

CARRIAGE SERVICES INC
Form 10-Q
May 07, 2012

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, 2012

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)

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DELAWARE
(State or other jurisdiction of incorporation or organization)

76-0423828
(I.R.S. Employer Identification No.)

3040 Post Oak Boulevard, Suite 300, Houston, TX
(Address of principal executive offices)

77056
(Zip Code)

(713) 332-8400

Registrant's telephone number, including area code

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 or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act of 1934.

Large accelerated filer Accelerated filer

Non-Accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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 3, 2012 was 18,057,159.

CARRIAGE SERVICES, INC.

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PART I FINANCIAL INFORMATION**Item 1. Financial Statements****CARRIAGE SERVICES, INC.****CONSOLIDATED BALANCE SHEETS**

(in thousands, except share data)

	December 31, 2011	March 31, 2012 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,137	\$ 869
Accounts receivable, net of allowance for bad debts of \$918 in 2011 and \$1,064 in 2012	16,497	16,850
Assets held for sale	1,229	
Inventories and other current assets	13,439	14,535
Total current assets	32,302	32,254
Preneed cemetery trust investments	65,682	72,047
Preneed funeral trust investments	75,812	80,378
Preneed receivables, net of allowance for bad debts of \$1,728 in 2011 and \$1,819 in 2012	22,614	22,894
Receivables from preneed funeral trusts	22,487	22,440
Property, plant and equipment, net of accumulated depreciation of \$78,081 in 2011 and \$79,694 in 2012	136,467	142,254
Cemetery property	71,515	71,610
Goodwill	193,962	200,300
Deferred charges and other non-current assets	10,451	7,138
Cemetery perpetual care trust investments	41,485	45,193
Total assets	\$ 672,777	\$ 696,508
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of senior long-term debt and capital lease obligations	\$ 628	\$ 658
Accounts payable and other liabilities	13,862	14,177
Accrued liabilities	17,873	12,322
Liabilities associated with assets held for sale	1,868	
Total current liabilities	34,231	27,157
Long-term debt, net of current portion	131,900	131,935
Line of credit	3,100	17,000
Convertible junior subordinated debentures due in 2029 to an affiliate	89,770	89,770
Obligations under capital leases, net of current portion	4,155	4,119
Deferred preneed cemetery revenue	58,809	56,557
Deferred preneed funeral revenue	40,961	40,782
Deferred preneed cemetery receipts held in trust	65,682	72,047
Deferred preneed funeral receipts held in trust	75,812	80,378
Care trusts corpus	41,379	45,073
Total liabilities	545,799	564,818
Commitments and contingencies		
Redeemable preferred stock	200	200

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Stockholders' equity:		
Common Stock, \$.01 par value; 80,000,000 shares authorized; 21,663,000 and 21,915,000 shares issued at December 31, 2011 and March 31, 2012, respectively	217	219
Additional paid-in capital	202,769	204,418
Accumulated deficit	(63,987)	(56,660)
Deferred compensation	(1,485)	(3,020)
Treasury stock, at cost; 3,236,000 and 3,680,000 shares at December 31, 2011 and March 31, 2012, respectively	(10,736)	(13,467)
Total stockholders' equity	126,778	131,490
Total liabilities and stockholders' equity	\$ 672,777	\$ 696,508

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

CARRIAGE SERVICES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited and in thousands, except per share data)

	For the three months ended March 31,	
	2011	2012
Revenues:		
Funeral	\$ 39,108	\$ 40,998
Cemetery	11,561	11,288
	50,669	52,286
Field costs and expenses:		
Funeral	24,466	23,668
Cemetery	6,930	7,182
Depreciation and amortization	2,144	2,175
Regional and unallocated funeral and cemetery costs	2,081	2,333
	35,621	35,358
Gross profit	15,048	16,928
Corporate costs and expenses:		
General and administrative costs and expenses	4,749	5,242
Home office depreciation and amortization	253	253
	5,002	5,495
Operating income	10,046	11,433
Interest expense	(4,554)	(4,572)
Other income	29	17
Total interest and other, net	(4,525)	(4,555)
Income from continuing operations before income taxes	5,521	6,878
Provision for income taxes	(2,236)	(2,668)
Net income from continuing operations	3,285	4,210
Income from discontinued operations, net of tax	1	249
Net income	3,286	4,459
Preferred stock dividend	(4)	(4)
Net income available to common stockholders	\$ 3,282	\$ 4,455
Basic earnings per common share:		
Continuing operations	\$ 0.18	\$ 0.23
Discontinued operations		0.01
Basic earnings per common share	\$ 0.18	\$ 0.24
Diluted earnings per common share:		
Continuing operations	\$ 0.18	\$ 0.23

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Discontinued operations		0.01
Diluted earnings per common share	\$ 0.18	\$ 0.24
Dividends declared per share	\$	\$ 0.025
Weighted average number of common and common equivalent shares outstanding:		
Basic	18,230	18,265
Diluted	18,268	18,320

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

CARRIAGE SERVICES, INC

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited and in thousands)

	For the three months ended March 31,	
	2011	2012
Cash flows from operating activities:		
Net income	\$ 3,286	\$ 4,459
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Income from discontinued operations	(1)	(249)
Depreciation and amortization	2,398	2,428
Amortization of deferred financing costs	183	174
Provision for losses on accounts receivable	633	501
Stock-based compensation expense	445	269
Deferred income taxes	2,232	2,104
Other	(27)	(9)
Changes in operating assets and liabilities that provided (required) cash:		
Accounts and preneed receivables	359	(1,108)
Inventories and other current assets	(24)	(28)
Deferred charges and other	(42)	(37)
Preneed funeral and cemetery trust investments	1,881	(2,299)
Accounts payable and accrued liabilities	(5,895)	(5,199)
Deferred preneed funeral and cemetery revenue	177	184
Deferred preneed funeral and cemetery receipts held in trust	(2,186)	2,333
Net cash provided by continuing operating activities	3,419	3,523
Net cash provided by discontinued operating activities	165	
Net cash provided by operating activities	3,584	3,523
Cash flows from investing activities:		
Acquisitions		(11,589)
Capital expenditures	(1,907)	(3,081)