



Carriage Services 3rd Quarter 2025 Earnings Webcast

WEBCAST DATE:

Thursday, 6th November 2025



Corporate Speakers

- **Steve Metzger**; Carriage Services; President
- **Carlos Quezada**; Carriage Services; CEO & Vice Chairman
- **John Enwright**; Carriage Services; CFO

Participants

- **George Kelly**; ROTH Capital Partners; Analyst
- **Liam Burke**; B. Riley Securities, Inc.; Analyst
- **Parker Snure**; Raymond James & Associates, Inc.; Analyst
- **Alexander Paris**; Barrington Research Associates, Inc.; Analyst

Operator: Good day. And thank you for standing by. (Operator Instructions) And welcome to the Carriage Services Third Quarter 2025 Earnings Conference Call.

Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Steve Metzger, President.

Please go ahead, sir.

Steve Metzger: Good morning, everyone. And thank you for joining us to discuss our third quarter results.

In addition to myself, on the call this morning from management are Carlos Quezada, Chief Executive Officer and Vice Chairman of the Board of Directors; and John Enwright, Chief Financial Officer.

On the Carriage Services website, you can find our earnings press release, which was issued yesterday after the market closed.

Our press release is intended to supplement our remarks this morning and include supplemental financial information including the reconciliation of differences between GAAP and non-GAAP financial measures.

Today's call will begin with formal remarks from Carlos and John, and will be followed by a question and answer period.

Before we begin, I'd like to remind everyone that during this call we'll make some forward-looking statements including comments about our business, projections and plans.

Forward-looking statements inherently involve risks and uncertainties and only reflect our views as of today.

These risks and uncertainties include, but are not limited to factors identified in our earnings press release as well as in our SEC filings, all of which can be found on our website.

Thank you all for joining us this morning.

And now I'd like to turn the call over to Carlos.

Carlos Quezada: Thank you, Steve. Good morning, everyone. And thank you for joining our third quarter earnings call.

I am excited to share our performance and the progress we are making towards our 2030 vision. This quarter reflects continued momentum and demonstrates the effectiveness of our strategic objectives, grounded in disciplined capital allocation, relentless improvement and purposeful growth, which continue to deliver meaningful and sustainable results.

During this call I will highlight the key financial and operational drivers. Then John will take a deeper dive into our financial performance, balance sheet, recent divestiture activity and

Carlos Quezada: guidance for the remainder of the year.

Before we begin, I want to thank our incredible Carriage team. Your passion, ownership mindset and unwavering commitment to creating premier experiences for the families and communities we serve are at the heart of this company. You continue to build a best-in-class culture rooted in trust, partnership and service excellence.

Through every premier experience, you elevate the reputation of our funeral homes and cemeteries across the country, one family at a time. Thank you.

I also want to welcome the newest members of the Carriage family, Faith Chapel Funeral Homes and Crematory, Osceola Memory Gardens Cemetery Funeral Homes and Crematory, Porta Coeli Funeral Home and Crematory, Fisk Funeral Home and Crematory, Funeraria Borinquen and Cremation Care Providers of Central Florida.

We are honored you chose to partner with Carriage. We will work every day to protect and elevate your legacy. Welcome to the team.

Now turning to our financial results. Total operating revenue for the quarter grew to \$101.3 million, an increase of 5.2% over the same period last year, primarily driven by an impressive 21.4% year-over-year increase in preneed cemetery sales. Another strong driver was general agency commission revenue tied to insurance-funded prearranged funeral sales, which grew to \$2.6 million, up 61% from last year's third quarter.

As we look at each segment, funeral operating revenue was down \$753,000 or 1.3%, primarily driven by a 2.1% reduction in funeral volume. The summer months, July and August produced lower volumes than expected.

However we're glad to see volume return to normal in September. And based on what we have seen in October, we expect a normalized volume trend to continue in the fourth quarter.

As it relates to our cemetery segment, it continues to be a key long-term value engine with operating revenue reaching \$35.6 million, an increase of \$4 million or 12.6% year-over-year.

This performance underscore a strong runway for purposeful growth as we continue our investment in property development, technology-enabled sales capabilities and deepening community relationships, which we believe will create enduring value for families and our shareholders. Regarding our insurance-funded pre-arranged funeral sales strategy, we're very pleased to report that our progress is exceeding expectations, with September setting an all-time high and surpassing the \$7 million mark in preneed funeral sales. This accounted for 50.5% of the year-over-year growth in financial revenue from general agency commissions.

We continue to work hand-in-hand with our sales partners, the National Guardian Life Insurance Company and Precoa to identify ways to leverage their technological capabilities and increase preneed sales.

With our continuous focus on execution, we believe we can sustainably grow preneed funeral sales through 2026. Total field EBITDA for the quarter was \$46.3 million, an increase of \$1.4

Carlos Quezada: million or 3.1%. This growth was driven in large part by renewed momentum in preneed cemetery sales following permit delays earlier in the year, resulting in a strong 21.4% increase over the same period last year.

We are very excited about the short-term future of our preneed cemetery sales strategy with the launch of Sales Edge 2.0, our upgraded CRM platform, which now integrates a marketing module to generate and convert leads more effectively. And in November, we will introduce Titan, our AI-powered sales agent designed to generate leads and schedule appointments for our preneed counselors.

Sales Edge 2.0 and Titan represents a significant step forward in leveraging technology, innovation and data analytics to accelerate sales growth.

We remain confident in our sales strategy and continue to grow preneed cemetery sales within our previously stated range of 10% to 20%.

During the third quarter, adjusted consolidated EBITDA grew to \$33 million, up \$2.2 million or 7.3% versus last year. And adjusted consolidated EBITDA margin was 32.1% compared to 30.5% during the third quarter of last year, an expansion of 160 basis points, reflecting our strong operating leverage and positive momentum heading into the last quarter of this year.

Adjusted diluted earnings per share were \$0.75, up from \$0.64 in the same quarter last year, an increase of 17.2%, reflecting our continued operational momentum and disciplined financial management and reinforcing our commitment to long-term shareholder value creation.

In closing, we are very pleased with our third quarter results. They reflect disciplined execution and our unwavering focus on delivering premier experiences for the families we serve. These results also underscore the strength of our team, the power of our partnerships and the meaningful progress we're making as we elevate the experience and lead with a true passion for service.

Our focus remains grounded in successfully executing on our three strategic objectives: disciplined capital allocation to invest in long-term strategic value creation while maintaining a strong balance sheet, relentless improvement to elevate performance, efficiencies and talent at every level and purposeful growth, fueled by culture, innovation, partnerships and strategic acquisitions.

We believe our greatest strength is our culture, rooted in trust, empowerment, innovation and a sincere passion for delivering premier experiences to every family every time.

Our field leaders exemplify compassion, excellence and ownership, redefining how families are served and advancing our mission every single day.

We are continuing to build something enduring, a modern, innovative, values-driven Carriage positioned for sustainable long-term value creation for our families, our employees and our shareholders.

As we enter the final quarter of the year, we do so with momentum, confidence and a clear vision

Carlos Quezada: for the future.

Thank you, and I now turn the call over to John.

John Enwright: Good morning. And thank you, Carlos. The third quarter results are a testament to our team's commitment to excellence and strategic focus. Building on a strong first half, we delivered adjusted EPS growth of 17% reflecting our commitment to disciplined execution across all business segments. Year-to-date, our 21% EPS growth demonstrates how our strategic objectives are driving consistent results.

I am proud of our organization's dedication and look forward to sustaining the momentum.

My comments today will primarily focus on our performance in the third quarter of 2025 compared to the third quarter of 2024.

We achieved consolidated adjusted EBITDA of \$33 million, 32.1% of revenue, up from \$30.7 million or 30.5% of revenue in last year's third quarter. This improvement came from better results in our cemetery segment and prearranged funeral program, which resulted in an increase in EBITDA of approximately \$2.7 million, offset by a small decline in funeral home volume compared to last year.

Our adjusted EPS performance in the third quarter of 2025 increased to \$0.75 from \$0.64, which is an increase of \$0.11 compared to the prior year's third quarter.

When looking at GAAP results, our EPS in the third quarter was \$0.41 compared to \$0.63 in the third quarter of 2024.

As we anticipated, our GAAP performance was negatively impacted by a loss on divestitures and impairment of long-lived assets from businesses held for sale at the end of the third quarter of 2025. To provide further insight into our divestiture strategy, we successfully completed the sale of several noncore assets in the third quarter.

Over the past five years, we have systematically divested businesses that no longer fit our long-term growth strategy.

By reallocating the proceeds from these transactions, we have made significant progress toward achieving our target leverage range by paying down debt and investing in acquisitions that offer greater potential in strategic markets. Throughout this period of portfolio transformation, we have consistently grown both revenue and profitability while steadily reducing our leverage.

Looking ahead, although occasional divestiture opportunities may arise, we do not anticipate any substantial activity in this area going forward. Moving on to cash from operating activities.

We saw an increase of \$3.8 million over the prior year or an 18.3% increase, primarily a result of year-over-year improved operating results.

Based on these results, our adjusted free cash flow in the quarter increased by 7.7% over the

John Enwright:

prior year. The \$3.8 million increase in cash from operating activities was almost offset by a year-over-year increase in our capital expenditures in the quarter.

During the quarter, significant activity occurred related to acquisitions, divestitures and capital expenditures. The net cash outflow from these activities for the quarter amounted to \$44.7 million.

Year-to-date, these activities have led to a total cash usage of \$31.9 million.

In alignment with our disciplined capital allocation strategic objective, our leverage ratio improved to 4.1x this quarter, down from 4.2x last quarter.

We reduced our debt by approximately \$5.1 million compared to last year's third quarter. Due to our focus on managing debt, interest expense fell by \$1.1 million, and our average interest rate was roughly 180 basis points lower than last year. Capital expenditures for the quarter totaled \$6.7 million compared to \$4.6 million in the same period last year.

Of the \$6.7 million, \$1.7 million was allocated to maintenance capital and \$5 million to growth capital.

Overhead expenditure totaled \$13.7 million or 13.4% of revenues compared to \$14.2 million or 14.1% of revenues in the same quarter of the previous year.

Our teams remain committed to actively managing controllable expenses, such as overhead spending. Throughout the year and during the quarter, corporate spending has consistently been aligned with the targeted range of 13% to 14%.

Now moving on to our updated outlook.

With one quarter remaining in the fiscal year, we have narrowed our guidance ranges and are reaffirming the midpoint previously communicated. Achieving these results would mark record highs for revenue, adjusted consolidated EBITDA, adjusted diluted EPS in our company's history, which includes results during the peak of the pandemic.

We believe these results will position us strongly for 2026.

Our current outlook anticipates revenues in the range of \$413 million to \$417 million, adjusted consolidated EBITDA between \$130 million and \$132 million, adjusted diluted EPS of \$3.25 to \$3.30, overhead expenses ranging from 13% to 13.5% of revenues, adjusted free cash flow between \$44 million and \$48 million, leverage ratio ending 2025 between 4x to 4.1x.

This concludes the prepared remarks. I will now turn it over to the operator to open it up for questions.

General Attendee Questions & Answers Segment

Operator: Your first question comes from the line of George Kelly of ROTH Capital.

George Kelly: **George Kelly**^ A couple for you. I'll start with the contract weakness that you flagged for, I think it was July and August. Can you quantify what you saw monthly just intra-quarter? And then you mentioned that you expect 4Q to kind of return to normal. What did October look like?

Carlos Quezada: George, thank you so much for the question.

So I don't have a specific volume for each one of the two months. What we saw from a percentage perspective, somewhere around middle-digit percentage of negative volume on both months of July and August, but then came back very strong in the month of September. Therefore, I have been able to make up a lot of the ground we lost in those two months. There's no specific reason.

What I can tell you about what we found out from our partners and vendors across the industry is that it was pretty broad across the board, not just consolidators, but also privately owned funeral homes and -- experienced the same thing.

As it relates to October, we see very positive trends in the month of October. I don't want to disclose the number just yet, but I do feel pretty positive about the fourth quarter. And specifically related to volume, we did better than last year.

George Kelly: Okay. That's helpful. And then another question on the same theme. Just thinking high level for 2026, is it fair to just kind of baseline like with a low single-digit volume growth year be reasonable?

Carlos Quezada: I believe so, George.

What we have typically modeled or been talking about modeling for next year is a 1% to 2% growth on the funeral home side related to volume.

George Kelly: Okay. That's great. And then just one last question for me. Your preneed cemetery business was again really strong in the quarter after a little bit lower growth in the first half of the year. Was that related to one or two kind of specific CapEx projects?

Or I know you were working through permitting. Like anything you can flag there? And what's the

expectation going forward in that business?

Carlos Quezada: You bet. So if you remember during the first quarter and the second quarter, I mentioned that we did experience some delays in some of our largest cemeteries, the ones that are actually giving a lot of the contribution from a preneed cemetery sales perspective into our performance. And that was the delay. Although, I mean we still had some pretty nice middle single-digit growth in the first quarter and second quarter.

But our range is typically 10% to 20%. For this month, we have some pretty significant numbers at almost 21.4%. And so our running expectation of range remains at 10% to 20%.

We do see a strong fourth quarter from that point of view. I don't foresee many more delays as we have some good learnings from the permit process in some of those states that are a little more restrictive. And we're taking all the precautions and all the time ahead as we continue to develop premier inventory in those cemeteries.

John Enwright: George, to Carlos' point, and we've commented to this in the past, at the beginning of the year, we had a large cemetery that had a sinkhole that we were working through, and we saw some of that benefited really.

We were able to recognize some of those sales in the third quarter associated with sales that happened, but the development didn't get completed until the third quarter. So that was partially a result of some of the cemetery performance in the third quarter.

Operator: Your next question comes from the line of Liam Burke of B. Riley Securities.

Liam Burke: Carlos, you mentioned that overall macro, the industry saw slower activity in the funeral home side. Margins were lower year-over-year. Is that just a function of volume? Or are there any other expenses in there that need to be worked through?

Carlos Quezada: No. When you look at our margins, remain pretty strong. It's just that on the cemetery side, we are promoting a lot of premium cemetery sales in this year.

Liam Burke: I'm sorry, Carlos. This is just on the funeral home side.

Carlos Quezada: On the funeral home side, I'm sorry. Yes, on the funeral home side, it really is just a leverage question, right?

At the end of the day, ultimately, sales were down. And when calls are down, it's a high fixed cost segment.

So when we see calls down, we see margin, call it, closer to the high 30s. In the first quarter, when

you saw volume up, you saw us in the low 40s. So it really is a -- the leverage really is just a driver being a fixed cost.

Liam Burke:

Perfect. That's what I thought. And on cemetery, now that Carlos brought it up, margins were great there.

Obviously they bounce around from quarter-to-quarter, but -- and I don't need a specific number. Are you sensing a floor EBITDA margin level at the cemetery business?

Carlos Quezada:

I really don't. You see the fluctuations come from our ability to recognize what we're selling on the preneed sales side.

If for some reason, we are selling, let's say, it's a large private mausoleum that is going to take time to develop or is a recently developed project that is not fully completed, it won't be able to be recognized.

So that month, you're going to get a greater cost from the commissions coming from those preneed cemetery sales, but you won't be able to recognize the revenue related to those sales. So that dynamic plays a little bit, as you know on the cemetery side.

As the months go through and you develop and deliver that inventory, then you are able to recognize the revenue, and that's where you see those fluctuations. But overall, as you see for the year-to-date numbers, they're pretty strong.

Liam Burke:

Yes. They are.

Operator:

Your next question comes from the line of Parker Snure of Raymond James.

Parker Snure:

I just wanted to hit on the insurance-funded preneed progress, making a lot of good progress there. I know you said that you think it can grow sustainably into 2026. But I was just hoping you could maybe just dive a little deeper there just in terms of like what inning in the kind of baseball analogy, do you think we are kind of getting that fully rolled out?

Is this fully rolled out to all of your salespeople? Is there still some room to go? What is the kind of total amount of commission dollars that you're generating from that business line? And where do you think that can go? And just any other comments on kind of where we are in that trajectory and getting that to kind of more of a sustainable kind of base?

Carlos Quezada:

Great question.

As you have seen probably over the last 1.5 years since we rolled out our partnership with NGL and Precoa, we have been able to fully and completely roll out this everywhere across our network.

Carlos Quezada: However some businesses were able to grow significantly right off the bat and some were lacking.

Over the last probably four months, we have been working on updating those that were not performing to the level of expectation we have and the opportunity that is in front of us and then tweak some of the models that we have. To give an example, there are different models that we have allocated based on the specificity of the business, the location and the opportunity that is in front of that particular business.

That will -- just to give you some examples, one is called proactive model, right? So that marketing opportunity, the ability to create leads, it is owned by the Precoa team, and they are accountable for that.

If we take ownership of that and the local manager don't do a good job is not on it, then we won't be able to generate as much lead.

So what we did is move some of those selective services businesses now into the proactive model to be a little bit more aggressive. So we do expect additional growth from our strategy.

In addition to that, our partner, Precoa, it is rolling out new technological tools to drive. We have a new CRM as well. They have new AI tools that are going to accelerate lead generation and the ability to close on more deals.

So I do think from your question, probably we're somewhere around maybe the fifth, sixth inning. We have big targets for pre-arranged funeral.

I mentioned in my remarks that we achieved for the first time in one single month, the \$7 million mark. I do expect that to continue to grow throughout 2026 to maybe getting to a very low double digit.

Parker Snure: Okay. Great. And maybe just remind us where we are in the kind of course of the Trinity implementation. Is there -- I know we're getting towards the end of that, but is there any ongoing kind of implementation costs that are still flowing through the P&L that we can maybe expect those to kind of wean off over the next couple of quarters? And then just what kind of -- remind us what kind of efficiencies you think you can kind of garner from that technology throughout your enterprise?

John Enwright: Parker, this is John.

So from implementation costs, we'll still have some implementation costs as we roll into next year. So we're at the beginning stages of the pilot that rolls out this year, and then we'll have more of a significant rollout as we hit the first quarter into next year. And that really is specific to call our funeral homes.

And then we'll roll into our either combos or cemeteries, which will be in the later part of next year, which will have some costs.

So as you think about it, the cost will be equitable to probably 2026, which was down from -- excuse me, equitable in 2026 to '25, which was down from implementation costs from 2024.

We'll see the real benefit or some leverage associated with the rollout really into '27 because that's when the whole network will be rolled out.

Carlos Quezada: Yes. In addition to that, Parker, I truly believe that you won't see much synergies from this new system in '26, mainly coming from some parallel systems, making sure that the transition is effective and ensuring the accuracy of every single piece of our software.

Operator: Your next question comes from the line of Alex Paris of Barrington Research.

Alexander Paris Nice job on the quarter. I appreciate your prepared comments. Just a further question on funeral services revenue and volume and price per contract.

I appreciate the comments that July and August were below expectations, returned to normal in September. And in October, you returned to sort of normalized growth, which you're defining as 1% to 2%, if I'm not mistaken.

When can we expect this business to get to more normalized growth on a consistent basis, deaths and taxes, right? The death rate influences that, obviously for larger consolidators such as yourself.

We had a pull-forward effect from COVID that I believe we worked our way through largely and demographics should be helping. I don't know if it's helping yet, but just any more color you can give really on the longer-term outlook for funeral services contract growth.

Carlos Quezada: Yes, absolutely. From a pull-forward effect, we don't really see much more of that impact to be significant over the next few quarters. We truly believe that's pretty much in the past.

As you mentioned, we do believe there's a nice tailwind that's going to help us continue to grow basically because of the demographics.

I mentioned in the past that right now the oldest baby boomer is right about 80 years old, specifically. The average age of death in the United States today is 79.5.

So we could expect the beginning of favorable death rates in the near future. We're not putting too much of those numbers into our forecast. We want to be more thoughtful.

I am more concerned about the flu season, for example, coming up into this fourth quarter. If you remember, the fourth quarter of last year, typically, you'll have the beginning of the flu season, which drives a greater death rate. And for some reason, it is shifted from December into January, therefore, having a little weaker fourth quarter than expected last year and a stronger first quarter of this year.

If that trend remains, it may shift how we perceive quarters in terms of the seasonality. But I do believe, other than that, we should be able to slowly, but surely go back to our normalized volumes and the death rate should stabilize with some significant headwinds over the next many years.

Alexander Paris:

Yes. I realize it varies by quarter even in a normalized environment. But over the course of the year, it usually tracks with the death rate and demographics favor a rising death rate in the U.S., as you pointed out, morbid, but unavoidable, right? So all right.

And then I just wanted to circle back on acquisitions and divestitures. Acquisitions, this is the first acquisition -- acquisitions that you've made in 2.5 years by my count, the time during which you kind of reduced the debt, improved the balance sheet.

But first of all, let's start with the acquisitions before we go to divestitures. You announced that on September 9, it was two businesses, collectively known as Osceola together, more than \$15 million in revenue, one combo, five funeral homes, one crematory and central care facility, one cremation-focused business. And then beyond that, let's talk about pipeline and the multiples you're seeing in the M&A.

John Enwright:

Alex, as far as the pipeline goes, we're pretty excited about what we're seeing right now. We're in active conversations with a number of premier businesses and owners. We won't see anything this year, but Q1 of next year, we anticipate to be busy.

We're also a little more aggressive on our proactive outreach to businesses that we've identified would be good partners for Carriage based on our criteria. So excited about the pipeline, excited about the opportunity that lies there.

And then just circling back, you highlighted Osceola, but also we want to welcome Pensacola and the Faith Chapel team. That's another business that joined us that we're really excited about.

But integration is off to a good start. So really the team here just excited about being able to get back to growth.

Alexander Paris:

And then the last question in that list of questions was what is the level of competitive activity in M&A? And what are you seeing in terms of trends in multiples being paid, either what you're paying or what they're paying in the industry for the kind of assets that you're targeting, high-quality assets and demographically favorable geographies?

John Enwright:

The way I would answer that is there's really two categories there.

One category are those businesses that we're sourcing internally. It's not really a competitive process. It's based on reputation and us really paying a fair price for a good business. And that's obviously our preferred path.

And then the second are businesses that are being led by brokers. Those tend to be fairly competitive.

We see the same players show up for those high-quality businesses. We're going to win some, and we're not going to win them all.

In terms of multiples, for an average business, I think we all kind of circle around seven to eight times. And then for a premium business, you're looking at high single digits on the multiple. The thing I would add to that, though, the EBITDA multiple is one thing we look at, but the reality for us is I use Osceola as an example.

If there's a business that has significant levers for us in terms of upside growth.

So for example, they have a great cemetery where maybe there's not a diverse selection of inventory.

That's something that we're particularly good at here at Carriage, then we see that as an opportunity where we might be willing to pay a bit more of a premium because the upside is there or maybe the market has some synergies for us with existing businesses where we can share resources and we can work together on that front.

So we'll look at the multiple, but we'll also be flexible based on the opportunities that a particular business offers us.

Alexander Paris:

And then lastly, on that topic, you said Q4 will -- we shouldn't expect to see any acquisitions announced, but potentially in Q1. Can you remind us what the methodology is for guidance? When do you factor the acquisition in the guidance? I think it's when it becomes under contract, et cetera.

John Enwright:

Yes. That's exactly right.

So obviously we're working through the 2026 plan as well as what we'll be presenting for guidance. So if we don't have anything known by the time we present Q4 results, we'll exclude that from our expectations.

Alexander Paris:

Got you. That's what I thought. And then just moving on to the divestiture of noncore assets. According to the press release, I believe, seven funeral homes, one cemetery.

What were the revenues and EBITDA of those operations? And I presume that they are factored into current fiscal 2025 guidance.

John Enwright:

Yes. So Alex, for the businesses that we divested in Q3, they represented about \$2.4 million in EBITDA, about \$9 million in revenue and proceeds there were just over \$19 million.

Carlos Quezada: And in regards to guidance, yes, we took the lost business into consideration when we put the guidance together.

Operator: Thank you. This does conclude today's question and answer session. I would now like to turn the call back to Carlos for closing remarks. Please go ahead.

Carlos Quezada: Thank you for joining us today. Carriage remains focused on driving sustainable, profitable growth through disciplined capital allocation and operational excellence. The strategy is delivering results, making our balance sheet stronger and positioning us to create long-term shareholder value.

We're confident in our momentum and in our ability to execute on our strategic objectives.

We appreciate your continued support of Carriage, and we thank you, and we'll see you next year as we deliver results for the fourth quarter.

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