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Carriage Services, Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you, sir. (Operator Instructions) Your first question comes from James Clement - Sidoti & Company, LLC.

James Clement - Sidoti & Company, LLC

Mel, I'm not sure if this is in the press release. Do you have an estimate on how the cremation spike hurt you from an EPS perspective?

Melvin C. Payne

Yes, I think that's about \$0.03 a share.

James Clement - Sidoti & Company, LLC

And I guess what I would love to hear is a little bit more about, and you alluded to this in your prepared remarks, but of the things on the funeral side that I think you alluded to, certain aspects of the standards model not being executed properly. The things that you feel you have control over in the near term, can you give us a little bit more color on that, what you actually have control over, what went wrong and what you're doing to fix it right now?

Melvin C. Payne

Well, I mean, when you look at a quarter and isolate the quarter it looks terrible, but when you blend it with the first quarter, I mean, we stand by the margins for our same-store funeral portfolio for the six months. They're pretty awesome. If I told you three years ago we were going to have 37.7% same-store funeral field EBITDA margin for that period of time, that would be a pretty awesome result.

The problem is the volatility in it. And we had strong volumes in the first quarter. We did have a spike in cremation rates, so it ran the margin way up in the first quarter. I said at the time it wasn't sustainable. And now it sort of yo-yo'd back down the other way.

And I don't think this is not radical surgery. What we had was weak revenue in some parts of our portfolio, not all parts of our portfolio. The East did extremely well. The West was the most underperforming region in the second quarter - their volumes were way down, their cremation rates were up - but they were also the outperformer in the first quarter. I mean, their margins in the first quarter were almost sinful.

So when you look at it across the country by region, by location, this is not a company in crisis, and I want to make that point. And it's a very important point. There are things we can do to improve expense control, but a lot of our places are running really well. And when you have a stabilization of volumes, you don't want to overreact. That's the worst thing you can do with a model like ours.

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