STONEMOR PARTNERS

Moderator: Keith Trost
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5:00 pm CT

Operator: Greetings, and welcome to the StoneMor Third Quarter Earnings Release Call. During The presentation, all participants will be in a listen-only mode. Afterwards, we'll conduct a question and answer session. At that time, if you have a question, please press the 1 followed by the 4 on your telephone.

If at any time during the conference you need to reach an operator, please press star 0. As a reminder, this conference is being recorded, Thursday, November 12, 2020. I would now like to turn the conference over to Keith Trost, VP, Financial Planning and Analysis. Please go ahead.

Keith Trost: Thank you. Good afternoon, everyone, and thank you again for joining us on the StoneMor, Inc. conference call to discuss our 2020 third quarter financial results. You should all have a copy of press release we issued earlier today. If anyone does not have a copy, you can find the full release on our Web site at www.stonemor.com. Additionally, a copy of the presentation can also be found on our Web site.

With us on the call this afternoon are Joe Redling, President and Chief Executive Officer; and Jeffrey DiGiovanni, Senior Vice President and Chief Financial Officer.

Before we begin, as usual, I would like to remind everyone that this conference call will include certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements that address operating performance, events or developments that we expect or anticipate to occur in the future are forward-looking statements.

These forward-looking statements are based on management's good faith, beliefs and assumptions. Our management believes that these forward-looking statements are reasonable. However, you should not place undue reliance on any such forward-looking statements because such statements speak only as of today's date.

We do not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results, events and developments to differ materially from our historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those described in the reports, which we file with the SEC.

During the call, we will reference certain non-GAAP financial measures such as comparable location revenues, adjusted operating income, adjusted comparable location operating income, EBITDA, adjusted EBITDA, field EBITDA and unlevered cash from operations. A reconciliation of these measurements to the most directly comparable measures calculated in accordance with GAAP is provided in the presentation.

With that, I'll now turn the call over to Joe Redling, who will take it from here.

Joe Redling: Thank you, Keith. Thank you for joining us this afternoon for our third quarter earnings call. I hope that you and your family continue to remain safe and healthy as we all continue to navigate the pandemic. I feel like I say this every quarter, but the third quarter was once again, very eventful for both StoneMor and our nation as a whole.

During the second quarter, we reported strong sales production results with those trends continuing into July. As we closed the third quarter, I am pleased to report that our cemetery sales production reached record levels driven primarily by strong growth in pre-need sales production.

A smaller portion of that record level of production was also from at-need activity, driven both by COVID and increased mortality rates in general. While the sales production growth in the second and third quarter are clearly encouraging results. It's much more about the sustainability of that performance, particularly if and when the COVID impact moderate. And we eventually returned to a normalized environment.

With the team that we built and the accompanying culture changes along with the reinvestment that has been committed to our key properties and the processes that we've implemented, we are in a strong position to optimize the results regardless of the operating environment, in which we find ourselves. I will talk in more detail on the sales production levels in a few minutes.

COVID-19 unfortunately continues to be a driving force in our daily activities. Our onsite teams continue to serve faithfully on the front line of this public health crisis and are doing so even as cases continue to rise within our community.

We've seen spikes in the number of cases and are continuing to be diligent in our preventative measures and safety protocols. Additionally, we've ramped up our procurement efforts and have been able to secure the necessary PPE for our teams for both their immediate and longer-term needs.

We continue to work closely with local and state governments and authorities to ensure that our locations meet the standards of care for our guests, particularly as we see spikes in cases and states are starting to re-impose restrictions on the number of guests permitted in gathering.

We have set a minimum standard in our locations requiring mask for all indoor activities, as well as outdoor activities where social distancing is not practical or possible. Of course, where local standards are even more stringent, we adhere to those as well.

Our corporate team continues to work remotely, and will continue to do so into 2021. We have seen very little disruption in our corporate office as a result of the remote work environment. In fact, we've experienced increases in employee productivity and job satisfaction as our team has been working remotely now for nearly eight months.

With this in mind, we secured a termination agreement with our current landlord and we'll now lease a significantly smaller office footprint, a move that will save us approximately $1 million annually. Jeff will provide some additional color on this transition.

We're very proud of our team across the country and how they've responded in the wake of this pandemic. Across the company, our leaders have ensured that their teams are ready to handle the rapid shifts that we've seen with COVID. We continue to utilize and expand on the technologies available to us, particularly for virtual meetings with customers.

In addition to remaining socially distant during the process, the virtual meetings allow family members to plan together even when they are apart. It has enhanced the experience for many families and we've received great feedback from staff and customers alike.

Unfortunately, it looks like COVID-19 will continue to impact our business for the remainder of 2020 and well into 2021. With more surges predicted and additional lockdowns possible, our teams are prepared to continue their important work should that happen.

We are an essential business and we will remain open to serve our communities throughout the duration of this pandemic and in coordination with state and local requirements.

As I noted, our third quarter cemetery sales production on a comparable location basis represented record level. As a reminder, when we talk about cemetery sales production, we're looking at non-GAAP measures that focused on new pre-need contract dollar volume together with at-need contract dollar volume, we know pre-need existed. Jeff will review more details on GAAP financial performance in a few minutes.

On a comparable location basis, our cemetery sales production for the third quarter increased 27% compared to the third quarter of 2019. This growth was driven by a very strong 32% increase in comparable location pre-need sales production. Certainly, we believe that a portion of this growth can be linked to an increase in general awareness of the need for pre-need planning, particularly in light of COVID.

However, we also attribute a significant portion of this growth to our own internal activity and the improved quality of our sales and marketing teams and their efforts. We've seen a material decline and turnover compared with our own historical rates. Our teams work tirelessly throughout the third quarter, and these results are a testament to their hard work and dedication.

These impressive production results occurred across all regions. We are experiencing consistent performance across the board, which demonstrates a core improvement in our sales process and culture that I believe is sustainable and it's a very encouraging sign regarding the future growth.

I'm extremely proud of our sales and marketing team. It's been a major focus of ours and we're seeing a brand new culture take hold one that's focused on performance and overachievement. Both our pre-need and at-need sales production, we've increased the number of contracts signed up approximately 28% year-over-year for pre-need and 12% for at-need.

Similarly, we've seen an increase in contract value in both pre-need and at-need combined 6-1/2% increase as all of our locations have and continue to undergo regular pricing reviews. Again, and I'd like to emphasize this point, this is comparable location growth. There was no benefit from new acquisitions. In fact, we have achieved this remarkable growth despite the disruptions generated from divestiture activity, which I will discuss shortly.

We're in a solid fourth quarter driven largely by pre-need production momentum. We're driving this momentum to strong led generation aided by our improved marketing efforts. Obviously, prolonged local or national shutdowns could have an impact on our ability to drive continued growth of pre-need, so we are watching that closely and we'll adapt as needed.

Jeff will go into further detail, but after we adjust for comparable locations, that is excluding now divested location from prior year results. Our third quarter revenues increased 11% over prior year with that growth primarily driven by gains in cemetery revenues.

As you know, we've also been very focused on reducing our expenses across the board. We saw a $6 million decrease in the quarter for our total expenses compared to the third quarter of 2019, representing a 7-1/2% decrease year-over-year in total cost.

These savings are the direct result of the transformation initiatives that have been implemented by our team. The major initiatives that we identified early in our transformation process have now been largely implemented and we're now focused on maintaining those savings.

Certainly there are additional opportunities to further decrease our costs and we'll continue to identify them. But we're also focused on refining the processes and ensuring that we continue to realize and maximize the cash flow benefit from these initiatives as we move forward.

The revenue growth and expense savings combined to generate operating income of $3.2 million, which is nearly an $11 million improvement from the third quarter of 2019 on a comparable location basis. It's been a tremendous amount of effort from the team to get revenue and decrease costs that have allowed me to talk about operating income instead of losses. While we have much more work to do, I am very pleased with our progress and how we have remained laser focused on executing our turnaround plan.

I believe there are additional opportunities ahead as we continue to focus on top line revenue growth, expense management and margin expansion. One metric that we watch and manage internally is field EBITDA. That's total revenues, excluding investment and other revenue, less total cost and expenses and excluding corporate overhead and depreciation.

Field EBITDA for the third quarter was $5.4 million, a $7.6 million increase over the third quarter of 2019. On a year-to-date basis, we've seen a $10.6 million increase in field EBITDA over the prior year.

As we talked about on our second quarter call, we have now fully implemented Coupa, our new business spend management platform across our organization. It's still early in the ramp up process, so we're not able to fully realize savings generated from this launch, but we do expect to see that as we move forward.

Coming out of the starting gate, we're seeing positive, probably imitated with regards to the rollout and implementation that gives us great confidence. For example, our adoption rates exceed 85%, which was a lofty goal based on past implementation.

Importantly, our key vendors have embraced the new purchase order system that was implemented as part of the launch. This is a very positive indicator as the majority of our non-payroll related spend will now be managed through the Coupa platform that greatly enhances our ability to proactively review spending requests, evaluate contract and procedural compliance and monitor our spend versus our budget performance.

From a cash flow perspective, we continue to generate positive operating cash flow generating another $2.6 million from operating activities in the quarter. That's on a levered basis, so it includes $6.5 million in cash interest payments in the quarter. When adding back the cash interest payment our unlevered cash flow from operations was $9.1 million for the third quarter.

In addition to the cash inflows from operations, we've also seen improvements of our trust assets. This is a long-term strategic asset for the company, specifically during the third quarter. We increased the value in trust by more than $15 million.

Between the unlevered operating cash flow and trust performance, that's nearly $25 million of value generated during the third quarter. We are now truly beginning to see earnings power of the business, when we consider the growth in unlevered operating cash flow together with long-term earnings power of our trust assets.

Before I turn the call over to Jeff, I want to circle back to the divesture activities. As you may have seen from our press release on Monday, we have completed the sale of our California profit. With that sales closing we now have exceeded $55 million in total debt reduction.

You may recall that our venture agreement requires 100% of the first $55 million in net proceeds from divestitures are used to reduce debt. At this point, 80% of the net proceeds from future divestitures will be utilized to repay the debt while StoneMor will retain the other 20%. And those proceeds will be reinvested back into the business via capital expenditures.

On that note, we also announced that we signed a sales agreement to sell the remaining assets on the West Coast. That's nine cemeteries and 10 funeral homes for a total price of $6.2 million. In addition to providing attractive multiple, the deal will allow StoneMor to significantly reduce overhead and regional costs as we finalize the strategic goal of exiting operations on the West Coast and creating a more sustainable and efficient operating footprint.

It's expected that this transaction will be completed by the end of 2020. The completion of these deals will conclude the divestiture phase of our transformation process. We'll continue to look for opportunities to strengthen and deleverage our balance sheet, although that might come through strategic acquisitions that add new assets without increasing our debt load.

I also want to take a minute to formally introduce our newest board member Kevin Patrick. We made the announcement back in September, but I haven't had the opportunity to speak publicly about Kevin. He joins our board as an experienced Chief Financial Officer, currently with the Colonial Williamsburg Foundation, which has assets in excess of $1 billion, including a $700 million endowment.

Having extensive financial experience with an emphasis in asset management and financing will certainly enabled Kevin to make immediate contribution to StoneMor's future success. We're very excited to welcome him to the board. On that note, I will turn the call over to Jeff DiGiovanni, who will walk you through more detail on our financial performance during the third quarter.

Jeffrey DiGiovanni: Thank you, Joe, and thank you all for joining us today. I'm proud of the financial performance the StoneMor team's delivered in the third quarter. I want to thank the team for the tireless efforts in prioritizing the safety of our people and communities and supporting the families we serve. First, before we dive into the GAAP results, please note that the non-GAAP sales production performance that Joe discussed is truly a measure of our current period sales production and is not primarily reflected in these GAAP results.

The non-GAAP cemetery production performance was a primary driver in the generation of unlevered operating cash flows of $9.1 million for the third quarter, which excludes cash interest payments of $6.5 million. In addition, between investment returns and contributions from customer collections, we delivered growth in our at trust assets of $15.4 million for the quarter.

On Slide 4, you will see a snapshot of our third quarter GAAP financial results. GAAP revenues are more heavily related to the timing of pre-need turning at-need. In a pre-need contract, those components will be recognized sometime in the future as merchandise is delivered and services are performed.

On a GAAP basis, we generated revenues of $76.9 million for the third quarter compared to $73.1 million for the prior year period. In 3Q ‘20, we generated operating income of $3.2 million compared to an operating loss of $6.6 million in the third quarter of 2019.

In order to provide additional clarity into these results along with comparisons to the prior year, I will refer to certain results on a comparable location basis. That is, excluding the locations that we have divested between January 1, 2019 and September 30, 2020. We believe that this comparison provides a better picture of our current performance.

Reconciliations of these adjusted measures to the GAAP financials are included as an appendix to the presentation, which can be found on our Web site. Having said that, we generated $76.8 million of revenues from comparable locations for the third quarter, which represents a $7.6 million or 10.9% increase on a comparable location basis over the same quarterly period in 2019.

Cemetery revenue comprise 83% of our revenues for the third quarter 2020, and was primarily driver of the year-over-year increase in total revenues, accounting for $6.6 million of $7.5 million comparable location increase. Within the cemetery segment, determined revenue, which is largely recognized at the time of sale, drove the increase on the strength of the strong cemetery production performance that we've highlighted.

Funeral home revenue, which makes up the remaining 17% of revenues, experienced a $0.9 million year-over-year increase on a comparable location basis, with the bulk of that growth being generated through the recognition of merchandise related revenues.

The gains in revenues offset by declined in average contract values for our at-need services, as we experienced an $11.7 million increase in call volume year-over-year. The decline in average contract value was driven by reduced restrictions, service opportunities related to COVID social distancing.

Moving ahead to Slide 5, we had operating income of $3.2 million. This represents approximately $11 million improvement over the third quarter of 2019 when we reported a comparable location loss of $7.8 million excluding other losses.

It also represents a sequential improvement compared to the second quarter of 2020 when we reported breakeven operating income on a comparable location basis and excluding a gain on divestitures and other losses. Certainly, the growth in revenue played a major part in driving operating income, but we also benefited from a reduced cost structure and our transformation initiatives that both reduced our variable costs on a percent of revenue basis and reduced our fixed costs.

On the expense side, we've made tremendous strides on reducing our overall costs. The total cost expenses of $73.6 million on a GAAP basis during the third quarter 2020, representing a $5.9 million or 7.5% decline from prior year. Cemetery cost of goods sold as a percent of cemetery of revenue decrease from 17.6% for the third quarter 2019 to 15.6% for the third quarter of 2020.

The decrease in percentage was largely driven by the decline in merchandise revenue, which typically carries a lower margin than determined and services revenue. Cemetery expense, which includes the cost associated with the maintenance outsourcing machine is declined $1.7 million overall or 9% versus the same period last year, which is primarily related to maintenance and landscaping expense savings.

Certainly, much of the savings is being driven by our transition of maintenance and landscaping to move landscaping. We've rolled out the program to most of our locations, but still have some locations that will be transitioned over the coming months.

Those savings have been offset with continued investment in locations with repairs and maintenance activity that does not meet the standards for capitalization. In addition, we continue to drive savings in our cemetery selling expenses, with a total savings of $1 million, despite the increase in revenues, the expense as a percentage of total cemetery revenue improved to

21.3% for the third quarter 2020 compared to 24% for the third quarter of 2019.

This improvement is driven by increases in sales productivity through enhanced training and more efficient marketing spend, as we've more closely manage and target our digital leads.

Lastly, on a cemetery side, we drove G&A savings of $0.5 million overall, with the elimination of certain administrative expenses and tighter expense management. It's important to note that our 3Q 2020 costs also include $0.3 million in COVID related purchases, as we've managed through the pandemic and ensure that our locations have the necessary safety equipment. This line is certainly a place for where we love to see additional savings generated with the launch of Coupa.

Funeral home expenses were flat year-over-year, despite the increase in funeral home revenue. On a percent of revenue basis, we saw a slight decline in cost as our locations focused on offsetting a decline of service revenue with higher margin merchandise.

And finally, we reduced corporate overhead by $1.8 million, a 15.8% decrease over the third quarter of 2019. Included in the savings with a decrease of $2 million related to professional consulting fees and our ability to execute many of these transformation initiatives with our own team and relying less on third party professionals is a true testament to the leadership and dedication from everyone.

On that note, we're also doing more with less, as we significantly reduced our payroll at corporate, both during the second half of 2019, but also during the second quarter of 2020, when we executed an additional reduction in force in

April. The savings from the most recent riff are now materializing after previously being offset by associated severance costs.

We've also reduced our other expenses across the board, although they have been offset by increased insurance and additional investment in our corporate marketing efforts to drive more higher quality leads moving forward. In addition to the strides that we’ve made in our income statement, we've made similar strides in terms of our cash flows, and are pleased with the overall results.

I would like to turn your attention to Slide 6 for some key metrics. I'm happy to report that we have once again, achieved positive cash flows from operations for the second consecutive quarter. For the nine months ended, 9/30/2020, we had $3.8 million in cash flows from operation, which includes $20 million of cash interest payments. We were able to execute this by also reducing our payables balanced by $3.8 million.

Specifically for the third quarter, that equates to $2.6 million in cash flows from operation. And, again, that's after a $6.5 million cash interest payment. We have now generated $9 million unlevered operating cash flow over the last two quarters. We've done this without seeing a material increase in our payables. So it's a truly representative of operating cash flow generation.

Looking back at 2019, you may recall that during the third quarter, we actually generated $4.8 million in operating cash flow. But that was really a function of timing as we had negative $18.5 million in operating cash flow in the second quarter and negative $11.2 million in operating cash flow in the fourth quarter of 2019.

As we look at our current results, we believe that two sequential quarters of positive operating cash flow are indicative of the progress that we've made with our transformation and represent the current state of our business.

Over the last nine months, we spent $4.8 million on capital expenditures with $1 million of that taking place in the third quarter. We slowed down that CapEx spend starting the second quarter of response to the COVID-19 pandemic. During the latter stages of the third quarter, we started increasing our CapEx spend, but that has yet to show up on our cash flows due to the natural cycles of payables.

On the debt side, and as Joe mentioned, with the closing the sale of remaining locations in California, we exceeded our $55 million in debt reductions. We're targeting the completion of the Oregon divestitures in the fourth quarter, which will provide additional reductions toward debt as well as provide additional capital to further accelerate our CapEx reinvestment initiatives.

As a reminder, as it relates to our debt, we have the option until January 30, 2022 of paying 7.5% cash interest and 4% paid in kind interest or paying 9.875% cash interest with no paid in kind. After January, 2022, we are obligated to pay cash interest of 9.875% until maturity.

Our intention for the fourth quarter 2020 will be to pay full cash interest. Although that decision will be finalized in December and market conditions, including COVID related issues, may impact that ultimate decision. We've also been carefully monitoring and tracking our Trust performance, but more than $800 million in trust assets, including $19 million that is classified as held for sale, we know that an uptick in performance can have a material impact on our results.

There has been a considerable amount of market volatility recently, especially with the unknowns from the pandemic in the election. During the third quarter, we drove net returns of $15 million. You can see on Page 7, how we calculated these amounts.

We also added $17.4 million during the quarter in terms of net contributions, primarily from cost of receipts. The increases in trust balances were partially offset by $16.9 million in distributions representing net asset creation during the third quarter of $15.4 million.

We will continue to closely monitor and track our portfolio with the help of our asset advisors and trust committee to maximize the values from these trusts. As Joe noted between our unlevered cash flow from operations and the growth in Trust assets, we created nearly $25 million in asset value during the third quarter.

Lastly, Joe mentioned our corporate office. We've been working remotely since early March and our team has not missed a beat, even prior to remote working environment, we had listed a portion of our office for potential sublease. With the previously executed risks, we were leasing more space than we necessarily need and represent an opportunity to drive further savings.

As such, we identified an opportunity to sublease the entire footprint to a single tenant. As part of that process, we negotiated a one-time termination fee with our current landlord and the sublease fee negotiated directly with the landlord.

Moreover, we signed a new lease in Bensalem for new corporate office, which is approximately 1/3 of our existing space, which we rent utilities and CAM charges. We expect to save nearly $1 million annually on a cash basis from this transition.

In summary, we've made great progress on our initiatives with steady sales productions, coupled with significant expense reductions and positive operating cash flow, we’re enthused and remain encouraged about the prospects as we continue to focus on execution and driving operational and financial improvements in the business.

With that, I will turn the call back over to Joe for his final thought. Thank you.

Joe Redling: Thanks, Jeff. (Unintelligible) seeing our team's hard work and the successful implementation of our plan via financial results has been rewarding, as we are executing at a very high level. That said, now is not the time to rest. We have more to do and we really embracing the opportunity to continue to build on this momentum.

We have already laid out our plans for 2021 and our beginning cost down on key initiatives to start the year off strong and continue to drive EBITDA growth in 2021. Importantly, we're closely monitoring COVID-19 and its impact and we'll be prepared to act if, and when it's required.

I continue to commend the resolve of our employees. They are the backbone of our success. And with this team leading the way, I am very confident that our future remains bright.

With that, I thank everyone for their time today, and we'll now open the floor for questions.

Operator: All right. Thank you. So everyone if you'd like to register a question, please press the 1 followed by the 4 on your telephone. You'll hear a three-tone prompt acknowledging your request.

If your question has been answered and you'd like to withdraw your registration, please press the 1 followed by the 3. Once again, for any question please press 1-4 on your telephone keypad. Just one moment for the first question please.

As a reminder everyone it's 1-4 if you'd like to queue up for a question. Our first question comes from the line of Craig Carlozzi with Longfellow Investment. Please go ahead.

Craig Carlozzi: Yes. Hi. Thanks for the opportunity to ask a question. So I'm new to the story and my question actually has two, but the first one is regarding your trust assets on Page 7.

Look like you grew the value of the trust, but under what scenario would there be excess value in the trust that could be used to help the holding company best? I'm just not familiar with the matched liabilities and the mechanics and all that.

Joe Redling: Jeff, you want to take that?

Jeffrey DiGiovanni: Yes, I'm going to take that. So that's a great question. So what are trusts? Every time we do a pre-need contract, a portion of that sale price goes into trust as the customer pays, makes serve monthly payments. Having said that, the liability is substantially less.

So when we service those merchandise assets, money comes down to the trust each state has different laws. So if there's excess funds, depending on the state laws, you could do a distribution. But to state law, sometimes there's distributions get hanged up in trust, which get hung up into deferred revenue. So it's state-by-state case.

Joe Redling: I think, that's simple, Craig. Craig, this is Joe. I think a simple way to think about it is as we generate pre-need sales, we make contributions to the trust. Each state has different regulatory requirements for trust deposits on a pre-need contract. So this quarter we made significant investments in trust.

We benefit from the yields of those investments. Certain percentage, certain states allow us to distribute that income. Other states don't. About 60% of our trust income, 50% of our trust returns are distributable. And so that's a big piece of income for the company.

And at the same time, as we're adding more value to the trust, we're increasing the total number of assets that we're managing. And to Jeff's point, the full face values of those contracts go into the trust, which includes quite a bit of margin. So when we're able to withdraw money from the trust, there's quite a bit of margin that comes with that.

So it's obviously has multiple components of it. It's complicated, but it's a tremendous long-term asset for the company.

Craig Carlozzi: Okay. So have you disclosed what the net asset would be at Q3, assuming the trust winning to run off and the contracts were serviced in a manner that you expect them to be? What is the asset to the company?

Jeffrey DiGiovanni: So you're saying there'll be disclosing the merchandise liability associated with those trust assets?

Craig Carlozzi: Yes. Yes, the excess of the assets over the mandatory liability.

Jeffrey DiGiovanni: We don't disclose that at this point in the (unintelligible)…

Craig Carlozzi: Okay.

Jeffrey DiGiovanni: But it's something we're considering for the future.

Craig Carlozzi: Okay. And my second question is now that it looks like you've sold some assets and you're in the middle of a transformation, can you give us a little bit or give me a little bit of high level thought on what your field EBITDA potential would be?

I don't really care about next quarter or the next six months, but thinking on a normalized level, maybe 18 months or 24 months from now. How do you view the earnings power of the business pro forma all the actions that you're looking to do. Thank you.

Joe Redling: Yes, it's a great question. So, again, not getting into guidance, but we think we still have pretty good margin expansion opportunities in the business. StoneMor, we have a pretty diverse group of assets, they're all different sizes around the country. So we believe the profitability of these locations are still an opportunity.

We've had some really good growth in margin expansion this year. We believe there's still opportunities in many markets to continue that expansion.

So without getting into specific forecast, I think we kind of just began to scratch the surface here.

Our first step was to take out what we thought were unnecessary costs and structured the business the right way. Get the top line moving. And as you can see from our performance in Q3, when you're moving that top line quite a bit it flows through to the bottom line.

We are looking at four wall EBITDA on a regional basis is what we manage every week. And we do have plans in place to really focus on maintaining that top line growth, staying focused on expenses and expanding margins as we go forward. So we still think we have opportunities there.

Jeffrey DiGiovanni: Yes. And just to add, even with the launch of Coupa that something that can significantly benefit that.

Craig Carlozzi: (Unintelligible). Thanks for the time.

Operator: All right, thank you very much. And we have no further questions from the phones at this time. I'll turn the call back to your hosts.

Keith Trost: Thank you again for your time this afternoon. We look forward to talking with you again for the fourth quarter and full year update. In the meantime, if you have any questions that were not answered or discussed on today's call, please feel free to reach out to investor relations at 215-826-4438. Thank you. Have a great evening.

Operator: That does conclude the conference call for today. We thank you for your participation and ask that you please disconnect your lines.

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