CARRIAGE SERVICES

3040 Post Oak Boulevard • Suite 300 • Houston, TX 77056
Phone: (713) 332-8400 • Fax: (713) 332-8401 • www.carriageservices.com

COMPANY BACKGROUND

- Founded in 1991; public in 1996; one of the largest funeral home and cemetery consolidators in a highly fragmented industry.

- Ten Year Vision to affiliate with the best remaining independently owned funeral home and cemetery businesses in strategic markets and become recognized as a superior Consolidation, Operating and Value Creation Investment Platform.

- Industry consolidation landscape is highly favorable for Carriage as the succession planning solution for "best in class" independent operators across the country.

- Corporate strategy defined by three models: Standards Operating Model for both funeral & cemetery segments, 4E Leadership Model, and Strategic Acquisition Model.

- Decentralized, entrepreneurial Standards Operating Model and linked incentive compensation attracts best in class industry talent and acquisition candidates.

- Capital Structure and low Cost of Capital enable growing Adjusted Free Cash Flow from Operations to finance majority of acquisition growth pursuant to our Strategic Acquisition Model, while improving the credit profile of Carriage.

- Long-term shareholder value created though modest Revenue growth leveraged into faster growth in Field EBITDA, Adjusted Consolidated EBITDA and Adjusted Diluted EPS.

- Adjusted Consolidated EBITDA Margin of 26.9% for the last twelve months.

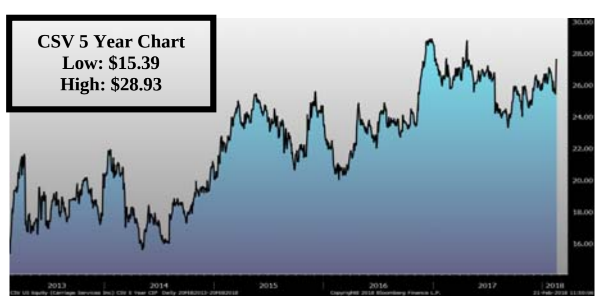
Stock Price (February 20, 2018)	**$27.59**
Symbol / Exchange:	CSV / NYSE
52-Week Trading Range:	$23.31 - $28.93
Shares Outstanding (in millions):	16.1
Float (in millions):	14.6
Market Capitalization (in millions):	$444.2
Total Enterprise Value (in millions):	$821.2
Avg. Daily Volume (3 Mos.):	117,845
Insider Ownership:	8.8%
Institutional Ownership:	91.2%
Fiscal Year-End:	December

Financial Data (in millions)	**12/31/2017**
Cash & Cash Equivalents:	$1.0
Total Assets:	$921.5
Total Senior Debt:	$234.2
Total Subordinated Debt:	$143.8
Stockholders' Equity:	$197.7

Year Ended	**12/31/2017**	**Trend CAGR**
Total Revenue:	$258.1	4.9%
Field EBITDA:	$104.5	5.5%
Adjusted Consolidated EBITDA:	$68.7	5.2%
GAAP Diluted EPS:	$2.09	26.4%
Adjusted Diluted EPS:	$1.39	9.1%
Adjusted Free Cash Flow:	$37.4	0.8%

Company Financial Outlook	**Four Qtr. Period Ending 12/31/2018**	**Midpoint YoY**
Revenues:	$280 - $285	9%
Adjusted Consolidated EBITDA:	$80 - $85	20%
Adjusted Net Income	$34 - $36	41%
Adjusted Diluted EPS:	$2.00 - $2.05	46%
Adjusted Free Cash Flow:	$48 - $52	34%
Adjusted Free Cash Flow Per Share	$2.98 - $3.23	34%

Current Forward Year Valuation Data (Outlook Midpoint)	
Price /EPS:	**13.6X**
Enterprise Value /Adj. Consolidated EBITDA:	**10.0X**
Adjusted Free Cash Flow Yield	**11.3%**



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This Investment Profile is being published by Carriage Services in continuation of the Company's stated goal to provide more disclosure and transparency to the investment community regarding Carriage's operations, strategies and industry conditions. It is Carriage's intent to take responsibility for communicating with the investment community and provide greater operating and financial transparency.

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MISSION STATEMENT: We are committed to being the most professional, ethical, and highest quality funeral and cemetery service organization in our industry.

GUIDING PRINCIPLES:

- 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;
- Growth of the Company is driven by decentralization and partnership.

TEN YEAR VISION AND STRATEGY

- Become recognized by institutional investors and those in our industry as a superior Consolidation, Operating and Value Creation Investment Platform by consistently allocating our precious capital, especially our growing Adjusted Free Cash Flow, with disciplined savviness and flexibility among various investment options so as to maximize the intrinsic value of Carriage per share over the next ten years.

- To affiliate with the best remaining independently owned funeral home and cemetery businesses in strategic markets where the potential for future revenue growth is the highest. After almost fifty years of consolidation, the funeral and cemetery industry remains highly fragmented with the top three public consolidators accounting for approximately 20% industry revenue. Succession planning issues for independent owners and their families has become more difficult and complex than ever.

Carriage offers a highly attractive succession planning option for independent owners who want their legacy family business to remain operationally prosperous in their local communities, while our decentralized operating framework comprised of our **three models** will continue to attract the best and most entrepreneurial talent in our industry.

Standards Operating Model

- The Standards Operating Model is comprised of eight Funeral and six Cemetery Standards that Carriage has observed as being the drivers of sustainable high performance in the funeral and cemetery industry.
- The Standards are designed around three major areas related to market share, people and financial metrics (**Being The Best Standards**) that drive long-term operating and financial performance.
- They are designed and weighted to grow funeral contracts/cemetery internments and average revenue per contract/internment modestly over time at high and sustainable profit margins.
- The Standards align one-year (**Being The Best**) and five-year (**Good To Great**) financial incentives for Managing Partners of each business with 4E Leadership skills and their teams who consistently achieve a high level of Standards.

4E Leadership Model

- The Standards Operating Model requires strong leadership to grow an entrepreneurial, high value, personal service business at high and sustainable Field EBITDA Margins.

- 4E Leaders have a winning, competitive spirit and want to make a difference not only in their business but in Carriage's performance and reputation within the funeral and cemetery industry.
- 4E Leaders are motivated by the recognition and rewards related to achievement of our **Being The Best** Standards, including internal rankings and our Annual **Being The Best** and Five Year **Good To Great** Managing Partner Incentive Bonus Programs.

Strategic Acquisition Model

- The Model is used to assess strategic acquisition candidates based on a number of specific criteria including: market size and demographic trends, client family revenue profile, institutional brand strength, long term (10 years) contract volume and revenue per contract (3 years) trends.
- The Model allows Carriage to evaluate potential acquisition candidates on a pro forma basis using our Standards Operating and 4E Leadership Models to determine alignment with our operating strategy.
- The selective ranking and valuation of acquisition candidates is based on local market dynamics that are evaluated by the entire leadership team, our Operations and Strategic Growth Leadership Team. The Model allows for differentiating enterprise valuations and the flexibility for Carriage to customize acquisition transactions to ensure appropriate Return on Invested Capital.
- Carriage's goal over the next ten years is to acquire larger and higher margin funeral home and cemetery businesses in large, demographically attractive strategic markets. Through the disciplined execution of the Model, the acquisitions will lead to incremental increases in the growth profile and sustainable earnings power of Carriage.

LEVERAGED INVESTMENT RETURNS

Execution of the Carriage Models should produce superior long-term shareholder returns driven by a unique combination of the following financial leveraging dynamics:

Operating Leverage

- Modest growth in same store revenues and modest increases in Field EBITDA Margins over time produce a higher growth rate (versus revenue) in same store Field EBITDA.
- Execution of our Standards Operating Model and higher death rates caused by the aging of the "baby boom" generation should increase same store volumes and revenues in the intermediate and long term, which will cause higher compound growth rates of Field EBITDA.

Overhead Leverage

- Fixed Regional and Corporate Overhead infrastructure costs will increase over time at a **slower** rate than revenues.
- Variable Overhead, primarily incentive compensation related to all three organizational levels (Field, Regional, and Corporate) and expenses related to acquisitions will increase relative to higher operating and financial performance.

Capital Structure Leverage

- Carriage has taken advantage of the current low interest rate environment with a bank term loan and a 2.75% convertible subordinated note offering.
- This capital structure, along with the expansion of our bank credit facility at competitive rates, have lowered cash interest expense, improved cost of capital and provided substantial financial flexibility.
- Annual cash interest expense is easily covered by Adjusted Consolidated EBITDA, resulting in substantial Adjusted Free Cash Flow that will be used to fund strategic acquisitions and for internal growth projects, such as cemetery inventory development and local business expansion.
- Low share count enables approximately $275,000 of incremental Field EBITDA to produce an additional $0.01 of Earnings Per Share.

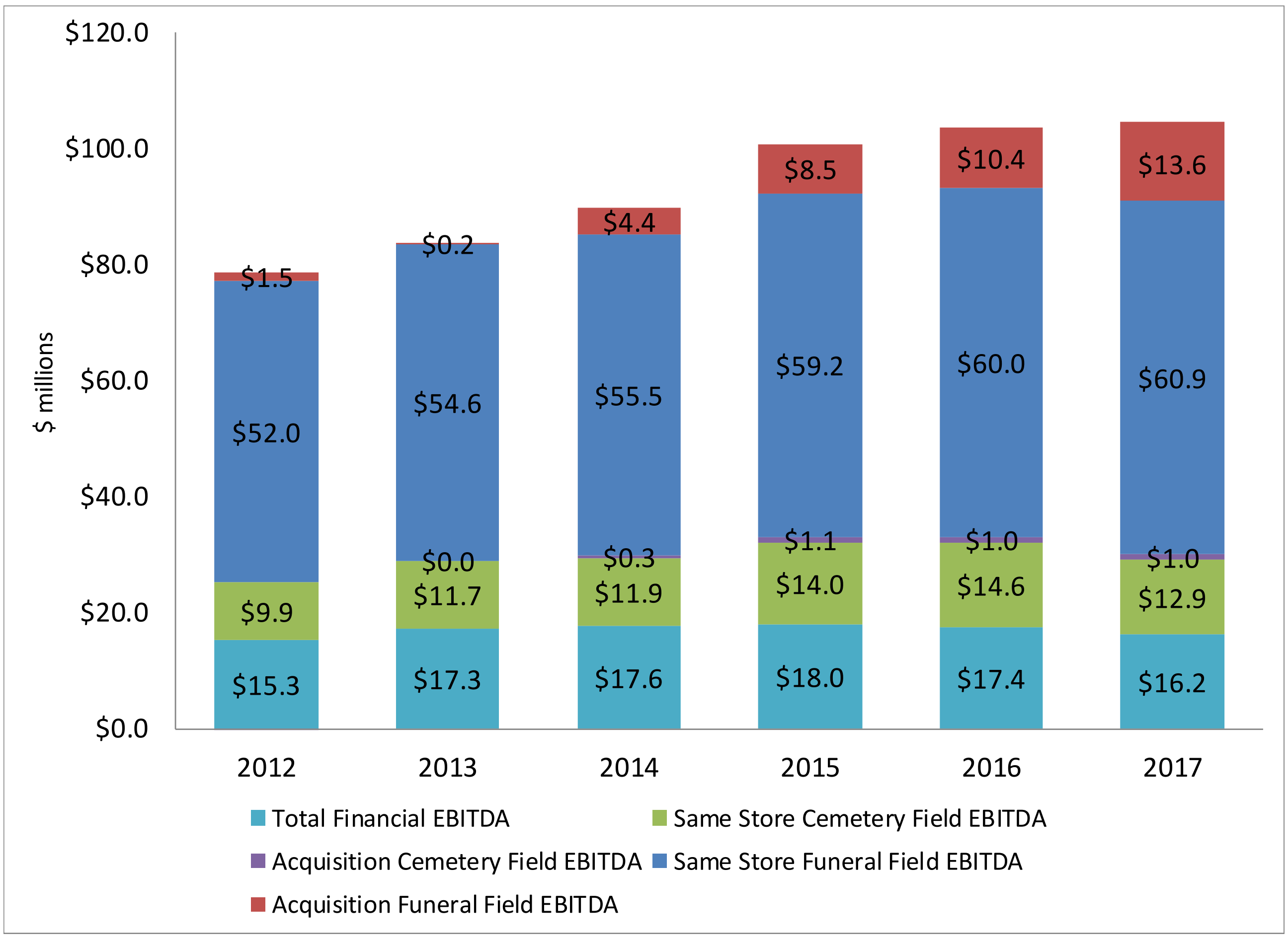
Consolidation Platform Leverage

- Acquired Field EBITDA from acquisitions will substantially add to Adjusted Consolidated EBITDA and Adjusted Free Cash Flow and will be highly accretive to EPS.
- Adjusted Free Cash Flow after fixed interest and maintenance capital expenditures will grow at a faster rate than revenues, a financial benefit that will accrue directly to common shareholders.

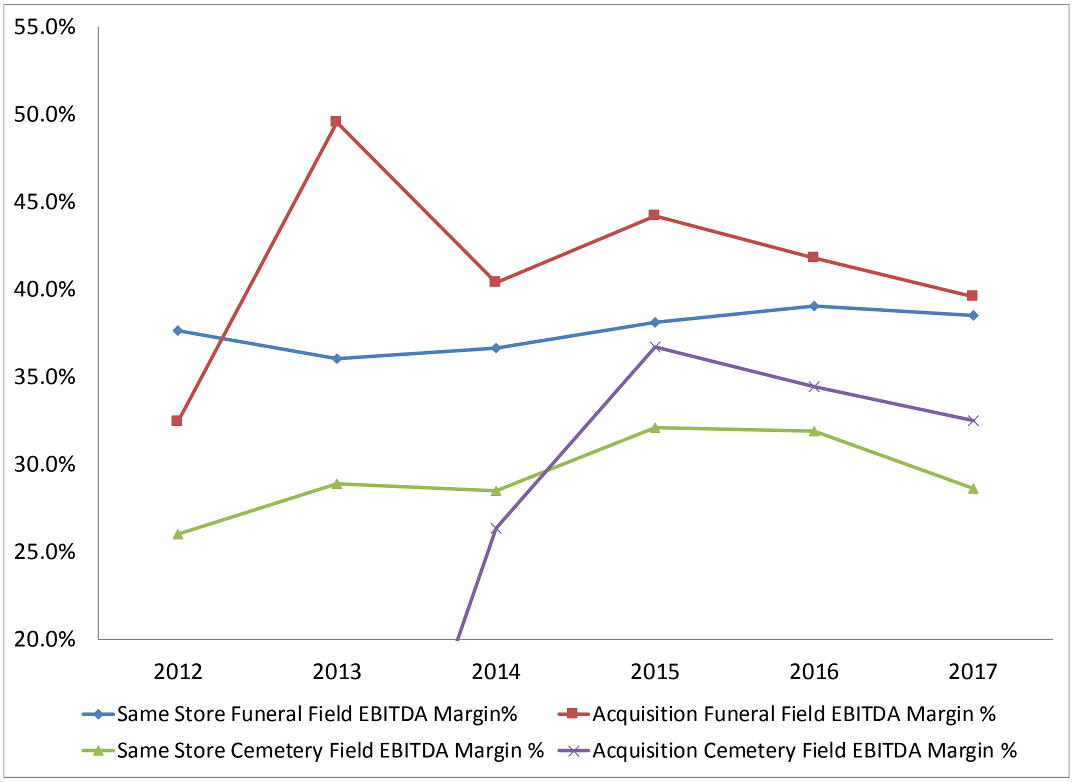
History of Record Performance

Carriage announced our **Good To Great Journey** in 2012 with a theme of "**A New Beginning**" after a transformation of our Board and Executive Management Teams. Since we launched the **Carriage Good To Great Journey**, our performance trends have been extraordinary.

The tables below reflect the composition of Field EBITDA and Field EBITDA Margin from 2012 through 2017. The growth in Total Field EBITDA over the same period has been driven by improved execution of our Standards Operating Model and our Strategic Acquisition Model.



- Increased Total Field EBITDA by $26 million since 2012 (excludes Financial).
- 16.6% of growth in Field EBITDA from existing operations (owned 5 years or longer) (Same Store & Financial).
- Increased Total Field EBITDA from existing operations, which is highly accretive to Adjusted Free Cash Flow and Adjusted Net Income due to no incremental D&A and overhead expenses.



Field EBITDA Margin Improvement:

1. Improved Execution of Standards Operating Model
2. Acquisition of accretive Funeral and Cemetery Operations in strategic markets
3. Upgraded 4E Leader Managing Partners to across the company

2016 RECORD PERFORMANCE

For the periods presented, Carriage reported the following results compared to the comparable period that demonstrated the financial leveraging dynamics of Carriage's operating and consolidation platform in the funeral and cemetery industry.

For the year ended December 31, 2016 compared to December 31, 2015 (Press Release February 15, 2017 – FY 2016 Results):

- Total Revenue of $248.2 million, an increase of **2.3%** compared to $242.5 million in 2015.
- Total Field EBITDA of $104.4 million, an increase of **2.8%** compared to $101.5 million in 2015.
- Total Field EBITDA Margin up 20 basis points to **42.1%** compared to 41.9% in 2015.
- Adjusted Consolidated EBITDA of $73.7 million, an increase of **3.6%** compared to $71.1 million in 2015.
- Adjusted Consolidated EBITDA Margin up 40 basis points to **29.7%** compared to 29.3% in 2015.
- Adjusted Diluted Earnings Per Share of $1.62, an increase of **9.5%** compared to $1.48 in 2015.
- Adjusted Free Cash Flow of $47.6 million, an increase of **8.9%** compared to $43.7 million in 2015.

2017 RECORD PERFORMANCE

For the year ended December 31, 2017 compared to December 31, 2016 (Press Release February 14, 2018 – FY 2017 Results):

- Total Revenue of $258.1 million, an increase of **4.0%** compared to $248.2 million in 2016.
- Total Field EBITDA of $104.5 million, an increase of **0.1%** compared to $104.4 million in 2016.
- Total Field EBITDA Margin down 160 basis points to **40.5%** compared to 42.1% in 2016.
- Adjusted Consolidated EBITDA of $68.7 million, a decrease of **6.8%** compared to $73.7 million in 2016.
- Adjusted Consolidated EBITDA Margin down 310 basis points to **26.6%** compared to 29.7% in 2016.
- Adjusted Diluted Earnings Per Share of $1.39, a decrease of **14.2%** compared to $1.62 in 2016.
- Adjusted Free Cash Flow of $37.4 million, a decrease of **21.4%** compared to $47.6 million in 2016.

OTHER RECENT BUSINESS DEVELOPMENTS

Acquisitions:

- During 2016, we acquired six funeral home businesses. We acquired two funeral home businesses in Houston, Texas in May 2016, one funeral home business in Madera, California in September 2016, one funeral home business in Brookfield, Wisconsin in November 2016 and two funeral home businesses in Burlington, North Carolina and Graham, North Carolina in November 2016.
- During 2017, we acquired seven funeral home businesses. We acquired two funeral home businesses in Northern Colorado in November 2017, and five funeral home businesses in New York in December 2017.

Credit Facility: In February 2016, we entered into a seventh amendment to our Credit Facility. The Seventh Amendment resulted in, among other things, (i) reducing our LIBOR based variable interest rate 37.5 basis points, (ii) extending the maturity, (iii) increasing and funding the term loan, (iv) reducing the size of the revolver, (v) increasing the accordion and (vi) updating the amortization payments. See *Capital Structure Strategy* below.

Share Repurchase:

- In February 2016, our Board approved a share repurchase program authorizing us to purchase up to an aggregate of $25.0 million of our common stock. Since approval, Carriage has repurchased approximately 674,000 shares of common stock with an aggregate of approximately $16.0 million.
- In October 2017, our Board approved a $15.0 million increase in its authorization for repurchases of our common stock in addition to the $25.0 million approved in February 2016, bringing the total authorized repurchase amount to $40.0 million.

Executive Leadership Changes:

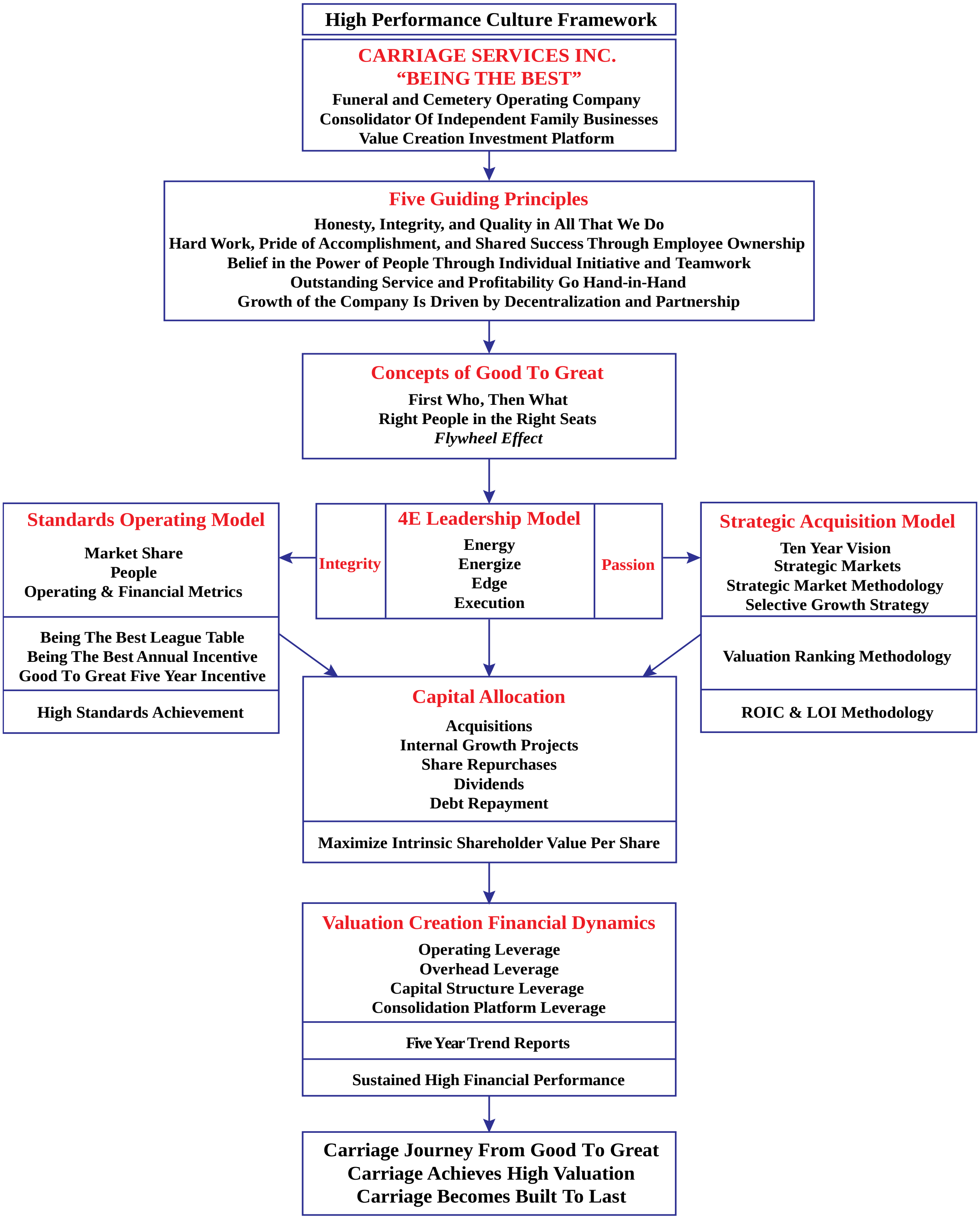
- David J. DeCarlo retired effective September 30, 2016 as President of the Company and Vice Chairman of the Board of Directors.

Dividends:

- In October 2017, the Board approved an increase in our quarterly cash dividend on our common stock from $0.05 per share to $0.075 per share.

HIGH PERFORMANCE CULTURE FRAMEWORK

The visual schematic shown below outlines how Carriage's **High Performance Culture** Framework links to our Mission Statement, Five Guiding Principles and the application of Good To Great leadership and people concepts. The consistent execution of our three models creates high and sustainable financial performance, which in turn drives the value creation dynamics that make Carriage a compelling investment vehicle for our shareholders and employees.



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CAPITAL STRUCTURE STRATEGY

The successful execution of our financing strategy has materially reduced our cost of debt capital and therefore our total cost of capital and has been accretive to earnings.

In February 2016, Carriage completed the Seventh Amendment to the Credit Facility to further support our operating and acquisition strategy.

Seventh Amendment to the Credit Facility

(Press Release February 9, 2016)

- Extended Credit Facility for another five years with a maturity date of February 2021.
- Pricing level on the Senior Secured Leverage Ratio decreased by 37.5 basis points effective on closing.
- Decreased commitments under revolving credit facility from $200 million to $150 million.
- Increased bank term loan to $150 million from $111 million.
- Increased accordion from $50 million to $75 million.
- Credit Facility consists of 9 leading financial institutions and is administered by Bank of America Merrill Lynch.

Convertible Subordinated Notes

(CSV 8-K March 19, 2014), (Press Release March 19, 2014)

- Issued $143.75 million 2.75% Convertible Subordinated Notes due 2021, (the "Notes") through a private offering, on March 13, 2014.
- Due to investor demand, the initial purchasers exercised their option to purchase an additional $18.75 million of Notes.
- Unsecured obligations are subordinated in right of payment to all of our existing and future senior indebtedness.
- Matures on March 15, 2021, unless earlier converted or purchased via a tender by Carriage; no call provision.
- Initial conversion rate of the Notes is 44.3169 shares of our common stock per $1,000 principal amount of notes equal to conversion price of $22.56 per share. The Notes are eligible for conversion at $29.33.
- Upon conversion, Carriage will pay cash up to the aggregate principal amount of the Notes being converted and pay cash, shares of our common stock or a combination thereof, at our election, of the remainder of the conversion obligation.
- The total number of common shares issued due to conversion is limited to less than 20% of shares outstanding at time of issuance (NYSE share cap). Carriage is not required to pay cash in lieu of shares that are subject to the NYSE share cap.
- Due to net share settlement provision, dilution occurs slowly. To recognize the full 20% dilution under the NYSE cap, Carriage common stock price would be approximately $54.
- Please see our Press Release dated February 25, 2015 for further details of the mechanics of the Convertible Notes.

$45 Million Share Repurchase

(CSV 8-K May 22, 2015), (CSV 8-K September 30, 2015), (Press Release May 21, 2015), (Press Release September 28, 2015)

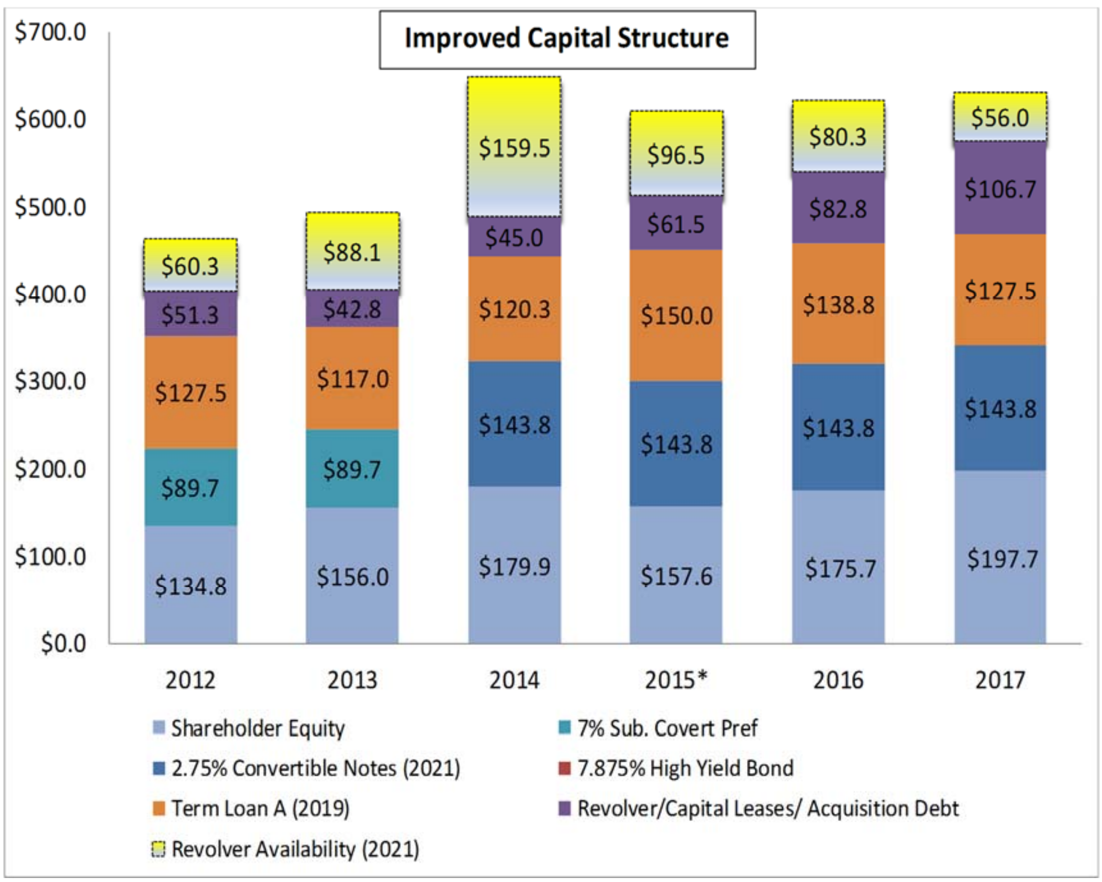
- The Sixth Amendment to our revolving credit facility authorized the repurchase program and was fully supported by syndicate banks.
- In 2015, we repurchased 1.9 million shares at an aggregate cost of $45.0 million and average cost per share of $23.34, which represents about 10.4% of our previous shares outstanding.
- We will continue to prioritize the use of our free cash flow in acquiring the best remaining independently owned funeral home and cemetery businesses in large, demographically attractive strategic markets.

Leverage

- Carriage ended 2016 with record debt service performance metrics supporting a total pro forma leverage ratio in the range of 4.6x, the upper limit of how we intend to manage our balance sheet while maintaining significant financial flexibility over the next five years.
- Carriage's highly selective growth strategy by acquisition can be mostly self-financed from Free Cash Flow over the next five years while producing a total leverage ratio that will trend down from 4.6x currently to about 4.0 times by 2020 if not sooner.

CARRIAGE OPERATING AND CONSOLIDATION PLATFORM - A VALUE CREATION INVESTMENT PLATFORM

There are four primary components in our capital structure: (1) $150 million bank term loan that has a 2021 maturity, (2) a $150 million revolving credit facility that matures in 2021, (3) $143.75 million in outstanding 2.75% convertible subordinated notes that have a 2021 maturity, and (4) common stock. Our Capital Structure and low Cost of Capital coupled with operating performance have led to an improved credit profile and greater financial flexibility to execute our Ten Year Vision for growth.



*2015 reflects pro forma as if the Seventh Amendment to the Credit Facility was completed as of year ended December 31, 2015.

TREND REPORTS

In order for management and investors to evaluate, with full transparency, the effective execution of our three models over long periods of time, we decided that innovation in our public reporting was required. We subordinate SEC segment and GAAP reporting in our public quarterly financial results with Annual and Quarter Trend Reports.

The Trend Reports highlight the following long and short term Operating and Financial results:

- Same Store and Acquisition contract Volumes and Operating Revenues.
- Field EBITDA and Margin Percentage (defined by Carriage as controllable profit and profit margin).
- Financial Revenue and EBITDA (Preneed Trust and Insurance earnings, Cemetery Perpetual Care Income).
- Fixed and Variable Corporate Overhead expenses.
- Consolidated EBITDA and Consolidated EBITDA Margin.
- Adjusted Net Income and Adjusted Net Income Margin.
- Adjusted Consolidated EBITDA and Adjusted Consolidated EBITDA Margin.

The Trend Reports also reflect the "bottom line" enterprise valuation metric of Adjusted Consolidated EBITDA and Adjusted Consolidated EBITDA Margin (all non-GAAP). Carriage believes that the Adjusted Consolidated EBITDA and Margin most accurately reflect the "roughly right range" of the cash earning power of the Company as an operating and consolidation platform.

"Same Store" results in our Trend Reports represent Operating and Financial results of funeral and cemetery businesses that have been owned for **five** years or more. "Acquisition" is defined as funeral and cemetery businesses acquired since January 1, 2013. The five year trend of our Acquisition Portfolio is important in monitoring the execution of our Strategic Acquisition Model. It also provides management and investors the ability to see the effects of the Consolidation Platform Leverage on Carriage's operating results and the shareholder value creation over time as we execute the Strategic Acquisition Model.

Every month, the Managing Partner of each funeral home and cemetery receives an individual Standards Achievement Trend Report that mirrors the format of Carriage's publicly available Trend Reports. These reports, along with real-time data available through a customized 'dashboard', enable each Managing Partner to monitor their businesses operating and financial performance relative to **Being The Best** Standards Achievement. These tools allow our Managing Partners and Regional Leadership to quickly and proactively react to changing trends in local markets.

Historically, the dynamic nature of the evolutionary process of building our culture, especially since launching the **Good To Great Journey** in the beginning of 2012, has led to a large number of charges such as severance, consulting and other activities that we view as not core to our operations and as such have been added back to GAAP earnings as "Special Items". The Special Items are important to add back because of the transformational nature of major changes over the last several years within our Operations and Strategic Growth Leadership Team, which currently comprises of eight members. The number of these Special Items and other charges should be minimal during 2016 and thereafter.

Accordingly, beginning in the first quarter of 2016, these non-GAAP Special Items will be comprised of only those charges materially outside the normal course of business, which should result in major shrinkage of "the gap" between our GAAP and non-GAAP reported performance.

The Non-GAAP Withdrawable Trust Income in our Trend Reports reflects the change in the available income we are able to withdraw from Preneed Cemetery Trusts in three states that allow cash income to be withdrawn prior to maturity of the contract. The intent of this presentation was to show the true cash earning power of Carriage. The amount of reported Withdrawable Trust Income has been steadily declining over the past 5 years while our Adjusted Consolidated EBITDA and Margin have been materially increasing. As its financial impact to Carriage is diminishing and the intrinsic value of reporting such Non-GAAP affect is insignificant, beginning in 2016, we no longer reflect Withdrawable Trust Income within the Special Items section of our Trend Reports.

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ANNUAL OPERATING AND FINANCIAL TREND REPORT
(in thousands, except per share amounts)

	2013	2014	2015	2016	2017	CAGR
Same Store Contracts						
Atneed Contracts	23,428	23,489	23,385	23,104	23,947	
Preneed Contracts	5,953	5,632	5,748	5,568	5,640	
Total Same Store Funeral Contracts	29,381	29,121	29,133	28,672	29,587	**0.2%**
Acquisition Contracts						
Atneed Contracts	64	1,473	2,392	3,289	4,488	
Preneed Contracts	8	369	574	597	819	
Total Acquisition Funeral Contracts	72	1,842	2,966	3,886	5,307	
Total Funeral Contracts	**29,453**	**30,963**	**32,099**	**32,558**	**34,894**	**4.3%**
Funeral Operating Revenue						
Same Store Revenue	$151,570	$151,684	$155,362	$154,130	$158,106	**1.1%**
Acquisition Revenue	464	10,926	19,187	24,914	34,294	
Total Funeral Operating Revenue	**$152,034**	**$162,610**	**$174,549**	**$179,044**	**$192,400**	**6.1%**
Cemetery Operating Revenue						
Same Store Revenue	$40,479	$41,558	$43,661	$45,894	$45,044	**2.7%**
Acquisition Revenue	-	1,298	2,996	3,053	3,194	
Total Cemetery Operating Revenue	**$40,479**	**$42,856**	**$46,657**	**$48,947**	**$48,238**	**4.5%**
Financial Revenue						
Preneed Funeral Commission Income	$1,853	$2,036	$1,484	$1,429	$1,254	
Preneed Funeral Trust Earnings	7,328	7,405	7,904	7,308	7,232	
Cemetery Trust Earnings	8,095	8,123	8,440	8,004	7,193	
Preneed Cemetery Finance Charges	1,418	1,410	1,587	1,848	1,822	
Total Financial Revenue	**$18,694**	**$18,974**	**$19,415**	**$18,589**	**$17,501**	**-1.6%**
Total Divested Revenue	**$1,867**	**$1,684**	**$1,881**	**$1,620**	**-**	
Total Revenue	**$213,074**	**$226,124**	**$242,502**	**$248,200**	**$258,139**	**4.9%**
Field EBITDA						
Same Store Funeral Field EBITDA	$54,583	$55,457	$59,189	$60,042	$60,864	**2.8%**
Same Store Funeral Field EBITDA Margin	*36.0%*	*36.6%*	*38.1%*	*39.0%*	*38.5%*	
Acquisition Funeral Field EBITDA	229	4,417	8,473	10,421	13,565	
Acquisition Funeral Field EBITDA Margin	*49.5%*	*40.4%*	*44.2%*	*41.8%*	*39.6%*	
Total Funeral Field EBITDA	**$54,812**	**$59,874**	**$67,662**	**$70,463**	**$74,429**	**7.9%**
Total Funeral Field EBITDA Margin	***36.1%***	***36.8%***	***38.8%***	***39.4%***	***38.7%***	
Same Store Cemetery Field EBITDA	$11,714	$11,856	$14,034	$14,618	$12,864	**2.4%**
Same Store Cemetery Field EBITDA Margin	*28.9%*	*28.5%*	*32.1%*	*31.9%*	*28.6%*	
Acquired Cemetery Field EBITDA	-	340	1,099	1,049	1,039	
Acquired Cemetery Field EBITDA Margin	*0.0%*	*26.3%*	*36.7%*	*34.4%*	*32.5%*	
Total Cemetery Field EBITDA	**$11,714**	**$12,196**	**$15,133**	**$15,667**	**$13,903**	**4.4%**
Total Cemetery Field EBITDA Margin	***28.9%***	***28.5%***	***32.4%***	***32.0%***	***28.8%***	
Funeral Financial EBITDA	$7,918	$8,294	$8,257	$7,880	$7,552	
Cemetery Financial EBITDA	9,338	9,341	9,754	9,563	8,628	
Total Financial EBITDA	**$17,256**	**$17,635**	**$18,011**	**$17,443**	**$16,180**	**-1.6%**
Total Financial EBITDA Margin	***92.3%***	***92.9%***	***92.8%***	***93.8%***	***92.5%***	
Total Divested EBITDA	**$695**	**$654**	**$733**	**$840**	**-**	
Total Divested EBITDA Margin	***37.2%***	***38.8%***	***39.0%***	***51.9%***	***0.0%***	
Total Field EBITDA	**$84,477**	**$90,359**	**$101,539**	**$104,413**	**$104,512**	**5.5%**
Total Field EBITDA Margin	**39.6%**	**40.0%**	**41.9%**	**42.1%**	**40.5%**	
Overhead						
Total Variable Overhead	$8,845	$10,764	$10,878	$13,122	$11,338	
Total Regional Fixed Overhead	3,346	3,136	3,435	3,667	3,883	
Total Corporate Fixed Overhead	20,829	20,227	20,354	19,109	21,209	
Total Overhead	**$33,020**	**$34,127**	**$34,667**	**$35,898**	**$36,430**	**2.5%**
Overhead as a percentage of Revenue	***15.5%***	***15.1%***	***14.3%***	***14.5%***	***14.1%***	
Consolidated EBITDA	**$51,457**	**$56,232**	**$66,872**	**$68,515**	**$68,082**	**7.2%**
Consolidated EBITDA Margin	***24.1%***	***24.9%***	***27.6%***	***27.6%***	***26.4%***	

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ANNUAL OPERATING AND FINANCIAL TREND REPORT
(in thousands, except per share amounts)

	2013	2014	2015	2016	2017	CAGR
Other Expenses and Interest						
Depreciation & Amortization	$11,635	$11,923	$13,780	$15,421	$15,979	
Non-Cash Stock Compensation	2,916	3,832	4,444	2,890	3,162	
Interest Expense	13,437	10,308	10,559	11,738	12,948	
Accretion of Discount on Convert. Sub. Notes	-	2,452	3,454	3,870	4,329	
Loss on Early Extinguishment of Debt	-	1,042	-	567	-	
Loss on Redemption of Convert. Jr Sub. Deb.	-	3,779	-	-	-	
Other, Net	(896)	195	45	1,788	(1,118)	
Pretax Income	**$24,365**	**$22,701**	**$34,590**	**$32,241**	**$32,782**	**7.7%**
Tax Provision	9,245	8,995	13,596	12,682	13,100	
Tax Adjustment Related to Certain Discrete Items	-	-	141	(22)	(17,511)	
Tax Benefit Related to Uncertain Tax Positions	-	(1,740)	-	-	-	
Net Tax Provision	**$9,245**	**$7,255**	**$13,737**	**$12,660**	**($4,411)**	
GAAP Net Income	**$15,120**	**$15,446**	**$20,853**	**$19,581**	**$37,193**	**25.2%**
Effective Tax Rate	*37.9%*	*32.0%*	*39.7%*	*39.3%*	*-13.5%*	
Special Items, Net of tax except for **						
Withdrawable Trust Income	$960	$1,181	$366			
Acquisition and Divestiture Expenses	496	764	405	456	-	
Severance and Retirement Costs	965	697	633	2,587	-	
Consulting Fees	368	277	1,265	323	-	
Other Incentive Compensation	-	660	-	-	-	
Securities Transaction Expenses	160	-	-	-	-	
Accretion of Discount on Convert. Sub. Notes **	-	2,452	3,454	3,870	4,329	
Loss on Early Extinguishment of Debt	248	688	-	369	-	
Loss on Redemption of Convert. Jr Sub. Deb.	-	2,493	-	-	-	
Net Gain/Loss on Asset Purchase/Sale	-	(367)	-	1,152	-	
Natural Disaster Costs	-	-	-	-	403	
Other Special Items	(484)	503	244	-	-	
Tax Adjustment from Prior Period **	260	-	141	-	(17,176)	
Sum of Special Items	**$2,973**	**$9,348**	**$6,508**	**$8,757**	**($12,444)**	
Adjusted Net Income	**$18,093**	**$24,794**	**$27,361**	**$28,338**	**$24,749**	**8.1%**
Adjusted Net Profit Margin	***8.5%***	***11.0%***	***11.3%***	***11.4%***	***9.6%***	
Adjusted Basic EPS	$1.00	$1.35	$1.52	$1.71	$1.50	**10.7%**
Adjusted Diluted EPS	$0.98	$1.34	$1.48	$1.62	$1.39	**9.1%**
GAAP Basic EPS	$0.83	$0.84	$1.16	$1.18	$2.25	**28.3%**
GAAP Diluted EPS	$0.82	$0.83	$1.12	$1.12	$2.09	**26.4%**
Average Number of Basic Shares Outstanding	17,826	18,108	17,791	16,515	16,438	**-2.0%**
Average Number of Diluted Shares Outstanding	22,393	18,257	18,313	17,460	17,715	**-5.7%**
Reconciliation of Consolidated EBITDA to Adjusted Consolidated EBITDA						
Consolidated EBITDA	**$51,457**	**$56,232**	**$66,872**	**$68,515**	**$68,082**	**7.2%**
Withdrawable Trust Income	1,454	1,788	555			
Acquisition and Divestiture Expenses	752	1,158	614	701	-	
Severance and Retirement Costs	1,462	1,056	959	3,979	-	
Consulting Fees	557	419	1,913	496	-	
Litigation Settlements and Other Related Costs	-	-	-	-	-	
Natural Disaster Costs	-	-	-	-	620	
Other Incentive Compensation	-	1,000	-	-	-	
Securities Transaction Expenses	242	-	-	-	-	
Other Special Items	83	-	220	-	-	
Adjusted Consolidated EBITDA	**$56,007**	**$61,653**	**$71,133**	**$73,691**	**$68,702**	**5.2%**
Adjusted Consolidated EBITDA Margin	***26.3%***	***27.3%***	***29.3%***	***29.7%***	***26.6%***	

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FIVE QUARTER OPERATING AND FINANCIAL TREND REPORT
(in thousands, except per share amounts)

	Qtr 4 2016	Qtr 1 2017	Qtr 2 2017	Qtr 3 2017	Qtr 4 2017
Same Store Contracts					
Atneed Contracts	5,689	6,498	5,825	5,718	5,906
Preneed Contracts	1,383	1,496	1,384	1,375	1,385
Total Same Store Funeral Contracts	7,072	7,994	7,209	7,093	7,291
Acquisition Contracts					
Atneed Contracts	1,010	1,189	1,015	989	1,295
Preneed Contracts	178	232	198	167	222
Total Acquisition Funeral Contracts	1,188	1,421	1,213	1,156	1,517
Total Funeral Contracts	**8,260**	**9,415**	**8,422**	**8,249**	**8,808**
Funeral Operating Revenue					
Same Store Revenue	$38,449	$42,717	$38,561	$38,032	$38,796
Acquisition Revenue	7,611	9,245	8,119	7,363	9,567
Total Funeral Operating Revenue	**$46,060**	**$51,962**	**$46,680**	**$45,395**	**$48,363**
Cemetery Operating Revenue					
Same Store Revenue	$10,800	$10,839	$11,935	$10,748	$11,522
Acquisition Revenue	742	909	700	761	824
Total Cemetery Operating Revenue	**$11,542**	**$11,748**	**$12,635**	**$11,509**	**$12,346**
Financial Revenue					
Preneed Funeral Commission Income	$291	$303	$333	$315	$303
Preneed Funeral Trust Earnings	1,865	1,946	1,726	1,618	1,942
Cemetery Trust Earnings	2,382	1,716	2,028	1,768	1,681
Preneed Cemetery Finance Charges	491	482	450	449	441
Total Financial Revenue	**$5,029**	**$4,447**	**$4,537**	**$4,150**	**$4,367**
Total Divested Revenue	**$233**	**-**	**-**	**-**	**-**
Total Revenue	**$62,864**	**$68,157**	**$63,852**	**$61,054**	**$65,076**
Field EBITDA					
Same Store Funeral Field EBITDA	$15,545	$17,725	$14,448	$13,938	$14,753
Same Store Funeral Field EBITDA Margin	*40.4%*	*41.5%*	*37.5%*	*36.6%*	*38.0%*
Acquisition Funeral Field EBITDA	3,126	4,014	3,082	2,419	4,050
Acquisition Funeral Field EBITDA Margin	*41.1%*	*43.4%*	*38.0%*	*32.9%*	*42.3%*
Total Funeral Field EBITDA	**$18,671**	**$21,739**	**$17,530**	**$16,357**	**$18,803**
Total Funeral Field EBITDA Margin	***40.5%***	***41.8%***	***37.6%***	***36.0%***	***38.9%***
Same Store Cemetery Field EBITDA	$3,330	$3,295	$3,343	$2,649	$3,577
Same Store Cemetery Field EBITDA Margin	*30.8%*	*30.4%*	*28.0%*	*24.6%*	*31.0%*
Acquired Cemetery Field EBITDA	263	353	190	200	296
Acquired Cemetery Field EBITDA Margin	*35.4%*	*38.8%*	*27.1%*	*26.3%*	*35.9%*
Total Cemetery Field EBITDA	**$3,593**	**$3,648**	**$3,533**	**$2,849**	**$3,873**
Total Cemetery Field EBITDA Margin	***31.1%***	***31.1%***	***28.0%***	***24.8%***	***31.4%***
Funeral Financial EBITDA	$1,946	$2,043	$1,787	$1,705	$2,017
Cemetery Financial EBITDA	2,799	2,087	2,418	2,107	2,016
Total Financial EBITDA	**$4,745**	**$4,130**	**$4,205**	**$3,812**	**$4,033**
Total Financial EBITDA Margin	***94.4%***	***92.9%***	***92.7%***	***91.9%***	***92.4%***
Total Divested EBITDA	**$160**	**-**	**-**	**-**	**-**
Total Divested EBITDA Margin	***68.5%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***
Total Field EBITDA	**$27,169**	**$29,517**	**$25,268**	**$23,018**	**$26,709**
Total Field EBITDA Margin	**43.2%**	**43.3%**	**39.6%**	**37.7%**	**41.0%**
Overhead					
Total Variable Overhead	$2,450	$2,166	$2,542	$3,057	$3,573
Total Regional Fixed Overhead	1,008	1,067	826	995	995
Total Corporate Fixed Overhead	4,991	5,732	5,381	5,234	4,862
Total Overhead	**$8,449**	**$8,965**	**$8,749**	**$9,286**	**$9,430**
Overhead as a percentage of Revenue	***13.4%***	***13.2%***	***13.7%***	***15.2%***	***14.5%***
Consolidated EBITDA	**$18,720**	**$20,552**	**$16,519**	**$13,732**	**$17,279**
Consolidated EBITDA Margin	***29.8%***	***30.2%***	***25.9%***	***22.5%***	***26.6%***

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FIVE QUARTER OPERATING AND FINANCIAL TREND REPORT
(in thousands, except per share amounts)

	Qtr 4 2016	Qtr 1 2017	Qtr 2 2017	Qtr 3 2017	Qtr 4 2017
Other Expenses and Interest					
Depreciation & Amortization	$3,923	$3,847	$4,025	$4,002	$4,105
Non-Cash Stock Compensation	584	836	773	785	768
Interest Expense	3,016	3,029	3,206	3,282	3,431
Accretion of Discount on Convertible Subordinated Notes	1,008	1,037	1,066	1,097	1,129
Other, Net	1,808	(3)	-	6	(1,121)
Pretax Income	**$8,381**	**$11,806**	**$7,449**	**$4,560**	**$8,967**
Tax Provision	3,137	4,722	2,980	1,824	3,574
Tax Adjustment Related to Certain Discrete Items	1,117	-	59	(302)	(17,268)
Net Tax Provision	**$4,254**	**$4,722**	**$3,039**	**$1,522**	**($13,694)**
GAAP Net Income	**$4,127**	**$7,084**	**$4,410**	**$3,038**	**$22,661**
Effective Tax Rate	*50.8%*	*40.0%*	*40.8%*	*33.4%*	*-152.7%*
Special Items, Net of tax except for **					
Acquisition and Divestiture Expenses	$120	-	-	-	-
Accretion of Discount on Convertible Subordinated Notes **	1,008	1,037	1,066	1,097	1,129
Loss on Sale of Assets	1,350	-	-	-	-
Natural Disaster Costs	-	-	-	259	144
Tax Adjustment Related to Certain Discrete Items **	-	-	-	-	(17,176)
Sum of Special Items	**$2,478**	**$1,037**	**$1,066**	**$1,356**	**($15,903)**
Adjusted Net Income	**$6,605**	**$8,121**	**$5,476**	**$4,394**	**$6,758**
Adjusted Net Profit Margin	***10.5%***	***11.9%***	***8.6%***	***7.2%***	***10.4%***
Adjusted Basic EPS	$0.40	$0.48	$0.33	$0.26	$0.42
Adjusted Diluted EPS	$0.36	$0.45	$0.30	$0.25	$0.39
GAAP Basic EPS	$0.25	$0.42	$0.26	$0.18	$1.41
GAAP Diluted EPS	$0.22	$0.39	$0.24	$0.17	$1.31
Average Number of Basic Shares Outstanding	16,554	16,597	16,652	16,476	16,031
Average Number of Diluted Shares Outstanding	18,370	18,082	18,093	17,598	17,193
Reconciliation of Consolidated EBITDA to Adjusted Consolidated EBITDA					
Consolidated EBITDA	**$18,720**	**$20,552**	**$16,519**	**$13,732**	**$17,279**
Acquisition and Divestiture Expenses	185	-	-	-	-
Natural Disaster Costs	-	-	-	398	222
Adjusted Consolidated EBITDA	**$18,905**	**$20,552**	**$16,519**	**$14,130**	**$17,501**
Adjusted Consolidated EBITDA Margin	***30.1%***	***30.2%***	***25.9%***	***23.1%***	***26.9%***

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FIVE YEAR OUTLOOK

Long term shareholder returns and an increasing amount of Adjusted Free Cash Flow are driven by:

- Consistent and improved performance in our Same Store portfolio of businesses through the application of the Standards Operating Model.
- The disciplined execution of the Strategic Acquisition Model.
- Limiting the growth of our Carriage Consolidation Platform Overhead.
- The low rate capital structure put into place over the past several years.

These elements in combination produce high single digit Revenue growth that is leveraged into double digit rates of growth in Adjusted Diluted EPS and modest increases over time in Adjusted Consolidated EBITDA Margins. We expect Adjusted Consolidated EBITDA to Enterprise Value and EPS multiple expansion over time from current levels, as we demonstrate consistent high and sustainable performance through execution of our innovative Consolidation and Operating Platform for the funeral and cemetery industry.

Our Five Year Outlook and Strategic Plan, <u>including acquisitions</u>:

Long Term Outlook – Through 2022 (Base Year 2017)
7-9% Annual Revenue growth
10-12% Annual Adjusted Consolidated EBITDA growth
Adjusted Consolidated EBITDA Margin range of 29-31%

FIVE YEAR REVENUE & CASH FLOW SCENARIO & CREDIT METRICS

This five year scenario is not intended to be a Management estimate or forecast of future performance. Given the unpredictable timing of our acquisition activity, it is unlikely that these scenarios would occur so predictably year after year. This five year scenario is intended to demonstrate the operating and financial characteristics of the Carriage Operating and Consolidation Platform over time and how it leads to long term value creation for Carriage shareholders.

The intent and goal of this scenario is to reflect "roughly right" ranges of future performance over time as we execute our Standards Operating, Strategic Acquisition and 4E Leadership Models.

Annualized Revenue Scenario

in millions - except Earnings Per Share	2017A	2018	2019	2020	2021	2022	CAGR
Same Store Funeral Revenue	$ 158.1	$ 159.7	$ 161.3	$ 162.9	$ 164.5	$ 167.0	**1.1%**
Acquired Funeral Revenue	$ 34.3	$ 58.5	$ 78.0	$ 98.3	$ 121.2	$ 145.0	**33.4%**
Same Store Cemetery Revenue	$ 45.0	$ 46.7	$ 48.1	$ 49.5	$ 51.0	$ 52.8	**3.2%**
Acquired Cemetery Revenue	$ 3.2	$ 3.2	$ 3.3	$ 3.4	$ 3.4	$ 3.5	**1.6%**
Financial Revenue	$ 17.5	$ 18.3	$ 18.3	$ 18.3	$ 18.3	$ 18.3	**0.9%**
Total Revenue	$ 258.1	$ 286.4	$ 308.9	$ 332.4	$ 358.5	$ 386.6	**8.4%**
Adjusted Consolidated EBITDA	$ 68.7	$ 83.1	$ 91.1	$ 99.7	$ 108.6	$ 117.9	**11.4%**
Adjusted Consolidated EBITDA Margin	26.6%	29.0%	29.5%	30.0%	30.3%	30.5%	

Five Year Take-Away Points:

- **The ability to substantially self-finance acquisitions**
- **50% increase in Revenue**
- **72% increase in Adjusted Consolidated EBITDA**

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CARRIAGE'S THREE MODELS

Carriage is uniquely positioned to attract the best talent and the best remaining independent businesses to our Company because we can differentiate our strategy within the funeral and cemetery industry, as defined by the following three models. Our three core models, comprised of our Standards Operating, 4E Leadership, and Strategic Acquisition Models, are premised on the following passionate convictions about our company, business and industry:

• High Performance Ideas and Concepts of Carriage are 100% aligned with our Mission of **Being The Best** and Five Guiding Principles, which are the Qualitative elements that drive our High and Sustainable Quantitative Performance;

• Words in the form of ideas, concepts, high performance standards, recognition, Mission, Vision and Guiding Principles matter greatly to people with exceptional talent, especially those who are part of high performance teams – so over time we have developed a unique Carriage **High Performance Culture** Language;

• Nature of each of our businesses is high value personal service and sales delivered locally through highly motivated, skilled and culturally aligned leaders and employees fully involved in their communities;

• Nature of each market in which we operate is highly competitive for market share with each market and Carriage business being unique as to its competitive opportunities and challenges that are not prone to centralized solutions or top down initiatives;

• Weak leadership locally will make a healthy and/or dominant business weaker in competitive standing (market share) over time, whereas strong 4E Leadership and the "Right Quality of Staff" in a Carriage business will produce high and sustainable performance from a good business almost overnight, consistent with the high performance concept of First Who, Then What;

• A few simple high operating performance standards that do not change over time weighted heavily toward long term growth in funeral volumes and preneed cemetery property sales, which are the primary drivers of locally produced economic value creation through the financial dynamic of operating leverage, attracts the top entrepreneurial and competitive talent to Carriage businesses that do not need to be managed – just supported, recognized and rewarded like a partner; and

• Nature of our industry is akin to "birds of a feather flock together", as we have found that making Carriage highly selective on acquisitions and talent is attractive to the best remaining independent businesses and top entrepreneurial talent who want to join an elite club of "Only The Best" Carriage businesses and Managing Partners.

Standards Operating Model

Our **"Being The Best"** Standards focus on market share, people and operating and financial metrics that drive long-term performance. The Standards consist of distinct and measurable Quantitative (financial) and Qualitative (people) metrics. The Standards Operating Model allows Carriage to determine the sustainable revenue growth and earning power of our portfolio of funeral home and cemetery businesses. The standards are designed to drive longer-term performance by growing market share, producing modest revenue growth and a sustainable, increasing level of earnings and free cash flow.

Funeral Standards

Qualitative Metrics — 50% (long term)

- 30% — Market Share / Volume Growth[1]
- 10% — Continuous Upgrading of Staff[3]
- 10% — Right Quality of Staff[3]

Quantitative Metrics — 50% (short term)

- 15% — Average Revenue Per Funeral Contract[1]
- 12% — Salaries & Benefits Range % of Revenue[2]
- 10% — Gross Margin Range % of Revenue[2]
- 10% — EBITDAR Margin Range % Revenue[2]
- 3% — Bad Debt % of Revenue[2]

100% — Standards Achievement Total (50% Minimum)

Funeral businesses (78% of CSV Revenue) grouped into 1 of 4 categories based on volume and average revenue per contract

45% of Standards weighted for **Revenue Growth**[1]

35% of Standards weighted for high **Profit Margins**[2]

20% of Standards weighted for right **People Quality**[3]

100% Standards Achievement Total

The Standards are not designed to maximize short-term financial performance. Carriage does not believe such performance is sustainable over the long term without ultimately stressing the business, which often leads to declining market share, revenues and earnings.

The Standards Operating Model eliminated the use of financial budgets in the company. The elimination of budgets increased the amount of time local Managing Partners can spend on growing their local businesses and staff development.

Standards achievement is the measure by which we judge the success of each business. Carriage has developed a customized information systems infrastructure to measure business performance and Quantitative Standards achievement on a real-time basis. Qualitative Standards achievement related to staff development and market share improvement is measured on a quarterly basis.

- *Incentives Aligned with Standards* – Each Managing Partner participates in a variable annual **Being The Best** bonus plan whereby they earn a percentage of their business' calendar year earnings based on their Standards Achievement. All employees at each business are eligible for an annual bonus based on Standards Achievement.

- Each Managing Partner also participates in a long-term (5 year) **Good To Great** variable bonus plan whereby they earn a payment equal to the average **Being The Best** annual incentive bonus over five years times a multiple of twice the compounded annual growth rate of Net Revenue (Maximum 3%). Minimum 2% compound revenue growth over 5 years is required to be eligible for the **Good To Great** bonus.

- *League Tables* – League tables are published each month within Carriage ranking the Managing Partners and their business by percentage of Standards Achievement (maximum 100%) from top to bottom. These drive peer-to-peer performance competition for our entrepreneurial Managing Partners.

- *Standards Council* – The Standards Operating Model was originally developed by a group of former owner partners and top managers (the "Standards Council") through evaluating the key drivers of success at Carriage's best businesses. After each fiscal year, the Standards Council members review and approve the Standards Achievement and related incentive compensation awards for each business.

Funeral Home Standards Metrics

BEING THE BEST STANDARDS OPERATING MODEL									
Funeral Home Groupings	Group	B	C	B	C	B	C	B	C
	Funeral Contracts	125 - 250	251 - 400	125 - 250	251 - 400	125 - 250	251 - 400	125 - 250	251 - 400
	Group	1		2		3		4	
	ARPC	<$4,500		$4,500 - $6,000		$6,001 - $7,500		>$7,500	
Funeral Home Standards	Gross Margin %	87 - 89%	87 - 89%	86 - 88%	86 - 88%	85 - 87%	85 - 87%	85 - 87%	85 - 87%
	Salaries & Benefits %	28 - 30%	27 - 29%	26 - 28%	26 - 28%	26 - 28%	26 - 28%	26 - 28%	26 - 28%
	Bad Debt %	0.61%	0.61%	0.61%	0.61%	0.61%	0.61%	0.61%	0.61%
	Field EBITDAR %	37 - 41%	38 - 42%	38 - 42%	39 - 43%	39 - 43%	41 - 45%	39 - 43%	41 - 45%

The very essence of the Standards Operating Model is that its simplicity is designed around the financial concept of operating leverage, which means that our Managing Partners are self-driven and incentivized to grow their funeral volumes and revenues through their high fixed cost facility at sustainable Field EBITDA Margins for their grouping. All of our Managing Partners know that even modest revenue growth will produce a higher growth rate in Field EBITDA which we share generously with our Managing Partners and their employees. However, operating leverage is a two-edged sword, so if market share and revenues are declining, the Field EBITDA Margin and Field EBITDA will decline at a faster rate than revenues. The Standards Operating Model is primarily about driving revenue and profit growth through market share growth, as we have learned that you can't manage profitably market share that you don't have.

4E Leadership Model

The Standards Operating Model requires strong leadership to grow an entrepreneurial, high-value, personal service and sales business at sustainable Field EBITDA Margins. Our 4E Leadership Model is based upon principles established by Jack Welch during his tenure at General Electric. The Leadership Model identifies **4E** 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 of Standards in a business year after year, Carriage must have "A Players" as Managing Partners. These "A Players" have the 4E leadership skills to grow the business by hiring, training and developing highly motivated and productive teams that produce results. We currently employ the strongest group of operational leaders in the history of Carriage.

Our Managing Partners participate in variable bonus plans in which they earn a percentage of their business' earnings based upon the actual standards achieved. We believe our Managing Partners have the opportunity to be compensated at close to the same level as if they owned the business. The **Being The Best** and **Good To Great** bonus plans foster an environment in which "A Players" can thrive, be rewarded and recognized in our **High Performance Culture**.

In combination, the Standards Operating Model and the 4E Leadership Model promote an entrepreneurial and ownership mindset throughout the entire Company. Carriage's decentralized Operating Model and linked compensation structure are unique in the funeral home and cemetery consolidation industry, which enables Carriage to attract the best talent and best remaining operators in the industry.

Strategic Acquisition Model

The Vision for Carriage over the next ten years is to affiliate with the best remaining independently owned funeral home and cemetery businesses in large, demographically attractive strategic markets. Our goal is to allocate the majority of growth capital in larger markets where we believe future revenue growth is the highest and acquire larger businesses with margins that are consistent or higher than the best businesses within our current portfolio. Through our Strategic Market Methodology we have defined strategic markets that we intend to focus our acquisition activity over the next ten years.

The Strategic Acquisition Model is used to assess candidates based on ten specific criteria that Carriage has observed as being critical to the evaluation of a potential acquisition. These criteria include:

- The motivation of the seller and their alignment to our Operating and Leadership Models.
- The competitive standing (market share) of the business and the demographic trends of the market.
- The 10+ year trend of contract/internment volumes.
- A detailed 3 year history of the average revenue per contract/internment trends to determine the client family revenue profile.
- The institutional strength of the funeral home or cemetery brand along with market barriers to entry.

Each of these ten criteria are weighted within the Strategic Acquisition Model and, in combination with a pro forma business EBITDA using our Standards Operating Model, allows Carriage to determine whether we should proceed with an acquisition and assign a preliminary valuation to the candidate.

The final valuation of the acquisition candidate is then determined through the application of an appropriate after-tax cash return on investment that exceeds the Company's cost of capital. The Strategic Acquisition Model and the evaluation process give Carriage the flexibility to structure the transaction while at the same time ensuring shareholder value creation. All evaluations of acquisition candidates, final pro forma EBITDA and business valuations are reviewed and approved by the Operations and Strategic Growth Leadership Team prior to a letter of intent being offered.

We believe that the consistent execution of the Strategic Acquisition Model will be a primary driver for higher revenue and profits in the future. Given our current size as a company and the attractive acquisition landscape, we can execute on our Ten Year Vision for the growth of Carriage by making a small number of quality, strategic acquisitions per year. As we make strategic acquisitions our fixed Regional and Corporate Overhead will grow at a slower rate than revenue growth, which will allow a greater portion of acquired Field EBITDA to accrue to Adjusted Consolidated EBITDA, lead to increased Adjusted Free Cash Flow, and be highly accretive to earnings per share (Overhead & Consolidation Platform Leverage).

The disciplined execution of the Strategic Acquisition Model will also lead to the incremental increase in the sustained earning power of our portfolio of funeral home and cemetery businesses over time, as defined by the improvement of our industry leading Adjusted Consolidated EBITDA Margin.

CARRIAGE PRENEED FUNERAL AND CEMETERY STRATEGY

Preneed Funeral

- Our business strategy is **Being The Best** in each local market at providing high value funeral services that lead to market share gains and higher average revenue per contract over time. We therefore view Preneed Funeral programs as primarily defensive in nature.
- Consistent with our decentralized, entrepreneurial Standards Operating Model, Carriage's Preneed Funeral Strategy emphasizes Managing Partner leadership to develop a sales strategy that is unique to local market competitive dynamics.
- Approximately 20% of funeral services performed are funded through a Preneed contract.
- Local Preneed selling programs are designed to primarily protect and secondarily grow future market share and offer client families the opportunity to preplan funeral services that commemorate their lives.
- Preneed Funeral contracts are funded by depositing client money into Trust or through an Insurance policy with leading third party companies.
- The majority of Preneed Insurance policies are sold through third party agents and sales organizations. Carriage is able to leverage their selling expertise in local markets while keeping selling expenses low and earning commissions on Insurance sales.
- Interest earned and investment growth on Preneed Funeral contracts will exceed the increase in delivery costs at the time of death which will sustain and protect gross profit and margins.
- Investment growth on Preneed Funeral Trust contracts will grow at a faster rate than interest earned on Insurance contracts due to Carriage's successful trust fund investment strategy that began in 2009.

Preneed Cemetery

- Carriage's Preneed Cemetery Strategy is to build family heritage in our cemeteries by selling property and internment rights prior to death through full time, highly motivated and entrepreneurial local sales teams.
- Each Carriage Cemetery employs an experienced Sales Manager who is tasked with building dynamic sales teams and developing successful sales programs in consultation with the Cemetery Managing Partner and Regional leadership.
- Sales programs are supported by industry leading Cemetery property development funded with internally generated Adjusted Free Cash Flow.
- Approximately 40% of Carriage's Cemetery revenue comes from Preneed property sales. Sales of Cemetery property are recognized as revenue once 10% of the sales price is received.
- Client families often purchase Cemetery merchandise, such as markers and monuments, and other Cemetery services when they purchase Cemetery property. Revenue from Preneed Cemetery Merchandise and Service contracts are recognized at the time of death and the funds are placed into trust accounts until that time.
- All states require that approximately 10% of revenue earned from the sale of Cemetery property be placed in Perpetual Care trusts. The interest income from these trusts is designated to offset the Cemetery care and maintenance expenses incurred by Carriage.
- Investment earnings from recognized Merchandise and Service contracts and Perpetual Care income are reported in the Cemetery Trust Earnings section of the Trend Reports.

PRENEED TRUST FUND INVESTMENT PERFORMANCE

Carriage took over direct management of our Discretionary Preneed Trust assets during the financial crisis in late 2008. The trust fund had previously been managed by a variety of outside money managers. We saw the financial crisis as an incredible opportunity to reposition the trust fund portfolio to align with our stated goal of **Being The Best** funeral home and cemetery operating company in the industry.

Since the beginning of 2009, our Discretionary Trust Portfolio has a total return of 256%, versus a total return of 259% for the S&P 500 and 190% for the High Yield Bond Index. During this same period, Carriage has recognized approximately $116 million in net income within our Discretionary Trust Funds after fees and taxes. These realized capital gains and income have accrued to the underlying Preneed Funeral and Cemetery contracts. The increase in current income from the trust portfolio has allowed Carriage to recognize more income through our Cemetery perpetual care accounts, which is reported as GAAP income in current periods and is used to offset care and maintenance expenses in our cemeteries.

The repositioning of the trust fund portfolio and the subsequent management by Carriage has led to an increase in Financial Revenue from $10.2 million in 2009 to $17.5 million in 2017. Carriage has also been able to withdraw $13.6 million in earned income from certain Preneed Cemetery accounts in states that allow distributions of income prior to fulfillment of the preneed contract.

Carriage operates a wholly owned, SEC registered, investment advisory subsidiary that enables us to reduce the fees paid from the trust accounts to third parties and charge the trust portfolio 75 basis points annually for investment management services. The investment advisory subsidiary currently receives fees from $188 million in Discretionary Trust assets, which represents 80% of Carriage's total trust assets.

CARRIAGE MANAGEMENT TEAM

Our management team is characterized by a dynamic **High Performance Culture** that reacts quickly and proactively to address changing market conditions and emerging trends. This culture has been critical to our recent results and will provide a competitive advantage as the funeral and cemetery industry evolves. Our portfolio of operating businesses is organized into three Regions.

The Operations and Strategic Growth Leadership Team (OSGLT) is comprised of the leaders responsible for all the functional departments supporting our Field operations. The Support departments are critical to the success of Carriage as a Consolidation Platform and play an integral role for our local businesses in achieving Standards Achievement and financial performance over the long term.

The following are biographies for the members of the Operations and Strategic Growth Leadership Team.

Operations and Strategic Growth Leadership Team

Melvin C. Payne is a management co-founder of Carriage and has been the Chairman of the Board and Chief Executive Officer since December 1996. Mr. Payne has been a director and Chief Executive Officer of Carriage since our inception in 1991. Prior to co-founding Carriage, Mr. Payne had extensive experience in other industries and roles including venture start-ups while spending 10 years in the private company turnaround business. Prior to his turnaround career, Mr. Payne worked 10 years in the corporate lending business, initially with Prudential Insurance Company and later with Texas Commerce Bank in Houston.

Mark R. Bruce has been with Carriage since May 2005 and was promoted to Executive Vice President and Chief Operating Officer in February 2017. He had served as our Regional Partner-East since November 2010. Prior to his appointment as Regional Partner-East, Mr. Bruce served as our Director of Sales Support, Director of Support, Director of Training and Development and Regional Partner-Central. Prior to joining Carriage, Mr. Bruce served for 12 years in various sales and operational leadership roles with other public funeral and cemetery service companies. Mr. Bruce has a BA in International Studies from The American University and an MBA from Northern Illinois University.

Viki K. Blinderman joined Carriage in May 2002 and was promoted to Senior Vice President and Principal Financial Officer in February 2017. She was appointed as the Secretary of the Company on May of 2015 and Co-Chief Financial Officer in August of 2015. Ms. Blinderman has served as our Chief Accounting Officer since September 2012, and had served as the Company's Principal Accounting Officer. Ms. Blinderman also served as our Corporate Controller and held several other positions in the Company. Prior to joining Carriage, Ms. Blinderman served as the Chief Financial Officer of a privately-held litigation support and practiced public accounting. Ms. Blinderman is a CPA and possesses a BBA and a MPA in Accounting from the University of Texas at Austin.

C. Benjamin Brink joined Carriage in January 2009 and was promoted to Senior Vice President and Chief Financial Officer in February 2017. He was appointed Principal Financial Officer in May of 2015 and Co-Chief Financial Officer in August of 2015. Mr. Brink has served as our Treasurer since January 2012. Mr. Brink also served as our Cash Supervisor from January 2009 through January 2012. Prior to joining Carriage, Mr. Brink served as the Cash Manager for International Paper in their Corporate Treasury group from 2006 to 2009. Mr. Brink has a BS in Finance from the University of Tennessee.

Shawn R. Phillips has been with Carriage since September 2007 and was promoted to Senior Vice President, Head of Strategic and Corporate Development in February 2017. He had served as our Regional Partner-Central since June 2011 and our Regional Partner-West from 2007 to 2011. Prior to joining Carriage, Mr. Phillips served from 1983 to 2007 in various leadership and operational roles with other public funeral and cemetery service companies. From 1979 to 1983, Mr. Phillips worked for an independent funeral operator. Mr. Phillips is a licensed Funeral Director and Embalmer and a graduate of the Mortuary Science Program at Cypress College.

Please refer to the section Disclosure of Non-GAAP Performance Measures on page 27 that discusses non-GAAP financial measures to GAAP financial measures.

Paul D. Elliott joined Carriage in September 2012 as our Regional Partner - West and was promoted to Senior Vice President in February 2017. Prior to joining Carriage, Mr. Elliott was Managing Director for Service Corporation International (SCI). From February 1995 to August 2012, Mr. Elliott held various management roles in sales, corporate and operations with SCI. From September 1984 to December 1994, Mr. Elliott was a partner in his family's funeral home in Kansas. Mr. Elliott is a graduate of the University of Kansas and the Dallas Institute of Funeral Service.

Kevin F. Doherty joined Carriage in May 2017 as our Senior Vice President and Regional Partner - West. Mr. Doherty has 32 years of experience in the death care industry, and just prior to joining Carriage, he was employed by Service Corporation International for 21 years in various funeral and cemetery sales and operations roles, most recently as Senior Managing Director Western Major Markets. Mr. Doherty is a graduate of Gonzaga University, and maintains his Missouri funeral director's license.

Brijesh K. Patel has been with Carriage since September 2007 and is our Vice President and Head of Operations and Analysis Planning Group. He was appointed Vice President of Operations, Analysis, Acquisitions & Planning in January 2016 and had served as a Director of that group since January 2012 and as a Senior Operational Analyst since 2007. Mr. Patel previously served as a Senior Financial Analyst at Waste Management, Inc. and has had prior experience in entrepreneurship, operations and finance. Mr. Patel also served in the United States Army from 1989 to 1992. Mr. Patel has a BBA in Accounting from the University of Houston.

Gabriel Q. Ngo has been with Carriage since 2006 and is our Vice President and Head of Operations and Acquisitions Support. Mr. Ngo had served as our Vice President of Operational Support from 2012-2015 and subsequently as Vice President of Human Resources and Payroll from June 2015-February 2017. Mr. Ngo was also our Director of Internal Audit for six years. Before joining Carriage in 2006, Mr. Ngo had prior experience with accounting & audit consulting in the death care services, oil & gas, finance & mortgage, and technology industries as well as experience in finance & banking operations. Mr. Ngo has a Juris Doctorate from South Texas College of Law in Houston and a Double Bachelor of Business Administration in Management and Marketing from the University of Houston.

Michael S. Loeffel started with Carriage in October 2017 as our Vice President of Human Resources. Mr. Loeffel has 19 years of experience working in the Human Resources function. Prior to joining Carriage, he was employed by Veolia for 11 years in various roles of increasing responsibility, most recently as the Senior Vice President of Human Resources in North America. Mr. Loeffel has experience in processes and strategies across all Human Resources functional areas including, compensation, benefits, payroll, talent acquisition and management, and leadership development. Mr. Loeffel has a Master's Degree in Education from Carroll University, a Bachelors of Arts Degree in Interpersonal Communications from Wisconsin Lutheran College, and holds the SHRM-SCP professional certification.

INDEPENDENT DIRECTORS

The following are biographies for Carriage's Independent Directors.

Barry K. Fingerhut has been the Chief Executive Officer and majority equity owner of Certification Partners, LLC, a developer and global distributor of vendor neutral IT content and certifications, since the fall of 2010. Prior to 2010, he focused much of his career investing in small capitalization companies in the for-profit education and training, financial services, as well as many other industries. Currently, he serves on a number of private company and non-profit Boards. Mr. Fingerhut also served on our Board for the period from 1995 through 1999.

Bryan D. Leibman has been the President and Chief Executive Officer of Frosch Travel (FROSCH), a privately held global travel management company, since 2000. He is a certified physician who opted to pursue his passion for business and entrepreneurship by joining and leading his family's successful travel business since 1998.

Donald D. Patteson, Jr. was the founder and, prior to its sale in June 2014, the Chairman of the Board of Directors of Sovereign Business Forms, Inc. ("Sovereign"), a consolidator in a segment of the printing industry. He also served as Chief Executive Officer of Sovereign from August 1996 until his retirement in August 2008. Prior to founding Sovereign, he served as Managing Director of Sovereign Capital Partners, an investment firm specializing in leveraged buyouts. Mr. Patteson served on the Board of Directors of Rosetta Resources Inc. and Cal Dive International, Inc. until mid-year 2015.

James R. Schenck has been the President and Chief Executive Officer of Pentagon Federal Credit Union (PenFed), one of the largest credit unions in the country, serving over 1.4 million members worldwide, since 2014. Since 2011, he has been Executive Vice President at PenFed and President of its wholly owned subsidiary, PenFed Realty. He also currently serves as Chief Executive Officer of the PenFed Foundation which provides support to military, veterans and their families.

CAUTIONARY STATEMENT ON FORWARD LOOKING STATEMENTS

In addition to historical information, this Company & Investment Profile contains forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements typically are identified by terms expressing our future expectations or projections of revenues, earnings, earnings per share, cash flow, market share, capital expenditures, effects of operating and acquisition initiatives, gross profit margin, debt levels, interest costs, tax benefits and other financial items. All forward-looking statements, although made in good faith, are based on assumptions about future events and are therefore inherently uncertain, and actual results may differ materially from those expected or projected. Forward-looking statements speak only as of the date of this report, and we undertake no obligation to update or revise such statements to reflect new circumstances or unanticipated events as they occur. Readers should carefully review the Cautionary Statements described in this and other documents we file from time to time with the Securities and Exchange Commission, including Annual Reports on Form 10-K and Current Reports on Form 8-K filed by Carriage in the future. A copy of the Company's Form 10-K, and other Carriage Services information and news releases, are available at www.carriageservices.com.

DISCLOSURE OF NON-GAAP PERFORMANCE MEASURES

We report our financial results in accordance with generally accepted accounting principles ("GAAP"). However, this investment profile uses the following Non-GAAP financial measures: "Funeral and Cemetery Field EBITDA," "Total Field EBITDA," "Consolidated EBITDA or EBITDA," "Adjusted Consolidated EBITDA," "Adjusted Diluted EPS," and "Adjusted Free Cash Flow". Both Adjusted Free Cash Flow (cash provided by operating activities, plus incremental special items, less maintenance capital expenditures) and EBITDA are used by investors to value common stock. The Company considers Adjusted Free Cash Flow to be an important indicator of its ability to generate cash for acquisitions and other strategic investments. The Company has included EBITDA in this investment profile because it is widely used by investors to compare the Company's financial performance with the performance of other companies. The Company also uses Total Field EBITDA and Total Field EBITDA Margin to monitor and compare the financial performance of the individual funeral and cemetery field businesses. EBITDA does not give effect to the cash the Company must use to service its debt or pay its income taxes and thus does not reflect the funds actually available for capital expenditures. In addition, the Company's presentation of EBITDA may not be comparable to similarly titled measures other companies report. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company's reported operating results or cash flow from operations or any other measure of performance as determined in accordance with GAAP. Pursuant to the requirements of Regulation G, the Company has provided quantitative reconciliations within the most current press release and on our *Investors* page of the website of the non-GAAP financial measures to the most directly comparable GAAP financial measures.