

REFINITIV

## DELTA REPORT

10-Q

CSV - CARRIAGE SERVICES INC

10-Q - JUNE 30, 2023 COMPARED TO 10-Q - MARCH 31, 2023

The following comparison report has been automatically generated

**TOTAL DELTAS 1174**

■ CHANGES	320
■ DELETIONS	313
■ ADDITIONS	541

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2023** **June 30, 2023**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **1-11961**

**CARRIAGE SERVICES, INC.**  
(Exact name of registrant as specified in its charter)

Delaware

76-0423828

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

3040 Post Oak Boulevard, Suite 300

Houston, Texas, 77056

(Address of principal executive offices)

(713) 332-8400

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$.01 per share	CSV	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Securities Exchange Act of 1934.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares of the registrant's Common Stock, \$.01 par value per share, outstanding as of **May 1, 2023** **August 1, 2023** was **14,934,211**, **14,965,754**.

CARRIAGE SERVICES, INC.

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**PART I – FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**CARRIAGE SERVICES, INC.**  
**CONSOLIDATED BALANCE SHEET**  
(b unaudited and in thousands, except share data)

ASSETS	ASSETS	December 31, 2022		March 31, 2023		ASSETS	December 31, 2022		June 30, 2023	
Current assets:	Current assets:					Current assets:				
Cash and cash equivalents	Cash and cash equivalents	\$ 1,170		\$ 1,293		Cash and cash equivalents	\$ 1,170		\$ 970	
Accounts receivable, net	Accounts receivable, net	24,458		23,887		Accounts receivable, net	24,458		24,639	
Inventories	Inventories	7,613		9,533		Inventories	7,613		8,448	
Prepaid and other current assets	Prepaid and other current assets	4,733		8,988		Prepaid and other current assets	4,733		3,610	
Total current assets	Total current assets	37,974		43,701		Total current assets	37,974		37,667	
Preneed cemetery trust investments	Preneed cemetery trust investments	95,065		86,459		Preneed cemetery trust investments	95,065		89,874	

Preneed funeral trust investments	Preneed funeral trust investments	104,553	101,366	Preneed funeral trust investments	104,553	103,317
Preneed cemetery receivables, net	Preneed cemetery receivables, net	26,672	26,690	Preneed cemetery receivables, net	26,672	33,274
Receivables from preneed funeral trusts, preneed funeral trusts, net	Receivables from preneed funeral trusts, preneed funeral trusts, net	19,976	20,346	Receivables from preneed funeral trusts, net	19,976	21,080
Property, plant and equipment, net	Property, plant and equipment, net	278,106	289,313	Property, plant and equipment, net	278,106	287,582
Cemetery property, net	Cemetery property, net	104,170	113,298	Cemetery property, net	104,170	112,830
Goodwill	Goodwill	410,137	423,749	Goodwill	410,137	423,643
Intangible and other non-current assets, net	Intangible and other non-current assets, net	32,930	37,254	Intangible and other non-current assets, net	32,930	37,333
Operating lease right-of-use assets	Operating lease right-of-use assets	17,060	17,486	Operating lease right-of-use assets	17,060	17,123
Cemetery perpetual care trust investments	Cemetery perpetual care trust investments	66,307	65,322	Cemetery perpetual care trust investments	66,307	78,363
<b>Total assets</b>	<b>Total assets</b>	<b>\$ 1,192,950</b>	<b>\$ 1,224,984</b>	<b>Total assets</b>	<b>\$ 1,192,950</b>	<b>\$ 1,242,086</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:	Current liabilities:			Current liabilities:		
Current portion of debt and lease obligations	Current portion of debt and lease obligations	\$ 3,172	\$ 3,455	Current portion of debt and lease obligations	\$ 3,172	\$ 3,568
Accounts payable	Accounts payable	11,675	11,429	Accounts payable	11,675	9,402
Accrued and other liabilities	Accrued and other liabilities	30,621	34,910	Accrued and other liabilities	30,621	29,564
<b>Total current liabilities</b>	<b>Total current liabilities</b>	<b>45,468</b>	<b>49,794</b>	<b>Total current liabilities</b>	<b>45,468</b>	<b>42,534</b>
Acquisition debt, net of current portion	Acquisition debt, net of current portion	3,438	3,404	Acquisition debt, net of current portion	3,438	3,370
Credit facility	Credit facility	188,836	211,880	Credit facility	188,836	202,418
Senior notes	Senior notes	395,243	395,406	Senior notes	395,243	395,571
Obligations under finance leases, net of current portion	Obligations under finance leases, net of current portion	4,743	4,641	Obligations under finance leases, net of current portion	4,743	4,537
Obligations under operating leases, net of current portion	Obligations under operating leases, net of current portion	17,315	17,395	Obligations under operating leases, net of current portion	17,315	16,860
Deferred preneed cemetery revenue	Deferred preneed cemetery revenue	51,746	61,297	Deferred preneed cemetery revenue	51,746	59,941
Deferred preneed funeral revenue	Deferred preneed funeral revenue	32,029	32,248	Deferred preneed funeral revenue	32,029	39,782
Deferred tax liability	Deferred tax liability	48,820	48,642	Deferred tax liability	48,820	48,827
Other long-term liabilities	Other long-term liabilities	3,065	938	Other long-term liabilities	3,065	1,299
Deferred preneed cemetery receipts held in trust	Deferred preneed cemetery receipts held in trust	95,065	86,459	Deferred preneed cemetery receipts held in trust	95,065	89,874
Deferred preneed funeral receipts held in trust	Deferred preneed funeral receipts held in trust	104,553	101,366	Deferred preneed funeral receipts held in trust	104,553	103,317
Care trusts' corpus	Care trusts' corpus	65,495	64,352	Care trusts' corpus	65,495	77,589

Total liabilities	Total liabilities	1,055,816	1,077,822	Total liabilities	1,055,816	1,085,919
Commitments and contingencies:	Commitments and contingencies:			Commitments and contingencies:		
Stockholders' equity:	Stockholders' equity:			Stockholders' equity:		
Common stock, \$0.01 par value; 80,000,000 shares authorized and 26,359,876 and 26,562,368 shares issued, respectively and 14,732,058 and 14,934,550 shares outstanding, respectively		264	266	Common stock, \$0.01 par value; 80,000,000 shares authorized and 26,359,876 and 26,585,341 shares issued, respectively and 14,732,058 and 14,957,523 shares outstanding, respectively		264
Common stock, \$0.01 par value; 80,000,000 shares authorized and 26,359,876 and 26,585,341 shares issued, respectively and 14,732,058 and 14,957,523 shares outstanding, respectively				Common stock, \$0.01 par value; 80,000,000 shares authorized and 26,359,876 and 26,585,341 shares issued, respectively and 14,732,058 and 14,957,523 shares outstanding, respectively		266
Additional paid-in capital	Additional paid-in capital	238,780	239,962	Additional paid-in capital	238,780	240,681
Retained earnings	Retained earnings	176,843	185,687	Retained earnings	176,843	193,973
Treasury stock, at cost; 11,627,818 shares	Treasury stock, at cost; 11,627,818 shares	(278,753)	(278,753)	Treasury stock, at cost; 11,627,818 shares	(278,753)	(278,753)
Total stockholders' equity	Total stockholders' equity	137,134	147,162	Total stockholders' equity	137,134	156,167
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	\$ 1,192,950	\$ 1,224,984	Total liabilities and stockholders' equity	\$ 1,192,950	\$ 1,242,086

The accompanying condensed notes are an integral part of these Consolidated Financial Statements.

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**CARRIAGE SERVICES, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(unaudited and in thousands, except per share data)

Revenue:	Revenue:	Three months ended March 31,		Three months ended June 30,		Six months ended June 30,	
		2022	2023	2022	2023	2022	2023
Service revenue	Service revenue	\$ 49,737	\$ 48,207	Service revenue	\$ 42,550	\$ 44,522	\$ 92,287
Property and merchandise revenue	Property and merchandise revenue	41,612	40,011	Property and merchandise revenue	41,276	45,630	82,888
Other revenue	Other revenue	6,812	7,296	Other revenue	6,774	7,526	13,586
		98,161	95,514		90,600	97,678	188,761
Field costs and expenses:	Field costs and expenses:			Field costs and expenses:			193,192
Cost of service	Cost of service	22,104	23,477	Cost of service	21,389	23,075	43,488
Cost of merchandise	Cost of merchandise	29,325	29,734	Cost of merchandise	29,306	32,219	58,636
Cemetery property amortization	Cemetery property amortization	1,332	1,201	Cemetery property amortization	1,704	1,892	3,036
							3,093

Field depreciation expense	Field depreciation expense	3,297	3,357	Field depreciation expense	3,253	3,555	6,550	6,912
Regional and unallocated funeral and cemetery costs	Regional and unallocated funeral and cemetery costs	6,347	5,437	Regional and unallocated funeral and cemetery costs	5,966	4,131	12,313	9,568
Other expenses	Other expenses	1,278	1,253	Other expenses	1,270	1,604	2,548	2,857
		63,683	64,459		62,888	66,476	126,571	130,935
Gross profit	Gross profit	34,478	31,055	Gross profit	27,712	31,202	62,190	62,257
Corporate costs and expenses:	Corporate costs and expenses:			Corporate costs and expenses:				
General, administrative and other	General, administrative and other	8,560	10,180	General, administrative and other	9,180	10,199	17,740	20,379
Net loss on divestitures, disposals and impairments charges		767	241					
Net (gain) loss on divestitures, disposals and impairments charges				Net (gain) loss on divestitures, disposals and impairments charges				
Operating income	Operating income	25,151	20,634	Operating income	19,725	20,738	44,876	41,372
Interest expense	Interest expense	5,542	8,539	Interest expense	5,988	9,396	11,530	17,935
(Gain) loss on property damage, net of insurance claims		(1,899)	271					
Net (gain) loss on property damage, net of insurance claims				Net (gain) loss on property damage, net of insurance claims				
Other, net	Other, net	24	(522)	Other, net	(7)	(125)	17	(647)
Income before income taxes	Income before income taxes	21,484	12,346	Income before income taxes	15,120	11,702	36,604	24,048
Expense for income taxes	Expense for income taxes	5,704	3,568	Expense for income taxes	4,234	3,273	9,938	6,841
Tax adjustment related to discrete items	Tax adjustment related to discrete items	(622)	(66)	Tax adjustment related to discrete items	(13)	143	(635)	77
Total expense for income taxes	Total expense for income taxes	5,082	3,502	Total expense for income taxes	4,221	3,416	9,303	6,918
Net income	Net income	\$ 16,402	\$ 8,844	Net income	\$ 10,899	\$ 8,286	\$ 27,301	\$ 17,130
Basic earnings per common share:	Basic earnings per common share:	\$ 1.07	\$ 0.59	Basic earnings per common share:	\$ 0.74	\$ 0.55	\$ 1.82	\$ 1.14
Diluted earnings per common share:	Diluted earnings per common share:	\$ 1.00	\$ 0.57	Diluted earnings per common share:	\$ 0.69	\$ 0.53	\$ 1.70	\$ 1.10
Dividends declared per common share:	Dividends declared per common share:	\$ 0.1125	\$ 0.1125	Dividends declared per common share:	\$ 0.1125	\$ 0.1125	\$ 0.2250	\$ 0.2250
Weighted average number of common and common equivalent shares outstanding:	Weighted average number of common and common equivalent shares outstanding:			Weighted average number of common and common equivalent shares outstanding:				

Basic	Basic	15,244	14,758	Basic	14,798	14,793	15,020	14,776
Diluted	Diluted	16,369	15,468	Diluted	15,712	15,454	16,033	15,461

The accompanying condensed notes are an integral part of these Consolidated Financial Statements.

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**CARRIAGE SERVICES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited and in thousands)

	Cash flows from operating activities:	Three months ended March 31,		Six months ended June 30,	
				2022	2023
		Net income	Adjustments to reconcile net income to net cash provided by operating activities:	Depreciation and amortization	Provision for credit losses
Net income	Net income	\$ 16,402	\$ 8,844	4,783	4,769
Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	Depreciation and amortization	837	699	9,895	10,437
Provision for credit losses	Provision for credit losses	1,607	2,141	1,657	1,344
Stock-based compensation expense	Stock-based compensation expense	76	(178)	3,085	4,163
Deferred income tax expense (benefit)	Deferred income tax expense (benefit)	318	321	1,711	7
Deferred income tax expense	Amortization of intangibles	122	174	634	647
Amortization of intangibles	Amortization of intangibles	121	127	253	349
Amortization of debt issuance costs	Amortization of debt issuance costs	767	241	243	255
Amortization and accretion of debt	Amortization and accretion of debt	(1,899)	271		
Net loss on divestitures, disposals and impairment charges					
(Gain) loss on property damage, net of insurance claims					
Net (gain) loss on divestitures, disposals and impairment charges				Net (gain) loss on divestitures, disposals and impairment charges	(426) 506
Net (gain) loss on property damage, net of insurance claims				Net (gain) loss on property damage, net of insurance claims	(3,275) 36
Gain on sale of real property	Gain on sale of real property	—	(530)	Gain on sale of real property	(658)
Other	Other			Other	(6) —

Changes in operating assets and liabilities that provided (used) cash:	Changes in operating assets and liabilities that provided (used) cash:	Changes in operating assets and liabilities that provided (used) cash:
Accounts and preneed receivables	Accounts and preneed receivables (504)	120 Accounts and preneed receivables (3,200) (1,694)
Inventories, prepaid and other current assets	Inventories, prepaid and other current assets 2,913	884 Inventories, prepaid and other current assets 2,967 1,011
Intangible and other non-current assets	Intangible and other non-current assets (340)	(1,277) Intangible and other non-current assets (747) (1,767)
Preneed funeral and cemetery trust investments	Preneed funeral and cemetery trust investments (201)	5,356 Preneed funeral and cemetery trust investments (11,100) 5,341
Accounts payable	Accounts payable (987)	(246) Accounts payable (2,712) (2,272)
Accrued and other liabilities	Accrued and other liabilities (9,999)	1,924 Accrued and other liabilities (10,242) (3,328)
Incentive payment from vendor		Incentive payment from vendor — 6,000
Deferred preneed funeral and cemetery revenue	Deferred preneed funeral and cemetery revenue 628	8,132 Deferred preneed funeral and cemetery revenue 2,633 8,106
Deferred preneed funeral and cemetery receipts held in trust	Deferred preneed funeral and cemetery receipts held in trust 1,157	(5,903) Deferred preneed funeral and cemetery receipts held in trust 11,506 (6,426)
Net cash provided by operating activities	Net cash provided by operating activities 15,801	25,869 Net cash provided by operating activities 30,177 39,187
Cash flows from investing activities:		Cash flows from investing activities:
Acquisitions of businesses and real property	Acquisitions of businesses and real property (2,575)	(44,000) Acquisitions of businesses and real property (2,601) (44,000)
Proceeds from divestitures and sale of other assets	Proceeds from divestitures and sale of other assets 1,026	1,275 Proceeds from divestitures and sale of other assets 3,720 1,973
Proceeds from insurance claims	Proceeds from insurance claims 676	421 Proceeds from insurance claims 2,167 1,092
Capital expenditures	Capital expenditures (6,883)	(4,982) Capital expenditures (13,468) (8,960)
Net cash used in investing activities	Net cash used in investing activities (7,756)	(47,286) Net cash used in investing activities (10,182) (49,895)
Cash flows from financing activities:		Cash flows from financing activities:
Borrowings from the credit facility	Borrowings from the credit facility 70,700	51,700 Borrowings from the credit facility 97,900 64,700
Payments against the credit facility	Payments against the credit facility (51,900)	(28,800) Payments against the credit facility (78,100) (51,400)
Payment of debt issuance costs for the credit facility and senior notes		Payment of debt issuance costs for the credit facility and senior notes (339) —

Payments on acquisition debt and obligations under finance leases	Payments on acquisition debt and obligations under finance leases	(100)	(127)	Payments on acquisition debt and obligations under finance leases	(202)	(256)
Proceeds from the exercise of stock options and employee stock purchase plan contributions	Proceeds from the exercise of stock options and employee stock purchase plan contributions	663	526	Proceeds from the exercise of stock options and employee stock purchase plan contributions	1,060	923
Taxes paid on restricted stock vestings and exercise of stock options	Taxes paid on restricted stock vestings and exercise of stock options	(289)	(98)	Taxes paid on restricted stock vestings and exercise of stock options	(286)	(119)
Dividends paid on common stock	Dividends paid on common stock	(1,725)	(1,661)	Dividends paid on common stock	(3,455)	(3,340)
Purchase of treasury stock	Purchase of treasury stock	(25,655)	—	Purchase of treasury stock	(36,663)	—
Net cash provided by (used in) financing activities	Net cash provided by (used in) financing activities	(8,306)	21,540	Net cash provided by (used in) financing activities	(20,085)	10,508
Net increase (decrease) in cash and cash equivalents	Net increase (decrease) in cash and cash equivalents	(261)	123			
Net decrease in cash and cash equivalents				Net decrease in cash and cash equivalents	(90)	(200)
Cash and cash equivalents at beginning of period	Cash and cash equivalents at beginning of period	1,148	1,170	Cash and cash equivalents at beginning of period	1,148	1,170
Cash and cash equivalents at end of period	Cash and cash equivalents at end of period	\$ 887	\$ 1,293	Cash and cash equivalents at end of period	\$ 1,058	\$ 970

The accompanying condensed notes are an integral part of these Consolidated Financial Statements.

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**CARRIAGE SERVICES, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(b unaudited and in thousands)

							Three months ended June 30, 2022	
	Additional							
	Shares Outstanding	Common Stock	Paid-in Capital	Retained Earnings	Treasury Stock	Total		
<b>Balance - December 31, 2021</b>	15,332	\$ 263	\$ 236,809	\$ 135,462	\$ (244,519)	\$ 128,015		
<b>Balance -</b>							<b>Balance -</b>	
<b>March 31, 2022</b>							<b>March 31, 2022</b>	
Net income	Net income	—	—	—	16,402	—	16,402	Net income
								— 10,899 — 10,899

Issuance of common stock from employee stock purchase plan	Issuance of common stock from employee stock purchase plan	13	—	603	—	—	603	Issuance of common stock from employee stock purchase plan	12	—	398	—	—	398
Issuance of common stock to directors and board advisor	Issuance of common stock to directors and board advisor	3	—	147	—	—	147	Issuance of common stock to directors and board advisor	2	—	99	—	—	99
Exercise of stock options	Exercise of stock options	9	—	(22)	—	—	(22)							
Cancellation and surrender of restricted common stock	Cancellation and surrender of restricted common stock	(5)	—	(207)	—	—	(207)							
Cancellation and surrender of restricted stock	Cancellation and surrender of restricted stock	—	—	—	—	—	—	Cancellation and surrender of restricted stock	—	—	2	—	—	2
Stock-based compensation expense	Stock-based compensation expense	—	—	1,460	—	—	1,460	Stock-based compensation expense	—	—	1,379	—	—	1,379
Dividends on common stock	Dividends on common stock	—	—	(1,725)	—	—	(1,725)	Dividends on common stock	—	—	(1,730)	—	—	(1,730)
Treasury stock acquired	Treasury stock acquired	(490)	—	—	—	(26,010)	(26,010)	Treasury stock acquired	(205)	—	—	—	(8,224)	(8,224)
Other	Other	27	—	1,358	—	—	1,358							
<b>Balance - March 31, 2022</b>		<b>14,889</b>	\$ 263	<b>\$ 238,423</b>	\$ 151,864	<b>\$ (270,529)</b>	<b>\$ 120,021</b>	<b>Balance - June</b>						
<b>Balance - June</b>								<b>Balance - June</b>						

							Three months ended June 30, 2023							
	Additional													
	Shares Outstanding	Common Stock	Paid-in Capital	Retained Earnings	Treasury Stock	Total		Shares Outstanding	Common Stock	Paid-in Capital	Retained Earnings	Treasury Stock	Total	
<b>Balance - December 31, 2022</b>	14,732	\$ 264	\$238,780	\$176,843	(\$278,753)	\$137,134								
<b>Balance -</b> <b>March 31, 2023</b>														
Net income	Net income	—	—	—	8,844	—	8,844	Net income	—	—	—	8,286	—	8,286
Issuance of common stock from employee stock	Issuance of common stock from employee stock							Issuance of common stock from employee stock						
purchase plan	purchase plan	22	—	526	—	—	526	purchase plan	16	—	397	—	—	397
Issuance of common stock to directors and board advisor	Issuance of common stock to directors and board advisor							Issuance of common stock to directors and board advisor						
Issuance of common stock to former executive	30	—	826	—	—	826		2	—	65	—	—	65	

Issuance of restricted common stock	142	2	(2)	—	—	—							
Exercise of stock options	Exercise of stock options	1	—	(21)	—	—	(21)	Exercise of stock options	4	—	(20)	—	(20)
Cancellation and surrender of common and restricted stock	Cancellation and surrender of common and restricted stock	(4)	—	(77)	—	—	(77)	Cancellation and surrender of common and restricted stock	1	—	(1)	—	(1)
Stock-based compensation expense	Stock-based compensation expense	—	—	1,203	—	—	1,203	Stock-based compensation expense	—	—	1,957	—	1,957
Dividends on common stock	Dividends on common stock	—	—	(1,661)	—	—	(1,661)	Dividends on common stock	—	—	(1,679)	—	(1,679)
Other		8	—	276	—	—	276						
<b>Balance - March 31, 2023</b>		<b>14,935</b>	<b>\$ 266</b>	<b>\$239,962</b>	<b>\$185,687</b>	<b>\$(278,753)</b>	<b>\$147,162</b>	<b>Balance - June 30, 2023</b>					
<b>Balance - June 30, 2023</b>								<b>Balance - June 30, 2023</b>					

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	Six months ended June 30, 2022						
	Shares Outstanding	Common Stock	Additional Paid-in Capital			Retained Earnings	Treasury Stock
<b>Balance - December 31, 2021</b>	<b>15,332</b>	<b>\$ 263</b>	<b>\$ 236,809</b>	<b>\$ 135,462</b>	<b>\$ (244,519)</b>	<b>\$ 128,015</b>	
Net income	—	—	—	27,301	—	—	27,301
Issuance of common stock from employee stock purchase plan	25	—	1,001	—	—	—	1,001
Issuance of common stock to directors and board advisor	5	—	246	—	—	—	246
Exercise of stock options	9	—	(22)	—	—	—	(22)
Cancellation and surrender of restricted stock	(5)	—	(205)	—	—	—	(205)
Stock-based compensation expense	—	—	2,839	—	—	—	2,839
Dividends on common stock	—	—	(3,455)	—	—	—	(3,455)
Treasury stock acquired	(695)	—	—	—	—	(34,234)	(34,234)
Other	27	—	1,358	—	—	—	1,358
<b>Balance - June 30, 2022</b>	<b>14,698</b>	<b>\$ 263</b>	<b>\$ 238,571</b>	<b>\$ 162,763</b>	<b>\$ (278,753)</b>	<b>\$ 122,844</b>	

	Six months ended June 30, 2023						
	Shares Outstanding	Common Stock	Additional Paid-in Capital			Retained Earnings	Treasury Stock
<b>Balance - December 31, 2022</b>	<b>14,732</b>	<b>\$ 264</b>	<b>\$ 238,780</b>	<b>\$ 176,843</b>	<b>\$ (278,753)</b>	<b>\$ 137,134</b>	
Net income	—	—	—	17,130	—	—	17,130
Issuance of common stock from employee stock purchase plan	38	—	923	—	—	—	923
Issuance of common stock to directors and board advisor	6	—	177	—	—	—	177
Issuance of common stock to former executive	30	—	826	—	—	—	826
Issuance of restricted stock	142	2	(2)	—	—	—	—
Exercise of stock options	5	—	(41)	—	—	—	(41)
Cancellation and surrender of common and restricted stock	(3)	—	(78)	—	—	—	(78)

Stock-based compensation expense	—	—	3,160	—	—	3,160
Dividends on common stock	—	—	(3,340)	—	—	(3,340)
Other	8	—	276	—	—	276
<b>Balance – June 30, 2023</b>	<b>14,958</b>	<b>\$ 266</b>	<b>\$ 240,681</b>	<b>\$ 193,973</b>	<b>\$ (278,753)</b>	<b>\$ 156,167</b>

The accompanying condensed notes are an integral part of these Consolidated Financial Statements.

## CARRIAGE SERVICES, INC.

### CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

#### 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *The Company*

Carriage Services, Inc. ("Carriage," the "Company," "we," "us," or "our") is a leading provider of funeral and cemetery services and merchandise in the United States. Our operations are reported in two business segments: Funeral Home Operations, operations, which currently accounts for approximately 70% of our total revenue and Cemetery Operations, operations, which currently accounts for approximately 30% of our total revenue. At **March 31, 2023** **June 30, 2023**, we operated **173** **172** funeral homes in 26 states and 32 cemeteries in 11 states.

Our funeral home operations are principally service businesses that generate revenue from sales of burial and cremation services and related merchandise, such as caskets and urns. Funeral services include consultation, the removal and preparation of remains, the sale of caskets and related funeral merchandise, the use of funeral home facilities for visitation and memorial services and transportation services. We provide funeral services and products on both an "atneed" (time of death) and "preneed" (planned prior to death) basis.

Our cemetery operations generate revenue primarily through sales of cemetery interment rights (primarily grave sites, lawn crypts, mausoleum spaces and niches), related cemetery merchandise (such as memorial markers, outer burial containers and monuments) and services (interments, inurnments and installation of cemetery merchandise). We provide cemetery services and products on both an atneed and preneed basis.

##### *Principles of Consolidation and Interim Condensed Disclosures*

Our unaudited consolidated financial statements include the Company and its subsidiaries. All intercompany balances and transactions have been eliminated. Our interim consolidated financial statements are unaudited but include all adjustments, which consist of normal, recurring accruals, that are necessary for a fair presentation of our financial position and results of operations as of and for the interim periods presented.

There have been no material changes in our accounting policies previously disclosed in Part II, Item 8 "Financial Statements and Supplementary Data" in Note 1 in our Annual Report on Form 10-K for the year ended December 31, 2022. In addition, our unaudited consolidated financial statements have been prepared in a manner consistent with the accounting principles described in our Annual Report on Form 10-K for the year ended December 31, 2022 unless otherwise disclosed herein, and should be read in conjunction therewith.

##### *Use of Estimates*

The preparation of our Consolidated Financial Statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses. On an ongoing basis, we evaluate our critical estimates and judgments, which include those related to the impairment of goodwill and the fair value measurements used in business combinations. These policies are considered critical because they may result in fluctuations in our reported results from period to period due to the significant judgments, estimates and assumptions about complex and inherently uncertain matters and because the use of different judgments, assumptions or estimates could have a material impact on our financial condition or results of operations. Actual results may differ from these estimates and such estimates may change if the underlying conditions or assumptions change. Historical performance should not be viewed as indicative of future performance because there can be no assurance the margins, operating income and net earnings, as a percentage of revenue, will be consistent from period to period.

##### *Cash and Cash Equivalents*

We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

##### *Inventory*

Inventory consists primarily of caskets, outer burial containers and cemetery monuments and markers and is recorded at the lower of its cost basis or net realizable value. Inventory is relieved using specific identification in fulfillment of performance obligations on our contracts.

#### Held for Sale

At June 30, 2023, we had \$0.3 million of assets classified as held for sale in *Property, plant and equipment, net* on our Consolidated Balance Sheet related to one funeral home that we divested on July 12, 2023. The carrying value of these assets held for sale exceeded their fair value and in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), we recognized an impairment of \$0.2 million for assets related to property, plant and equipment, which was recorded in *Net (gain) loss on divestitures, disposals and impairment charges* on our Consolidated Statements of Operations.

#### Deferred Revenue

During the three six months ended **March 31, 2023** June 30, 2023, we withdrew \$7.0 million \$8.6 million of realized capital gains and earnings from our preneed funeral and cemetery trust investments. In certain states, we are allowed to make these withdrawals prior to the delivery of preneed merchandise and service contracts. The realized capital gains and earnings withdrawn increase our cash flow from operations, but are not recognized as revenue in our Consolidated Statements of Operations, however, they reduce our *Preneed funeral trust investments* and *Preneed cemetery trust investment investments* and increase our *Deferred preneed funeral revenue* and *Deferred preneed cemetery revenue*.

Additionally, during the three and six months ended June 30, 2023, we received a \$6.0 million incentive payment from a vendor for entering into a strategic partnership agreement to market and sell prearranged funeral services in the future, which increased our cash flow from operations and *Deferred preneed funeral revenue*. The incentive payment will be deferred until we complete our implementation of the program and begin selling prearranged funeral services.

#### Property, Plant and Equipment

Property, plant and equipment is comprised of the following (in thousands):

		December 31, 2022	March 31, 2023	December 31, 2022	June 30, 2023
Land	Land	\$ 84,405	\$ 85,845	\$ 84,405	\$ 85,717
Buildings and improvements	Buildings and improvements	251,778	261,203	251,778	261,514
Furniture, equipment and automobiles	Furniture, equipment and automobiles	70,522	73,374	70,522	75,025
Property, plant and equipment, at cost	Property, plant and equipment, at cost	406,705	420,422	406,705	422,256
Less: accumulated depreciation	Less: accumulated depreciation	(128,599)	(131,109)	(128,599)	(134,674)
Property, plant and equipment, net	Property, plant and equipment, net	\$ 278,106	\$ 289,313	\$ 278,106	\$ 287,582

During the three six months ended **March 31, 2023** June 30, 2023, we acquired \$12.6 million \$12.8 million of property, plant and equipment related to our 2023 business combination, described in Note 3 to the Consolidated Financial Statements. Additionally, we sold real property for \$1.2 million, with a carrying value of \$0.6 million, resulting in a gain on the sale of \$0.6 million, which was recorded in *Net (gain) loss on divestitures, disposals and impairment charges* on our Consolidated Statements of Operations.

During the three six months ended **March 31, 2022** June 30, 2022, we acquired real property for \$2.6 million. Additionally, we sold real property for \$2.7 million, with a carrying value of \$1.4 million, resulting in a gain on the sale of \$1.3 million. We also divested two funeral homes that had a carrying value of property, plant and equipment of \$0.7 million, which was included in the loss on the sale of divestitures and recorded in *Net (gain) loss on divestitures, disposals and impairment charges*.

Our growth and maintenance capital expenditures totaled \$4.6 million \$5.2 million and \$2.9 million \$2.6 million for the three months ended **March 31, 2022** June 30, 2022 and 2023, respectively and \$9.8 million and \$5.5 million for the six months ended June 30, 2022 and 2023, respectively, for property, plant and equipment. In addition, we recorded depreciation expense of \$3.4 million and \$3.5 million \$3.7 million for the three months ended **March 31, 2022** June 30, 2022 and 2023, respectively and \$6.7 million and \$7.2 million for the six months ended June 30, 2022 and 2023, respectively.

#### Cemetery Property

Cemetery property was \$104.2 million and \$113.3 million \$112.8 million, net of accumulated amortization of \$59.0 million and \$59.8 million \$61.7 million at December 31, 2022 and **March 31, 2023** June 30, 2023, respectively. When cemetery property is sold, the value of the cemetery property (interment right costs) is expensed as amortization using the specific identification method in the period in which the sale of the interment right is recognized as revenue. Our growth capital expenditures for cemetery property development totaled \$2.3 million and \$2.1 million \$1.4 million for both the three months ended **March 31, 2022** June 30, 2022 and 2023 and \$3.7 million and \$3.5 million for the six months ended June 30, 2022 and 2023, respectively. We recorded amortization expense for cemetery interment rights of \$1.3 million \$1.7 million and \$1.2 million \$1.9 million for the three months ended **March 31, 2022** June 30, 2022 and 2023, respectively and \$3.0 million and \$3.1 million for the six months ended June 30, 2022 and 2023, respectively.

During the three six months ended **March 31, 2023** June 30, 2023, we acquired cemetery property for \$9.0 million related to our 2023 business combination, described in Note 3 to the Consolidated Financial Statements. We also divested two cemeteries that had a carrying

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value of cemetery property of \$0.8 million, which was included in the loss on the sale of divestitures and recorded in *Net (gain) loss on divestitures, disposals and impairment charges* on our Consolidated Statements of Operations.

#### Income Taxes

Income tax expense was \$5.1 million \$4.2 million and \$3.5 million \$3.4 million for the three months ended March 31, 2022 June 30, 2022 and 2023, respectively and \$9.3 million and \$6.9 million for the six months ended June 30, 2022 and 2023, respectively. Our operating tax rate before discrete items was 26.5% and 28.9% 28.0% for both the three months ended March 31, 2022 June 30, 2022 and 2023 and 27.2% and 28.5% for the six months ended June 30, 2022 and 2023, respectively.

#### Subsequent Events

We have evaluated events and transactions during the period subsequent to March 31, 2023 June 30, 2023 through the date the financial statements were issued for potential recognition or disclosure in the accompanying financial statements covered by this report.

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## 2. RECENTLY ISSUED ACCOUNTING STANDARDS

### Credit Losses - *Vintage* Disclosures

In March 2022, the FASB issued ASU, *Financial Instruments - Credit Losses* ("Topic 326") to make the requirement to disclose gross write-offs by class of financing receivable and major security type consistent for all public business entities. The amendment in this update provides specific guidance on the disclosure for current period write-offs by year of origination for financing receivables. This amendment is effective for fiscal years beginning after December 15, 2022, and therefore was effective for us beginning January 1, 2023. Our adoption of these amendments had no impact on our consolidated financial statements.

## 3. BUSINESS COMBINATIONS

Tangible and intangible assets acquired and liabilities assumed are recorded at fair value and goodwill is recognized for any difference between the price of the acquisition and fair value. We recognize the assets acquired, the liabilities assumed and any non-controlling interest in the acquiree at the acquisition date, measured at the fair value as of that date. Acquisition related costs are recognized separately from the acquisition and are expensed as incurred. We customarily estimate related transaction costs known at closing. To the extent that information not available to us at the closing date subsequently becomes available during the measurement period, we may adjust goodwill, intangible assets, assets or liabilities associated with the acquisition.

On March 22, 2023, we acquired a business consisting of three funeral homes, two cemeteries and one cremation focused business in the Bakersfield, California area for \$44.0 million in cash. We acquired substantially all of the assets and assumed certain operating liabilities of this business.

The pro forma impact of this acquisition on prior periods is not presented, as the impact is not significant to our reported results. The results of the acquired business are reflected in our Consolidated Statements of Operations from the date of acquisition.

The measurement period to determine the fair values of acquired identifiable assets and assumed liabilities will end at the earlier of 12 months from the date of the acquisition or as soon as we receive the information we are seeking about facts and circumstances that existed as of the acquisition date. We recorded provisional Subsequent to our initial purchase price allocation for this acquisition made during the first quarter of 2023, we have adjusted our purchase price allocation based on additional information which became available prior to June 30, 2023. Provisional estimates for cemetery property have been recorded for the assets and liabilities acquired acquisition as our valuations have valuation has not been finalized at March 31, 2023 June 30, 2023.

Estimated fair values

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The following table summarizes the breakdown of the assets acquired and liabilities assumed in this transaction as of the closing date are as follows purchase price allocation for our 2023 acquisition (in thousands):

	Estimated Fair Values
Current assets	\$ 7,087
Property, plant & equipment	12,577
Cemetery property	9,035
Goodwill	13,612
Intangible and other non-current assets	3,763
Assumed liabilities	(300)
Deferred revenue	(1,774)
Purchase price	<u>44,000</u>

	Initial Purchase Price Allocation	Adjustments	Adjusted Purchase Price Allocation
Current assets	\$ 7,087	\$ 131	\$ 7,218
Preneed trust assets	—	11,428	11,428

Property, plant & equipment	12,577	245	12,822
Cemetery property	9,035	—	9,035
Goodwill	13,612	(106)	13,506
Intangible and other non-current assets	3,763	—	3,763
Assumed liabilities	(300)	(66)	(366)
Preneed trust liabilities	—	(11,428)	(11,428)
Deferred revenue	(1,774)	(204)	(1,978)
Purchase price	\$ 44,000	\$ —	\$ 44,000

The current assets relate to accounts receivable and inventory. The intangible and other non-current assets relate to the fair value of trademarks and right-of-use operating lease assets. The assumed liabilities relate to operating lease obligations. We did not estimate a fair value for cemetery perpetual care assets obligations and liabilities for this acquisition as this information was not yet available. However, these trust assets and liabilities offset in our Consolidated Balance Sheet, commissions payable.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed for this business (in thousands):

Acquisition Date	Acquisition Date	Type of Business	Market	Assets			Assets		
				Acquired Goodwill	Recorded	Liabilities (Excluding Goodwill and Debt)	Acquired Goodwill	Recorded	Liabilities (Excluding Goodwill and Debt)
				Market	Assumed Date	Type of Business	Market	Assumed Date	Type of Business
March 22, 2023	March 22, 2023	Three Funeral Homes, Two Cemeteries and One Cremation Focused Business	Bakersfield, CA	\$ 32,462	\$ 13,612	\$ (2,074)	March 22, 2023	Cremation Focused Business	Bakersfield, CA
									\$ 44,266 \$ 13,506 \$(13,772)

We did not acquire any businesses during the three/six months ended March 31, 2022/June 30, 2022.

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#### 4. GOODWILL

The following table presents changes in goodwill in the accompanying Consolidated Balance Sheet (in thousands):

		December 31, 2022	March 31, 2023		December 31, 2022	June 30, 2023
Goodwill at the beginning of the period	Goodwill at the beginning of the period	\$ 391,972	\$ 410,137	Goodwill at the beginning of the period	\$ 391,972	\$ 410,137
Increase in goodwill related to acquisitions	Increase in goodwill related to acquisitions	19,511	13,612	Increase in goodwill related to acquisitions	19,511	13,506
Decrease in goodwill related to divestitures	Decrease in goodwill related to divestitures	(901)	—	Decrease in goodwill related to divestitures	(901)	—
Decrease in goodwill related to assets held for sale	Decrease in goodwill related to assets held for sale	(445)	—	Decrease in goodwill related to assets held for sale	(445)	—
Goodwill at the end of the period	Goodwill at the end of the period	\$ 410,137	\$ 423,749	Goodwill at the end of the period	\$ 410,137	\$ 423,643

During the three/six months ended March 31, 2023/June 30, 2023, we recognized \$13.6 million \$13.5 million in goodwill related to our 2023 business combination; \$5.7 million \$4.5 million was allocated to our cemetery segment and \$7.9 million \$9.0 million was allocated to our funeral home segment.

#### 5. DIVESTED OPERATIONS

During the three months ended March 31, 2023/June 30, 2023, we merged one funeral home with another business we own in an existing market. During the six months ended June 30, 2023, we sold one funeral home and two cemeteries for an aggregate of \$0.8 million, and merged one funeral home with another business we own in an existing market.

During the three months ended March 31, 2022/June 30, 2022, we merged one funeral home with another business we own in an existing market. During the six months ended June 30, 2022, we sold two funeral homes for an aggregate of \$0.9 million, and merged one funeral home with another business we own in an existing market.

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The operating results of these divested funeral homes and cemeteries are reflected on our Consolidated Statements of Operations as shown in the table below (in thousands):

Revenue	Revenue	Three months ended March 31,		Three months ended June 30,		Six months ended June 30,	
		2022	2023	2022	2023	2022	2023
		\$ 137	\$ 66	\$ 63	\$ —	\$ 296	\$ 66
Operating income		2	26				
Operating income (loss)						Operating income (loss)	
Loss on divestitures <sup>(1)</sup>	Loss on divestitures <sup>(1)</sup>	(703)	(82)	Loss on divestitures <sup>(1)</sup>	—	(703)	(82)
Income tax benefit	Income tax benefit	186	16	Income tax benefit	1	184	17
Net loss from divested operations, after tax	Net loss from divested operations, after tax	\$ (515)	\$ (40)	Net loss from divested operations, after tax	\$ (3)	\$ (494)	\$ (41)

(1) Loss on divestitures is recorded in *Net (gain) loss on divestitures, disposals and impairments charges* on our Consolidated Statements of Operations.

## 6. RECEIVABLES

### Accounts Receivable

Our funeral receivables are recorded in *Accounts receivable, net* and primarily consist of amounts due for funeral services already performed.

Atneed cemetery receivables and preneed cemetery receivables with payments expected to be received within one year from the balance sheet date are also recorded in *Accounts receivable, net*. Preneed cemetery receivables with payments expected to be received beyond one year from the balance sheet date are recorded in *Preneed cemetery receivables, net*.

Accounts receivable is comprised of the following (in thousands):

	March 31, 2023				June 30, 2023			
	Funeral	Cemetery	Corporate	Total	Funeral	Cemetery	Corporate	Total
Trade and financed receivables	\$ 8,441	\$ 14,753	\$ —	\$ 23,194	Trade and financed receivables	\$ 7,439	\$ 17,504	\$ 24,943
Other receivables	598	699	470	1,767	Other receivables	616	359	136
Allowance for credit losses	(299)	(775)	—	(1,074)	Allowance for credit losses	(284)	(1,131)	—
Accounts receivable, net	\$ 8,740	\$ 14,677	\$ 470	\$ 23,887	Accounts receivable, net	\$ 7,771	\$ 16,732	\$ 136
December 31, 2022								
	Funeral	Cemetery	Corporate	Total				
Trade and financed receivables	\$ 9,518	\$ 14,429	\$ —	\$ 23,947				
Other receivables	643	833	48	1,524				
Allowance for credit losses	(311)	(702)	—	(1,013)				
Accounts receivable, net	\$ 9,850	\$ 14,560	\$ 48	\$ 24,458				

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Other receivables include supplier rebates, commissions due from third party insurance companies and perpetual care income receivables. We do not provide an allowance for credit losses for these receivables as we have historically not had any collectability issues nor do we expect any in the foreseeable future.

The following table summarizes the activity in our allowance for credit losses by segment (in thousands):

	Provision				March 31, 2023	January 1, 2023	Provision					
	January 1, 2023	for Credit Losses	Write Offs	Recoveries			for Credit Losses	Write Offs	Recoveries	June 30, 2023		
Trade and financed receivables:	Trade and financed receivables:				Trade and financed receivables:							
Funeral Cemetery	Funeral Cemetery	\$ (311)	\$ (295)	\$ 621	\$ (314)	\$ (299)	Funeral Cemetery	\$ (311)	\$ (562)	\$ 1,183	\$ (594)	\$ (284)
		(702)	(152)	79	—	(775)		(295)	(134)	—	(1,131)	
Total allowance for credit losses on Trade and financed receivables		\$ (1,013)	\$ (447)	\$ 700	\$ (314)	\$ (1,074)						
Total allowance for credit losses on trade and financed receivables							Total allowance for credit losses on trade and financed receivables	\$ (1,013)	\$ (857)	\$ 1,049	\$ (594)	\$ (1,415)

Balances due on undelivered preneed funeral trust contracts have been reclassified to reduce *Deferred preneed funeral revenue* on our Consolidated Balance Sheet of \$8.9 million and **\$10.4 million** **\$10.3 million** at December 31, 2022 and **March 31, 2023** **June 30, 2023**, respectively. As these performance obligations are to be completed after the date of death, we cannot quantify the recognition of revenue in future periods. However, we estimate an average maturity period of ten years for preneed funeral contracts.

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#### Preneed Cemetery Receivables

Our preneed cemetery receivables are comprised of the following (in thousands):

	December 31, 2022		March 31, 2023		December 31, 2022		June 30, 2023	
	Interment rights	Merchandise and services	Interment rights	Merchandise and services	Interment rights	Merchandise and services	Interment rights	Merchandise and services
Interment rights	Interment rights	\$ 45,351	\$ 45,875	Interment rights	\$ 45,351	\$ 56,781	Interment rights	\$ 45,351
Merchandise and services	Merchandise and services	8,585	8,828	Merchandise and services	8,585	10,242	Merchandise and services	8,585
Unearned finance charges	Unearned finance charges	4,894	4,912	Unearned finance charges	4,894	5,316	Unearned finance charges	4,894
Preneed cemetery receivables	Preneed cemetery receivables	\$ 58,830	\$ 59,615	Preneed cemetery receivables	\$ 58,830	\$ 72,339	Preneed cemetery receivables	\$ 58,830

The components of our preneed cemetery receivables are as follows (in thousands):

	December 31, 2022		March 31, 2023		December 31, 2022		June 30, 2023	
	Preneed cemetery receivables	Less: unearned finance charges	Preneed cemetery receivables	Less: unearned finance charges	Preneed cemetery receivables	Less: unearned finance charges	Preneed cemetery receivables	Less: unearned finance charges
Preneed cemetery receivables	Preneed cemetery receivables	\$ 58,830	\$ 59,615	Preneed cemetery receivables	\$ 58,830	\$ 72,339	Preneed cemetery receivables	\$ 58,830
Less: unearned finance charges	Less: unearned finance charges	(4,894)	(4,912)	Less: unearned finance charges	(4,894)	(5,316)	Less: unearned finance charges	(4,894)
Preneed cemetery receivables, at amortized cost	Preneed cemetery receivables, at amortized cost	\$ 53,936	\$ 54,703	Preneed cemetery receivables, at amortized cost	\$ 53,936	\$ 67,023	Preneed cemetery receivables, at amortized cost	\$ 53,936
Less: allowance for credit losses	Less: allowance for credit losses	(1,985)	(2,165)	Less: allowance for credit losses	(1,985)	(3,172)	Less: allowance for credit losses	(1,985)

Less: balances due on undelivered cemetery preneed contracts	Less: balances due on undelivered cemetery preneed contracts	(11,552)	(11,870)	Less: balances due on undelivered cemetery preneed contracts	(11,552)	(14,204)
Less: amounts in accounts receivable	Less: amounts in accounts receivable	(13,727)	(13,978)	Less: amounts in accounts receivable	(13,727)	(16,373)
Preneed cemetery receivables, net	Preneed cemetery receivables, net	\$ 26,672	\$ 26,690	Preneed cemetery receivables, net	\$ 26,672	\$ 33,274

The following table summarizes the activity in our allowance for credit losses for *Preneed cemetery receivables, net* (in thousands):

	Provision for Credit			
	January 1, 2023	Losses	Write Offs	March 31, 2023
Total allowance for credit losses on <i>Preneed cemetery receivables, net</i>	\$ (1,283)	\$ (252)	\$ 145	\$ (1,390)

	Provision for Credit			
	January 1, 2023	Losses	Write Offs	June 30, 2023
Total allowance for credit losses on <i>Preneed cemetery receivables, net</i>	\$ (1,283)	\$ (487)	\$ (271)	\$ (2,041)

The amortized cost basis of our preneed cemetery receivables by year of origination at **March 31, 2023** **June 30, 2023** is as follows (in thousands):

	2023	2022	2021	2020	2019	Prior	Total
Total preneed cemetery receivables, at amortized cost	\$ 7,754	\$ 23,937	\$ 11,623	\$ 6,185	\$ 3,092	\$ 2,112	\$ 54,703

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	2023	2022	2021	2020	2019	Prior	Total
Total preneed cemetery receivables, at amortized cost	\$ 20,254	\$ 23,893	\$ 12,418	\$ 6,082	\$ 2,563	\$ 1,813	\$ 67,023

The aging of past due preneed cemetery receivables at **March 31, 2023** **June 30, 2023** is as follows (in thousands):

	Past							Past								
	31-60	61-90	91-120	>120	Total	Due	Current	Total	31-60	61-90	91-120	>120	Total	Due	Current	Total
Recognized	Recognized							Recognized	Recognized							
Revenue	Revenue	\$ 874	\$ 399	\$ 277	\$ 2,254	\$ 3,804	\$ 39,029	\$ 42,833	Revenue	\$ 1,376	\$ 700	\$ 273	\$ 3,304	\$ 5,653	\$ 47,166	\$ 52,819
Deferred revenue	Deferred revenue	220	114	56	1,080	1,470	15,312	16,782	Deferred revenue	361	224	95	1,150	1,830	17,690	19,520
Total contracts	Total contracts	\$ 1,094	\$ 513	\$ 333	\$ 3,334	\$ 5,274	\$ 54,341	\$ 59,615	Total contracts	\$ 1,737	\$ 924	\$ 368	\$ 4,454	\$ 7,483	\$ 64,856	\$ 72,339

Balances due on undelivered preneed cemetery contracts have been reclassified to reduce *Deferred preneed cemetery revenue* on our Consolidated Balance Sheet. The transaction price allocated to preneed merchandise and service performance obligations that were unfulfilled were \$11.6 million and **\$11.9 million** **\$14.2 million** at December 31, 2022 and **March 31, 2023** **June 30, 2023**, respectively. As these performance obligations are to be completed after the date of death, we cannot quantify the recognition of revenue in future periods. However, we estimate an average maturity period of eight years for preneed cemetery contracts.

## 7. FAIR VALUE MEASUREMENTS

We evaluated our financial assets and liabilities for those that met the criteria of the disclosure requirements and fair value framework. The carrying values of cash and cash equivalents, accounts receivable and accounts payable approximate the fair values of those instruments due to the short-term nature of the instruments. The fair values of our receivables on preneed cemetery contracts are impracticable to estimate because of the lack of a trading market and the diverse number of individual contracts with varying terms. Our acquisition debt and Credit Facility (as defined in Note 11) and Senior Notes (as defined in Note 12) are classified within Level 2 of the Fair Value Measurements hierarchy.

At **March 31, 2023** **June 30, 2023**, the carrying value and fair value of our Credit Facility was **\$213.6 million** **\$204.0 million**. We believe that our Credit Facility bears interest at a rate that approximates prevailing market rates for instruments with similar characteristics and therefore, the carrying value of our Credit Facility approximates fair value. We estimate the fair value of our acquisition debt utilizing an income approach, which uses a present value calculation to discount payments based on current market rates as

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of the reporting date. At **March 31, 2023** **June 30, 2023**, the carrying value of our acquisition debt was **\$4.0 million** **\$3.9 million**, which approximated its fair value. The fair value of our Senior Notes was **\$328.2 million** **\$343.1 million** at **March 31, 2023** **June 30, 2023** based on the last traded or broker quoted price.

We identified investments in fixed income securities, common stock and mutual funds presented within the preneed and perpetual care trust investments categories on our Consolidated Balance Sheet as having met the criteria for fair value measurement. Where quoted prices are available in an active market, investments held by the trusts are classified as Level 1 investments pursuant to the three-level valuation hierarchy. Our Level 1 investments include cash, U.S. treasury debt, common stock and equity mutual funds. Where quoted market prices are not available for the specific security, then fair values are estimated by using quoted prices of similar securities in active markets or inputs other than quoted prices that can corroborate observable market data. These investments are fixed income securities, including U.S. agency obligations, foreign debt, corporate debt, preferred stocks, certificates of deposit and fixed income mutual funds and other investments, all of which are classified within Level 2 of the valuation hierarchy.

In addition, we have an investment in a limited partnership fund, whose fair value has been estimated using the net asset value per share practical expedient described in ASC 820-10-35-59, *Fair Value Measurement of Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* and therefore, has not been classified in the fair value hierarchy. The value of the investments in this fund cannot be redeemed because the investments include restrictions that do not allow for redemption within the first 12 months after acquisition. Our unfunded commitment for this investment at **March 31, 2023** **June 30, 2023** is \$10.0 million.

Our receivables from preneed funeral trusts represent assets in trusts which are controlled and operated by third parties in which we do not have a controlling financial interest (less than 50%) in the trust assets. We account for these investments at cost. See Notes 8 and 9 to our Consolidated Financial Statements for the fair value hierarchy levels of our trust investments.

## 8. TRUST INVESTMENTS

Preneed trust investments represent trust fund assets that we are generally permitted to withdraw as the services and merchandise are provided to customers. Preneed funeral and cemetery contracts are secured by payments from customers, less amounts not required by law to be deposited into trust. These earnings are recognized in *Other revenue* on our Consolidated Statements of Operations, when a service is performed or merchandise is delivered. Trust management fees charged by **our wholly-owned registered investment advisory firm ("CSV RIA RIA")** are included as revenue in the period in which they are earned. Our investments are diversified across multiple industry segments using a balanced allocation strategy to minimize long-term risk. We do not intend to sell and it is likely that we will not be required to sell the securities prior to their anticipated recovery.

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Cemetery perpetual care trust investments represent a portion of the proceeds from the sale of cemetery property interment rights that we are required by various state laws to deposit into perpetual care trust funds. The income earned from these perpetual care trusts offsets maintenance expenses for cemetery property and memorials. This trust fund income is recognized in *Other revenue*.

Changes in the fair value of our trust fund assets (*Preneed funeral, cemetery and perpetual care trust investments*) are offset by changes in the fair value of our trust fund liabilities (*Deferred preneed funeral and cemetery receipts held in trust and Care trusts' corpus*) and reflected in *Other, net*. There is no impact on earnings until such time the services are performed or the merchandise is delivered, causing the contract to be withdrawn from the trust in accordance with state regulations and the gain or loss is allocated to the contract.

We rely on our trust investments to provide funding for the various contractual obligations that arise upon maturity of the underlying preneed contracts. Because of the long-term relationship between the establishment of trust investments and the required performance of the underlying contractual obligations, the impact of current market conditions that may exist at any given time is not necessarily indicative of our ability to generate profit on our future performance obligations.

### Preneed Cemetery Trust Investments

The components of *Preneed cemetery trust investments* on our Consolidated Balance Sheet are as follows (in thousands):

	December 31, 2022	March 31, 2023	December 31, 2022	June 30, 2023
Preneed cemetery trust investments, at market value	Preneed cemetery trust investments, at market value \$ 98,269	\$ 89,473	Preneed cemetery trust investments, at market value \$ 98,269	\$ 92,898
Less: allowance for contract cancellation	Less: allowance for contract cancellation (3,204)	(3,014)	Less: allowance for contract cancellation (3,204)	(3,024)
Preneed cemetery trust investments	Preneed cemetery trust investments \$ 95,065	\$ 86,459	Preneed cemetery trust investments \$ 95,065	\$ 89,874

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The cost and market values associated with preneed cemetery trust investments at **March 31, 2023** June 30, 2023 are detailed below (in thousands):

		Fair Value					Fair Value				
		Hierarchy		Unrealized	Unrealized	Fair Market	Hierarchy		Unrealized	Unrealized	Fair Market
		Level	Cost	Gains	Losses	Value	Level	Cost	Gains	Losses	Value
Cash and money market accounts	Cash and money market accounts	1	\$ 4,677	\$ —	—	\$ 4,677	Cash and money market accounts	1	\$ 8,330	\$ —	\$ 8,330
Fixed income securities:	Fixed income securities:						Fixed income securities:				
U.S. agency obligations	U.S. agency obligations	2	803	—	(55)	748	U.S. agency obligations	2	803	—	(65) 738
Foreign debt	Foreign debt	2	11,679	728	(703)	11,704	Foreign debt	2	10,978	1,028	(421) 11,585
Corporate debt	Corporate debt	2	15,241	168	(5,260)	10,149	Corporate debt	2	14,593	180	(4,625) 10,148
Preferred stock	Preferred stock	2	12,012	438	(1,701)	10,749	Preferred stock	2	11,553	449	(1,521) 10,481
Certificates of deposit	Certificates of deposit	2	79	—	(8)	71	Certificates of deposit	2	79	—	(9) 70
Common stock	Common stock	1	39,861	4,811	(7,491)	37,181	Common stock	1	38,955	6,335	(7,183) 38,107
Limited partnership fund	Limited partnership fund		3,730	10	—	3,740	Limited partnership fund		3,579	—	(1) 3,578
Mutual funds:	Mutual funds:						Mutual funds:				
Equity	Equity	1	572	—	(72)	500	Equity	1	554	—	(52) 502
Fixed income	Fixed income	2	11,803	11	(3,029)	8,785	Fixed income	2	11,379	17	(2,846) 8,550
Trust securities	Trust securities		\$ 100,457	\$ 6,166	\$ (18,319)	\$ 88,304	Trust securities		\$ 100,803	\$ 8,009	\$ (16,723) \$ 92,089
Accrued investment income	Accrued investment income		\$ 1,169			\$ 1,169	Accrued investment income		\$ 809		\$ 809
Preneed cemetery trust investments	Preneed cemetery trust investments					\$ 89,473	Preneed cemetery trust investments				\$ 92,898
Market value as a percentage of cost	Market value as a percentage of cost					87.9%	Market value as a percentage of cost				91.4%

The estimated maturities of the fixed income securities (excluding mutual funds) included above are as follows (in thousands):

Due in one year or less	\$ 1,291	137
Due in one to five years	\$ 9,682	9,043
Due in five to ten years	\$ 4,285	4,782
Thereafter	\$ 18,163	19,060
Total fixed income securities	\$ 33,421	33,022

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The cost and market values associated with preneed cemetery trust investments at December 31, 2022 are detailed below (in thousands):

	Fair Value Hierarchy		Unrealized Gains		Unrealized Losses		Fair Market Value
	Level	Cost					
Cash and money market accounts	1	\$ 10,434	\$ —	\$ —	\$ —	\$ —	\$ 10,434
Fixed income securities:							
U.S. agency obligations	2	803	—	—	(72)	731	
Foreign debt	2	12,241	910	(644)	12,507		
Corporate debt	2	15,066	104	(4,139)	11,031		
Preferred stock	2	12,560	436	(1,789)	11,207		
Certificate of deposit	2	79	—	(8)	71		
Common stock	1	42,929	5,102	(6,228)	41,803		
Mutual funds:							
Equity	1	362	—	(33)	329		
Fixed income	2	12,324	10	(3,310)	9,024		
Trust Securities		\$ 106,798	\$ 6,562	\$ (16,223)	\$ 97,137		
Accrued investment income		\$ 1,132			\$ 1,132		
Preneed cemetery trust investments					\$ 98,269		
Market value as a percentage of cost					91.0%		

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The following table summarizes our fixed income securities (excluding mutual funds) within our preneed cemetery trust investments in an unrealized loss position at **March 31, 2023** **June 30, 2023**, aggregated by major security type and length of time in a continuous unrealized loss position (in thousands):

		March 31, 2023						June 30, 2023						
		In Loss Position Less than 12 months		In Loss Position Greater than 12 months		Total		In Loss Position Less than 12 months		In Loss Position Greater than 12 months		Total		
		Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	
Fixed income securities:	Fixed income securities:													
U.S. agency obligations	U.S. agency obligations	\$ —	\$ 748	\$ (55)	\$ 748	\$ (55)		U.S. agency obligations	\$ 161	\$ (25)	\$ 577	\$ (40)	\$ 738	\$ (65)
Foreign debt	Foreign debt	3,899	(309)	1,649	(394)	5,548	(703)	Foreign debt	2,684	(100)	1,926	(321)	4,610	(421)
Corporate debt	Corporate debt	4,032	(566)	3,084	(4,694)	7,116	(5,260)	Corporate debt	4,560	(3,423)	2,950	(1,202)	7,510	(4,625)
Preferred stock	Preferred stock	4,460	(974)	4,794	(727)	9,254	(1,701)	Preferred stock	4,118	(825)	4,151	(696)	8,269	(1,521)
Certificates of deposit	Certificates of deposit	—	71	(8)	71	(8)		Certificates of deposit	—	—	70	(9)	70	(9)
Total fixed income	Total fixed income							Total fixed income						
securities with an unrealized loss	securities with an unrealized loss	\$ 12,391	\$ (1,849)	\$ 10,346	\$ (5,878)	\$ 22,737	\$ (7,727)	loss	\$ 11,523	\$ (4,373)	\$ 9,674	\$ (2,268)	\$ 21,197	\$ (6,641)

The following table summarizes our fixed income securities (excluding mutual funds) within our preneed cemetery trust investments in an unrealized loss position at December 31, 2022, aggregated by major security type and length of time in a continuous unrealized loss position (in thousands):

December 31, 2022				
In Loss Position Less than 12 months		In Loss Position Greater than 12 months		Total
months		months		

	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
Fixed income securities:						
U.S. agency obligations	\$ 732	\$ (72)	\$ —	\$ —	\$ 732	\$ (72)
Foreign debt	5,394	(308)	744	(336)	6,138	(644)
Corporate debt	8,037	(3,922)	563	(217)	8,600	(4,139)
Preferred stock	7,146	(1,271)	2,517	(518)	9,663	(1,789)
Certificates of deposit	71	(8)	—	—	71	(8)
Total fixed income securities with an unrealized loss	\$ 21,380	\$ (5,581)	\$ 3,824	\$ (1,071)	\$ 25,204	\$ (6,652)

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Preneed cemetery trust investment security transactions recorded in *Other, net* on our Consolidated Statements of Operations are as follows (in thousands):

		Three months ended March 31,		Three months ended June 30,		Six months ended June 30,				
		2022		2023		2022		2023		
		Investment income	\$ 491	Investment income	\$ 571	Investment income	\$ 689	Investment income	\$ 1,279	
Realized gains	Realized gains	2,023		1,273		Realized gains	6,870	728	8,893	2,001
Realized losses	Realized losses	(63)		(877)		Realized losses	(2,320)	(269)	(2,383)	(1,146)
Unrealized gains (losses), net	Unrealized gains (losses), net	6,877		(12,153)		Unrealized gains (losses), net	(15,977)	3,439	(9,100)	(8,714)
Expenses and taxes	Expenses and taxes	(364)		(306)		Expenses and taxes	(507)	(316)	(871)	(622)
Net change in deferred preneed preneed cemetery receipts held in trust	Net change in deferred preneed preneed cemetery receipts held in trust	(8,964)		11,473		Net change in deferred preneed preneed cemetery receipts held in trust	11,363	(4,271)	2,399	7,202
		\$ —		\$ —		\$ —		\$ —	\$ —	

Purchases and sales of investments in the preneed cemetery trusts are as follows (in thousands):

		Three months ended March 31,		Three months ended June 30,		Six months ended June 30,			
		2022		2023		2022		2023	
		Purchases	\$ (1,315)	Purchases	\$ (6,354)	Purchases	\$ (309)	Purchases	\$ (2,784)
Purchases	Sales	Sales	200	Sales	3,045	Sales	461	Sales	2,817

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#### Preneed Funeral Trust Investments

Preneed funeral trust investments represent trust fund assets that we are permitted to withdraw as services and merchandise are provided to customers. Preneed funeral contracts are secured by payments from customers, less retained amounts not required to be deposited into trust.

The components of *Preneed funeral trust investments* on our Consolidated Balance Sheet are as follows (in thousands):

		December 31, 2022		March 31, 2023		December 31, 2022		June 30, 2023	
		Preneed funeral trust investments, at market value	\$ 107,995	Preneed funeral trust investments, at market value	\$ 104,795	Preneed funeral trust investments, at market value	\$ 107,995	Preneed funeral trust investments, at market value	\$ 106,713
Less: allowance for contract cancellation	Less: allowance for contract cancellation	(3,442)		(3,429)		Less: allowance for contract cancellation	(3,442)	Less: allowance for contract cancellation	(3,396)

Preneed funeral trust investments	Preneed funeral trust investments	\$ 104,553	\$ 101,366	Preneed funeral trust investments	\$ 104,553	\$ 103,317
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The cost and market values associated with preneed funeral trust investments at March 31, 2023 June 30, 2023 are detailed below (in thousands):

	Fair Value Hierarchy		Unrealized		Unrealized		Fair Market
	Level	Cost	Gains	—	Losses	—	Value
Cash and money market accounts	1	\$ 23,031	\$ —	—	\$ —	—	\$ 23,031
Fixed income securities:							
U.S treasury debt	1	484	—	—	(35)	—	449
Foreign debt	2	11,219	709	—	(661)	—	11,267
Corporate debt	2	13,980	156	—	(4,787)	—	9,349
Preferred stock	2	11,084	426	—	(1,621)	—	9,889
Common stock	1	36,620	4,625	—	(6,688)	—	34,557
Limited partnership fund		3,633	11	—	—	—	3,644
Mutual funds:							
Equity	1	431	—	—	(64)	—	367
Fixed income	2	10,247	11	—	(2,667)	—	7,591
Other investments	2	3,556	—	—	—	—	3,556
Trust securities		\$ 114,285	\$ 5,938	\$ (16,523)	\$ —	\$ 103,700	
Accrued investment income		\$ 1,095				\$ 1,095	
Preneed funeral trust investments						\$ 104,795	
Market value as a percentage of cost						90.7%	

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	Fair Value Hierarchy		Unrealized		Unrealized		Fair Market
	Level	Cost	Gains	—	Losses	—	Value
Cash and money market accounts	1	\$ 26,018	\$ —	—	\$ —	—	\$ 26,018
Fixed income securities:							
U.S treasury debt	1	485	—	—	(42)	—	443
Foreign debt	2	10,433	992	—	(385)	—	11,040
Corporate debt	2	13,219	166	—	(4,161)	—	9,224
Preferred stock	2	10,537	428	—	(1,443)	—	9,522
Common stock	1	35,390	6,071	—	(6,319)	—	35,142
Limited partnership fund		3,453	—	—	(1)	—	3,452
Mutual funds:							
Equity	1	409	—	—	(48)	—	361
Fixed income	2	9,714	16	—	(2,479)	—	7,251
Other investments	2	3,521	—	—	—	—	3,521
Trust securities		\$ 113,179	\$ 7,673	\$ (14,878)	\$ —	\$ 105,974	
Accrued investment income		\$ 739				\$ 739	
Preneed funeral trust investments						\$ 106,713	
Market value as a percentage of cost						93.6%	

The estimated maturities of the fixed income securities (excluding mutual funds) included above are as follows (in thousands):

Due in one year or less	\$ 1,204	79
Due in one to five years	\$ 8,770	8,062
Due in five to ten years	\$ 4,022	4,443
Thereafter	\$ 16,958	17,645
Total fixed income securities	\$ 30,954	30,229

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The cost and market values associated with preneed funeral trust investments at December 31, 2022 are detailed below (in thousands):

	Fair Value Hierarchy		Unrealized		Unrealized		Fair Market
	Level	Cost	Gains	Losses	—	Value	
Cash and money market accounts	1	\$ 29,641	\$ —	\$ —	\$ —	\$ 29,641	
Fixed income securities:							
U.S. treasury debt	1	484	—	(45)	—	439	
Foreign debt	2	10,851	818	(555)	—	11,114	
Corporate debt	2	12,735	89	(3,443)	—	9,381	
Preferred stock	2	10,730	391	(1,564)	—	9,557	
Common stock	1	36,478	4,485	(5,187)	—	35,776	
Mutual funds:							
Equity	1	326	—	(30)	—	296	
Fixed income	2	9,907	9	(2,691)	—	7,225	
Other investments	2	3,592	—	—	—	3,592	
Trust securities		\$ 114,744	\$ 5,792	\$ (13,515)	—	\$ 107,021	
Accrued investment income		\$ 974			—	\$ 974	
Preneed funeral trust investments					—	\$ 107,995	
Market value as a percentage of cost					—	93.3%	

The following table summarizes our fixed income securities (excluding mutual funds) within our preneed funeral trust investment in an unrealized loss position at **March 31, 2023**, aggregated by major security type and length of time in a continuous unrealized loss position (in thousands):

	March 31, 2023					
	In Loss Position Less than 12 months		In Loss Position Greater than 12 months		Total	
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
Fixed income securities:						
U.S. treasury debt	\$ —	\$ —	\$ 449	\$ (35)	\$ 449	\$ (35)
Foreign debt	3,749	(302)	1,520	(359)	5,269	(661)
Corporate debt	3,904	(550)	2,548	(4,237)	6,452	(4,787)
Preferred stock	3,888	(899)	4,545	(722)	8,433	(1,621)
Total fixed income securities with an unrealized loss	\$ 11,541	\$ (1,751)	\$ 9,062	\$ (5,353)	\$ 20,603	\$ (7,104)

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	June 30, 2023					
	In Loss Position Less than 12 months		In Loss Position Greater than 12 months		Total	
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
Fixed income securities:						
U.S. treasury debt	\$ —	\$ —	\$ 443	\$ (42)	\$ 443	\$ (42)
Foreign debt	2,538	(79)	1,774	(306)	4,312	(385)
Corporate debt	4,090	(3,227)	2,648	(934)	6,738	(4,161)
Preferred stock	4,080	(830)	3,523	(613)	7,603	(1,443)
Total fixed income securities with an unrealized loss	\$ 10,708	\$ (4,136)	\$ 8,388	\$ (1,895)	\$ 19,096	\$ (6,031)

The following table summarizes our fixed income securities (excluding mutual funds) within our preneed funeral trust investment in an unrealized loss position at December 31, 2022, aggregated by major security type and length of time in a continuous unrealized loss position (in thousands):

December 31, 2022

	In Loss Position Less than 12 months		In Loss Position Greater than 12 months		Total	
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
Fixed income securities:						
U.S. treasury debt	\$ 439	\$ (45)	\$ —	\$ —	\$ 439	\$ (45)
Foreign debt	4,766	(274)	626	(281)	5,392	(555)
Corporate debt	6,742	(3,248)	506	(195)	7,248	(3,443)
Preferred stock	5,908	(1,099)	2,261	(465)	8,169	(1,564)
Total fixed income securities with an unrealized loss	<u>\$ 17,855</u>	<u>\$ (4,666)</u>	<u>\$ 3,393</u>	<u>\$ (941)</u>	<u>\$ 21,248</u>	<u>\$ (5,607)</u>

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Preneed funeral trust investment security transactions recorded in *Other, net* on the Consolidated Statements of Operations are as follows (in thousands):

		Three months ended March 31,		Three months ended June 30,		Six months ended June 30,	
		2022	2023	2022	2023	2022	2023
		\$ 366	\$ 486	\$ 481	\$ 577	\$ 847	\$ 1,063
Investment income	Investment income	\$ 366	\$ 486	\$ 481	\$ 577	\$ 847	\$ 1,063
Realized gains	Realized gains	1,743	1,240	6,147	703	7,890	1,943
Realized losses	Realized losses	(58)	(837)	(2,088)	(260)	(2,146)	(1,097)
Unrealized gains (losses), net	Unrealized gains (losses), net	6,527	(10,585)	(13,927)	3,380	(7,400)	(7,205)
Expenses and taxes	Expenses and taxes	(215)	(192)	(322)	(202)	(537)	(394)
Net change in deferred preneed preneed funeral receipts held in trust	Net change in deferred preneed preneed funeral receipts held in trust	(8,363)	9,888	9,709	(4,198)	1,346	5,690
		\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Purchases and sales of investments in the preneed funeral trusts are as follows (in thousands):

		Three months ended March 31,		Three months ended June 30,		Six months ended June 30,	
		2022	2023	2022	2023	2022	2023
		\$ (590)	\$ (6,063)	\$ —	\$ (2,687)	\$ (590)	\$ (8,750)
Purchases	Purchases	\$ (590)	\$ (6,063)	\$ —	\$ (2,687)	\$ (590)	\$ (8,750)
Sales	Sales	500	2,943	30	2,742	530	5,685

#### Cemetery Perpetual Care Trust Investments

Care trusts' corpus on our Consolidated Balance Sheet represents the corpus of those trusts plus undistributed income. The components of *Care trusts' corpus* are as follows (in thousands):

		December 31, 2022		March 31, 2023	
		\$ 66,307	\$ 65,322	\$ (812)	\$ (970)
Cemetery perpetual care trust investments, at market value		\$ 66,307	\$ 65,322		
Obligations due from trust				\$ (812)	\$ (970)
Care trusts' corpus		\$ 65,495	\$ 64,352		

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	December 31, 2022		June 30, 2023	
	\$ 66,307	\$ 78,363	\$ 66,307	\$ 78,363
Cemetery perpetual care trust investments, at market value	\$ 66,307	\$ 78,363		

Obligations due from trust		(812)	(774)
Care trusts' corpus		\$ 65,495	\$ 77,589

The following table reflects the cost and market values associated with the trust investments held in cemetery perpetual care trust funds at **March 31, 2023** **June 30, 2023** (in thousands):

		Fair Value Hierarchy					Fair Value Hierarchy					
		Level	Cost	Unrealized Gains	Unrealized Losses	Fair Market Value	Level	Cost	Unrealized Gains	Unrealized Losses	Fair Market Value	
Cash and money market accounts	Cash and money market accounts	1	\$ 2,703	\$ —	\$ —	\$ 2,703	Cash and money market accounts	1	\$ 6,001	\$ —	\$ —	\$ 6,001
Fixed income securities:	Fixed income securities:						Fixed income securities:					
Foreign debt	Foreign debt	2	8,926	514	(583)	8,857	Foreign debt	2	9,753	853	(404)	10,202
Corporate debt	Corporate debt	2	11,344	180	(4,030)	7,494	Corporate debt	2	12,561	208	(4,054)	8,715
Preferred stock	Preferred stock	2	10,004	309	(1,357)	8,956	Preferred stock	2	10,990	384	(1,359)	10,015
Common stock	Common stock	1	28,291	3,469	(5,319)	26,441	Common stock	1	32,130	5,361	(5,874)	31,617
Limited partnership fund	Limited partnership fund		2,637	8	—	2,645	Limited partnership fund		2,969	—	(1)	2,968
Mutual funds:	Mutual funds:						Mutual funds:					
Equity	Equity	1	419	—	(54)	365	Equity	1	458	—	(45)	413
Fixed Income		2	9,188	30	(2,240)	6,978						
Fixed income							Fixed income	2	10,119	15	(2,411)	7,723
Trust securities	Trust securities		\$ 73,512	\$ 4,510	\$ (13,583)	\$ 64,439	Trust securities		\$ 84,981	\$ 6,821	\$ (14,148)	\$ 77,654
Accrued investment income	Accrued investment income		\$ 883		\$ 883		Accrued investment income		\$ 709			\$ 709
Cemetery perpetual care investments	Cemetery perpetual care investments				\$ 65,322		Cemetery perpetual care investments					\$ 78,363
Market value as a percentage of cost	Market value as a percentage of cost				87.7%		Market value as a percentage of cost					91.4%

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The estimated maturities of the fixed income securities (excluding mutual funds) included above are as follows (in thousands):

Due in one year or less	\$ 817
Due in one to five years	6,400 6,963
Due in five to ten years	3,243 4,183
Thereafter	14,847 17,786
Total fixed income securities	\$ 25,307 28,932

The following table reflects the cost and market values associated with the trust investments held in cemetery perpetual care trust funds at December 31, 2022 (in thousands):

	Fair Value Hierarchy		Unrealized Gains		Unrealized Losses		Fair Market Value
	Level	Cost					
Cash and money market accounts	1	\$ 5,326	\$ —	\$ —	\$ —	\$ —	\$ 5,326
Fixed income securities:							
Foreign debt	2	8,746	600	(470)			8,876
Corporate debt	2	10,540	118	(2,961)			7,697
Preferred stock	2	9,831	287	(1,374)			8,744
Common stock	1	28,625	3,443	(4,297)			27,771
Mutual funds:							
Equity	1	345	2	(22)			325
Fixed income	2	9,046	26	(2,310)			6,762
Trust securities		\$ 72,459	\$ 4,476	\$ (11,434)			\$ 65,501
Accrued investment income		\$ 806					\$ 806
Cemetery perpetual care investments							\$ 66,307
Market value as a percentage of cost							90.4%

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The following table summarizes our fixed income securities (excluding mutual funds) within our cemetery perpetual care trust investment in an unrealized loss position at March 31, 2023/June 30, 2023, aggregated by major security type and length of time in a continuous unrealized loss position (in thousands):

		March 31, 2023						June 30, 2023											
		In Loss Position			Greater than 12 months			Total			In Loss Position			Greater than 12 months			Total		
		In Loss Position Less than 12 months		Fair	Greater than 12 months		Fair	Total		Fair	In Loss Position Less than 12 months		Fair	Greater than 12 months		Fair	Total		
		Market	Unrealized	Market	Unrealized	Fair	Market	Value	Losses	Market	Unrealized	Market	Unrealized	Fair	Market	Value	Losses		
Fixed income securities:	Fixed income securities:																		
Foreign debt	Foreign debt	\$ 3,204	\$ (273)	\$ 1,300	\$ (310)	\$ 4,504	\$ (583)												
Corporate debt	Corporate debt	2,930	(410)	2,098	(3,620)	5,028	(4,030)												
Preferred stock	Preferred stock	3,862	(812)	4,037	(545)	7,899	(1,357)												
Total fixed income securities with an unrealized loss	Total fixed income securities with an unrealized loss	\$ 9,996	\$ (1,495)	\$ 7,435	\$ (4,475)	\$ 17,431	\$ (5,970)												

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The following table summarizes our fixed income securities (excluding mutual funds) within our perpetual care trust investment in an unrealized loss position at December 31, 2022, aggregated by major security type and length of time in a continuous unrealized loss position (in thousands):

December 31, 2022

	In Loss Position Less than 12 months		In Loss Position Greater than 12 months		Total	
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
Fixed income securities:						
Foreign debt	\$ 4,123	\$ (218)	\$ 554	\$ (252)	\$ 4,677	\$ (470)
Corporate debt	5,413	(2,818)	371	(143)	5,784	(2,961)
Preferred stock	6,066	(1,032)	1,659	(342)	7,725	(1,374)
Total fixed income securities with an unrealized loss	\$ 15,602	\$ (4,068)	\$ 2,584	\$ (737)	\$ 18,186	\$ (4,805)

Cemetery perpetual care trust investment security transactions recorded in *Other, net* on our Consolidated Statements of Operations are as follows (in thousands):

	Three months ended March 31,				Three months ended June 30,				Six months ended June 30,									
	2022		2023		2022		2023		2022		2023							
	Realized gains	Realized gains	\$ 250	\$ 160	Realized gains	\$ 994	\$ 671	\$ 1,244	\$ 831	Realized losses	Realized losses	(8)	(177)	Unrealized gains (losses), net	Unrealized gains (losses), net	(10,844)	1,746	(6,116)
Net change in care trusts' corpus	Net change in care trusts' corpus	(4,970)	9,090	Net change in care trusts' corpus	10,131	(2,124)	5,161	6,966	Total	Total	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Cemetery perpetual care trust investment security transactions recorded in *Other revenue* are as follows (in thousands):

	Three months ended March 31,				Three months ended June 30,				Six months ended June 30,									
	2022		2023		2022		2023		2022		2023							
	Investment income	Investment income	\$ 2,762	\$ 3,197	Investment income	\$ 2,776	\$ 2,881	\$ 5,538	\$ 6,078	Realized losses, net	Realized losses, net	(346)	(456)	Realized losses, net	Realized losses, net	(258)	(18)	(604)
Total	Total	\$ 2,416	\$ 2,741	Total	\$ 2,518	\$ 2,863	\$ 4,934	\$ 5,604										

Purchases and sales of investments in the cemetery perpetual care trusts are as follows (in thousands):

	Three months ended March 31,				Three months ended June 30,				Six months ended June 30,								
	2022		2023		2022		2023		2022		2023						
	Purchases	Purchases	\$ (131)	\$ (4,401)	Purchases	\$ (280)	\$ (2,310)	\$ (411)	Sales	Sales	—	2,210	Sales	441	8,694	441	10,904

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## 9. RECEIVABLES FROM PRENEED FUNERAL TRUSTS

Our receivables from preneed funeral trusts represent assets in trusts which are controlled and operated by third parties in which we do not have a controlling financial interest (less than 50%) in the trust assets. We account for these investments at cost. Receivables from preneed funeral trusts are as follows (in thousands):

	December 31, 2022		March 31, 2023		December 31, 2022		June 30, 2023	
	Preneed funeral trust funds, at cost	\$ 20,594	Preneed funeral trust funds, at cost	\$ 20,975	Preneed funeral trust funds, at cost	\$ 20,594	Preneed funeral trust funds, at cost	\$ 21,732
Less: allowance for contract cancellation	Less: allowance for contract cancellation	(618)	(629)	Less: allowance for contract cancellation	(618)	Less: allowance for contract cancellation	(652)	
Receivables from preneed funeral trusts, net	Receivables from preneed funeral trusts, net	\$ 19,976	\$ 20,346	Receivables from preneed funeral trusts, net	\$ 19,976	Receivables from preneed funeral trusts, net	\$ 21,080	

The following summary reflects the composition of the assets held in trust and controlled by third parties to satisfy our future obligations related to the underlying preneed funeral contracts at December 31, 2022 and **March 31, 2023** **June 30, 2023**. The cost basis includes reinvested interest and dividends that have been earned on the trust assets. Fair value includes unrealized gains and losses on trust assets.

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The composition of the preneed funeral trust funds at **March 31, 2023** **June 30, 2023** is as follows (in thousands):

		Historical Cost Basis	Fair Value		Historical Cost Basis	Fair Value
Cash and cash equivalents	Cash and cash equivalents	\$ 6,191	\$ 6,191	Cash and cash equivalents	\$ 6,283	\$ 6,283
Fixed income investments	Fixed income investments	12,031	12,031	Fixed income investments	12,590	12,590
Mutual funds and common stocks	Mutual funds and common stocks	2,750	2,518	Mutual funds and common stocks	2,855	2,581
Annuities	Annuities	3	3	Annuities	4	4
<b>Total</b>	<b>Total</b>	<b>\$ 20,975</b>	<b>\$ 20,743</b>	<b>Total</b>	<b>\$ 21,732</b>	<b>\$ 21,458</b>

The composition of the preneed funeral trust funds at December 31, 2022 is as follows (in thousands):

	Historical Cost Basis	Fair Value
Cash and cash equivalents	\$ 6,071	\$ 6,071
Fixed income investments	11,795	11,795
Mutual funds and common stocks	2,725	2,440
Annuities	3	3
<b>Total</b>	<b>\$ 20,594</b>	<b>\$ 20,309</b>

## 10. INTANGIBLE AND OTHER NON-CURRENT ASSETS

Intangible and other non-current assets are as follows (in thousands):

	December 31, 2022	March 31, 2023	December 31, 2022	June 30, 2023		
Tradenames	Tradenames	\$ 25,610	\$ 29,074	Tradenames	\$ 25,610	\$ 29,074
Capitalized commissions on preneed contracts, net of accumulated amortization of \$2,990 and \$3,179, respectively		4,048	4,161			
Prepaid agreements not-to-compete, net of accumulated amortization of \$3,515 and \$3,646, respectively		1,877	1,750			
Internal-use software, net of accumulated amortization of \$200 and \$262, respectively		1,271	1,966			
Capitalized commissions on preneed contracts, net of accumulated amortization of \$2,990 and \$3,375, respectively			Capitalized commissions on preneed contracts, net of accumulated amortization of \$2,990 and \$3,375, respectively	4,048	4,350	
Prepaid agreements not-to-compete, net of accumulated amortization of \$3,515 and \$3,576, respectively			Prepaid agreements not-to-compete, net of accumulated amortization of \$3,515 and \$3,576, respectively	1,877	1,592	

Internal-use software, net of accumulated amortization of \$200 and \$300, respectively		Internal-use software, net of accumulated amortization of \$200 and \$300, respectively	1,271	1,935	
Other	Other	124	303	124	
Intangible and other non-current assets, net	Intangible and other non-current assets, net	\$ 32,930	\$ 37,254	\$ 32,930	\$ 37,333

#### Tradenames

During the three six months ended March 31, 2023 June 30, 2023, we increased the value of our tradenames by \$3.6 million \$3.5 million, with \$1.3 million allocated to our funeral home segment and \$2.2 million allocated to our cemetery segment, related to our 2023 business combination, described in Note 3 to the Consolidated Financial Statements.

#### Capitalized Commissions

We capitalize sales commissions and other direct selling costs related to preneed cemetery merchandise and services and preneed funeral trust contracts as these costs are incremental and recoverable costs of obtaining a contract with a customer. Our capitalized commissions on preneed contracts are amortized on a straight-line basis over the average maturity period of ten years for our preneed funeral trust contracts and eight years for our preneed cemetery merchandise and services contracts.

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Amortization expense was \$170,000 \$174,000 and \$189,000 \$196,000 for the three months ended March 31, 2022 June 30, 2022 and 2023, respectively and \$344,000 and \$385,000 for the six months ended June 30, 2022 and 2023, respectively.

#### Prepaid Agreements

Prepaid agreements not-to-compete are amortized over the term of the respective agreements, generally ranging from one to ten years. Amortization expense was \$148,000 \$142,000 and \$131,000 for the three months ended March 31, 2022 June 30, 2022 and 2023, respectively and \$290,000 and \$262,000 for the six months ended June 30, 2022 and 2023, respectively.

#### Internal-use Software

Internal-use software is amortized on a straight-line basis typically over three to five years. Amortization expense was \$56,000 \$55,000 and \$62,000 \$72,000 for the three months ended March 31, 2022 June 30, 2022 and 2023, respectively and \$111,000 and \$134,000 for the six months ended June 30, 2022 and 2023, respectively.

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The aggregate amortization expense for our capitalized commissions, prepaid agreements and internal-use software as of March 31, 2023 June 30, 2023 is as follows (in thousands):

Years ending December 31,	Years ending December 31,	Capitalized Commissions	Prepaid Agreements	Internal-use Software	Years ending December 31,	Years ending December 31,	Capitalized Commissions	Prepaid Agreements	Internal-use Software
Years ending December 31,	Years ending December 31,				Years ending December 31,	Years ending December 31,			
Remainder of 2023	Remainder of 2023	\$ 729	\$ 415	\$ 194	2023	2023	\$ 402	\$ 257	\$ 142
2024	2024	715	424	297	2024	2024	759	424	303
2025	2025	650	377	386	2025	2025	694	377	391
2026	2026	584	262	374	2026	2026	628	262	378
2027	2027	518	142	373	2027	2027	562	142	377
Thereafter	Thereafter	965	130	342	Thereafter	Thereafter	1,305	130	344
Total amortization expense	Total amortization expense	\$ 4,161	\$ 1,750	\$ 1,966	Total amortization expense	Total amortization expense	\$ 4,350	\$ 1,592	\$ 1,935

#### 11. CREDIT FACILITY AND ACQUISITION DEBT

At March 31, 2023 June 30, 2023, our senior secured revolving credit facility (the "Credit Facility") was comprised of: (i) a \$250.0 million revolving credit facility, including a \$15.0 million subfacility for letters of credit and a \$10.0 million swingline, and (ii) an accordion or incremental option allowing for future increases in the facility size by an additional amount of up to \$75.0 million in the aggregate in the form of increased revolving commitments or incremental term loans. The final maturity of the Credit Facility will occur on May 13, 2026.

Our obligations under the Credit Facility are unconditionally guaranteed on a joint and several basis by the same subsidiaries which guarantee the Senior Notes (as defined in Note 12) and certain of our subsequently acquired or organized domestic subsidiaries (collectively, the "Subsidiary Guarantors").

The Credit Facility contains customary affirmative covenants, including, but not limited to, covenants with respect to the use of proceeds, payment of taxes and other obligations, continuation of the Company's business and the maintenance of existing rights and privileges, the maintenance of property and insurance, amongst others.

In addition, the Credit Facility also contains customary negative covenants, including, but not limited to, covenants that restrict (subject to certain exceptions) the ability of the Company and the Subsidiary Guarantors to incur indebtedness, grant liens, make investments, engage in mergers and acquisitions, and pay dividends and other restricted payments, and certain financial maintenance covenants. At March 31, 2023 June 30, 2023, we were subject to the following financial covenants under our Credit Facility: (A) a Total Leverage Ratio not to exceed 6.00 to 1.00 and (B) a Fixed Charge Coverage Ratio (as defined in the Credit Facility) of not less than 1.20 to 1.00 as of the end of any period of four consecutive fiscal quarters. These financial maintenance covenants are calculated for the Company and its subsidiaries on a consolidated basis. We were in compliance with all of the covenants contained in our Credit Facility as of March 31, 2023 June 30, 2023.

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Our Credit Facility and acquisition debt consisted of the following (in thousands):

		December 31, 2022		March 31, 2023		December 31, 2022		June 30, 2023
Credit Facility	Credit Facility	\$ 190,700		\$ 213,600		Credit Facility	\$ 190,700	\$ 204,000
Debt issuance costs, net of accumulated amortization of \$1,926 and \$2,064, respectively		(1,864)		(1,720)		Debt issuance costs, net of accumulated amortization of \$1,926 and \$2,202, respectively	(1,864)	(1,582)
Debt issuance costs, net of accumulated amortization of \$1,926 and \$2,202, respectively						Debt issuance costs, net of accumulated amortization of \$1,926 and \$2,202, respectively	(1,864)	(1,582)
Total Credit Facility	Total Credit Facility	\$ 188,836		\$ 211,880		Total Credit Facility	\$ 188,836	\$ 202,418
Acquisition debt	Acquisition debt	\$ 3,993		\$ 3,971		Acquisition debt	\$ 3,993	\$ 3,948
Less: current portion	Less: current portion	(555)		(567)		Less: current portion	(555)	(578)
Total acquisition debt, net of current portion	Total acquisition debt, net of current portion	\$ 3,438		\$ 3,404		Total acquisition debt, net of current portion	\$ 3,438	\$ 3,370

At March 31, 2023 June 30, 2023, we had outstanding borrowings under the Credit Facility of \$213.6 million \$204.0 million. We also had one letter of credit for \$2.3 million under the Credit Facility. The letter of credit will expire on November 27, 2023 and is expected to automatically renew annually and secures our obligations under our various self-insured policies. At March 31, 2023 June 30, 2023, we had \$34.1 million \$43.7 million of availability under the Credit Facility.

Outstanding borrowings under our Credit Facility bear interest at a prime rate or the Bloomberg Short-Term Bank Yield Index ("BSBY") rate, plus an applicable margin based on our leverage ratio. At March 31, 2023 June 30, 2023, the prime rate margin was equivalent to 2.375% 2.625% and the BSBY rate margin was 3.375% 3.625%. The weighted average interest rate on our Credit Facility was 2.1% 2.9% and 7.9% 8.6% for the three months ended March 31, 2022 June 30, 2022 and 2023, respectively and 2.5% and 8.3% for the six months ended June 30, 2022 and 2023, respectively.

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The interest expense and amortization of debt issuance costs related to our Credit Facility are as follows (in thousands):

		Three months ended March 31,		Three months ended June 30,		Six months ended June 30,	
		2022	2023	2022	2023	2022	2023
Credit Facility	Credit Facility	\$ 847	\$ 3,811	Credit Facility	\$ 1,314	\$ 4,668	\$ 2,161
interest expense	interest expense						

Credit Facility amortization of debt issuance costs	Credit Facility amortization of debt issuance costs	88	138	Credit Facility amortization of debt issuance costs	96	138	184	276
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Acquisition debt consists of deferred purchase price and promissory notes payable to sellers. A majority of the deferred purchase price and notes bear no interest and are discounted at imputed interest rates ranging from 7.3% to 10.0%. Original maturities range from nine to twenty years.

The imputed interest expense related to our acquisition debt is as follows (in thousands):

	Three months ended March 31,			
	2022	2023		
Acquisition debt imputed interest expense	\$ 80	\$ 71		
	Three months ended June 30,	Six months ended June 30,		
	2022	2023	2022	2023
Acquisition debt imputed interest expense	\$ 79	\$ 71	\$ 159	\$ 142

## 12. SENIOR NOTES

The carrying value of our 4.25% senior notes due 2029 (the "Senior Notes") is reflected on our Consolidated Balance Sheet as follows (in thousands):

	December 31, 2022		March 31, 2023		December 31, 2022		June 30, 2023	
	Long-term liabilities:	Principal amount	Long-term liabilities:	Principal amount	Long-term liabilities:	Principal amount	Long-term liabilities:	Principal amount
Long-term liabilities:								
Principal amount		\$ 400,000	\$ 400,000				\$ 400,000	\$ 400,000
Debt discount, net of accumulated amortization of \$794 and \$921, respectively		(3,706)	(3,579)					
Debt issuance costs, net of accumulated amortization of \$226 and \$262, respectively		(1,051)	(1,015)					
Debt discount, net of accumulated amortization of \$794 and \$1,049, respectively					Debt discount, net of accumulated amortization of \$794 and \$1,049, respectively		(3,706)	(3,451)
Debt issuance costs, net of accumulated amortization of \$226 and \$299, respectively					Debt issuance costs, net of accumulated amortization of \$226 and \$299, respectively		(1,051)	(978)
Carrying value of the Senior Notes	Carrying value of the Senior Notes	\$ 395,243	\$ 395,406	Carrying value of the Senior Notes			\$ 395,243	\$ 395,571

At March 31, 2023 June 30, 2023, the fair value of the Senior Notes, which are Level 2 measurements, was \$328.2 million \$343.1 million.

The Senior Notes were issued under an indenture, dated as of May 13, 2021 (the "Indenture"), among the Company, the Subsidiary Guarantors and Wilmington Trust, National Association, as trustee. The Senior Notes are unsecured, senior obligations and are fully and unconditionally guaranteed on a senior unsecured basis, jointly and severally by each of the Subsidiary Guarantors. The Senior Notes mature on May 15, 2029, unless earlier redeemed or purchased and bear interest at 4.25% per year, which is payable semi-annually in arrears on May 15 and November 15 of each year, beginning on November 15, 2021.

The Indenture contains restrictive covenants limiting our ability and our Restricted Subsidiaries (as defined in the Indenture) to, among other things, incur additional indebtedness or issue certain preferred shares, create liens on certain assets

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to secure debt, pay dividends or make other equity distributions, purchase or redeem capital stock, make certain investments, sell assets, agree to certain restrictions on the ability of Restricted Subsidiaries to make payments to us, consolidate, merge, sell or otherwise dispose of all or substantially all assets, or engage in transactions with affiliates. The Indenture also contains customary events of default.

The interest expense and amortization of debt discount and debt issuance costs related to our Senior Notes are as follows (in thousands):

	Three months ended March 31,		Three months ended June 30,		Six months ended June 30,		
	2022	2023	2022	2023	2022	2023	
Senior Notes	Senior Notes		Senior Notes		Senior Notes		
interest expense	\$ 4,250	\$ 4,250	interest expense	\$ 4,230	\$ 4,250	\$ 8,480	\$ 8,500

Senior Notes amortization of debt discount	Senior Notes amortization of debt discount	121	127	Senior Notes amortization of debt discount	122	128	243	255
Senior Notes amortization of debt issuance costs	Senior Notes amortization of debt issuance costs	34	36	Senior Notes amortization of debt issuance costs	35	37	69	73

The debt discount and the debt issuance costs are being amortized using the effective interest method over the remaining term of approximately 74.71 months of the Senior Notes. The effective interest rate on the unamortized debt discount and the unamortized debt issuance costs for the Senior Notes for both the three and six months ended March 31, 2022 and 2023 was 4.42% and 4.30%, respectively.

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### 13. LEASES

Our lease obligations consist of operating and finance leases related to real estate, equipment and vehicles. The components of lease cost are as follows (in thousands):

		Three months ended March 31,				Three months ended June 30,				Six months ended June 30,			
		Income Statement Classification		2022	2023	Income Statement Classification		2022	2023	Income Statement Classification		2022	2023
		Facilities and grounds expense <sup>(1)</sup>	Operating lease cost	\$ 848	\$ 875	Facilities and grounds expense <sup>(1)</sup>	Operating lease cost	\$ 853	\$ 917	Facilities and grounds expense <sup>(1)</sup>	Operating lease cost	\$ 1,701	\$ 1,792
Operating lease cost	Operating lease cost	Facilities and grounds expense <sup>(1)</sup>	Operating lease cost	102	94	Facilities and grounds expense <sup>(1)</sup>	Operating lease cost	76	92	Facilities and grounds expense <sup>(1)</sup>	Operating lease cost	178	186
Short-term lease cost	Short-term lease cost	Facilities and grounds expense <sup>(1)</sup>	Short-term lease cost	7	58	Facilities and grounds expense <sup>(1)</sup>	Short-term lease cost	16	56	Facilities and grounds expense <sup>(1)</sup>	Short-term lease cost	23	114
Variable lease cost	Variable lease cost	Facilities and grounds expense <sup>(1)</sup>	Variable lease cost	Depreciation of leased assets	Depreciation and amortization <sup>(2)</sup>	Depreciation of leased assets	Depreciation and amortization <sup>(2)</sup>	\$ 109	\$ 109	Depreciation of leased assets	Depreciation and amortization <sup>(2)</sup>	\$ 217	\$ 217
Finance lease cost:	Finance lease cost:	Finance lease cost:	Finance lease cost:	Interest on lease liabilities	Interest on lease liabilities	Interest on lease liabilities	Interest on lease liabilities	112	103	Interest on lease liabilities	Interest on lease liabilities	225	208
Depreciation of leased assets	Depreciation of leased assets	Depreciation and amortization <sup>(2)</sup>	Depreciation and amortization <sup>(2)</sup>	Total finance lease cost	Total finance lease cost	Total finance lease cost	Total finance lease cost	221	212	Total finance lease cost	Total finance lease cost	442	425
Interest on lease liabilities	Interest on lease liabilities	Interest expense	Interest expense	Total lease cost	Total lease cost	Total lease cost	Total lease cost	\$ 1,178	\$ 1,240	Total lease cost	Total lease cost	\$ 2,344	\$ 2,517

(1) Facilities and grounds expense is included within *Cost of service and General, administrative and other* on our Consolidated Statements of Operations.

(2) Depreciation and amortization expense is included within *Field depreciation expense and General, administrative and other* on our Consolidated Statements of Operations.

Supplemental cash flow information related to our leases is as follows (in thousands):

		Three months ended March 31,				Six months ended June 30,			
		2022		2023		2022		2023	
		Cash paid for operating leases included in operating activities	Cash paid for operating leases included in operating activities	Cash paid for operating leases included in operating activities	Cash paid for operating leases included in operating activities	Cash paid for operating leases included in operating activities	Cash paid for operating leases included in operating activities	Cash paid for operating leases included in operating activities	Cash paid for operating leases included in operating activities
Cash paid for operating leases included in operating activities	Cash paid for operating leases included in operating activities	\$ 897	\$ 951	\$ 1,795	\$ 1,934				

Cash paid for finance leases included in financing activities	Cash paid for finance leases included in financing activities	213	223	Cash paid for finance leases included in financing activities	426	447
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Right-of-use assets obtained in exchange for new leases is as follows (in thousands):

	Three months ended March 31,	
	2022	2023
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 178	\$ 908
Right-of-use assets obtained in exchange for new finance lease liabilities	—	—

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	Six months ended June 30,	
	2022	2023
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 576	\$ 1,067
Right-of-use assets obtained in exchange for new finance lease liabilities	—	—

Supplemental balance sheet information related to leases is as follows (in thousands):

Lease Type	Lease Type	Balance Sheet Classification	December 31, 2022	March 31, 2023	Lease Type	Balance Sheet Classification	December 31, 2022	June 30, 2023
Operating lease right-of-use assets	Operating lease right-of-use assets	<i>Operating lease right-of-use assets</i>	\$ 17,060	\$ 17,486	Operating lease right-of-use assets	<i>Operating lease right-of-use assets</i>	\$ 17,060	\$ 17,123
Finance lease right-of-use assets	Finance lease right-of-use assets	<i>Property, plant and equipment, net</i>	\$ 6,770	\$ 6,770	Finance lease right-of-use assets	<i>Property, plant and equipment, net</i>	\$ 6,770	\$ 6,770
Accumulated depreciation	Accumulated depreciation	<i>Property, plant and equipment, net</i>	(2,881)	(2,989)	Accumulated depreciation	<i>Property, plant and equipment, net</i>	(2,881)	(3,098)
Finance lease right-of-use assets, net	Finance lease right-of-use assets, net		\$ 3,889	\$ 3,781	Finance lease right-of-use assets, net		\$ 3,889	\$ 3,672
Operating lease current liabilities	Operating lease current liabilities	<i>Current portion of operating lease obligations</i>	\$ 2,203	\$ 2,477	Operating lease current liabilities	<i>Current portion of operating lease obligations</i>	\$ 2,203	\$ 2,581
Finance lease current liabilities	Finance lease current liabilities	<i>Current portion of finance lease obligations</i>	414	411	Finance lease current liabilities	<i>Current portion of finance lease obligations</i>	414	409
Total current lease liabilities	Total current lease liabilities		\$ 2,617	\$ 2,888	Total current lease liabilities		\$ 2,617	\$ 2,990
Operating lease non-current liabilities	Operating lease non-current liabilities	<i>Obligations under operating leases, net of current portion</i>	\$ 17,315	\$ 17,395	Operating lease non-current liabilities	<i>Obligations under operating leases, net of current portion</i>	\$ 17,315	\$ 16,860
Finance lease non-current liabilities	Finance lease non-current liabilities	<i>Obligations under finance leases, net of current portion</i>	4,743	4,641	Finance lease non-current liabilities	<i>Obligations under finance leases, net of current portion</i>	4,743	4,537
Total non-current lease liabilities	Total non-current lease liabilities		\$ 22,058	\$ 22,036	Total non-current lease liabilities		\$ 22,058	\$ 21,397
Total lease liabilities	Total lease liabilities		\$ 24,675	\$ 24,924	Total lease liabilities		\$ 24,675	\$ 24,387

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The average lease terms and discount rates at **March 31, 2023** **June 30, 2023** are as follows:

		Weighted-average remaining lease term (years)	Weighted-average discount rate		Weighted-average remaining lease term (years)	Weighted-average discount rate
Operating leases	Operating leases	8.5	8.1	% Operating leases	8.3	8.1
Finance leases	Finance leases	11.3	8.1	% Finance leases	11.1	8.1

The aggregate future lease payments for non-cancelable operating and finance leases at **March 31, 2023** **June 30, 2023** are as follows (in thousands):

		Operating	Finance		Operating	Finance
Lease payments due:	Lease payments due:			Lease payments due:		
Remainder of 2023	Remainder of 2023	\$ 2,938	\$ 647	Remainder of 2023	\$ 1,973	\$ 423
2024	2024	3,895	791	2024	3,942	791
2025	2025	3,604	736	2025	3,651	736
2026	2026	3,490	746	2026	3,528	746
2027	2027	3,349	746	2027	3,375	746
Thereafter	Thereafter	9,996	4,063	Thereafter	10,011	4,064
Total lease payments	Total lease payments	27,272	7,729	Total lease payments	26,480	7,506
Less: Interest	Less: Interest	(7,400)	(2,677)	Less: Interest	(7,039)	(2,560)
Present value of lease liabilities	Present value of lease liabilities	\$ 19,872	\$ 5,052	Present value of lease liabilities	\$ 19,441	\$ 4,946

At **March 31, 2023** **June 30, 2023**, we had no significant operating or finance leases that had not yet commenced.

#### 14. STOCKHOLDERS' EQUITY

##### Restricted Stock

Restricted stock activity is as follows (in thousands, except shares):

	Three months ended March 31,				Three months ended June 30,				Six months ended June 30,			
	2022		2023		2022		2023		2022		2023	
	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value
Granted <sup>(1)</sup>	Granted <sup>(1)</sup>	—	\$ —	142,020	\$ 4,634	Granted <sup>(1)</sup>	—	\$ —	—	\$ —	—	\$ 4,634
Returned for payroll taxes	Returned for payroll taxes	4,185	\$ 207	1,434	\$ 49	Returned for payroll taxes	(49)	\$ (2)	39	\$ 1	4,136	\$ 205
Cancelled	Cancelled	1,000	\$ 31	2,400	\$ 79	Cancelled	450	\$ 16	776	\$ 27	1,450	\$ 47
											142,020	\$ 4,634
											1,473	\$ 50
											1,826	\$ 61

(1) Restricted stock granted during the **three** six months ended March 31 **June 30** 2023 vests over a three-year period, if the employee has remained continuously employed by us during the vesting period, at a weighted average stock price of \$32.63.

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We recorded stock-based compensation expense, which is included in *General, administrative and other expenses*, for restricted stock awards of **\$57,000** **\$40,000** and **\$178,000**, **\$394,000**, for the three months ended **March 31, 2022** **June 30, 2022** and **2023**, respectively and **\$97,000** and **\$572,000** for the six months ended **June 30, 2022** and **2023**, respectively.

##### Stock Options

Stock option grants and cancellations are as follows (in thousands, except shares):

	Three months ended June 30,				Six months ended June 30,			
	2022		2023		2022		2023	

	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value
Granted <sup>(1)</sup>	—	\$ —	—	\$ —	58,500	\$ 959	214,191	\$ 2,506
Granted <sup>(2)</sup>	—	\$ —	—	\$ —	310,000	\$ 5,388	—	\$ —
Cancelled	18,138	\$ 214	13,810	\$ 152	25,138	\$ 285	101,850	\$ 1,334

(1) Stock options granted during the six months ended June 30, 2022 and 2023 had a weighted average price of \$49.48 and \$32.69, respectively. The fair value of these options was calculated using the Black-Scholes option pricing model. The options granted in 2022 vest over a five-year period and have a ten-year term. The options granted in 2023 vest over a three-year period and have a ten-year term. These options will vest if the employee has remained continuously employed by us through the vesting period.

(2) Stock options granted during the six months ended June 30, 2022 had a weighted average price of \$49.48. The fair value of these options was calculated using the Black-Scholes option pricing model and vest over a seven-year period and have a ten-year term. These options will vest if the employee has remained continuously employed by us through the vesting period.

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The fair value of the options granted during the six months ended June 30, 2023 was estimated using the Black-Scholes option pricing model with the following assumptions:

Grant Date	February 22, 2023
Expected holding period (years)	4.00
Awards granted	214,191
Dividend yield	1.38%
Expected volatility	43.68%
Risk-free interest rate	4.27%
Black-Scholes value	\$11.70

Additional stock option activity is as follows (in thousands, except shares):

	Three months ended June 30,				Six months ended June 30,			
	2022		2023		2022		2023	
	Shares	Cash	Shares	Cash	Shares	Cash	Shares	Cash
Exercised <sup>(1)</sup>	—	N/A	17,300	N/A	18,736	N/A	29,300	N/A
Returned for option price <sup>(2)</sup>	—	\$ —	12,652	\$ —	8,125	\$ 60	22,797	\$ —
Returned for payroll taxes <sup>(3)</sup>	—	\$ —	736	\$ 20	1,601	\$ 82	1,465	\$ 41

(1) Stock options exercised during the three months ended June 30, 2023 had a weighted average exercise price of \$20.06 with an aggregate intrinsic value of \$0.2 million. Stock options exercised during the six months ended June 30, 2022 and 2023 had a weighted average exercise price of \$25.88 and \$22.26, respectively, with an aggregate intrinsic value of \$0.5 million and \$0.3 million, respectively.

(2) Represents shares withheld/cash received for the payment of the option price.

(3) Represents shares withheld/cash paid for the payment of payroll taxes.

We recorded stock-based compensation expense, which is included in *General, administrative and other expenses*, for stock options of \$550,000 and \$735,000, for the three months ended June 30, 2022 and 2023, respectively and \$1,188,000 and \$1,445,000 for the six months ended June 30, 2022 and 2023, respectively.

#### Performance Awards

Performance award activity is as follows (in thousands, except shares):

	Three months ended June 30,				Six months ended June 30,			
	2022		2023		2022		2023	
	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value
Granted	23,263	\$ 1,100	—	\$ —	27,013	\$ 1,262	—	\$ —
Cancelled	13,974	\$ 134	2,795	\$ 27	20,961	\$ 201	40,181	\$ 1,012

We recorded stock-based compensation expense, which is included in *General, administrative and other expenses*, for performance awards of \$637,000 and \$665,000 for the three months ended June 30, 2022 and 2023, respectively and \$1,203,000 and \$728,000 for the six months ended June 30, 2022 and 2023, respectively.

#### Employee Stock Purchase Plan

ESPP activity is as follows (in thousands, except shares):

	Three months ended June 30,				Six months ended June 30,			
	2022		2023		2022		2023	
	Shares	Price	Shares	Price	Shares	Price	Shares	Price
ESPP	11,796	\$ 33.70	16,386	\$ 24.28	25,089	\$ 39.86	38,042	\$ 24.28

The fair value of the right (option) to purchase shares under the ESPP is estimated at the date of purchase with the four quarterly purchase dates using the following assumptions:

	2023
Dividend yield	1.30%
Expected volatility	53.51%
Risk-free interest rate	4.53%, 4.77%, 4.75%, 4.72%
Expected life (years)	0.25, 0.50, 0.75, 1.00

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We recorded stock-based compensation expense, which is included in *General, administrative and other expenses* and *Regional and unallocated funeral and cemetery costs*, for the ESPP totaling \$152,000 and \$163,000 for the three months ended June 30, 2022 and 2023, respectively and \$351,000 and \$415,000 for the six months ended June 30, 2022 and 2023 respectively.

#### Common Stock Options

Common stock activity is Stock option grants and cancellations are as follows (in thousands, except shares):

	Three months ended March 31,				Three months ended June 30,				Six months ended June 30,			
	2022		2023		2022		2023		2022		2023	
	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Shares	Value	Shares	Value
Granted <sup>(1)</sup>	Granted <sup>(1)</sup>	—	\$ —	30,000	\$ 826	Granted <sup>(1)</sup>	—	\$ —	—	\$ —	58,500	\$ 959
Returned for payroll taxes		—	\$ —	1,001	\$ 28						214,191	\$ 2,506
Granted <sup>(2)</sup>						Granted <sup>(2)</sup>	—	\$ —	—	\$ —	310,000	\$ 5,388
Cancelled						Cancelled	18,138	\$ 214	13,810	\$ 152	25,138	\$ 285
											101,850	\$ 1,334

(1) During Stock options granted during the six months ended June 30, 2022 and 2023 had a weighted average price of \$49.48 and \$32.69, respectively. The fair value of these options was calculated using the Black-Scholes option pricing model. The options granted in 2022 vest over a five-year period and have a ten-year term. The options granted in 2023 vest over a three-year period and have a ten-year term. These options will vest if the employee has remained continuously employed by us through the vesting period.

(2) Stock options granted during the six months ended June 30, 2022 had a weighted average price of \$49.48. The fair value of these options was calculated using the Black-Scholes option pricing model and vest over a seven-year period and have a ten-year term. These options will vest if the employee has remained continuously employed by us through the vesting period.

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The fair value of the options granted during the six months ended June 30, 2023 was estimated using the Black-Scholes option pricing model with the following assumptions:

Grant Date	February 22, 2023
Expected holding period (years)	4.00
Awards granted	214,191
Dividend yield	1.38%
Expected volatility	43.68%
Risk-free interest rate	4.27%
Black-Scholes value	\$11.70

Additional stock option activity is as follows (in thousands, except shares):

	Three months ended June 30,				Six months ended June 30,			
	2022		2023		2022		2023	
	Shares	Cash	Shares	Cash	Shares	Cash	Shares	Cash
Exercised <sup>(1)</sup>	—	N/A	17,300	N/A	18,736	N/A	29,300	N/A
Returned for option price <sup>(2)</sup>	—	\$ —	12,652	\$ —	8,125	\$ 60	22,797	\$ —
Returned for payroll taxes <sup>(3)</sup>	—	\$ —	736	\$ 20	1,601	\$ 82	1,465	\$ 41

(1) Stock options exercised during the three months ended March 31, 2023, we issued 30,000 shares of common stock to C. Benjamin Brink (former executive) at June 30, 2023 had a stock weighted average exercise price of \$27.54, in accordance \$20.06 with his Separation an aggregate intrinsic value of \$0.2 million. Stock options exercised during the six months ended June 30, 2022 and Release agreement pertaining to his resignation from his position as 2023 had a weighted average exercise price of \$25.88 and \$22.26, respectively, with an aggregate intrinsic value of \$0.5 million and \$0.3 million, respectively.

(2) Represents shares withheld/cash received for the Company's Executive Vice President, Chief Financial Officer & Treasurer (Principal Financial Officer) effective January 2, 2023, payment of the option price.

(3) Represents shares withheld/cash paid for the payment of payroll taxes.

We recorded stock-based compensation expense, which is included in *General, administrative and other expenses*, for common stock awards options of \$826,000, \$550,000 and \$735,000, for the three months ended March 31, 2023, June 30, 2022 and 2023, respectively and \$1,188,000 and \$1,445,000 for the six months ended June 30, 2022 and 2023, respectively.

#### Performance Awards

Performance award activity is as follows (in thousands, except shares):

	Three months ended June 30,				Six months ended June 30,			
	2022		2023		2022		2023	
	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value
Granted	23,263	\$ 1,100	—	\$ —	27,013	\$ 1,262	—	\$ —
Cancelled	13,974	\$ 134	2,795	\$ 27	20,961	\$ 201	40,181	\$ 1,012

We recorded stock-based compensation expense, which is included in *General, administrative and other expenses*, for performance awards of \$637,000 and \$665,000 for the three months ended June 30, 2022 and 2023, respectively and \$1,203,000 and \$728,000 for the six months ended June 30, 2022 and 2023, respectively.

#### Employee Stock Purchase Plan

ESPP activity is as follows (in thousands, except shares):

	Three months ended June 30,				Six months ended June 30,			
	2022		2023		2022		2023	
	Shares	Price	Shares	Price	Shares	Price	Shares	Price
ESPP	11,796	\$ 33.70	16,386	\$ 24.28	25,089	\$ 39.86	38,042	\$ 24.28

The fair value of the right (option) to purchase shares under the ESPP is estimated at the date of purchase with the four quarterly purchase dates using the following assumptions:

	2023
Dividend yield	1.30%
Expected volatility	53.51%
Risk-free interest rate	4.53%, 4.77%, 4.75%, 4.72%
Expected life (years)	0.25, 0.50, 0.75, 1.00

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We recorded stock-based compensation expense, which is included in *General, administrative and other expenses and Regional and unallocated funeral and cemetery costs*, for the ESPP totaling \$152,000 and \$163,000 for the three months ended June 30, 2022 and 2023, respectively and \$351,000 and \$415,000 for the six months ended June 30, 2022 and 2023 respectively.

#### Stock Options

Stock option grants and cancellations are as follows (in thousands, except shares):

	Three months ended March 31,				Three months ended June 30,				Six months ended June 30,			
	2022		2023		2022		2023		2022		2023	
	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value
Granted <sup>(1)</sup>	Granted <sup>(1)</sup>	58,500	\$ 959	214,191	\$ 2,506	Granted <sup>(1)</sup>	—	\$ —	—	\$ —	58,500	\$ 959
Granted <sup>(2)</sup>	Granted <sup>(2)</sup>	310,000	\$ 5,388	—	\$ —	Granted <sup>(2)</sup>	—	\$ —	—	\$ —	310,000	\$ 5,388
Cancelled	Cancelled	7,000	\$ 71	92,440	\$ 1,231	Cancelled	18,138	\$ 214	13,810	\$ 152	25,138	\$ 285
											101,850	\$ 1,334

(1) Stock options granted during the **three** **six** months ended **March 31, 2022** **June 30, 2022** and 2023 had a weighted average price of \$49.48 and \$32.69, respectively. The fair value of these options was calculated using the Black-Scholes option pricing model. The options granted in 2022 vest over a five-year period and have a ten-year term. The options granted in 2023 vest over a three-year period and have a ten-year term. These options will vest if the employee has remained continuously employed by us through the vesting period.

(2) Stock options granted during the **three** **six** months ended **March 31, 2022** **June 30, 2022** had a weighted average price of \$49.48. The fair value of these options was calculated using the Black-Scholes option pricing model and vest over a seven-year period and have a ten-year term. These options will vest if the employee has remained continuously employed by us through the vesting period.

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The fair value of the options granted during the **three** **six** months ended **March 31, 2023** **June 30, 2023** was estimated using the Black-Scholes option pricing model with the following assumptions:

Grant Date	February 22, 2023
Expected holding period (years)	4.00
Awards granted	214,191
Dividend yield	1.38%
Expected volatility	43.68%
Risk-free interest rate	4.27%
Black-Scholes value	\$11.70

Additional stock option activity is as follows (in thousands, except shares):

	Three months ended March 31,				Three months ended June 30,				Six months ended June 30,			
	2022		2023		2022		2023		2022		2023	
	Shares	Cash	Shares	Cash	Shares	Cash	Shares	Cash	Shares	Cash	Shares	Cash
Exercised <sup>(1)</sup>	Exercised <sup>(1)</sup>	18,736	N/A	12,000	N/A	Exercised <sup>(1)</sup>	—	N/A	17,300	N/A	18,736	N/A
Returned for option price <sup>(2)</sup>	Returned for option price <sup>(2)</sup>	8,125	\$ 60	10,145	\$ —	Returned for option price <sup>(2)</sup>	—	\$ —	12,652	\$ —	8,125	\$ 60
Returned for payroll taxes <sup>(3)</sup>	Returned for payroll taxes <sup>(3)</sup>	1,601	\$ 82	729	\$ 21	Returned for payroll taxes <sup>(3)</sup>	—	\$ —	736	\$ 20	1,601	\$ 82
											1,465	\$ 41

(1) Stock options exercised during the three months ended **March 31, 2022** **June 30, 2023** had a weighted average exercise price of \$20.06 with an aggregate intrinsic value of \$0.2 million. Stock options exercised during the six months ended **June 30, 2022** and 2023 had a weighted average exercise price of \$25.88 and \$25.43, \$22.26, respectively, with an aggregate intrinsic value of \$0.5 million and \$0.1 million \$0.3 million, respectively.

(2) Represents shares withheld/cash received for the payment of the option price.

(3) Represents shares withheld/cash paid for the payment of payroll taxes.

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We recorded stock-based compensation expense, which is included in *General, administrative and other expenses*, for stock options of \$638,000 \$550,000 and \$710,000, \$735,000, for the three months ended **March 31, 2022** **June 30, 2022** and 2023, respectively and \$1,188,000 and \$1,445,000 for the six months ended **June 30, 2022** and 2023, respectively.

#### Performance Awards

Performance award activity is as follows (in thousands, except shares):

	Three months ended March 31,				Three months ended June 30,				Six months ended June 30,			
	2022		2023		2022		2023		2022		2023	
	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value
Granted	Granted	3,750	\$ 162	—	\$ —	Granted	23,263	\$ 1,100	—	\$ —	27,013	\$ 1,262
Cancelled	Cancelled	6,987	\$ 67	40,804	\$ 1,119	Cancelled	13,974	\$ 134	2,795	\$ 27	20,961	\$ 201
											40,181	\$ 1,012

We recorded stock-based compensation expense, which is included in *General, administrative and other expenses*, for performance awards of \$566,000 \$637,000 and \$63,000 \$665,000 for the three months ended **March 31, 2022** **June 30, 2022** and 2023, respectively and \$1,203,000 and \$728,000 for the six months ended **June 30, 2022** and 2023, respectively.

#### Employee Stock Purchase Plan

ESPP activity is as follows (in thousands, except shares):

	Three months ended March 31,			
	2022		2023	
	Shares	Price	Shares	Price
ESPP	13,293	\$ 45.33	21,656	\$ 24.28

The fair value of the right (option) to purchase shares under the ESPP is estimated at the date of purchase with the four quarterly purchase dates using the following assumptions:

	2023
Dividend yield	1.30%
Expected volatility	53.51%
Risk-free interest rate	4.53%, 4.77%, 4.75%, 4.72%
Expected life (years)	0.25, 0.50, 0.75, 1.00

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We recorded stock-based compensation expense, which is included in *General, administrative and other expenses* and *Regional and unallocated funeral and cemetery costs*, for the ESPP totaling \$199,000 \$152,000 and \$252,000 \$163,000 for the three months ended March 31, 2022 June 30, 2022 and 2023, respectively and \$351,000 and \$415,000 for the six months ended June 30, 2022 and 2023 respectively.

### Common Stock

### Former Employee

Common stock activity is as follows (in thousands, except shares):

	Three months ended June 30,				Six months ended June 30,			
	2022		2023		2022		2023	
	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value
Granted (1)	—	\$ —	—	\$ —	—	\$ —	30,000	\$ 826
Returned for payroll taxes	—	\$ —	—	\$ —	—	\$ —	1,001	\$ 28

(1) During the six months ended June 30, 2023, we issued 30,000 shares of common stock to a former executive at a stock price of \$27.54, in accordance with his Separation and Release agreement pertaining to his resignation from his position as the Company's Executive Vice President, Chief Financial Officer & Treasurer effective January 2, 2023.

We recorded stock-based compensation expense, which is included in *General, administrative and other expenses*, for common stock awards of \$826,000, for the six months ended June 30, 2023.

## Good To Great Incentive Program

During the three six months ended March 31, 2023 June 30, 2023, we issued 8,444 shares of our common stock to certain employees, which were valued at \$0.3 million at a grant date stock price of \$32.69. During the three six months ended March 31, 2022 June 30, 2022, we issued 27,448 shares of our common stock to certain employees, which were valued at \$1.4 million at a grant date stock price of \$49.48.

### *Non-Employee Director and Board Advisor Compensation*

Non-Employee Director and Board Advisor common stock activity is as follows (in thousands, except shares):

	Three months ended March 31,				Three months ended June 30,				Six months ended June 30,			
	2022		2023		2022		2023		2022		2023	
	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value
Board of Directors(1)	Board of Directors(1)	2,669	\$ 142	3,518	\$ 107	Board of Directors(1)	2,372	\$ 94	1,077	\$ 35	5,041	\$ 236
											4,595	\$ 142

Advisor to the Board (1)	Advisor to the Board (1)	93	\$ 5	163	\$ 5	Advisor to the Board (1)	126	\$ 5	153	\$ 5	219	\$ 10	316	\$ 10
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(1) Common stock granted during the three months ended **March 31, 2022** June 30, 2022 and 2023 had a weighted average price of **\$53.33** \$39.65 and **\$30.52** \$32.47, respectively and \$46.83 and \$31.01 for six months ended June 30, 2022 and 2023, respectively.

On June 21, 2023, the Board elected Chad Fargason to serve as a Class II Director until the 2025 annual meeting of shareholders. Mr. Fargason was appointed to serve as the chairperson of the Corporate Governance Committee and a member of the Audit Committee. Concurrently with his appointment, the Board granted Mr. Fargason 910 shares of our common stock under our Director Compensation Policy, which were valued at approximately \$25,000 based on the closing price on the grant date.

We recorded compensation expense, which is included in *General, administrative and other expenses*, related to annual retainers, including the value of stock granted to non-employee Directors and an advisor to our Board, of **\$201,000** \$184,000 and **\$166,000** \$189,000 for the three months ended **March 31, 2022** June 30, 2022 and 2023, respectively and \$385,000 and \$355,000 for the six months ended June 30, 2022 and 2023, respectively.

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#### Share Repurchase

Share repurchase activity is as follows (dollar value in thousands):

	Three months ended March 31				Three months ended June 30,				Six months ended June 30,			
	2022		2023		2022		2023		2022		2023	
Number of Shares	Number of Shares				Number of Shares							
Repurchased <sup>(1)</sup>	Repurchased <sup>(1)</sup>	490,000		—	Repurchased <sup>(1)</sup>	205,496		—	695,496		—	
Average Price Paid	Average Price Paid				Average Price Paid							
Per Share	Per Share	\$ 53.08		\$ —	Per Share	\$ 40.02		\$ —	\$ 49.22		\$ —	
Dollar Value of Shares	Dollar Value of Shares				Dollar Value of Shares							
Repurchased <sup>(1)</sup>	Repurchased <sup>(1)</sup>	\$ 26,010		\$ —	Repurchased <sup>(1)</sup>	\$ 8,224		\$ —	\$ 34,234		\$ —	

(1) During the three months ended March 31, 2022, 52,242 shares settled in April 2022, which had a cost of \$2.8 million.

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Our shares were purchased in the open market at times and in amounts as management determined appropriate based on factors such as market conditions, legal requirements and other business considerations. Shares purchased pursuant to the repurchase program are currently held as treasury stock. At **March 31, 2023** June 30, 2023, our share repurchase program had \$48.9 million authorized for repurchases.

#### Cash Dividend

Our Board declared the following dividends payable on the dates below (in thousands, except per share amounts):

2023	2023	Per Share	Dollar Value	2023	2023	Per Share	Dollar Value
March 1st	March 1st	\$ 0.1125	\$ 1,661	March 1st	\$ 0.1125	\$ 1,661	
June 1st				June 1st	\$ 0.1125	\$ 1,679	
2022	2022	Per Share	Dollar Value	2022	2022	Per Share	Dollar Value
March 1st	March 1st	\$ 0.1125	\$ 1,725	March 1st	\$ 0.1125	\$ 1,725	
June 1st				June 1st	\$ 0.1125	\$ 1,730	

#### 15. EARNINGS PER SHARE

The following table sets forth the computation of the basic and diluted earnings per share (in thousands, except per share data):

	Three months ended March 31,							
	2022		2023					
<b>Numerator for basic and diluted earnings per share:</b>								
Net income								
Less: Earnings allocated to unvested restricted stock	\$ 16,402	\$ 8,844						
Income attributable to common stockholders	(15)	(71)						
	\$ 16,387	\$ 8,773						

**Denominator:**

Denominator for basic earnings per common share - weighted average shares outstanding	15,244	14,758
Effect of dilutive securities:		
Stock options	409	99
Performance awards	716	611
Denominator for diluted earnings per common share - weighted average shares outstanding	<u>16,369</u>	<u>15,468</u>
Basic earnings per common share:	\$ 1.07	\$ 0.59
Diluted earnings per common share:	\$ 1.00	\$ 0.57

For the three months ended March 31, 2023, 1,129,210 stock

	Three months ended June 30,		Six months ended June 30,	
	2022	2023	2022	2023
<b>Numerator for basic and diluted earnings per share:</b>				
Net income	\$ 10,899	\$ 8,286	\$ 27,301	\$ 17,130
Less: Earnings allocated to unvested restricted stock	(6)	(79)	(20)	(150)
Income attributable to common stockholders	<u>\$ 10,893</u>	<u>\$ 8,207</u>	<u>27,281</u>	<u>16,980</u>
<b>Denominator:</b>				
Denominator for basic earnings per common share - weighted average shares outstanding	14,798	14,793	15,020	14,776
Effect of dilutive securities:				
Stock options	226	50	325	74
Performance awards	688	611	688	611
Denominator for diluted earnings per common share - weighted average shares outstanding	<u>15,712</u>	<u>15,454</u>	<u>16,033</u>	<u>15,461</u>
Basic earnings per common share:	\$ 0.74	\$ 0.55	\$ 1.82	\$ 1.14
Diluted earnings per common share:	<u>\$ 0.69</u>	<u>\$ 0.53</u>	<u>\$ 1.70</u>	<u>\$ 1.10</u>

Stock options were excluded from the computation of diluted earnings per share because the inclusion of such stock options would result in an antidilutive effect. For the three months ended March 31, 2022, no stock options were excluded from the computation of diluted earnings per share. effect are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2023	2020	2023
Antidilutive stock options	366,038	1,236,490	259,359	1,183,146

Our performance awards are considered to be contingently issuable shares because their issuance is contingent upon the satisfaction of certain performance and service conditions. At March 31, 2023 June 30, 2023, we had satisfied certain performance criteria for the first, second and third predetermined growth targets of our performance awards to be considered outstanding. Therefore, we included these awards in the computation of diluted earnings per share as of the beginning of the reporting period.

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**16. SEGMENT REPORTING**

Revenue, disaggregated by major source for each of our reportable segments was as follows (in thousands):

Three months ended March 31, 2023		Three months ended June 30, 2023		
		Funeral	Cemetery	Total
Services	Services	\$ 43,602	\$ 4,605	\$ 48,207
Services	Services	\$ 39,799	\$ 4,723	\$ 44,522

Merchandise	Merchandise	22,969	3,934	26,903	Merchandise	21,211	4,244	25,455
Cemetery property	Cemetery property	—	13,108	13,108	Cemetery property	—	20,175	20,175
Other revenue	Other revenue	3,514	3,782	7,296	Other revenue	3,495	4,031	7,526
Total	Total	\$ 70,085	\$ 25,429	\$ 95,514	Total	\$ 64,505	\$ 33,173	\$ 97,678

Three months ended March 31, 2022

Three months ended June 30, 2022			Three months ended June 30, 2022					
Services	Services	\$ 45,516	\$ 4,221	\$ 49,737	Services	\$ 38,140	\$ 4,410	\$ 42,550
Merchandise	Merchandise	25,285	3,101	28,386	Merchandise	20,525	3,777	24,302
Cemetery property	Cemetery property	—	13,226	13,226	Cemetery property	—	16,974	16,974
Other revenue	Other revenue	3,554	3,258	6,812	Other revenue	3,273	3,501	6,774
Total	Total	\$ 74,355	\$ 23,806	\$ 98,161	Total	\$ 61,938	\$ 28,662	\$ 90,600

Six months ended June 30, 2023

	Funeral	Cemetery	Total
Services	\$ 83,401	\$ 9,328	\$ 92,729
Merchandise	44,180	8,178	52,358
Cemetery property	—	33,283	33,283
Other revenue	7,009	7,813	14,822
Total	\$ 134,590	\$ 58,602	\$ 193,192

Six months ended June 30, 2022

	Funeral	Cemetery	Total
Services	\$ 83,656	\$ 8,631	\$ 92,287
Merchandise	45,810	6,878	52,688
Cemetery property	—	30,200	30,200
Other revenue	6,827	6,759	13,586
Total	\$ 136,293	\$ 52,468	\$ 188,761

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The following table presents operating income (loss), income (loss) before income taxes and total assets (in thousands):

	Funeral	Cemetery	Corporate	Consolidated
Operating income (loss):				
Three months ended March 31, 2023	\$ 22,192	\$ 8,613	\$ (10,171)	\$ 20,634
Three months ended March 31, 2022	25,463	8,218	(8,530)	25,151
Income (loss) before income taxes:				
Three months ended March 31, 2023	\$ 22,333	\$ 8,672	\$ (18,659)	\$ 12,346
Three months ended March 31, 2022	27,209	8,259	(13,984)	21,484
Total assets:				
March 31, 2023	\$ 795,205	\$ 412,342	\$ 17,437	\$ 1,224,984
December 31, 2022	779,500	396,389	17,061	1,192,950

	<b>Funeral</b>	<b>Cemetery</b>	<b>Corporate</b>	<b>Consolidated</b>
Operating income (loss):				
Three months ended June 30, 2023	\$ 17,898	\$ 13,039	\$ (10,199)	\$ 20,738
Three months ended June 30, 2022	18,485	10,421	(9,181)	19,725
Six months ended June 30, 2023	\$ 40,091	\$ 21,651	\$ (20,370)	\$ 41,372
Six months ended June 30, 2022	43,947	18,639	(17,710)	44,876
Income (loss) before income taxes:				
Three months ended June 30, 2023	\$ 18,112	\$ 13,183	\$ (19,593)	\$ 11,702
Three months ended June 30, 2022	19,765	10,427	(15,072)	15,120
Six months ended June 30, 2023	\$ 40,446	\$ 21,854	\$ (38,252)	\$ 24,048
Six months ended June 30, 2022	46,973	18,686	(29,055)	36,604
Total assets:				
June 30, 2023	\$ 796,043	\$ 429,272	\$ 16,771	\$ 1,242,086
December 31, 2022	779,500	396,389	17,061	1,192,950

## 17. SUPPLEMENTARY DATA

### Balance Sheet

The following table presents the detail of certain balance sheet accounts (in thousands):

		<b>December 31, 2022</b>	<b>March 31, 2023</b>		<b>December 31, 2022</b>	<b>June 30, 2023</b>
Prepaid and other current assets:	Prepaid and other current assets:			Prepaid and other current assets:		
Prepaid expenses	Prepaid expenses	\$ 4,077	\$ 3,582	Prepaid expenses	\$ 4,077	\$ 2,803
Federal income taxes receivable	Federal income taxes receivable	507	—	Federal income taxes receivable	507	678
Other current assets	Other current assets	149	5,406	Other current assets	149	129
Total prepaid and other current assets	Total prepaid and other current assets	\$ 4,733	\$ 8,988	Total prepaid and other current assets	\$ 4,733	\$ 3,610
Current portion of debt and lease obligations:	Current portion of debt and lease obligations:			Current portion of debt and lease obligations:		
Acquisition debt	Acquisition debt	\$ 555	\$ 567	Acquisition debt	\$ 555	\$ 578
Finance lease obligations	Finance lease obligations	414	411	Finance lease obligations	414	409
Operating lease obligations	Operating lease obligations	2,203	2,477	Operating lease obligations	2,203	2,581
Total current portion of debt and lease obligations	Total current portion of debt and lease obligations	\$ 3,172	\$ 3,455	Total current portion of debt and lease obligations	\$ 3,172	\$ 3,568
Accrued and other liabilities:	Accrued and other liabilities:			Accrued and other liabilities:		
Incentive compensation	Incentive compensation	\$ 12,140	\$ 5,348	Incentive compensation	\$ 12,140	\$ 8,337
Insurance	Insurance	3,051	4,265	Insurance	3,051	4,134
Unrecognized tax benefit	Unrecognized tax benefit	3,294	3,316	Unrecognized tax benefit	3,294	3,338
Vacation	Vacation	3,430	3,538	Vacation	3,430	3,714

Interest	Interest	2,329	6,713	Interest	2,329	2,462
Salaries and wages	Salaries and wages	2,263	3,875	Salaries and wages	2,263	2,310
Employee meetings and award trips	Employee meetings and award trips	746	798	Employee meetings and award trips	746	552
Commissions	Commissions	743	640	Commissions	743	974
Income tax payable	Income tax payable	459	3,380	Income tax payable	459	168
Ad valorem and franchise taxes	Ad valorem and franchise taxes	455	1,165	Ad valorem and franchise taxes	455	1,634
Perpetual care trust payable	Perpetual care trust payable	222	532	Perpetual care trust payable	222	400
Other accrued liabilities	Other accrued liabilities	1,489	1,340	Other accrued liabilities	1,489	1,541
Total accrued and other liabilities	Total accrued and other liabilities	\$ 30,621	\$ 34,910	Total accrued and other liabilities	\$ 30,621	\$ 29,564
Other long-term liabilities:	Other long-term liabilities:			Other long-term liabilities:		
Incentive compensation	Incentive compensation	\$ 2,541	\$ 552	Incentive compensation	\$ 2,541	\$ 1,042
Other long-term liabilities	Other long-term liabilities	524	386	Other long-term liabilities	524	257
Total other long-term liabilities	Total other long-term liabilities	\$ 3,065	\$ 938	Total other long-term liabilities	\$ 3,065	\$ 1,299

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## Cash Flow

The following information is supplemental disclosure for the Consolidated Statements of Cash Flows (in thousands):

	Three months ended March 31,			Six months ended June 30,		
			2023			2023
	2022	2023		2022	2023	
Cash paid for interest	Cash paid for interest	\$ 927	\$ 3,782	Cash paid for interest	\$ 10,901	\$ 17,056
Cash paid for taxes	Cash paid for taxes	1,540	230	Cash paid for taxes	4,495	7,329
Unsettled share repurchases		2,784	—			

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## CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

In addition to historical information, this Quarterly Report on Form 10-Q contains certain statements and information that may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical information, should be deemed to be forward-looking statements. Words such as "may", "will", "estimate", "intend", "believe", "expect", "seek", "project", "forecast", "foresee", "should", "would", "could", "plan", "anticipate" and other similar words or expressions may be used to identify forward-looking statements; however, the absence of these words does not mean that the statements are not forward-looking. These forward-looking statements include, but are not limited to, statements regarding any projections of earnings, revenue, cash flow, investment returns, capital allocation, debt levels, equity performance, death rates, market share growth, overhead, including talent recruitment, field and corporate incentive compensation, or other financial items; any statements of the plans, strategies and objectives of management for future operations or financing activities, including, but not limited to, capital allocation, the ability to obtain credit or financing, organizational performance, anticipated integration, performance and other benefits of recently completed and anticipated acquisitions, and cost and debt reductions; any statements of the plans, timing and objectives of management for acquisition and divestiture activities; any statements regarding future economic and market conditions or performance; any statements regarding the timing of the strategic alternatives review; the outcome of the strategic alternatives review, including whether any transaction occurs, at all; any statements of belief; and any statements of assumptions underlying any of the foregoing and are based on our current

expectations and beliefs concerning future developments and their potential effect on us. While we believe these assumptions concerning future events are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we anticipate. All comments concerning our expectations for future revenue and operating results are based on our forecasts for our existing operations and do not include the potential impact of any future acquisitions. Our forward-looking statements involve significant risks and uncertainties (some of which are beyond our control) and assumptions that could cause actual results to differ materially from our historical experience and our present expectations or projections. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to:

- our ability to find and retain skilled personnel;
- the effects of our talent recruitment efforts, incentive and compensation plans and programs, including such effects on our Standards Operating Model and the Company's operational and financial performance;
- our ability to execute our growth ~~strategy; strategy, if at all;~~;
- our ability to execute and meet the objectives of our High Performance and Credit Profile Restoration Plan, if at all;
- the execution of our Standards Operating, 4E Leadership and Strategic Acquisition Models;
- the effects of competition;
- changes in the number of deaths in our markets;
- changes in consumer preferences and our ability to adapt to or meet those changes;
- our ability to generate preneed sales, including implementing our cemetery portfolio sales strategy, product development and optimization plans;
- the investment performance of our funeral and cemetery trust funds;
- fluctuations in interest rates;
- the effects of inflation on our operational and financial performance, including the increased overall costs for our goods and services, the impact on customer preferences as a result of changes in discretionary income, and our ability, if at all, to mitigate such effects;
- our ability to obtain debt or equity financing on satisfactory terms to fund additional acquisitions, expansion projects, working capital requirements and the repayment or refinancing of indebtedness;
- our ability to meet the timing, objectives and expectations related to our capital allocation framework, including our forecasted rates of return, planned uses of free cash flow and future capital allocation, including share repurchases, potential strategic acquisitions, internal growth projects, dividend increases, or debt repayment plans;
- our ability to meet the projected financial and equity performance goals to our updated full year outlook, if at all;
- the timely and full payment of death benefits related to preneed funeral contracts funded through life insurance contracts;
- the financial condition of third-party insurance companies that fund our preneed funeral contracts;
- increased or unanticipated costs, such as merchandise, goods, insurance or taxes, and our ability to mitigate or minimize such costs, if at all;
- our level of indebtedness and the cash required to service our indebtedness;
- changes in federal income tax laws and regulations and the implementation and interpretation of these laws and regulations by the Internal Revenue Service;

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- effects of the application of other applicable laws and regulations, including changes in such regulations or the interpretation thereof;
- the potential impact of epidemics and pandemics, such as the COVID-19 coronavirus, including any new or emerging public health threats, on customer preferences and on our business;
- government, social, business and other actions that have been and will be taken in response to pandemics and epidemics, such as the COVID-19 coronavirus, including potential responses to any new or emerging public health threats;
- effects and expense of litigation;
- consolidation of the funeral and cemetery industry;
- our ability to identify and consummate strategic acquisitions, if at all, and successfully integrate acquired businesses with our existing businesses, including expected performance and financial improvements related thereto;
- potential adverse impacts resulting from our recent announcement regarding our board of directors' review of potential strategic alternatives for the Company;
- economic, financial and stock market fluctuations;
- interruptions or security lapses of our information technology, including any cybersecurity or ransomware incidents;
- adverse developments affecting the financial services industry;
- acts of war or terrorists acts and the governmental or military response to such acts;
- our failure to maintain effective control over financial reporting; and
- other factors and uncertainties inherent in the funeral and cemetery industry.

For additional information regarding known material factors that could cause our actual results to differ from our projected results, please see (i) Part II, Item 1A "Risk Factors" in this Quarterly Report on Form 10-Q and (ii) Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022.

Investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise.

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## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

### OVERVIEW

#### General

Carriage Services, Inc. ("Carriage," the "Company," "we," "us," or "our") was incorporated in the State of Delaware in December 1993 and is a leading provider of funeral and cemetery services and merchandise in the United States. We operate in two business segments: Funeral Home Operations, operations, which currently accounts for approximately 70% of our total revenue, and Cemetery Operations, operations, which currently accounts for approximately 30% of our total revenue.

At March 31, 2023 June 30, 2023, we operated 173 172 funeral homes in 26 states and 32 cemeteries in 11 states. We compete with other publicly held, privately held and independent operators of funeral and cemetery companies.

Funeral home and cemetery businesses provide products and services to families in three principal areas: (i) ceremony and tribute, generally in the form of a funeral or memorial service; (ii) disposition of remains, either through burial or cremation; and (iii) memorialization, generally through monuments, markers or inscriptions. Our funeral homes offer a complete range of high value personal services to meet a family's funeral needs, including consultation, the removal and preparation of remains, the sale of caskets and related funeral merchandise, the use of funeral home facilities for visitation and memorial services and transportation services. Most of our funeral homes have a non-denominational chapel on the premises, which permits family visitation and services to take place at one location and thereby reduces transportation costs and inconvenience to the family.

Our cemeteries provide interment rights (primarily grave sites, lawn crypts, mausoleum spaces and niches), related cemetery merchandise (such as memorial markers, outer burial containers and monuments) and services (interments, inurnments and installation of cemetery merchandise).

We provide funeral and cemetery services and products on both an "atneed" (time of death) and "preneed" (planned prior to death) basis.

#### Recent Developments

##### Board of Directors - Resignation; Election; and Review of Potential Strategic Alternatives

On February 22, 2023 June 15, 2023, the Dr. Achille Messac, a member of our Board of Directors (the "Board"), provided notice of his resignation from the Board, effective on that date. Dr. Messac's resignation was not a result of any disagreement with the Company on any matter related to its operations, policies or practices.

On June 21, 2023, the Board elected Carlos R. Quezada, President and Chief Operating Officer, Chad Fargason to serve as a Class II director, effective that same date, Director until the Company's 2025 annual meeting of stockholders. The shareholders. Mr. Fargason was appointed to serve on the Audit Committee, along with being appointed Chairman of the Corporate Governance Committee.

On June 29, 2023, the Board also announced it had initiated a process to explore potential strategic alternatives, possibly including a sale, merger or other potential strategic or financial transaction, to maximize shareholder value.

##### Leadership Changes

On June 21, 2023, the Board appointed Mr. Carlos R. Quezada, to serve as Vice Chairman Chief Executive Officer ("CEO"), effective on that date, as part of the Board. Mr. Quezada will serve as a non-independent member planned succession of the Board, Melvin C. Payne, founder and the Board does not expect to appoint Mr. Quezada to any of its standing committees. Following former CEO. Concurrently with the appointment of Mr. Quezada as CEO, Mr. Payne stepped down as CEO and the Board is now comprised approved his appointment as Executive Chairman of six directors, including four independent directors.

##### Code of Business Conduct and Ethics the Board, effective on that date.

On February 22, 2023 June 21, 2023, our the Board on the recommendation of the Board's Audit Committee, approved various amendments to the Company's Code of Business Conduct and Ethics (the "Code"), which applies to all directors, officers and employees of the Company and its subsidiaries. In addition to making certain technical and administrative updates, the amendments to the Code include, among other things, summarizing and clarifying the Company's existing compliance requirements and also identifies and expands upon certain policies, including those related to bribery and kickbacks, antitrust, political activity and improper influence on auditors. As disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022, copies of the Code, as amended, are posted on our website under "Investors - Corporate Governance."

##### Leadership Changes

Effective March 13, 2023, L. Kian Grammayeh was appointed Steven D. Metzger, to serve as the Company's Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer), along with remaining in his role as Secretary, effective on that date.

##### Acquisitions Strategic Partnership Agreement

On March 22, 2023 May 16, 2023, we acquired three received a \$6.0 million incentive payment from a vendor for entering into a strategic partnership agreement to market and sell prearranged funeral homes, two cemeteries and a cremation focused business services in the Bakersfield, California area for \$44.0 million.

##### Divestitures

During the three months ended March 31, 2023, we sold one funeral home and two cemeteries for \$0.8 million for a loss of \$0.1 million.

## **Business Impacts of COVID-19**

The overall macroeconomic impact from the pandemic to the funeral and cemetery industry may provide varying results as compared to other industries. Our industry's revenues are impacted by various factors, including for example, fluctuations in the death rate, the number of funeral services performed, the average price for a service and the mix of traditional burial versus cremation contracts. During the three months ended March 31, 2023, deaths directly attributable from COVID-19 now have minimal direct impact on the overall death rate, although the overall death rate remains slightly higher than the pre-pandemic period, and we are unable to predict or forecast the duration or variation of this increased death rate with any certainty. As a result, we experienced lower volumes, revenues, earnings and margins when compared to the first quarter of 2022, but overall financial performance remains at or above prior reporting periods during and prior to the pandemic. Although we expect these death rate trends to continue, we will continue to assess these impacts, including the potential impacts of any emerging or new public health threats, and implement appropriate procedures, plans, strategies, and issue any disclosures that may be required, as the situation evolves. Regardless of these recent trends, our businesses have remained focused on being innovative and resourceful, providing families immediate service as part of the grieving process.

Within our financial reporting environment, we have considered the impact of COVID-19 on the assumptions and estimates used in preparing our consolidated financial statements. In the opinion of management, all material adjustments necessary for a fair presentation of the Company's financial results for the quarter have been made, but are complicated by our inability to predict or forecast the duration or variation of the increased death rate with any certainty. We do not believe we are particularly vulnerable to concentrations, with respect to geographic area, revenue for specific products or our relationships with our vendors. To date, we have not experienced any material supply chain impacts or disruptions from our vendors attributable to COVID-19 and we continue to receive reliable service.

We believe our access to capital, the cost of our capital, and the sources and uses of our cash should be relatively consistent in the near term. While the expected duration and potential future impacts of the pandemic are unknown, we have not currently experienced any material negative impacts to our liquidity position, access to capital, or cash flows as a result of COVID-19. For additional information related to our liquidity position, see Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources.

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## **Inflationary and Macroeconomic Trends**

During the three months ended March 31, 2023, second quarter of 2023, we continued to experience modest cost increases and surcharges from our vendors and suppliers on merchandise and goods due to increases in the cost of raw materials, as well as broader inflationary, raw material cost increases, and global supply chain impacts. impacts, along with rising interest rates. For example, we experienced higher costs related to full-time hourly base rates, utilities, funeral supplies, merchandise costs, insurance, and increased borrowing costs under our Credit Facility.

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Although we have taken steps to mitigate these cost increases and we expect these impacts to continue throughout the current year, the ultimate scope and duration of these impacts are unknown at this time. More broadly, the U.S. economy continues to experience higher rates of inflation, which has impacted a wide variety of industries and sectors, with consumers facing rising prices. Such inflation may negatively impact consumers or discretionary spending, including the amount that consumers are able to spend on our services, although we have not experienced such impacts to date and our industry has been largely resilient to similar adverse economic and market environments in the past. Although we expect these trends to continue throughout the current year, we will continue to assess these impacts and take the appropriate steps, if necessary, to mitigate these cost increases, if possible.

## **Funeral Home Operations**

Our funeral homes offer a complete range of high value personal services to meet a family's funeral needs, including consultation, the removal and preparation of remains, the sale of caskets and related funeral merchandise, the use of funeral home facilities for visitation and remembrance memorial services and transportation services. Factors affecting our funeral operating results include, but are not limited to: demographic trends relating to population growth and average age, which impact death rates and number of deaths; establishing and maintaining leading market share positions supported by strong local heritage and relationships; effectively responding to increasing cremation trends by selling complementary services and merchandise; controlling salary and merchandise costs; and exercising pricing leverage to increase average revenue per contract.

## **Cemetery Operations**

Our cemeteries provide interment rights (grave primarily grave sites, lawn crypts, mausoleum spaces and mausoleum spaces niches) and related cemetery merchandise such (such as memorial markers, and outer burial containers and monuments) and services (interments, inurnments and installation of cemetery merchandise) both on an atneed and preneed basis. Factors affecting our cemetery operating results include, but are not limited to: the size and success of our sales organization; local perceptions and heritage of our cemeteries; our ability to adapt to changes in the economy and consumer confidence; and our response to fluctuations in capital markets and interest

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rates, which affect investment earnings on trust funds, finance charges on installment contracts and our securities portfolio within the trust funds.

## **Business Strategy**

Our business strategy is based on strong, local leadership with entrepreneurial principles that is focused on sustainable long term market share, revenue and profitability growth in each local business. We believe Carriage has the most innovative operating model in the funeral and cemetery industry, which we are able to achieve through a decentralized, high-performance culture and operating framework linked with incentive compensation programs that attract top quality industry talent to our organization. We also believe that Carriage provides a unique consolidation and operating framework that offers a highly attractive succession planning solution for independent funeral home owners who want their legacy family business to remain operationally prosperous in their local communities.

Our **Mission Statement** states that "we are committed to being the most professional, ethical and highest quality funeral and cemetery service organization in our industry" and our **Guiding Principles** state our core values, which are comprised of:

- Honesty, integrity and quality in all that we do;
- Hard work, pride of accomplishment, and shared success through employee ownership;
- Belief in the power of people through individual initiative and teamwork;
- Outstanding service and profitability go hand-in-hand; and
- Growth of the Company is driven by decentralization and partnership.

Our five **Guiding Principles** collectively embody our **Being The Best** high-performance culture and operating framework. Our operations and business strategy are built upon the execution of the following three models:

- Standards Operating Model;
- 4E Leadership Model; and
- Strategic Acquisition Model.

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#### **Standards Operating Model**

Our Standards Operating Model is focused on growing local market share, providing personalized high-value services to our client families and guests, and operating financial metrics that drive long-term, sustainable revenue growth and improved earning power of our portfolio of businesses by employing leadership and entrepreneurial principles that fit the nature of our high-value personal service business. Standards Achievement is the measure by which we judge the success of each business and incentivize our local managers and their teams. Our Standards Operating Model is not designed to produce maximum short-term earnings because we believe such performance is unsustainable and will ultimately stress the business, which very often leads to declining market share, revenue and earnings.

#### **4E Leadership Model**

Our 4E Leadership Model requires strong local leadership in each business to grow an entrepreneurial, decentralized, high-value, personal service and sales business at sustainable profit margins. Our 4E Leadership Model is based upon principles established by Jack Welch during his tenure at General Electric, and is based upon 4E **Leadership** qualities essential to succeed in a high performance culture: *Energy* to get the job done; the ability to *Energize* others; the *Edge* necessary to make difficult decisions; and the ability to *Execute* and produce results. To achieve a high level within our Standards in a business year after year, we require our local Managing Partners that have the 4E Leadership skills to entrepreneurially grow the business by hiring, training and developing highly motivated and productive local teams.

#### **Strategic Acquisition Model**

Our Standards Operating Model led to the development of our Strategic Acquisition Model, which guides our acquisition strategy. We believe that both models, when executed effectively, will drive long-term, sustainable increases in market share, revenue, earnings and cash flow. We believe a primary driver of higher revenue and profits in the future will be the execution of our Strategic Acquisition Model using strategic ranking criteria to assess acquisition candidates. As we execute this strategy over time, we expect to acquire larger, higher margin strategic businesses in growing markets.

We have learned that the long-term growth or decline of a local branded funeral and cemetery business is reflected by several criteria that correlate strongly with five-to-ten-year performance in volumes (market share), revenue and sustainable field-level earnings before interest, taxes, depreciation and amortization ("EBITDA") margins (a non-GAAP measure). We use criteria such as cultural alignment, volume and price trends, size of business, size of market, competitive standing, demographics, strength of brand and barriers to entry to evaluate the strategic position of potential acquisition candidates. Our

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financial valuation of the acquisition candidate is then determined through the application of an appropriate after-tax cash return on investment that exceeds our cost of capital.

Our belief in our **Mission Statement** and **Guiding Principles** and proper execution of the three models that define our strategy have given us a competitive advantage in every market where we compete. We believe that we can execute our three models without proportionate incremental investment in our consolidation platform infrastructure and without additional fixed regional and corporate overhead. This gives us a competitive advantage that is evidenced by the sustained earning power of our portfolio as defined by our EBITDA margin.

#### **LIQUIDITY AND CAPITAL RESOURCES**

## Overview

Our primary sources of liquidity and capital resources are internally generated cash flows from operating activities and availability under our Credit Facility (defined below).

We generate cash in our operations primarily from atneed sales and delivery of preneed sales. We also generate cash from earnings on our cemetery perpetual care trusts. Based on our recent operating results, current cash position and anticipated future cash flows, we do not anticipate any significant liquidity constraints in the foreseeable future. We have the ability to draw on our Credit Facility, subject to its customary terms and conditions. However, if our capital expenditures or acquisition plans change, we may need to access the capital markets or seek further borrowing capacity from our lenders to obtain additional funding and we may not be able to obtain such funding on terms and conditions that are acceptable to us. Further, to the extent operating cash flow or access to and cost of financing sources are materially different than expected, future liquidity may be adversely affected. For additional information regarding known material factors that could cause cash flow or access to and cost of finance sources to differ from our expectations, please read Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022.

Our plan is to remain focused on integrating our recently acquired businesses and prioritizing our capital allocation for debt repayments, the payment of dividends and debt obligations and internal growth capital expenditures, which we expect to fund using cash on hand and borrowings under our Credit Facility, along with general corporate purposes, as allowed under our

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Credit Facility. We believe that our existing and anticipated cash resources, including, as needed, additional borrowings or other financings that we may be able to obtain, will be sufficient to meet our anticipated working capital requirements, capital expenditures, scheduled debt payments, commitments and dividends for the next 12 months, as well as our long-term financial obligations.

### Cash Flows

We began 2023 with \$1.2 million in cash and ended the **first** **second** quarter with **\$1.3 million** **\$1.0 million** in cash. At **March 31, 2023** **June 30, 2023**, we had borrowings of **\$213.6 million** **\$204.0 million** outstanding on our Credit Facility compared to \$190.7 million at December 31, 2022.

The following table sets forth the elements of cash flow (in thousands):

	Three months ended March 31,	
	2022	2023
Cash at beginning of the year	\$ 1,148	\$ 1,170
Net cash provided by operating activities	15,801	25,869
Acquisitions of businesses and real property	(2,575)	(44,000)
Proceeds from divestitures and sale of other assets	1,026	1,275
Proceeds from insurance claims	676	421
Capital expenditures	(6,883)	(4,982)
Net cash used in investing activities	(7,756)	(47,286)
Net borrowings on our Credit Facility, acquisition debt and finance lease obligations	18,700	22,773
Net proceeds from employee equity plans	374	428
Dividends paid on common stock	(1,725)	(1,661)
Purchase of treasury stock	(25,655)	—
Net cash provided by (used in) financing activities	(8,306)	21,540
Cash at end of the period	\$ 887	\$ 1,293

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	Six months ended June 30,	
	2022	2023
Cash at beginning of the year	\$ 1,148	\$ 1,170
Net cash provided by operating activities	30,177	39,187
Acquisitions of businesses and real property	(2,601)	(44,000)
Proceeds from divestitures and sale of other assets	3,720	1,973

Proceeds from insurance claims	2,167	1,092
Capital expenditures	(13,468)	(8,960)
Net cash used in investing activities	(10,182)	(49,895)
Net borrowings on our Credit Facility, acquisition debt and finance lease obligations	19,598	13,044
Payment of debt issuance for the Credit Facility and Senior Notes	(339)	—
Net proceeds from employee equity plans	774	804
Dividends paid on common stock	(3,455)	(3,340)
Purchase of treasury stock	(36,663)	—
Net cash provided by (used in) financing activities	(20,085)	10,508
Cash at end of the period	\$ 1,058	\$ 970

#### Operating Activities

For the **three** six months ended **March 31, 2023** **June 30, 2023**, cash provided by operating activities was **\$25.9 million** **\$39.2 million** compared to **\$15.8 million** **\$30.2 million** for the **three** six months ended **March 31, 2022** **June 30, 2022**. The increase of **\$10.1 million** **\$9.0 million** is primarily due to a **\$7.0 million** **\$8.6 million** withdrawal of realized capital gains and earnings from our preneed funeral and cemetery trust investments as well as favorable and receiving a **\$6.0 million** incentive payment from a vendor for entering into a strategic partnership agreement to market and sell prearranged funeral services in the future, offset by unfavorable working capital changes in accrued **liabilities**, **liabilities** and **accounts payable**.

#### Investing Activities

Our investing activities, resulted in a net cash outflow of **\$47.3 million** **\$49.9 million** for the **three** six months ended **March 31, 2023** **June 30, 2023** compared to **\$7.8 million** **\$10.2 million** for the **three** six months ended **March 31, 2022** **June 30, 2022**, an increase of **\$39.5 million** **\$39.7 million**.

#### Acquisition and Divestiture Activity

During the **three** six months ended **March 31, 2023** **June 30, 2023**, we acquired a business consisting of three funeral homes, two cemeteries and one cremation focused business for **\$44.0 million**. In addition, we sold one funeral home and two cemeteries for **\$0.8 million** and real property for **\$1.2 million**.

We also received proceeds of **\$1.1 million** from our property insurance policy for the reimbursement of renovation costs for certain of our funeral businesses damaged by Hurricane Ian that occurred during the third quarter of 2022 and a fire that occurred during the first quarter of 2023.

During the **three** six months ended **March 31, 2022** **June 30, 2022**, we sold real property for **\$2.9 million** and we sold two funeral homes for an aggregate of **\$0.9 million** and purchased real property for **\$2.6 million**.

#### Capital Expenditures

For the **three** six months ended **March 31, 2023** **June 30, 2023**, capital expenditures (comprised of growth and maintenance spend) totaled **\$5.0 million** **\$9.0 million** compared to **\$6.9 million** **\$13.5 million** for the **three** six months ended **March 31, 2022** **June 30, 2022**, a decrease of **\$1.9 million** **\$4.5 million**.

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The following tables present our growth and maintenance capital expenditures (in thousands):

	Growth	Three months ended March 31,		Six months ended June 30,	
		2022	2023	2022	2023
Growth	Growth				
Cemetery development	Cemetery development	\$ 2,264	\$ 2,118	\$ 3,673	\$ 3,505
Renovations at certain businesses <sup>(1)</sup>	Renovations at certain businesses <sup>(1)</sup>	1,155	906	3,620	1,623
Other	Other	(148)	116	193	109
Total Growth	Total Growth	\$ 3,271	\$ 3,140	\$ 7,486	\$ 5,237

(1) During the **three** six months ended **March 31, 2022** **June 30, 2023**, we spent **\$0.4 million** **\$0.5 million** for renovations on two businesses that were affected by Hurricane Ian, which occurred during the third quarter of 2022 and **\$0.3 million** for renovations on one business that was damaged by a fire, which occurred during the first quarter of 2023, all of which was reimbursed by our property insurance. During the six months ended June 30, 2022, we spent **\$2.1 million** for renovations on two businesses that were affected by Hurricane Ida, which occurred during the third quarter of 2021, all of which was reimbursed by our property insurance.

Three months ended March 31,

Six months ended June 30,

		2022		2023		2022		2023	
Maintenance	Maintenance					Maintenance			
General equipment and furniture				General equipment and furniture		\$ 2,347	\$ 2,260		
Facility repairs and improvements	Facility repairs and improvements	\$ 1,067		\$ 89		Facility repairs and improvements		1,599	249
General equipment and furniture		1,339		909					
Vehicles	Vehicles	795		233		Vehicles		1,129	443
Paving roads and parking lots	Paving roads and parking lots	311		156		Paving roads and parking lots		485	330
Information technology infrastructure improvements		—		309					
Other	Other	100		146		Other		422	441
Total Maintenance	Total Maintenance	\$ 3,612		\$ 1,842		Total Maintenance		\$ 5,982	\$ 3,723

#### Financing Activities

Our financing activities resulted in a net cash inflow of \$21.5 million \$10.5 million for the three six months ended March 31, 2023 June 30, 2023 compared to a net cash outflow of \$8.3 million \$20.1 million for the three six months ended March 31, 2022 June 30, 2022, an increase of \$29.8 million \$30.6 million.

During the three six months ended March 31, 2023 June 30, 2023, we had net borrowings on our Credit Facility, acquisition debt and finance leases of \$22.8 million \$13.0 million, offset by \$1.7 million \$3.3 million in dividends.

During the three six months ended March 31, 2022 June 30, 2022, we had net borrowings on our Credit Facility, acquisition debt and finance leases of \$18.7 million \$19.6 million, offset by \$25.7 million \$36.7 million for the purchase of treasury stock and \$1.7 million \$3.5 million in dividends.

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#### Share Repurchase

Share repurchase activity is as follows (dollar value in thousands):

	Three months ended March 31,	
	2022	2023
Number of Shares Repurchased <sup>(1)</sup>		490,000
Average Price Paid Per Share	\$ 53.08	\$ —
Dollar Value of Shares Repurchased <sup>(1)</sup>	\$ 26,010	\$ —

(1) During the three months ended March 31, 2022, 52,242 shares settled in April 2022, which had a cost of \$2.8 million.

	Three months ended June 30,		Six months ended June 30,	
	2022	2023	2022	2023
Number of Shares Repurchased	205,496	—	695,496	—
Average Price Paid Per Share	\$ 40.02	\$ —	\$ 49.22	\$ —
Dollar Value of Shares Repurchased	\$ 8,224	\$ —	\$ 34,234	\$ —

Our shares were purchased in the open market at times and in amounts as management determined appropriate based on factors such as market conditions, legal requirements and other business considerations. Shares purchased pursuant to the repurchase program are currently held as treasury stock. At March 31, 2023 June 30, 2023, our share repurchase program had \$48.9 million authorized for repurchases.

#### Dividends

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#### Cash Dividend

Our Board declared the following dividends payable on the dates below (in thousands, except per share amounts):

2023	2023	Per Share	Dollar Value	2023	Per Share	Dollar Value
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March 1 <sup>st</sup>	March 1 <sup>st</sup>	\$ 0.1125	\$ 1,661	March 1 <sup>st</sup>	\$ 0.1125	\$ 1,661
June 1 <sup>st</sup>				June 1 <sup>st</sup>	\$ 0.1125	\$ 1,679
2022	2022	Per Share	Dollar Value	2022	Per Share	Dollar Value
March 1 <sup>st</sup>	March 1 <sup>st</sup>	\$ 0.1125	\$ 1,725	March 1 <sup>st</sup>	\$ 0.1125	\$ 1,725
June 1 <sup>st</sup>				June 1 <sup>st</sup>	\$ 0.1125	\$ 1,730

#### Credit Facility, Lease Obligations and Acquisition Debt

The outstanding principal of our Credit Facility, lease obligations and acquisition debt at **March 31, 2023** **June 30, 2023** is as follows (in thousands):

	March 31, June 30, 2023
Credit Facility	\$ 213,600 204,000
Finance leases	5,052 4,946
Operating leases	19,872 19,441
Acquisition debt	3,971 3,948
Total	<b>\$ 242,495 232,335</b>

#### Credit Facility

At **March 31, 2023** **June 30, 2023**, our senior secured revolving credit facility (the "Credit Facility") was comprised of: (i) a \$250.0 million revolving credit facility, including a \$15.0 million subfacility for letters of credit and a \$10.0 million swingline, and (ii) an accordion or incremental option allowing for future increases in the facility size by an additional amount of up to \$75.0 million in the aggregate in the form of increased revolving commitments or incremental term loans. The final maturity of the Credit Facility will occur on May 13, 2026.

Our obligations under the Credit Facility are unconditionally guaranteed on a joint and several basis by the same subsidiaries which guarantee the Senior Notes (defined below) (as defined in Note 12) and certain of our subsequently acquired or organized domestic subsidiaries (collectively, the "Subsidiary Guarantors").

The Credit Facility contains customary affirmative covenants, including, but not limited to, covenants with respect to the use of proceeds, payment of taxes and other obligations, continuation of the Company's business and the maintenance of existing rights and privileges, the maintenance of property and insurance, amongst others.

In addition, the Credit Facility also contains customary negative covenants, including, but not limited to, covenants that restrict (subject to certain exceptions) the ability of the Company and the Subsidiary Guarantors to incur indebtedness, grant liens, make investments, engage in mergers and acquisitions, and pay dividends and other restricted payments, and certain financial maintenance covenants. At **March 31, 2023** **June 30, 2023**, we were subject to the following financial covenants under our Credit Facility: (A) a Total Leverage Ratio not to exceed 6.00 to 1.00 and (B) a Fixed Charge Coverage Ratio (as defined in the Credit Facility) of not less than 1.20 to 1.00 as of the end of any period of four consecutive fiscal quarters. These financial maintenance covenants are calculated for the Company and its subsidiaries on a consolidated basis. We were in compliance with all of the covenants contained in our Credit Facility as of **March 31, 2023** **June 30, 2023**.

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At **March 31, 2023** **June 30, 2023**, we had outstanding borrowings under the Credit Facility of **\$213.6 million** **\$204.0 million**. We also had one letter of credit for \$2.3 million under the Credit Facility. The letter of credit will expire on November 27, 2023 and is expected to automatically renew annually and secures our obligations under our various self-insured policies. At **March 31, 2023** **June 30, 2023**, we had **\$34.1 million** **\$43.7 million** of availability under the Credit Facility.

Outstanding borrowings under our Credit Facility bear interest at a prime rate or at the Bloomberg Short-Term Bank Yield Index ("BSBY") rate, plus an applicable margin based on our leverage ratio. At **March 31, 2023** **June 30, 2023**, the prime rate margin was equivalent to **2.375%** **2.625%** and the BSBY rate margin was **3.375%** **3.625%**. The weighted average interest rate on our Credit Facility was **2.1%** **2.9%** and **7.9%** **8.6%** for the three months ended **March 31, 2022** **June 30, 2022** and **2023**, respectively and **2.5%** and **8.3%** for the six months ended **June 30, 2022** and **2023**, respectively.

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The interest expense and amortization of debt issuance costs related to our Credit Facility are as follows (in thousands):

	Credit Facility	Three months ended March 31,		Three months ended June 30,		Six months ended June 30,	
		2022	2023	2022	2023	2022	2023
Credit Facility	Credit Facility			Credit Facility			
interest expense	interest expense \$	847	\$ 3,811	1,314	\$ 4,668	2,161	\$ 8,479

Credit Facility amortization of debt issuance costs	Credit Facility amortization of debt issuance costs	88	138	Credit Facility amortization of debt issuance costs	96	138	184	276
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The interest payments on our remaining borrowings under the Credit Facility will be determined based on the average outstanding balance of our borrowings and the prevailing interest rate during that time.

#### Lease Obligations

Our lease obligations consist of operating and finance leases. We lease certain office facilities, certain funeral homes, equipment and vehicles under operating leases with original terms ranging from one to twenty years. Many leases include one or more options to renew, some of which include options to extend the leases for up to forty years. We lease certain funeral homes under finance leases with original terms ranging from ten to forty years. At **March 31, 2023** **June 30, 2023**, operating and finance lease obligations were **\$36.3 million** **\$35.3 million**, with \$5.0 million payable within 12 months.

The components of lease cost are as follows (in thousands):

		Three months ended March 31,		Three months ended June 30,		Six months ended June 30,	
		2022	2023	2022	2023	2022	2023
Operating lease cost	Operating lease cost	\$ 848	\$ 875	Operating lease cost	\$ 853	\$ 917	\$ 1,701
Short-term lease cost	Short-term lease cost	102	94	Short-term lease cost	76	92	178
Variable lease cost	Variable lease cost	7	58	Variable lease cost	16	56	23
Finance lease cost:	Finance lease cost:			Finance lease cost:			
Depreciation of leased assets	Depreciation of leased assets	\$ 108	\$ 108	Depreciation of leased assets	\$ 109	\$ 109	\$ 217
Interest on lease liabilities	Interest on lease liabilities	113	105	Interest on lease liabilities	112	103	225
Total finance lease cost	Total finance lease cost	221	213	Total finance lease cost	221	212	442
Total lease cost	Total lease cost	<u>\$ 1,178</u>	<u>\$ 1,240</u>	Total lease cost	<u>\$ 1,166</u>	<u>\$ 1,277</u>	<u>\$ 2,344</u>
							<u>\$ 2,517</u>

#### Acquisition Debt

Acquisition debt consists of deferred purchase price and promissory notes payable to sellers. A majority of the deferred purchase price and notes bear no interest and are discounted at imputed interest rates ranging from 7.3% to 10.0%. Original maturities range from nine to twenty years. At **March 31, 2023** **June 30, 2023**, acquisition debt obligations were **\$5.6 million** **\$5.5 million**, with **\$0.7 million** **\$0.8 million** payable within 12 months. Original maturities range from nine to twenty years.

The imputed interest expense related to our acquisition debt is as follows (in thousands):

		Three months ended March 31,		Six months ended June 30,	
		2022	2023	2022	2023
Acquisition debt imputed interest expense		\$ 80	\$ 71		

  

		Three months ended June 30,		Six months ended June 30,	
		2022	2023	2022	2023
Acquisition debt imputed interest expense		\$ 79	\$ 71	\$ 159	\$ 142

#### Senior Notes

At **March 31, 2023** **June 30, 2023**, the principal amount of our 4.25% senior notes due in May 2029 (the "Senior Notes") was \$400.0 million. The Senior Notes were issued under an indenture, dated as of May 13, 2021 (the "Indenture"), among the Company, the Subsidiary Guarantors and Wilmington Trust, National Association, as trustee. The Senior Notes are unsecured, senior obligations and are fully and unconditionally guaranteed on a senior unsecured basis, jointly and severally by each of the Subsidiary Guarantors. The Senior Notes mature on May 15, 2029, unless earlier redeemed or purchased and bear interest at 4.25% per year, which is payable semi-annually in arrears on May 15 and November 15 of each year, beginning on November 15, 2021.

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The Indenture contains restrictive covenants limiting our ability and our Restricted Subsidiaries (as defined in the Indenture) to, among other things, incur additional indebtedness or issue certain preferred shares, create liens on certain assets to secure debt, pay dividends or make other equity distributions, purchase or redeem capital stock,

make certain investments, sell assets, agree to certain restrictions on the ability of Restricted Subsidiaries to make payments to us, consolidate, merge, sell or otherwise dispose of all or substantially all assets, or engage in transactions with affiliates. The Indenture also contains customary events of default.

The debt discount and the debt issuance costs are being amortized using the effective interest method over the remaining term of approximately 74.71 months of the Senior Notes. The effective interest rate on the unamortized debt discount and the

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unamortized debt issuance costs for the Senior Notes for both the three and six months ended March 31, 2022 June 30, 2022 and 2023 was 4.42% and 4.30%, respectively.

At March 31, 2023 June 30, 2023, the fair value of the Senior Notes, which are Level 2 measurements, was \$328.2 million \$343.1 million.

The interest expense and amortization of debt discount and debt issuance costs related to our Senior Notes are as follows (in thousands):

	Senior Notes	Three months ended March 31,		Three months ended June 30,		Six months ended June 30,	
		2022	2023	2022	2023	2022	2023
Senior Notes interest expense	Senior Notes interest expense \$	4,250	\$ 4,250	Senior Notes interest expense \$	4,230	\$ 4,250	\$ 8,480
Senior Notes amortization of debt discount	Senior Notes amortization of debt discount	121	127	Senior Notes amortization of debt discount	122	128	243
Senior Notes amortization of debt issuance costs	Senior Notes amortization of debt issuance costs	34	36	Senior Notes amortization of debt issuance costs	35	37	69
							73

At March 31, 2023 June 30, 2023, our future interest payments on our outstanding balance were \$108.3 million \$99.9 million, with \$17.0 million payable within 12 months.

## FINANCIAL HIGHLIGHTS

Below are our financial highlights (in thousands except for volumes and averages):

		Three months ended March 31,		Three months ended June 30,		Six months ended June 30,	
		2022	2023	2022	2023	2022	2023
Revenue	Revenue	\$ 98,161	\$ 95,514	Revenue	\$ 90,600	\$ 97,678	\$ 188,761
Funeral contracts	Funeral contracts	13,515	12,415	Funeral contracts	11,006	11,431	24,521
Average revenue per funeral contract	Average revenue per funeral contract	\$ 5,396	\$ 5,527	Average revenue per funeral contract	\$ 5,493	\$ 5,492	\$ 5,439
Preneed interment rights (property) sold	Preneed interment rights (property) sold	2,378	2,504	Preneed interment rights (property) sold	3,511	3,391	5,889
Average price per preneed interment right sold	Average price per preneed interment right sold	\$ 4,490	\$ 4,496	Average price per preneed interment right sold	\$ 4,337	\$ 5,237	\$ 4,398
Gross profit	Gross profit	\$ 34,478	\$ 31,055	Gross profit	\$ 27,712	\$ 31,202	\$ 62,190
Net income	Net income	\$ 16,402	\$ 8,844	Net income	\$ 10,899	\$ 8,286	\$ 27,301
							17,130

Revenue for the three months ended March 31, 2023 June 30, 2023 increased \$7.1 million compared to the three months ended June 30, 2022, as we experienced a 3.9% increase in funeral contract volume, while the average revenue per funeral contract remained flat, and a 20.8% increase in the average price per interment right sold, slightly offset by a 3.4% decrease in the number of preneed interment rights (property) sold.

Gross profit for the three months ended June 30, 2023 increased \$3.5 million compared to the three months ended June 30, 2022, primarily due to the increase in revenue from both our funeral home and cemetery segments.

Net income for the three months ended June 30, 2023 decreased \$2.6 million compared to the three months ended March 31, 2022 June 30, 2022, primarily due to the following: (1) a \$3.4 million increase in interest expense; (2) a \$2.6 million impact from divestitures, disposals and insurance reimbursements; (3) a \$1.0 million increase in general and administrative expenses, offset by (4) the \$3.5 million increase in gross profit and (5) an \$0.8 million decrease in income tax expense.

Revenue for the six months ended June 30, 2023 increased \$4.4 million compared to the six months ended June 30, 2022, as we experienced an 8.1% decrease in funeral contract volume, which was partially offset by a 2.4% 1.3% increase in the average revenue per funeral contract, while funeral contract volume decreased 2.8%, and a 5.3% an 11.9% increase in the average price per interment right sold, while the number of preneed interment rights (property) sold, while the average price per interment right sold remained flat. The contract volume decrease is primarily a result of the significant decline in COVID-19 related deaths in the first quarter of 2023 as compared to the same period in 2022, as these deaths now have a minimal impact on the overall death rate. The increase in interment rights sold is due exclusively to our newly acquired cemetery businesses, not present in the comparative quarter of 2022.

Gross profit for the three six months ended March 31, 2023 decreased \$3.4 million June 30, 2023 increased \$0.1 million compared to the three six months ended March 31, 2022 June 30, 2022, due to the decrease increase in revenue from our funeral home cemetery segment, as well as offset by increases in operating expenses in both our funeral home and cemetery segments.

Net income for the three six months ended March 31, 2023 June 30, 2023 decreased \$7.6 million \$10.2 million compared to the three six months ended March 31, 2022 June 30, 2022, primarily due to the following: (1) the \$3.4 million decrease in gross profit, (2) a \$3.0 million \$6.4 million increase in interest expense, expense; (2) a \$3.5 million impact from divestitures, disposals and insurance reimbursements; (3) a \$1.6 million \$2.6 million increase in general and administrative expenses, offset by (4) a \$1.2 million impact from divestitures, disposals and insurance reimbursements, offset by (5) a \$1.6 million \$2.4 million decrease in income tax expense.

Further discussion of Revenue revenue and the components of Gross gross profit for our funeral home Funeral Home and cemetery Cemetery segments is presented under “- Results of Operations.”

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Further discussion of General general, administrative and other expenses, Interest interest expense, Income income taxes and other components of income and expenses are presented under “- Other Financial Statement Items.”

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## REPORTING AND NON-GAAP FINANCIAL MEASURES

We also present our financial performance in our “Condensed Operating and Financial Trend Report” (“Trend Report”) as reported in our earnings release for the three months ended March 31, 2023 June 30, 2023 issued on May 3, 2023 August 2, 2023, and discussed in the corresponding earnings conference call. The Trend Report is used as a supplemental financial statement by management and investors to compare our current financial performance with our previous results and with the performance of other companies. We do not intend for this information to be considered in isolation or as a substitute for other measures of performance prepared in accordance with United States generally accepted accounting principles (“GAAP”). The Trend Report is a non-GAAP statement that also provides insight into underlying trends in our business.

Below is a reconciliation of Gross gross profit (a GAAP financial measure) to Operating operating profit (a non-GAAP financial measure) (in thousands):

		Three months ended March 31,		Three months ended June 30,		Six months ended June 30,	
		2022	2023	2022	2023	2022	2023
Gross profit	Gross profit	\$ 34,478	\$ 31,055	Gross profit	\$ 27,712	\$ 31,202	\$ 62,190
Cemetery property amortization	Cemetery property amortization	1,332	1,201	Cemetery property amortization	1,704	1,892	3,036
Field depreciation expense	Field depreciation expense	3,297	3,357	Field depreciation expense	3,253	3,555	6,550
Regional and unallocated funeral and cemetery costs	Regional and unallocated funeral and cemetery costs	6,347	5,437	Regional and unallocated funeral and cemetery costs	5,966	4,131	12,313
Operating profit <sup>(1)</sup>	Operating profit <sup>(1)</sup>	\$ 45,454	\$ 41,050	Operating profit <sup>(1)</sup>	\$ 38,635	\$ 40,780	\$ 84,089
							\$ 81,830

(1) Operating profit is defined as Gross gross profit plus Cemetery cemetery property amortization, Field field depreciation expense and Regional regional and unallocated funeral and cemetery costs.

Our operations are reported in two business segments: Funeral Home and Cemetery. Below is a breakdown of Operating operating profit (a non-financial GAAP measure) by Segment segment (in thousands):

		Three months ended March 31,		Three months ended June 30,		Six months ended June 30,	
		2022	2023	2022	2023	2022	2023
Funeral Home	Funeral Home	\$ 33,735	\$ 28,966	Funeral Home	\$ 24,152	\$ 23,947	\$ 57,887
							\$ 52,913

Cemetery	Cemetery	11,719	12,084	Cemetery	14,483	16,833	26,202	28,917
Operating profit	Operating profit	\$ 45,454	\$ 41,050	Operating profit	\$ 38,635	\$ 40,780	\$ 84,089	\$ 81,830
Operating profit margin <sup>(1)</sup>	Operating profit margin <sup>(1)</sup>	46.3%	43.0%	Operating profit margin <sup>(1)</sup>	42.6%	41.7%	44.5%	42.4%

(1) Operating profit margin is defined as **Operating operating profit as a percentage of Revenue, revenue.**

Further discussion of **Operating operating profit for our funeral home Funeral Home and cemetery Cemetery segments** is presented under “– Results of Operations.”

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## RESULTS OF OPERATIONS

The following is a discussion of our results of operations for the three and six months ended **March 31, 2023** **June 30, 2023** and 2022.

We previously classified our funeral homes and cemeteries as “same store” or “acquired” in our results of operations discussion in our quarterly and annual filings prior to December 31, 2022. Same store generally referred to funeral homes and cemeteries acquired at least five years before the reporting period being presented, while acquired generally referred to funeral homes and cemeteries acquired within the preceding five years of the reporting period being presented, both of which excluded certain funeral homes and cemeteries that we intended to divest.

In an effort to simplify the discussion of our results of operations, provide meaningful metrics to investors to compare our results to previous periods and provide more insight into the underlying long-term performance trends in our business, we have combined both the same store and acquired categories and now refer to this combination as “operating”. The term “operating” in the Funeral Home and Cemetery **Segment segment** simply refers to all our funeral homes and cemeteries owned and operated in the current reporting period, excluding certain funeral home and cemetery businesses that we have divested or intend to divest in the near future.

The term “divested” when discussed in the Funeral Home **Segment, segment**, refers to one funeral home we sold in the **three six months ended March 31, 2023** **June 30, 2023** and two funeral homes we sold in the **three six months ended March 31, 2022** **June 30, 2022**. The term “divested” when discussed in the Cemetery **Segment, segment**, refers to two cemeteries we sold during the **three six months ended March 31, 2023** **June 30, 2023**.

“Planned divested” refers to the funeral home and cemetery businesses that we intend to divest.

“Ancillary” in the Funeral Home **Segment, segment** represents our flower shop, our monument company, our pet cremation business and our online cremation business. **businesses.**

Cemetery property amortization, **Field field** depreciation expense and **Regional regional** and unallocated funeral and cemetery costs, are not included in **Operating operating** profit, a non-GAAP financial measure. Adding back these items will result in **Gross gross** profit, a GAAP financial measure.

### Funeral Home Segment

The following table sets forth certain information regarding our **Revenue, revenue** and **Operating operating** profit for our funeral home operations (in thousands):

Revenue:	Revenue:	Three months ended March 31,		Three months ended June 30,	
				2022	2023
		Operating	Divested/planned divested	Operating	Divested/planned divested
Operating	Operating	\$ 70,212	\$ 66,463	\$ 58,108	\$ 60,800
Divested/planned divested	Divested/planned divested	589	108	557	210
Ancillary	Ancillary	1,070	1,057	980	1,232
Other	Other	2,484	2,457	2,293	2,263
Total	Total	\$ 74,355	\$ 70,085	\$ 61,938	\$ 64,505
Operating profit:	Operating profit:				
Operating	Operating	\$ 31,273	\$ 26,628	\$ 21,999	\$ 21,891
Divested/planned divested	Divested/planned divested	48	(26)	14	29
Ancillary	Ancillary	221	146	151	73
Other	Other	2,193	2,218	1,988	1,954
Total	Total	\$ 33,735	\$ 28,966	\$ 24,152	\$ 23,947

The following operating measures reflect the significant metrics over this comparative period:		The following operating measures reflect the significant metrics over this comparative period:		The following operating measures reflect the significant metrics over this comparative period:	
Contract volume	Contract volume	13,393	12,384	Contract volume	10,912
Average revenue per contract, excluding preneed funeral trust earnings	Average revenue per contract, excluding preneed funeral trust earnings	\$ 5,242	\$ 5,367	Average revenue per contract, excluding preneed funeral trust earnings	\$ 5,325
Average revenue per contract, including preneed funeral trust earnings	Average revenue per contract, including preneed funeral trust earnings	\$ 5,398	\$ 5,531	Average revenue per contract, including preneed funeral trust earnings	\$ 5,488
Cremation rate	Cremation rate	57.1%	59.1%	Cremation rate	57.4%
					58.4%

Funeral home operating revenue increased \$2.7 million for the three months ended June 30, 2023 compared to the three months ended June 30, 2022. The increase in operating revenue is primarily driven by a 4.5% increase in contract volume,

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while the average revenue per contract excluding preneed interest remained flat. The contract volume increase is primarily due to our newly acquired funeral home businesses, which were not present in the comparative quarter of 2022.

Funeral home operating profit for the three months ended June 30, 2023 decreased \$0.1 million when compared to the same period in 2022, primarily due to an increase in operating expenses as a percentage of revenue. The comparable operating profit margin decreased 190 basis points to 36.0%. Operating expenses as a percentage of revenue increased 1.9% with the largest increases in salary and benefits expenses of 1.4% and general and administrative expenses of 0.5%. The increase in operating expenses is partially due to higher costs from inflationary impacts concentrated in our full-time hourly base rates, utilities and funeral supplies.

Ancillary revenue, which represents revenue from our flower shop, pet cremation and online cremation businesses increased \$0.3 million and Ancillary operating profit decreased \$0.1 million for the three months ended June 30, 2023 compared to the three months ended June 30, 2022.

Other revenue and other operating profit, which consists of preneed funeral insurance commissions and preneed funeral trust and insurance remained flat for the three months ended June 30, 2023, compared to the three months ended June 30, 2022.

The following table sets forth certain information regarding our revenue and operating profit for our funeral home operations (in thousands):

	Six months ended June 30,	
	2022	2023
<b>Revenue:</b>		
Operating	\$ 128,127	\$ 127,044
Divested/planned divested	1,339	537
Ancillary	2,050	2,289
Other	4,777	4,720
<b>Total</b>	<b>\$ 136,293</b>	<b>\$ 134,590</b>
<b>Operating profit:</b>		
Operating	\$ 53,183	\$ 48,416
Divested/planned divested	151	106
Ancillary	372	219
Other	4,181	4,172
<b>Total</b>	<b>\$ 57,887</b>	<b>\$ 52,913</b>

The following operating measures reflect the significant metrics over this comparative period:

Contract volume	24,271	23,746
Average revenue per contract, excluding preneed funeral trust earnings	\$ 5,279	\$ 5,350
Average revenue per contract, including preneed funeral trust earnings	\$ 5,438	\$ 5,510
Cremation rate	57.2%	58.7%

Funeral home operating revenue decreased **\$3.7 million** **\$1.1 million** for the **three** **six** months ended **March 31, 2023** **June 30, 2023** compared to the **three** **six** months ended **March 31, 2022** **June 30, 2022**. The decrease in operating revenue is primarily driven by a **7.5%** **2.2%** decrease in contract volume, which was partially offset by a **2.4%** **1.3%** increase in the average revenue per contract excluding preneed interest. The contract

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volume decrease is primarily a result of the significant decline in COVID-19 related deaths in the first quarter of 2023 as compared to the same period in 2022, as these deaths now have a minimal impact on the overall death rate. The increase in average revenue per contract is primarily due to a combination of price increases and our continued focus on educating families on the many products and service options that are available with burials and cremations.

Funeral home operating profit for the **three** **six** months ended **March 31, 2023** **June 30, 2023** decreased **\$4.6 million** **\$4.8 million** when compared to the same period in 2022, primarily due to an increase in operating expenses as a percentage of revenue. The comparable operating profit margin decreased **440** **340** basis points to **40.1%** **38.1%**. Operating expenses as a percentage of revenue increased **4.5%** **3.4%** with the largest **increase** **increases** in salary and benefits expenses of **2.2%** **1.9%**, facilities and grounds expenses of **1.0%** **0.7%**, general and administrative expenses of **0.6%** **0.5%** and other funeral costs of **0.4%** **0.3%**. The increase in operating expenses is partially due to higher costs from inflationary impacts concentrated in our full-time hourly base rates, utilities and funeral supplies.

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Ancillary revenue, which represents revenue from our flower shop, pet cremation and online cremation businesses **remained flat** **increased** **\$0.2 million** and Ancillary operating profit decreased **\$0.1 million** **\$0.2 million** for the **three** **six** months ended **March 31, 2023** **June 30, 2023** compared to the **three** **six** months ended **March 31, 2022** **June 30, 2022**.

Other revenue and other operating profit, which consists of preneed funeral insurance commissions and preneed funeral trust and insurance, remained flat for the **three** **six** months ended **March 31, 2023** **June 30, 2023**, compared to the **three** **six** months ended **March 31, 2022** **June 30, 2022**.

#### Cemetery Segment

The following table sets forth certain information regarding our **Revenue** **revenue** and **Operating** **operating** profit for our cemetery operations (in thousands):

Revenue:	Revenue:	Three months ended March 31,				Three months ended June 30,			
		2022		2023		2022		2023	
		Operating	Divested/planned divested	Operating	Divested/planned divested	Operating	Divested/planned divested	Operating	Divested/planned divested
Operating	Operating	\$ 20,475		\$ 21,605		\$ 25,104		\$ 29,142	
Divested/planned divested	Divested/planned divested	73		42		57		—	
Other	Other	3,258		3,782		3,501		4,031	
Total	Total	\$ 23,806		\$ 25,429		\$ 28,662		\$ 33,173	
<b>Operating profit:</b>									
<b>Operating profit (loss):</b>									
Operating	Operating	\$ 8,595		\$ 8,393		\$ 11,136		\$ 12,940	
Divested/planned divested	Divested/planned divested	4		12		(18)		(2)	
Other	Other	3,120		\$ 3,679		3,365		3,895	
Total	Total	\$ 11,719		\$ 12,084		\$ 14,483		\$ 16,833	
The following operating measures reflect the significant metrics over this comparative period:	The following operating measures reflect the significant metrics over this comparative period:					The following operating measures reflect the significant metrics over this comparative period:			
Preneed revenue as a percentage of operating revenue	Preneed revenue as a percentage of operating revenue	59.0%		58.0%		Preneed revenue as a percentage of operating revenue	66.0%	67.0%	
Preneed revenue (in thousands)	Preneed revenue (in thousands)	\$ 12,078		\$ 12,447		Preneed revenue (in thousands)	\$ 16,476	\$ 19,385	
Atneed revenue (in thousands)	Atneed revenue (in thousands)	\$ 8,396		\$ 9,157		Atneed revenue (in thousands)	\$ 8,628	\$ 9,757	

Number of preneed interment rights sold	Number of preneed interment rights sold	2,365	2,499	Number of preneed interment rights sold	3,506	3,391
Average price per interment right sold	Average price per interment right sold	\$ 4,510	\$ 4,500	Average price per interment right sold	\$ 4,341	\$ 5,237

Cemetery operating revenue increased \$4.0 million for the three months ended June 30, 2023 compared to the three months ended June 30, 2022, as we experienced a 20.6% increase in the average price per preneed interment right sold, slightly offset by a 3.3% decrease in preneed interment rights sold. Cemetery atneed revenue, which represents 33.0% of our total operating revenue, increased \$1.1 million for the three months ended March 31, 2023 compared to the three months ended March 31, 2022, as we experienced a 5.7% increase in the number of preneed interment rights sold, while the average price per preneed interment right sold remained flat. The increase in interment rights sold is due exclusively to our newly acquired cemetery businesses, not present in the comparative quarter of 2022. Cemetery atneed revenue, which represents 42.0% of our total operating revenue, increased \$0.8 million for the three months ended March 31, 2023 June 30, 2023, compared to the same period of the prior year, primarily due to an increase in sales of merchandise and services, services from our newly acquired cemetery businesses, not present in the comparative quarter of 2022.

Cemetery operating profit decreased \$0.2 million increased \$1.8 million for the three months ended March 31, 2023 June 30, 2023 compared to the three months ended March 31, 2022 June 30, 2022, primarily due to an increase in operating expenses as a percentage of revenue. The comparable operating profit margin decreased 320 basis points to 38.8% remained flat at 44.4%. Operating expenses as a percent of operating revenue increased 3.1% with the largest increase in merchandise costs of 0.9%, salary and benefits expenses of 0.9% and facilities and grounds expenses of 0.6%. The increase in operating expenses is partially due to higher costs from inflationary impacts concentrated in our utilities and merchandise costs.

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also remained flat.

Other revenue, which consists of preneed cemetery trust revenue and preneed cemetery finance charges, increased \$0.5 million for the three months ended March 31, 2023 June 30, 2023, compared to the three months ended March 31, 2022 June 30, 2022. The increase is primarily due to realized capital gains in the current year compared to the prior year and an increase in dividends and interest income in our perpetual care trust fund. Other operating profit increased \$0.6 million \$0.5 million for the same comparative period, primarily due to the increase in revenue.

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The following table sets forth certain information regarding our revenue and operating profit for our cemetery operations (in thousands):

	Six months ended June 30,	
	2022	2023
<b>Revenue:</b>		
Operating	\$ 45,579	\$ 50,747
Divested/planned divested	130	42
Other	6,759	7,813
<b>Total</b>	<b>\$ 52,468</b>	<b>\$ 58,602</b>
<b>Operating profit (loss):</b>		
Operating	\$ 19,731	\$ 21,333
Divested/planned divested	(14)	10
Other	6,485	7,574
<b>Total</b>	<b>\$ 26,202</b>	<b>\$ 28,917</b>

The following operating measures reflect the significant metrics over this comparative period:

Preneed revenue as a percentage of operating revenue	63.0%	63.0%
Preneed revenue (in thousands)	\$ 28,555	\$ 31,833
Atneed revenue (in thousands)	\$ 17,024	\$ 18,914
Number of preneed interment rights sold	5,871	5,890
Average price per interment right sold	\$ 4,409	\$ 4,924

Cemetery operating revenue increased \$5.2 million for the six months ended June 30, 2023 compared to the six months ended June 30, 2022, as we experienced an 11.7% increase in the average price per preneed interment right sold, while the number of preneed interment rights sold remained flat. Cemetery atneed revenue, which represents 37.0%

of our total operating revenue increased \$1.9 million for the six months ended June 30, 2023, compared to the same period of the prior year, primarily due to an increase in sales of merchandise and services from our newly acquired cemetery businesses, which were not present in the comparative period of 2022.

Cemetery operating profit increased \$1.6 million for the six months ended June 30, 2023 compared to the six months ended June 30, 2022. The comparable operating profit margin decreased 130 basis point to 42.0%. Operating expenses as a percent of operating revenue increased 1.2% primarily due to an increase in salary and benefits expenses.

Other revenue, which consists of preneed cemetery trust revenue and preneed cemetery finance charges, increased \$1.1 million for the six months ended June 30, 2023, compared to the six months ended June 30, 2022. The increase is primarily due to an increase in income in our perpetual care trust fund and an increase in finance charges on preneed sales. Other operating profit increased \$1.1 million for the same comparative period, primarily due to the increase in revenue.

*Cemetery property amortization.* Cemetery property amortization totaled \$1.2 million \$1.9 million and \$3.1 million for the three and six months ended March 31, 2023 June 30, 2023, a decrease respectively, an increase of \$0.2 million and \$0.1 million, respectively, compared to the same period in 2022. The decrease is 2022, primarily due to fewer sales of private mausoleums the increase in the first quarter of 2023, which generally have a higher cost of construction. property sold across our cemetery portfolio.

*Field depreciation.* Depreciation expense for our field businesses totaled \$3.4 million \$3.6 million and \$6.9 million for the three and six months ended March 31, 2023 June 30, 2023, respectively, an increase of \$0.1 million \$0.3 million and \$0.4 million, respectively, compared to the same period in 2022, primarily due to acquisitions made in latter half of 2022, 2022 and our March 2023 acquisition.

*Regional and unallocated funeral and cemetery costs.* Regional and unallocated funeral and cemetery costs consist of salaries and benefits for regional management, field incentive compensation and other related costs for field infrastructure. Regional and unallocated funeral and cemetery costs totaled \$5.4 million \$4.1 million for the three months ended March 31, 2023 June 30, 2023, a decrease of \$0.9 million \$1.8 million compared to the same period in 2022, primarily due to the following: (1) a \$0.5 million \$0.7 million decrease in cash incentives and equity compensation; (2) a \$0.3 million \$0.7 million decrease in incentive award trips and annual managing partner meetings; meetings and (3) a \$0.1 million \$0.4 million decrease in other general expenses.

Regional and unallocated funeral and cemetery costs totaled \$9.6 million for the six months ended June 30, 2023, a decrease of \$2.7 million compared to the same period in 2022, primarily due to the following: (1) a \$1.3 million decrease in cash incentives and equity compensation; (2) a \$1.1 million decrease in incentive award trips and annual managing partner meetings and (3) a \$0.3 million decrease in other expenses.

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#### Other Financial Statement Items

*General, administrative and other.* General, administrative and other expenses, which includes salaries and benefits, cash and equity incentive compensation for the Houston support office totaled \$10.2 million for the three months ended March 31, 2023 June 30, 2023, an increase of \$1.6 million \$1.0 million compared to the same period in 2022, primarily due to the following: (1) \$1.4 million increase in salary and benefits expense along with increased cash and equity incentive compensation, as a result of having a complete senior leadership team, including current year executive promotions, offset by (2) a \$0.4 million decrease in other expenses, including lower online marketing costs and travel costs.

General, administrative and other expenses totaled \$20.4 million for the end six months ended June 30, 2023, an increase of \$2.6 million compared to the same period in 2022, primarily due to the following: (1) a \$3.2 million increase in salary and benefits expense and cash and equity incentive compensation, as a result of having a complete senior leadership team, including current period year executive promotions, offset by (2) a \$0.6 million decrease in other expenses, including lower online marketing costs and travel costs.

*Net (gain) loss on divestitures, disposals and impairments charges.* The components of Net (gain) loss on divestitures, disposals and impairment charges are as follows (in thousands):

	Three months ended March 31,		Three months ended June 30,		Six months ended June 30,	
	2022	2023	2022	2023	2022	2023
Net loss on divestitures	\$ 703	\$ 82				
Net (gain) loss on divestitures			Net (gain) loss on divestitures	\$ (1,278)	\$ —	\$ (575)
Impairments related to assets held for sale			Impairments related to assets held for sale	—	243	—
Net loss on disposals of fixed assets	Net loss on disposals of fixed assets	Net loss on disposals of fixed assets	Net loss on disposals of fixed assets	85	22	149
Total	Total	\$ 767	\$ 241	Total	\$ (1,193)	\$ 265
					\$ (426)	\$ 506

During the three six months ended March 31, 2023 and 2022, June 30, 2023, we divested sold one funeral home and two cemeteries for an aggregate a loss of \$0.1 million. We also recognized an impairment of \$0.2 million related to property, plant and equipment for assets held for sale.

During the six months ended June 30, 2022, we divested sold real property and two funeral homes for a loss net gain of \$0.7 million, respectively. \$0.6 million.

*Interest expense.* Interest expense related to its respective debt arrangement is as follows (in thousands):

		Three months ended March 31,		Three months ended June 30,		Six months ended June 30,	
		2022	2023	2022	2023	2022	2023
Senior Notes	Senior Notes	\$ 4,406	\$ 4,413	Senior Notes	\$ 4,387	\$ 4,414	\$ 8,793
Credit Facility	Credit Facility	935	3,949	Credit Facility	1,409	4,806	2,344
Finance leases	Finance leases	113	105	Finance leases	112	103	225
Acquisition debt	Acquisition debt	80	71	Acquisition debt	79	71	159
Other	Other	8	1	Other	1	2	9
Total	Total	\$ 5,542	\$ 8,539	Total	\$ 5,988	\$ 9,396	\$ 11,530
							\$ 17,935

*(Gain) Net (gain) loss on property damage, net of insurance claims.* During the three and six months ended March 31, 2023 June 30, 2023, we recorded a \$0.3 million \$0.2 million gain and \$36,000 loss, respectively, net of insurance proceeds, primarily for property damaged by a fire that occurred during first quarter of 2023.

During the three and six months ended March 31, 2022 June 30, 2022, we recorded a \$1.9 million \$1.4 million gain and \$3.3 million gain, net of insurance proceeds, for property damaged by Hurricane Ida that occurred during the third quarter of 2021.

*Other, net.* During the three and six months ended March 31, 2023 June 30, 2023, we recorded a \$0.5 million \$0.1 million gain and \$0.6 million gain, respectively, on the sale of other real property not used in business operations.

*Income taxes.* Income tax expense totaled \$3.5 million \$3.4 million for the three months ended March 31, 2023 June 30, 2023, a decrease of \$1.6 million \$0.8 million compared to the same period in 2022, primarily due to lower pre-tax income in the current period. Our operating tax rate before discrete items was 28.9% and 26.5% 28.0% for both the three months ended March 31, 2023 June 30, 2023 and 2022.

Income tax expense totaled \$6.9 million for the six months ended June 30, 2023, a decrease of \$2.4 million compared to the same period in 2022, primarily due to lower pre-tax income in the current period. Our operating tax rate before discrete items was 28.5% and 27.2% for six months ended June 30, 2023 and 2022, respectively.

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## OVERVIEW OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our Consolidated Financial Statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Understanding our accounting policies and the extent to which our management uses judgment, assumptions and estimates in applying these policies is integral to understanding our Consolidated Financial Statements. Our critical accounting policies are more fully described in Part II, Item 8 "Financial Statements and Supplementary Data" in Note 1 in our Annual Report on Form 10-K for the year ended December 31, 2022.

We have identified Business Combinations and Goodwill as those accounting policies that require significant judgments, assumptions and estimates and that have a significant impact on our financial condition and results of operations. These policies are considered critical because they may result in fluctuations in our reported results from period to period due to the significant judgments, estimates and assumptions about complex and inherently uncertain matters and because the use of different judgments, assumptions or estimates could have a material impact on our financial condition or results of operations. Actual results may differ from these estimates and such estimates may change if the underlying conditions or assumptions change. Historical performance should not be viewed as indicative of future performance because there can be no assurance the margins, operating income and net earnings, as a percentage of revenue, will be consistent from period to period. We evaluate our critical accounting estimates and judgments required by our policies on an ongoing basis and update them as appropriate based on changing conditions.

## SEASONALITY

Our business can be affected by seasonal fluctuations in the death rate and may be further affected by epidemics and pandemics, like COVID-19, including any new or emerging public health threats. Generally, the number of deaths is higher during the winter months because the incidences of death from influenza and pneumonia are higher during this period than other periods of the year. For example, we experienced fluctuations in the death rate due to COVID-19, with a result of increased deaths during the duration of the pandemic. Although deaths directly attributable from COVID-19 now have minimal direct impact on the overall death rate, the overall death rate remains higher than the pre-COVID-19 pandemic period. As a result, we are unable to predict or forecast the duration or variation of this increased death rate with any certainty.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk.

In the ordinary course of business, we are typically exposed to a variety of market risks. Currently, these are primarily related to interest rate risk and changes in the values of securities associated with the preneed and perpetual care trusts. Management is actively involved in monitoring exposure to market risk and developing and utilizing appropriate risk management techniques when appropriate and when available for a reasonable price. We are not exposed to any other significant market risks other than those related to COVID-19 the impact of health and safety concerns from epidemics and pandemics and inflation, which are described in more detail in Part 1, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022.

The following quantitative and qualitative information is provided about financial instruments to which we are a party at March 31, 2023 June 30, 2023 and from which we may incur future gains or losses from changes in market conditions. We do not enter into derivative or other financial instruments for speculative or trading purposes.

Hypothetical changes in interest rates and the values of securities associated with the preneed and perpetual care trusts chosen for the following estimated sensitivity analysis are considered to be reasonable near-term changes generally based on consideration of past fluctuations for each risk category. However, since it is not possible to accurately predict future changes in interest rates, these hypothetical changes may not necessarily be an indicator of probable future fluctuations.

The following information about our market-sensitive financial instruments constitutes a "forward-looking statement."

In connection with our preneed funeral operations and preneed cemetery merchandise and service sales, the related funeral and cemetery trust funds own investments in equity and debt securities and mutual funds, which are sensitive to current market prices. Cost and market values of such investments at **March 31, 2023** **June 30, 2023** are presented in Part 1, Item 1, Financial Statements, Note 8 to our Consolidated Financial Statements in this Quarterly Report on Form 10-Q. The sensitivity of the fixed income securities is such that a 0.25% change in interest rates causes an approximate **1.21%** **1.19%** change in the value of the fixed income securities.

We monitor current and forecasted interest rate risk in the ordinary course of business and seek to maintain optimal financial flexibility, quality and solvency. At **March 31, 2023** **June 30, 2023**, we had outstanding borrowings under the Credit Facility of **\$213.6 million** **\$204.0 million**. Any further borrowings or voluntary prepayments against the Credit Facility or any change in the floating rate would cause a change in interest expense. We have the option to pay interest under the Credit Facility at either prime rate or the BSBY rate plus a margin. At **March 31, 2023** **June 30, 2023**, the prime rate margin was equivalent to **2.375%** **2.625%** and the BSBY rate margin was **3.375%** **3.625%**. Assuming the outstanding balance remains unchanged, a change of 100 basis points in our borrowing rate would result in a

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**In** a change in income before taxes of **\$2.1 million** **\$2.0 million**. We have not entered into interest rate hedging arrangements in the past. Management continually evaluates the cost and potential benefits of interest rate hedging arrangements.

Our Senior Notes bear interest at the fixed annual rate of 4.25%. We may redeem the Senior Notes, in whole or in part, at the redemption price of 102.13% on or after May 15, 2024, 101.06% on or after May 15, 2025 and 100% on or after May 15, 2026, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. At any time before May 15, 2024, we may also redeem all or part of the Senior Notes at the redemption prices described in the Indenture, plus accrued and unpaid interest, if any, to (but excluding) the date of redemption. At **March 31, 2023** **June 30, 2023**, the carrying value of the Senior Notes on our Consolidated Balance Sheet was **\$395.4 million** **\$395.6 million** and the fair value of the Senior Notes was **\$328.2 million** **\$343.1 million** based on the last traded or broker quoted price, reported by the Financial Industry Regulatory Authority, Inc. Increases in market interest rates may cause the value of the Senior Notes to decrease, but such changes will not affect our interest costs.

The remainder of our long-term debt and leases consist of non-interest bearing notes and fixed rate instruments that do not trade in a market and do not have a quoted market value. Any increase in market interest rates causes the fair value of those liabilities to decrease, but such changes will not affect our interest costs.

#### **Item 4. Controls and Procedures.**

##### **Management's Evaluation of Disclosure Controls and Procedures**

Our management, including our principal executive and principal financial officers, have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act as of the end of the period covered by this Quarterly Report on Form 10-Q. Our disclosure controls and procedures are designed to ensure that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and to ensure that such information is accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure. Based on such evaluation, our principal executive and principal financial officers concluded that our disclosure controls and procedures are effective at **March 31, 2023** **June 30, 2023** and that the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial condition, results of operations, and cash flows for the periods presented in conformity with US GAAP.

##### **Changes in Internal Control over Financial Reporting**

There was no change in our system of internal control over financial reporting (defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act) during the fiscal quarter covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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## **PART II - OTHER INFORMATION**

#### **Item 1. Legal Proceedings.**

We and our subsidiaries are parties to a number of legal proceedings that arise from time to time in the ordinary course of our business. While the outcome of these proceedings cannot be predicted with certainty, we do not expect these matters to have a material adverse effect on our financial statements.

We self-insure against certain risks and carry insurance with coverage and coverage limits for risk in excess of the coverage amounts consistent with our assessment of risks in our business and of an acceptable level of financial exposure. Although there can be no assurance that self-insurance reserves and insurance will be sufficient to mitigate all damages, claims, or contingencies, we believe that the reserves and our insurance provides reasonable coverage for known asserted and unasserted claims. In the event we sustain a loss from a claim and the insurance carrier disputes coverage or coverage limits, we may record a charge in a different period than the recovery, if any, from the insurance carrier.

#### **Item 1A. Risk Factors.**

## Risk Factor Update

In light of our recent announcement regarding the Board's review of potential strategic alternatives for the Company and recent developments affecting the financial services industry, we are also supplementing the risk factors set out under Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022 with the new risk factors set out below. The risk factors below should be carefully read in conjunction with the risk factors set out in our Annual Report on Form 10-K for the year ended December 31, 2022, which could materially affect our business, financial condition or future results. The risks described in this Quarterly Report on Form 10-Q, and our Annual Report on Form 10-K for the year ended December 31, 2022, and our Quarterly Report on Form 10-Q for the quarter ending March 31, 2023 are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

## RISKS RELATED TO OUR BUSINESS

### ***Risks Related to Review of Strategic Alternatives Process and a Potential Strategic Transaction***

**We are reviewing strategic alternatives and there can be no assurance that we will be successful in identifying or completing any strategic transaction, that any such strategic transaction will result in additional value for our stockholders or that the process will not have an adverse impact on our business.**

On June 29, 2023, we announced our Board had initiated a process to explore potential strategic alternatives, possibly including, but not limited to, a sale, merger or other potential strategic or financial transaction, aimed at increasing stockholder value. There can be no assurance that the review of strategic alternatives will result in the identification or consummation of any transaction. Our Board may also determine that our most effective strategy is to continue to execute on our current strategy.

The process of reviewing strategic alternatives may be costly, time consuming and disruptive to our business operations and, if we are unable to effectively manage the process, our business, financial condition and results of operations could be adversely affected. We have incurred, and may in the future incur, significant costs associated with identifying, evaluating and negotiating potential strategic alternatives, such as legal, financial advisor and accounting fees and expenses and other related charges. We may also incur additional unanticipated expenses in connection with this process. A considerable portion of these costs will be incurred regardless of whether any such course of action is implemented or transaction is completed, decreasing cash available for use in our business.

There can be no assurance that any potential transaction, or series of transactions, or other strategic alternative, if consummated, will provide greater value to our stockholders than that reflected in the current price of our common stock. Until the review process is concluded, perceived uncertainties related to our future may impact our business performance and volatility in the market price of our common stock and may make it more difficult for us to attract and retain qualified personnel and key employees. Our Board has not set a timetable for the conclusion of this review, nor has it made any definitive decisions related to taking any further actions or potential strategic options at this time or at all.

**Even if we are successful in completing a strategic alternative, we may be exposed to other operational and financial risks.**

Although there can be no assurance that a strategic alternative will result from the process we have undertaken to explore potential strategic alternatives, the negotiation and consummation of any such transaction, if completed, will require significant time on the part of our management, which could result in disruption to our business.

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The negotiation and consummation of any such transaction may also require more time or greater cash resources than we anticipate and expose us to other operational and financial risks, including, but not limited to:

- increased near-term and long-term expenditures;
- exposure to unknown liabilities;
- higher than expected acquisition or integration costs;
- incurrence of substantial debt or dilutive issuances of equity securities to fund future operations;
- write-downs of assets or goodwill or incurrence of non-recurring, impairment or other charges;
- increased amortization expenses;
- difficulty and cost in combining the operations and personnel of any acquiring or acquired business with our operations and personnel;
- impairment of relationships with key suppliers or customers of any acquired business due to changes in management and ownership;
- inability to retain key employees of our Company or any acquired or merged business; and
- possibility of future litigation.

Any of the foregoing risks could have a material adverse effect on our business, financial condition and prospects.

## GENERAL RISKS

### ***Economic Conditions and Natural Disasters***

**Adverse developments affecting the financial services industry, including events or concerns involving liquidity, defaults, or non-performance by financial institutions, could adversely affect our business, financial condition, or results of operations.**

We currently maintain cash balances in accounts at U.S. financial institutions that we believe are high quality. These accounts, held by us and our affiliated companies, are in non-interest-bearing and interest-bearing operating accounts and may, from time to time, exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. If such banking institutions were to fail, we could lose all or a portion of those amounts held in excess of such insurance limitations. In addition, actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, our third-party vendors and counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems, which could adversely affect our business, financial condition, results of operations and liquidity.

Although we assess our banking relationships as we believe necessary or appropriate, our access to funding sources and other credit arrangements in amounts adequate to finance or capitalize our respective current and projected future business operations could be significantly impaired by factors that affect us, the financial institutions with which we have arrangements directly, or the financial services industry or economy in general. These factors could include, among others, events such as liquidity constraints or failures, the ability to perform obligations under various types of financial, credit or liquidity agreements or arrangements, disruptions or instability in the financial services industry or financial markets, or concerns or negative expectations about the prospects for companies in the financial services industry. These factors could involve financial institutions or financial services industry companies with which we, have financial or business relationships, but could also include factors involving financial markets or the financial services industry generally.

In addition, investor concerns regarding the U.S. or international financial systems could result in less favorable commercial financing terms, including higher interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, thereby making it more difficult for us to acquire future financing or access to capital on acceptable terms or at all. As availability under our Credit Facility and/or the ability to access capital has historically been, and is expected to continue to be, one of our primary sources of liquidity, any adverse impacts on our ability to access such credit and liquidity sources as a result of adverse developments affecting the financial services industry could adversely affect our business, financial condition, results of operations.

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#### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table sets forth certain information with respect to repurchases of our common stock during the quarter ended **March 31, 2023** **June 30, 2023**:

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Dollar Value of Shares That May Yet Be Purchased Under the Program <sup>(2)</sup>
January 1, 2023 - January 31, 2023	—	\$ —	—	\$ 48,898,769
February 1, 2023 - February 28, 2023	1,395	\$ 33.48	—	\$ 48,898,769
March 1, 2023 - March 31, 2023	—	\$ —	—	\$ 48,898,769
<b>Total for quarter ended March 31, 2023</b>	<b>1,395</b>			

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Dollar Value of Shares That May Yet Be Purchased Under the Program <sup>(2)</sup>
April 1, 2023 - April 30, 2023	39	\$ 28.18	—	\$ 48,898,769
May 1, 2023 - May 31, 2023	—	\$ —	—	\$ 48,898,769
June 1, 2023 - June 30, 2023	—	\$ —	—	\$ 48,898,769
<b>Total for quarter ended June 30, 2023</b>	<b>39</b>			

(1) Represents shares surrendered by employees to pay taxes withheld upon the vesting of restricted stock awards.

(2) See Part I, Item 1, Financial Statements, Note 14 for additional information on our publicly announced share repurchase program.

#### Item 3. Defaults Upon Senior Securities.

Not applicable.

#### Item 4. Mine Safety Disclosures.

Not applicable.

#### Item 5. Other Information.

##### *Not applicable. Rule 10b-5 Stock Selling Plan*

On March 13, 2023, Melvin C. Payne, Executive Chairman of the Board of Directors of the Company entered into a stock trading plan designed to comply with Rule 10b-5 under the Securities Exchange Act of 1934, as amended (the "Plan"). Rule 10b-5 permits officers and directors of public companies, who routinely become aware of material nonpublic information and therefore are unable to sell company securities until the information has been made public, to plan in advance for their liquidity or other needs by adopting, at a time when they are not in possession of material non-public information, a written plan providing for securities transactions to occur over specified future periods of

time under specified conditions. Once an individual has entered into a Rule 10b5-1 trading plan, the individual has no discretion or control over whether or when transactions in Company securities will occur pursuant to the Plan.

Mr. Payne's Plan provides for sales of Company securities as part of his long-term asset diversification, tax, estate and financial planning strategy, and is in accordance with the Company's Insider Trading & Anti-Hedging Policy. Under the terms of the Plan, Mr. Payne will sell 50,000 shares of the Company's common stock on a specified date every three months beginning on June 13, 2023 and continuing through December 31, 2024. Accordingly, the maximum number of shares to be sold under the Plan is 350,000.

Any transactions under the Plan will be disclosed publicly through Form 144 and Form 4 filings with the SEC to the extent required by applicable law.

#### Item 6. Exhibits.

The exhibits required to be filed pursuant to the requirements of Item 601 of Regulation S-K are set forth in the Exhibit Index accompanying this Quarterly Report on Form 10-Q and are incorporated herein by reference.

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#### SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 5, August 7, 2023

CARRIAGE SERVICES, INC.

/s/ L. Kian Granmayeh

L. Kian Granmayeh

Executive Vice President, Chief Financial Officer and Treasurer  
(Principal Financial Officer)

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#### CARRIAGE SERVICES, INC.

#### INDEX OF EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
*10.1 3.1	<a href="#">Employment Agreement dated effective Amended and Restated Certificate of Incorporation, as amended, of March 13, 2023, by and between Carriage Services, Inc. and L. Kian Granmayeh, the Company. Incorporated by reference to Exhibit 10.1 3.1 to Company's the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 1996, filed on March 20, 1997.</a>
3.2	<a href="#">Certificate of Amendment dated May 7, 1997. Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ended September 30, 1997, filed on November 14, 1997.</a>
3.3	<a href="#">Certificate of Amendment dated May 7, 2002. Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ended June 30, 2002, filed on August 13, 2002.</a>
3.4	<a href="#">Amended and Restated By-Laws of Carriage Services, Inc. dated June 21, 2023. Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on <span style="background-color: #ffff00;">March 6, 2023</span> June 22, 2023.</a>
*10.1	<a href="#">Second Amendment to Employment Agreement dated June 21, 2023, by and between the Company and Melvin C. Payne.†</a>
*10.2	<a href="#">Third Amendment to Employment Agreement dated June 21, 2023, by and between the Company and Carlos R. Quezada.†</a>
*10.3	<a href="#">Third Amendment to Employment Agreement dated June 21, 2023, by and between the Company and Steven D. Metzger.†</a>
*31.1	<a href="#">Certification of Periodic Financial Reports by Melvin C. Payne Carlos R. Quezada in satisfaction of Section 302 of the Sarbanes-Oxley Act of 2002.</a>
*31.2	<a href="#">Certification of Periodic Financial Reports by L. Kian Granmayeh in satisfaction of Section 302 of the Sarbanes-Oxley Act of 2002.</a>
**32	<a href="#">Certification of Periodic Financial Reports by Melvin C. Payne Carlos R. Quezada and L. Kian Granmayeh in satisfaction of Section 906 of the Sarbanes-Oxley Act of 2002 and 18 U.S.C. Section 1350.</a>
*101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
*101.SCH	Inline XBRL Taxonomy Extension Schema Documents.
*101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
*101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
*101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
*101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
*104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

(\*) Filed herewith.

(\*\*) Furnished herewith.

(†) Management contract or compensatory plan or arrangement.

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slide1



Exhibit 10.1



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**EXHIBIT 31.1**

I, **Melvin C. Payne, Carlos R. Quezada**, certify that:

1. I have reviewed this report on Form 10-Q of Carriage Services, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: **May 5, August 7, 2023**

**/s/ Melvin C. Payne Carlos R. Quezada**

**Melvin C. Payne Carlos R. Quezada**

Chief Executive Officer and Vice Chairman of the Board  
(Principal Executive Officer)

**EXHIBIT 31.2**

I, L. Kian Grammayeh, certify that:

1. I have reviewed this report on Form 10-Q of Carriage Services, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: **May 5, August 7, 2023**

/s/ L. Kian Granmayeh

L. Kian Granmayeh

Executive Vice President, Chief Financial Officer and Treasurer  
(Principal Financial Officer)

**EXHIBIT 32**

**Certification of  
Chief Executive Officer and Chief Financial Officer  
under Section 906 of the  
Sarbanes Oxley Act of 2002, 18 U.S.C. § 1350**

In connection with the Quarterly Report on Form 10-Q of Carriage Services, Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), **Melvin C. Payne**, **Carlos R. Quezada**, Chief Executive Officer of the Company, and **L. Kian Granmayeh**, Executive Vice President, Chief Financial Officer and Treasurer, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: **May 5, August 7, 2023**

**/s/ Melvin C. Payne Carlos R. Quezada**

**Melvin C. Payne Carlos R. Quezada**

Chief Executive Officer and **Vice** Chairman of the Board  
(Principal Executive Officer)

**/s/ L. Kian Granmayeh**

**L. Kian Granmayeh**

Executive Vice President, Chief Financial Officer and Treasurer  
(Principal Financial Officer)

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