capital this year as it allowed us to facilitate the refinancing transaction that lowered our annual interest expense by $9.5 million and increased our annual adjusted diluted EPS by $0.36.

Additionally, in the quarter we allocated $12.3 million to repurchase almost 325,000 of Carriage shares at an average cost of $35 or $38. With the continued disconnect between our current equity valuation and the conservative view of Carriage's current intrinsic value, which at this point stands at an almost 65% discount to the midpoint of our range at $60 per share, we believe the best use of our capital at this time is to prioritize more rapid pace of share repurchases. Our enhanced financial flexibility underpinned by our lower cost of capital and record operating performance will allow us to prioritize execution of our share repurchase program in addition to investing in our businesses and making selective high-quality acquisitions, all while maintaining a more moderate net debt to adjusted consolidated EBITDA profile of 4x or less.

Once again, we are excited to announce an increase of both our roughly right 2021 and 2022 forecasts and an updated rolling 4-quarter outlook. These estimates of our future performance are intended to provide the investment community with a realistic expectation of results based on current operational trends and conservative estimates of capital allocation activities. As we have continued to provide these updated forecasts over the past 18 months, we've repeatedly acknowledged that while the effects of the COVID-19 pandemic will provide unknown variables and short-term results, we believe we have a number of known drivers for improved performance, including growth in our average revenue per funeral contract, increased local market share gains, accelerating preneed cemetery property sales, incremental growth in financial revenue, higher and sustainable field EBITDA margins, and expanding high-return on invested capital allocation opportunities. Unlike our previous roughly right scenarios, we have included -- that have only included the capital allocation scenario of debt repayment, this forecast includes a conservative outlook for shares outstanding, where the majority of our capital allocation is geared towards an execution of our share repurchase program in the near-term while maintaining our leverage ratio of 4x or below as a matter of policy.

For 2021, we now expect total revenue to be between $345 million and $355 million, adjusted consolidated EBITDA between $117 million and $121 million, adjusted and consolidated EBITDA between 32.5% and 33.5%. Adjusted free cash flow is $72 million to $75 million, and adjusted diluted earnings per share of $2.25 to $2.35. For 2022, we now expect total revenue to be at $355 million to $365 million. Total adjusted consolidated EBITDA of $119 million to $123 million. Our adjusted consolidated EBITDA margin at the high end of that 33.5% range. Adjusted diluted earnings per share at $3.10 to $3.20 and adjusted free cash flow between $75 million and $79 million. Thank you all for joining us on the call today. And with that, I'll turn it over to Mel.

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

Thank you, Ben. I think anyone listening in on this call can see why I'm having so much fun. The reason I'm having so much fun is the company is as good as Shane Hinds said it was. But the best news for me is I'm not doing the heavy lifting anymore. You just heard 3 leaders that are doing all the heavy lifting of explaining what all the other leaders and employees are doing on their heavy lifting end. So everybody is pushing on the Carrier Good to Great flywheel. What I would like to do in this call is invite all of you who might have an interest as a shareholder, bondholder, friend of the family, I don't care what your level of interest, come to Houston. Come to our offices. Come see how a high-performance culture company looks in the flesh. We just moved into new space on the third floor. I'm here with our Board, we're in the midst of a Board meeting with the entire executive team, so many of our employees listening to the call from across the country because this is their company. Their destiny is tied to what they do. Our destiny is tied to what they all do. Come look. The branding on the walls is different. You will never know what business we're in if you come here, because what you will find is that we're in the high-performance culture business. Leadership, people, going to somewhere great, being the best at operations, consolidation, value creation, capital allocation. This is not your normal company. That's why I have never sold a lot of shares and have no diversification. Come here, we'll roll out the red carpet. I promise you, you will not be disappointed. When we had a fantastic acquisition candidate here a week or so ago, I'd been trying to get this guy for 15 years. 15 years, June of '06. Best business remaining in his state, maybe the best business remaining in his region. He never would come. He came with his wife. He was blown away. And when he left, he said, Mel, I had no idea what Carriage has evolved into. I had no idea. Can I bring all my people down here so they can see? I said, you beat me to the idea. That's our company. So don't go to the filings, read about our company. Go start February 19 of '20. Read every quarter because they're like a chapter in a book. This is real. And it's not going to get worse, it's going to get better. You just heard all the reasons why.

And with that, I'd like to memorialize the last 30 years of Carriage. I started the company at 48 years old. I was doing fantastic, turning around in restructuring companies, making a lot of money. Last company I turned around was for GE Capital, an LBL that had gone bad out of Chicago. I started with 4-year turnaround and became the owner of the business in January of '91. And so I entered in a contract, 4 years, bringing me a lot of money. But I'm going, I want to start my own company while I do this. But I'd been looking at this industry for 3 full years and never pulled the trigger because I wasn't sure death would be the kind of business that I could put all my skills and vision and ideas and concepts to work at, which I had learned in my career. And then my brother called me in early January '91. I have one brother, 2.5 years younger, lives in Newport, Mississippi. I hope he's on this call. I think he is. He said, brother, JJ, his oldest son, 18 years old, tall, good-looking guy. Lots of potential. Just killed himself as a driver, his best friend in the passenger seat, and the worst part is, he killed the mother of 3 small kids in the other car. Lawrenceville, Georgia, which was a growing suburb of Atlanta. Please come. I'm desperate. I don't know what to do.

I went and it was an incredible experience that can never be forgotten. All 3 visitations were at the same night at the same funeral home, Tom Wages Funeral Home, Lawrenceville, Georgia. The funeral director was Valerie Wages. She would later become our chief trainer, service trainer. I was so stunned by the noble work and how she pulled this off. My brother came to me and he said, I cannot live with the guilt of JJ killing the mother of 3 small kids. Can you ask the Funeral Director, please let me talk to the father openly with all the families here? So I asked, and she said, this is very unusual. It's a community tragedy. They were all in the same school. The whole community was one big bedroom community. And she said, I'll ask, and he did, and I'll never forget, it's close in my brain. I can see it as if it were 5 minutes ago. Big funeral home doing about 600 funerals, big reception area, the father coming, the kids on his legs. My brother coming with me and his family, and my brother hugging him and telling him he was sorry. I probably saved my brother's financial life. There was no lawsuit. He had a cast on his leg. He was a troubled kid in some ways. And on the way to the airport, I told my brother, Bobby, Bobby, you didn't know this, but I've been looking at this industry for 3 years. I've been holding back because my career was going so well. And yet, I cannot go back and not start a company. So here's what I'm going to do. I'm going to go back and start a company, already have a loan that's been offered to me for the last 3 years. I'm going to raise some equity. I'm going to start a company that will consolidate and operate the funeral and cemetery industry. And I promise you in the name of JJ in his honor, I don't know how long it will take me, but I'll learn the business, and we will become the best in the history of doing this. Bobby, it might have taken longer than I thought. But we're there, brother, in honor of JJ. Thank you, and stay tuned. Let's open it up for questions.

## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) Your first question comes from Alex Paris with Barrington Research.

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

Mel, thank you for that story. I really appreciate it. The background on company leaders is especially important to investing with the right people, and I know the right people is sort of your clarion call at Carriage Services. So thank you again for that. Congratulations as well on the beat and raise and I appreciate the very thorough comments in terms of your prepared comments on the call. My takeaway is, while comps are tough and getting tougher and volumes are moderating as COVID deaths subside, you are overcoming that headwind through higher funeral and cremation averages, local market share gains, preneed cemetery sales, higher financial revenues and significantly lower interest expense as a result of the debt repayment and recent refi. I think you've talked about these in great detail, but I guess I wanted to focus on the increases in averages in both funeral and cemetery, and what's been driving that. I realize to some extent there's an easy comp because funeral and funeral and cemetery averages were impacted negatively last year. And can they continue? What's driving the burial averages? What's driving the cremation averages at even a greater rate?

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

Thank you, Alex. This is Carlos. I'll answer your question. And I also want to apologize for getting cut off, but we were able to pick it up right back. So there's a couple of things driving that. The first thing is that as the pandemic hit at the end of February 2020, we were not able to conduct a lot of services that we were used to serving families in that manner. And so that increased our average a little bit. And now that the creativity invasion of all of our managing partners and all the things that they did through their final directors like outside services and visitations and opening up without fear and really hero work that they did, we're able to start increasing the averages back to pre-pandemic levels. The second piece to that is the cremation conversion program or efforts. The managing, or sorry, the regional partners and our operation support have been working really, really hard along with the managing partners in making sure that any cremation that comes through the door, we explain the value of funeral services. By doing so, the families will get educated as to what's possible when it comes to the life celebrations rather than choosing cremation over what could be a celebration of life. That program, which actually is gaining some tremendous momentum, it is one of the main drivers for our cremation average. So on the funeral side, he's really been able to go back to having more families going into our chapels and being able to celebrate the life that lived. And on the cremation side, these are cremation conversions that are helping us getting that average shop.

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

Yes, and this is Mel. Look, we talked about this during COVID. And we've had discussions about this with our standards council members as we went through this past 1.5 years and had more than 1 council member where they had huge, terrible outbreaks in California, say, you know, it's amazing when people are told they can't grieve or celebrate a loved one with others, and there are things they just can't do. They begin to appreciate the value of the service and the ceremonies, the grief recovery process. [Audio interrupted].

**Operator**

Everyone, please hold and stand by. Everyone, please hold and stand by, the speaker line will be reconnected in a moment. All right, you may resume.

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

I don't know where I got cut off, but the answer to the average improvement is, the human species learned over the last 1.5 years the value when a loved one dies, the service to either celebrate or grieve with other humans that are friends or family, they learned the value of it when they were told what they couldn't do. Our people were able to overcome what couldn't be done all across the country by doing things that were not normal, but were possible. And I think as we open up the country, across the country we're hearing that more and more that people are more open to choices and creativity and the value of the service, the value of planning. And so I think, frankly, our noble profession is in for a great run over the next 5 or 10 years. I don't know what the death rate will do. I don't think it will go down. It could go up. It doesn't matter to us. We want to get whatever there is out there by just being the best in each market. And I think that's why the averages are going up.

**Operator**

Your next question is from Liam Burke with B. Riley.

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

Yes, thank you. And good morning. You had strong cemetery sales on your renewed selling efforts, which seem to be getting a great deal of traction. Was there any benefit from deferred cemetery sales from a year ago when there was restricted access due to COVID for loved ones to attend services at the cemetery?

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

Liam, thank you very much. This is Carlos. I mean, there may be a little bit of premium backlog that could be deferred revenue from -- as you know, we recognize revenue from a cemetery perspective when it reaches 10% on payments. But as a company, we don't really do much on less than 10%, and so we recognize most of it. There may be something in there, but not material to my estimation. However, the efforts and focus on generating new sales teams and developing the skill set of the current ones and really having an activity plan that's very aggressive to capturing leads and generating new sales is really the main driver of our success on our sales planning program.

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

Great. And you also mentioned on the funeral home side, the memorialization or the step-up in memorialization for loved ones that have been cremated. How much runway do you anticipate seeing there to help grow the funeral home sales?

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

So the cremation conversion, it's really a conversation that takes place during the regiment conference through our funeral directors and the family. And as they continue to educate the family on all their options they have, on unique personalized services as well as celebrations of life, that's really what the driver of that average and ultimately our revenue comes from. That's a program that's been in the works really for the past year, 1.5 years. And as we continue to grow more and more and have more focus on really creating those conversations and those significant added value, what it means to celebrate someone's life rather than choosing their cremation, is that we're going to continue growing. To calculate that, it's a little bit difficult. But based on the trend that we have, I can tell you there's a lot more to come from that end.

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

Yeah, this is Mel. Look, I've been doing this now for 30 years, and if you'd told me 30 years ago that our cremation average mix would be in the 50% range, I don't know, mid-50s, Peggy? And our burial mix would be in the 30% range, I'm not sure I would have carried on the mission. But it hasn't posed a challenge. I mean, it has posed a challenge, but it hasn't been something that we couldn't overcome over all the last 30 years of increasing cremations. But I'll tell you what has happened, and I've seen the difference over the last 18 months, particularly with the COVID pandemic crisis, is some of our older really seasoned funeral managers, leaders and employees are retiring. This was very hard on them. And I see a trend toward younger funeral directors and arrangers with a different mindset about cremation. And if you start with a different mindset about what the possibilities are versus an old school mindset of how it was, then the upside is tremendous. So I think one of the 2 great upside opportunities for Carriage over the next 5 or 10 years is on the cremation side, growing that and the cemetery sales and revenue side. Plus market share gains because you just -- the whole point of being the best is you're hungry to go get more and you're good enough to go get it. You want to win the market share gain locally against your competition by just being better and coming up with more ways for more people to use you versus them. This is not sitting back taking orders, that kind of thing. This is about building winning teams in every business across America, whether it's a funeral business or cemetery business or combination business. We're no different than a sports league. If we want to build winning teams, high-performance teams that make plays, they grow market share, they grow averages, they grow revenue and they grow margins, and they get compensated hugely to do it.

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

Great. Thank you, Mel. Thank you, Carlos.

**Operator**

Your next question comes from Chris McGinnis with Sidoti & Company.

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

Can you maybe just explain the confidence behind the market share gains and the ability to sustain them? And maybe what you're seeing given how much you guys crunched the data? Can you just give a little bit of [audio interruption]

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

Yes, Chris, I will. Look, when I first started the company, going around, I was on the funeral side. And I'd meet owners and I'd say, if you asked them for a financial statement, you wouldn't get one. They'd kick you out. They wouldn't even give you a bad cup of coffee. But if you asked them for a history of their business, like what's your call history, what's your funeral volume history over the last 5 or 10 years? How about 40? Very often, they had it in a drawer, or in some cases, their shirt pocket or their coat pocket. And they were very proud to show you. And they were keeping up with all the obits in the market of all their direct competitors, and they knew what the trends were over long periods of time. And so we can -- I picked up on that right away. And so we've been doing that for the last 30 years for every business. Now it has become a little more difficult because obituaries now are not all in print in a local paper. But we track market share by month, by competitor, by year and the trends in market share. And we've been doing that for 30 years. One of the reasons we went to an operating model in '03 is, I never could find a business model that caused the trends to go up broadly in market share. And then you were trying to manage outcomes that never were broadly high. So that was the reason why we switched. And here we are. Now we have great people that know their market. We know it, too. Peggy's team knows everything going on in a market. They know the individual employees, they know what's going on. They know what's going on. It's not like we're sitting back here in the Pentagon and we don't know what's going on in the insurgency. We know. And our people were calling us and telling us all during COVIC, you can't believe what's happening. So much so, a competitor is sending us business because they won't embalm. Why won't they embalm? I have no idea. Or certain of them got infections and the families came to us. I can tell you, Corpus Christi -- if you want to find out how much market share we grew at Corpus Christi, call the managing partner, Buddy Ewing. Talk to him. I did. I couldn't believe what was going on, including with other consolidators. Same in San Jose, same here, same in Florida, same there. This was coming back to us broadly on a continuous basis. We're growing market share because the other people can't get supported by somebody like Carriage who have world-class support teams in their foxhole. We know we were growing market share. We know where we were growing market share, and we know who we were getting it from. If you wanted to really know, get a list of the standards council members and call them, and they'll tell you. I hate to do that myself because I don't want to talk bad about anybody. Do the homework. I invite anybody to call our standards council and ask them that question.

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

I appreciate that.

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

I don't know why you wouldn't. When you're good and getting better, this is how you can talk.

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

I appreciate that. I guess, just obviously, with the new scenario for the roughly right and the capital allocation change there, is that more of an indication of where you think the stock is versus the M&A environment and the opportunity there? Can you just give us a little bit about that? I know you spent a little bit of time on it in the prepared remarks, but just the outlook for M&A versus the share repurchase at these levels?

**Carl Benjamin Brink** ***Carriage Services, Inc. - CFO, Principal Financial Officer, Executive VP & Treasurer***

Yes, Chris, based on where the stock is trading and where we believe intrinsic value is, we believe the best use of our capital at this time is to accelerate the pace of our share repurchase program. Like I said, while maintaining that 4x or below leverage ratio. Given the financial flexibility we have and the amount of free cash flow we're generating, that shouldn't preclude us from doing really smart, selective acquisitions or continuing to invest in our business. I believe we will continue to have those great conversations with leading independent owners out in the country. So it's not a kind of one or the other. I think we can do all of it, but certainly, this scenario portends the majority of our capital allocation in the near-term going towards a share repurchase program.

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

So Chris, just think with me very simply for a minute. I signed up for another 7 or 8 years, I forget which. And I had options granted to me to vest on price. The first one 55 or so. It's one of our Good to Great 2 vesting points, our compounded share return categories. Nobody paid that much attention. We've gotten very few questions about it. I can promise you, you should have paid more attention, all of you. Anybody listening should have paid a lot of attention to that. I didn't put it out there to be trying to promote the stock. I put it out there because that's what we intend to do. Now, here we are in mid-30s. We bounced off 15. That's nothing. Now we're in a position to create a lot of value. Would I want to own more of the company, even though I'm going to vest on price? I want to own more of the company, me and my 2 kids. Why would I want to not own more of the company personally, by buying it from [Randy] who doesn't see the same value in the future ownership than I do? This is not complicated. This is not complicated. It's a very simple way of thinking. It's not either/or, it's why wouldn't we want to own more of this company that you've just heard, the best is yet to come? I want to own more of it. 11.5% free cash flow equity, and I'm a professional investor, is ridiculous. I want to buy back from whoever owns it. It's ridiculous.

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

Thank you. Thanks for taking my questions. I completely understand, Mel, I really do. I did write about that exact thing in a number of my notes. So I did understand it at the time when you put up there.

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

How many other companies have 11.5% free cash flow equity yield? So name me one, and we'll go by. But first off, we'll do the analysis. [cross talk]. Call me back and let me know the names, okay? 11.5%.

**Operator**

Your last question comes from George Kelly with Roth Capital Partners.

George Kelly: Hey, everybody, thanks for taking my question. And Mel, to follow-up on your last comment, businesses with 11.5% yields are usually not so sort of high quality. So I think that's what I'm seeing at least. So my question for you is, clearly there's a lot of momentum in your business in a whole bunch of different areas. But I'm curious, aside from COVID, what are the biggest risks that you see? Where are there places where you have some uncertainty, especially with respect to the numbers that you've put out for the next couple of years?

**Carl Benjamin Brink** ***Carriage Services, Inc. - CFO, Principal Financial Officer, Executive VP & Treasurer***

Frankly, George, I think what we put out for the next couple of years is a very conservative realistic outlook of our performance. I don't see any real risk in us being able to achieve the goals that we've set out before us, right? There's certainly some of those known unknowns about COVID and the variants and vaccination rates and the effects they may have on death rates and volumes in the short term. But to your point, what we've shown in the first half of this year and the second quarter and what we've talked about this entire call, there are so many known drivers that we have here of accelerating high performance, that I don't see any real risk in us being able to achieve what we've laid out there.

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

So George, let's go back to the point you made to start off. I agree with you. 11.5% free cash flow equity yield is normally companies that are low quality, unreliable as far as what they will do in the future, so nobody is believing it will continue. That is the opposite of where we are. And that's why we're buying in our shares, and I want to own more of it. I want to get the skeptical shareholders. And if you went back to February 19 of '20, what we put out for the first time on February 19, a 3-year roughly right range scenario that was transformative, pre-COVID. And then you go to May 19. All right, we're in the midst of COVID. We brought down the scenario a little bit. Everybody else got rid of their entire guidance, except for a handful of companies. We never did. We never did. Now is that a low-quality company or a high-quality company? And ever since then, if you went to July 28, second quarter release, October 27, third quarter release, then we had the full year release. Then I had my shareholder letter. And then we have the financing memorandum, and Tom Brady pricing on the bonds and Rodney Dangerfield pricing on the equity. Then we had the June 2 promotions. There is a book here on why Carriage is high-quality and nothing less. And the free cash flow yield of 11.5% is ridiculous. I think we need to find higher quality investors that understand it. If they don't, we're going to buy on the shares and take it private. This is not complicated.

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

Yep. Fair enough. Thank you for the comments and best of luck.

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

We're not counting on the luck, but we'll take it if it shows up. Look, we put it out there. You can either like it or not. But it's real and it's going to get better. We do appreciate all the attention. You can tell I'm passionate about where we are, and I get to be my best here. But the best is yet to come for Carriage over the next 5 or 10 years. We are where we always wanted to get to, and we're never going to go back to where we came from. Never. I have the right team, the right people in the right seats, the right balance sheet, the right models, the right vision, the right ideas, right standards and the right free cash flow to use flexibly to create more value for you and for us. Thank you very much.

**Operator**

And I'm showing no further questions at this time. I would now like to turn the conference back to Mel Payne.

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

I'm done. Thank you. I've had my say. Thank you.

**Operator**

Thank you. Ladies and gentlemen, this concludes today's conference. Thank you for your participation. Have a wonderful day. You may all disconnect.