# Investor Presentation

August 2018

# Cautionary Statement on Forward Looking Statements and Disclosure of Non-GAAP Performance Measures

Certain statements made herein or elsewhere by, or on behalf of, the Company that are not historical facts are intended to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements are based on assumptions that the Company believes are reasonable; however, many important factors, as discussed under "Forward-Looking Statements" in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, could cause the Company's results in the future to differ materially from the forward-looking statements made herein and in any other documents or oral presentations made by, or on behalf of, the Company. Forward-looking statements contained herein regarding acquisitions include assumptions about the pricing, timing, and terms and conditions of such acquisitions. We can provide no assurances that our growth strategy will be successfully implemented. In particular, we can provide no assurances that we will find attractive acquisition targets, that we will succeed in negotiating the terms and conditions reflected in the model, or that we will execute any acquisitions during the next five years. Forward-looking statements contained herein regarding the performance of our acquisition and same store businesses include assumptions related to future revenue growth. We can provide no assurances that our acquisition and same store businesses will generate the revenue growth set forth herein, or any revenue growth at all. The Company assumes no obligation to update or publicly release any revisions to forward-looking statements made herein or any other forward-looking statements made by, or on behalf of, the Company.

This presentation uses Non-GAAP financial measures to present the financial performance of the Company. 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. We believe the Non-GAAP results are useful to investors because such results help investors compare our results to previous periods and provide insights into underlying trends in our business. In addition, the Company's presentation of these measures may not be comparable to similarly titled measures of other companies. Pursuant to the requirements of Regulation G, the Company has provided quantitative reconciliations within the most current press release and on our Investor Relations page of the website of the non-GAAP financial measures to the most directly comparable GAAP financial measures.

A copy of the Company's Form 10-K, and other Carriage Services information and news releases, are available at www.carriageservices.com.

# Key Investment Highlights

*Carriage Services is a leading owner and operator of funeral homes and cemeteries in the United State and one of the largest consolidators in our industry.*

A Market Leader in the Funeral and Cemetery Industry

Industry leading Operating Results driven by Execution of our Standards Operating Model

The Most Attractive Succession Planning Solution for Leading Independent Businesses

CARRIAGE SERVICES

Favorable Consolidation Landscape in a Highly Fragmented Industry

Long Term Organic Revenue Growth at High EBITDA Margins supported by Favorable Demographic Trends

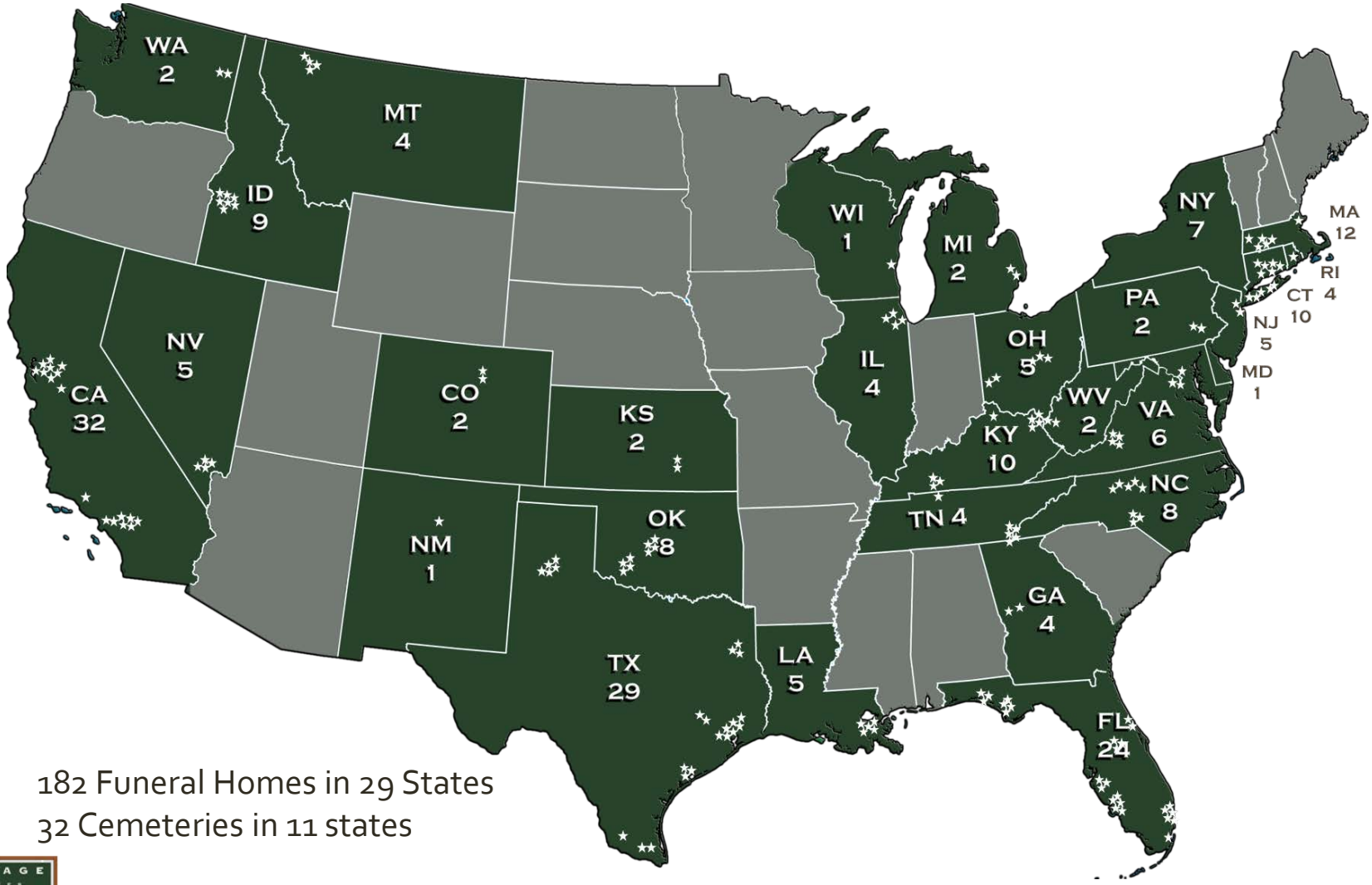
Entrepreneurial Decentralized High Performance Culture Attracts and Retains Top Industry Talent

# Who is Carriage Services?

- Carriage currently operates 214 funeral homes and cemeteries in 29 states.
- **High Performance Culture** company in the funeral and cemetery industry
- Committed to **"Being The Best"**
  - Funeral Home and Cemetery Operating Company
  - Consolidator of Independent Family Businesses
  - Shareholder Value Creation Platform
- Driven by our **Five Guiding Principles** including:
  - Honesty, Integrity, and Quality in All That We Do
  - Growth of the Company is Driven by Decentralization and Partnership
  - Belief in the Power of People through Individual Initiative and Teamwork
  - Outstanding Service and profitability Go Hand-In-Hand
  - Hard work, Pride of Accomplishment, and Shared Success Through Employee Ownership
- Carriage's corporate strategy is defined by our three core models:
  1. Standards Operating Model
  2. 4E Leadership Model
  3. Strategic Acquisition Model

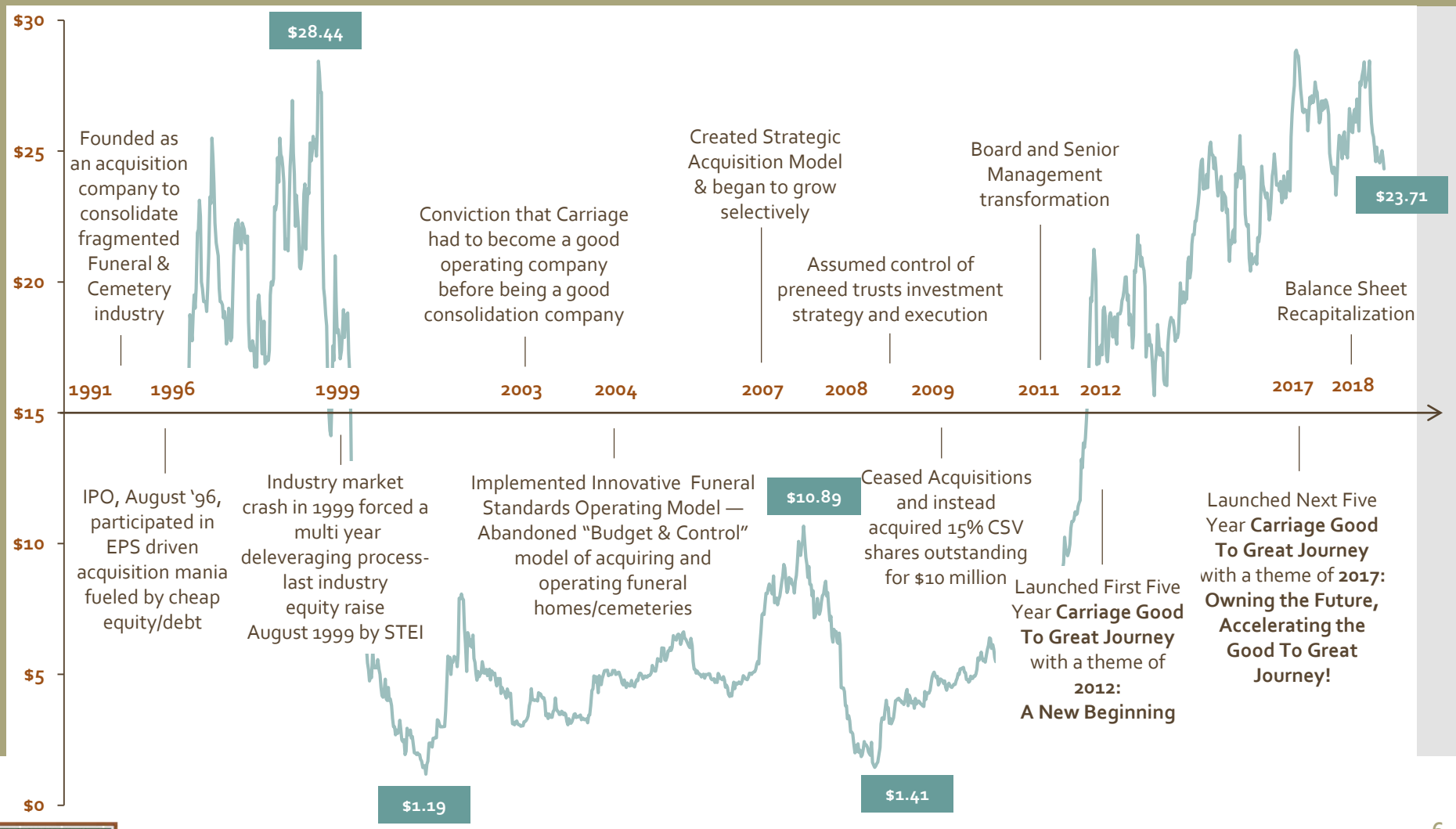
*Jacob Schoen & Son Funeral Home, New Orleans, LA*

# Who is Carriage Services?

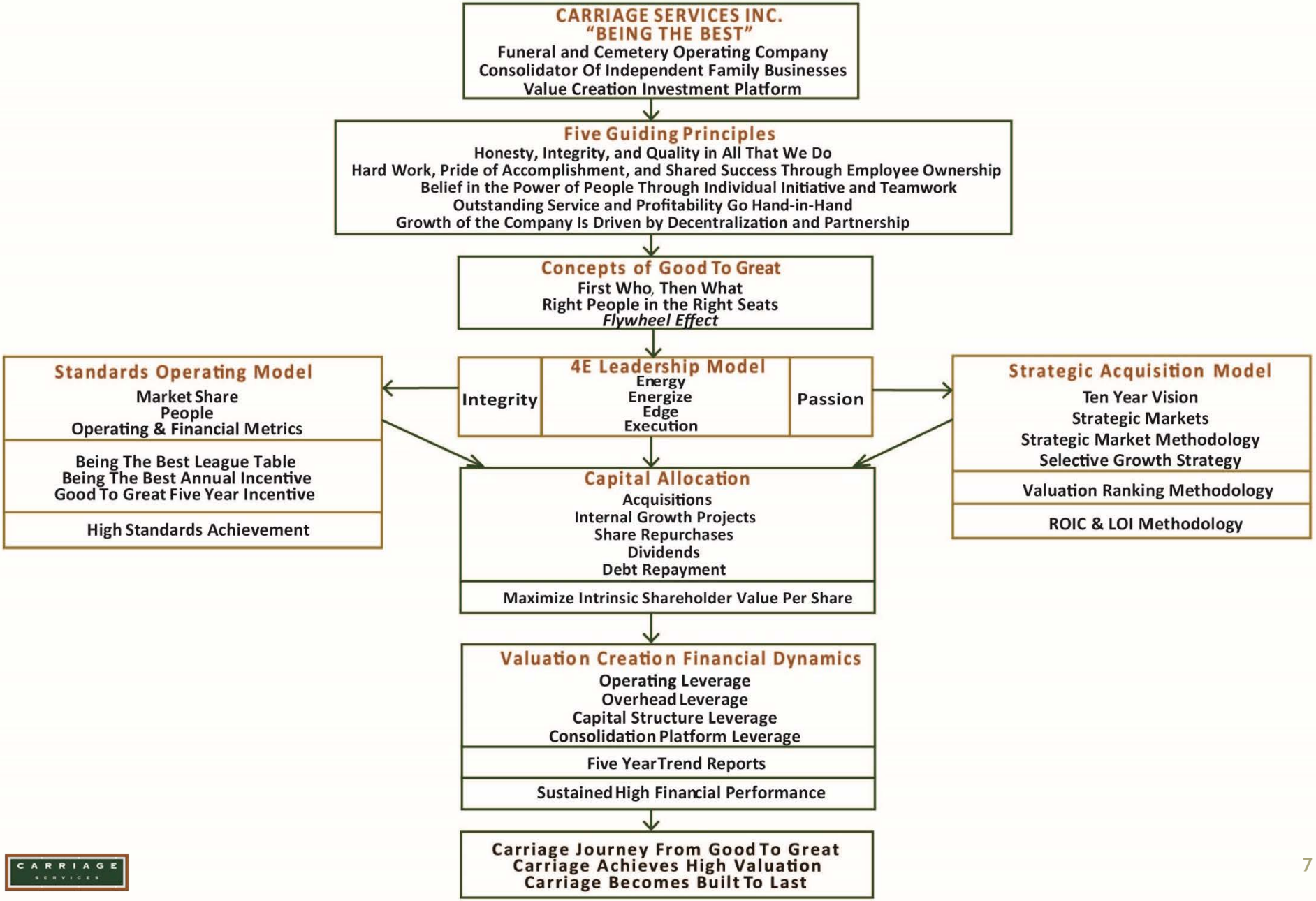



182 Funeral Homes in 29 States
32 Cemeteries in 11 states

# Carriage's Learning Journey



# Carriage Services' High Performance Culture Framework



# Carriage Services, Inc.

## Balance Sheet Recapitalization

### Repurchase of Convertibles

1. **Repurchased roughly 80% of the 2.75% Subordinated Convertibles.**

- Funded through a combination of cash and equity: $75 million of cash and 2.8 million common shares.
- Reduced equity short interest levels.
- Reduced Total Debt to Adj. Consolidated EBITDA Leverage Ratio to 4.5x; Target 4.0x.

### Issuance of Long-Term Debt

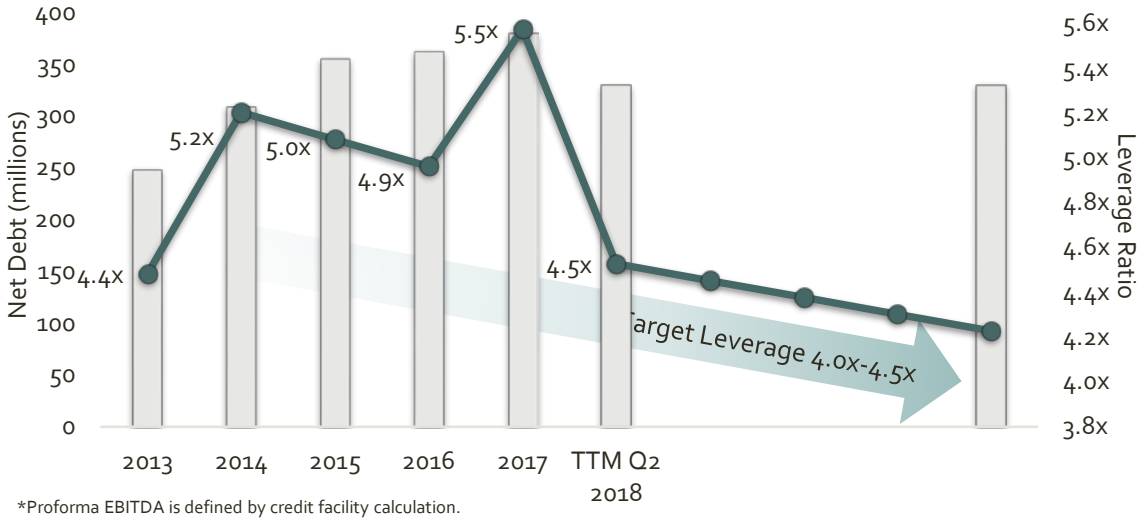
2. **Issued $325 million 6.625% Senior Unsecured Notes due 2026.**

- Refinanced all outstanding debt including term loan and revolving credit bank facilities due 2021.
- Increased financial flexibility through extended maturity & unsecured
- Locked in long-term financing in low interest environment.

### Launch of New Revolver

3. **Established a new (undrawn) $150 million Bank Revolving Credit Facility.**

- Increased financial flexibility with lower sr. secured debt and extended maturities
- Reduced # of lenders to 5 leading institutions.




*Proforma EBITDA is defined by credit facility calculation.

| New Capital Structure (millions) | |
|---|---|
| 6.625% Senior Notes (2025) | $325 |
| 2.75% Convertible Notes (2021) | $29 |
| Revolver/Capital Leases/ Acquisition Debt Outstanding | $17 |
| **Total Debt Outstanding** | **$371** |
| Cash & Cash Equivalents | $41 |
| Revolver Availability (undrawn) | $150 |
| Shareholder Equity | $240 |

CARRIAGE SERVICES

# Standards Operating Model

## "Being The Best" Funeral and Cemetery Operating Company

- Eight Funeral and six Cemetery operating standards that when achieved lead to high and sustainable financial performance.
- Decentralized Entrepreneurial Operating Model places operational control with local Managing Partner.
- Incentive Compensation for Managing Partners and their teams based on Standards Achievement.

*Los Gatos Memorial Park, Los Gatos, CA*

### Funeral Standards

**Qualitative Metrics — 50% (long term)**

30% — Market Share / Volume Growth
10% — Continuous Upgrading of Staff
10% — Right Quality of Staff

**Quantitative Metrics — 50% (short term)**

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

*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**

# Standards Operating Model

## "Being The Best" Funeral and Cemetery Operating Company

| 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% |

**Operational Discipline:**

- All Funeral businesses are grouped on operational characteristics (e.g. Average Revenue per Contract & No. of Contracts).
- Standards are designed for flexible decentralized decision-making by our Managing Partners.
- Standards are Not designed for unsustainable maximum short term profitability i.e. 100% Standards Achievement
- Goal of organic growth in Market Share and Revenue at sustainable high profit margins
  - Volume Growth driven by Market Share gains primary driver of local operating leverage
- Two People Standards combined with entrepreneurial leadership (4E's) are the critical drivers of long term Standards Achievement.

CARRIAGE SERVICES

# Strategic Acquisition Model

## Growth by Buying and Building a Portfolio

| Qualitative Strategic Ranking Criteria | | Weighting |
|---|---|---|
| 1. | Seller Motivation Alignment | 5% |
| 2. | Large Strategic Market | 15% |
| 3. | Large Strategic Business | 15% |
| 4. | 10 Years SS Volumes | 15% |
| 5. | Average Revenue Per Contract | 15% |
| 6. | Competitive Standing Trend | 10% |
| 7. | Burial/Cremation Mix Trend | 10% |
| 8. | Demographics Trends | 5% |
| 9. | Institutional Brand Strength | 5% |
| 10. | Barriers to Entry | 5% |
| | **TOTAL** | **100%** |

Carriage is an attractive succession planning option for owners of funeral homes and cemeteries due to the following:

- The decentralized Standards Operating Model,
- The Operational Support Center (Legal, HR, IT, Business Analysis and Planning, Regulatory), and
- The significant improvement in operating performance displayed in acquired businesses after integrating into the Operational Support Framework

The Model is used to assess strategic acquisition candidates based on specific criteria including: market size, demographic trends, client family revenue profile, institutional brand strength, 10 year contract volume and 3 year revenue per contract trends.

Strategic Ranking Criteria are highly predictive of future long term revenue growth.

Final valuation of acquired businesses ensure Return on Invested Capital is greater than our Cost of Capital in early years and increases over time.

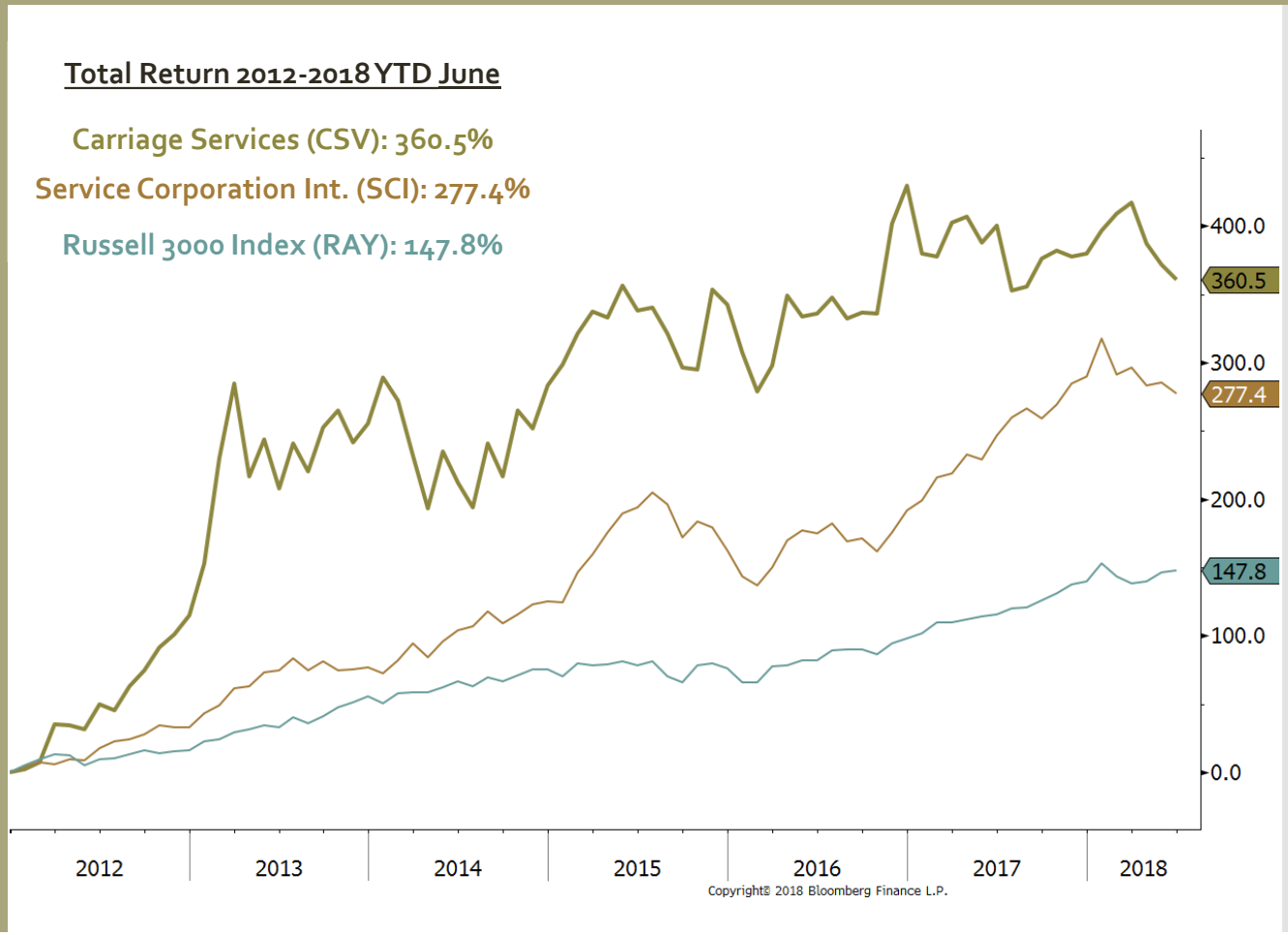
# Carriage's Good To Great Journey

## Current Valuation

CSV trades at 17.2x* Estimated Rolling 4 quarter Diluted EPS

CSV Proforma Adjusted Free Cash Flow Yield 10.0%*

CSV trades at 10x Enterprise Value to Adj. Consolidated EBITDA




*Calculations are based on last price as of August 27, 2018.

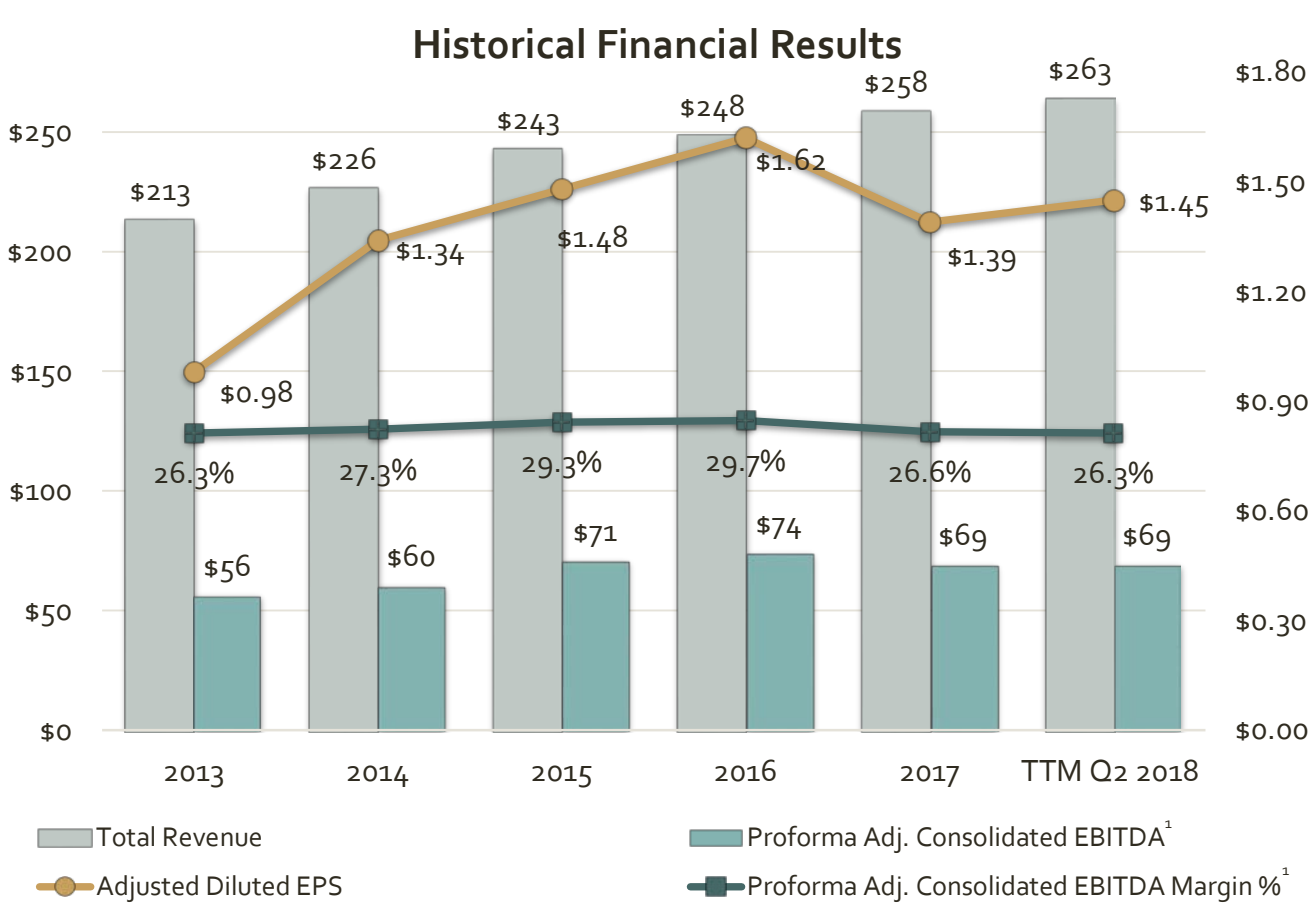
# Carriage Services, Inc.

## A Value Creation Investment Platform

Demonstrated ability to leverage single digit Revenue growth rates into larger increases in Adjusted Consolidated EBITDA and Adjusted Diluted EPS.

**2013 – TTM Q2 2018**

- Revenue CAGR: 4.3%
- Proforma Adj. Consolidated EBITDA CAGR: 4.7%
- Adj. Diluted EPS CAGR: 7.7%

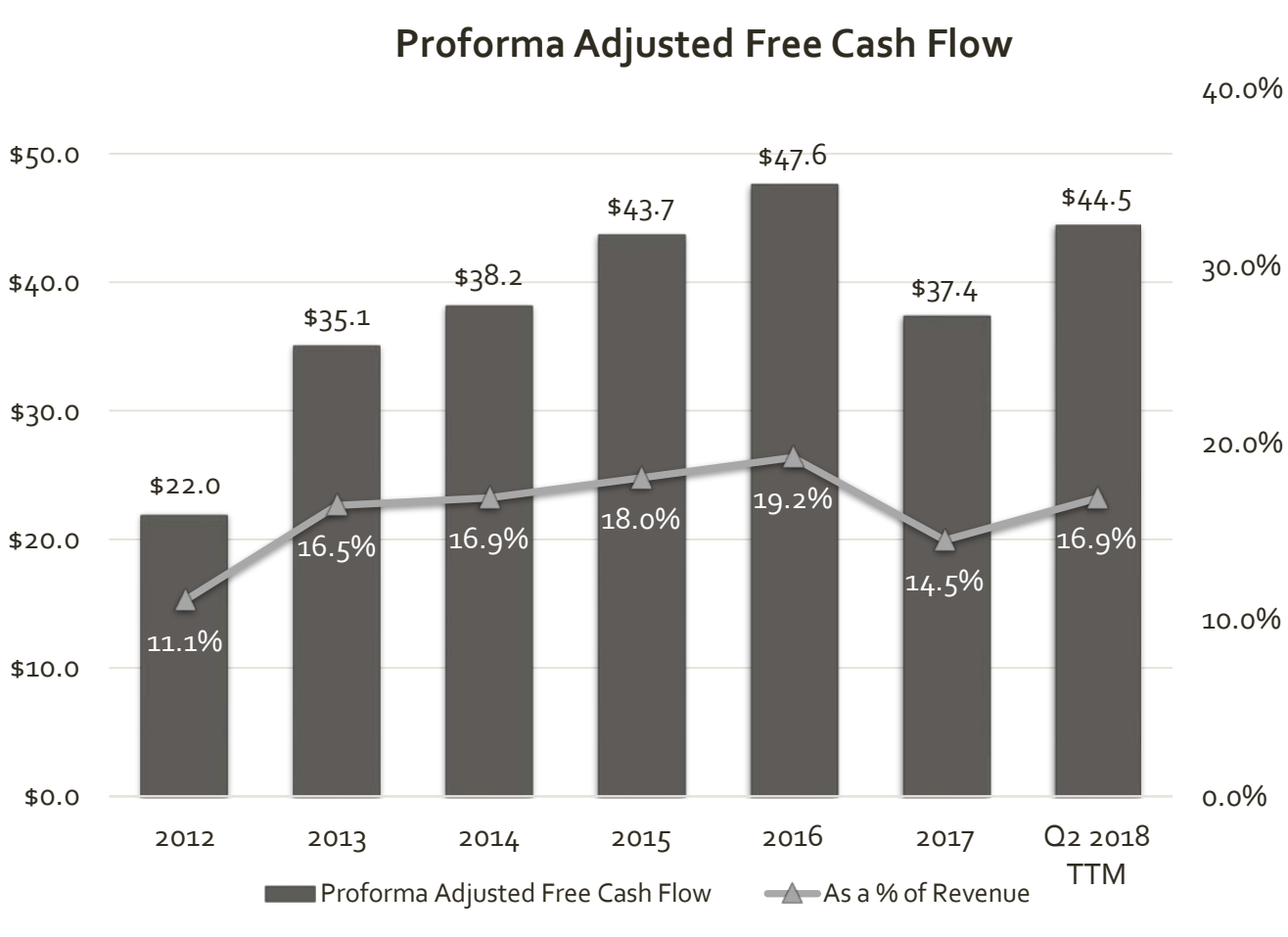



Note 1: Adjusted to exclude Non-GAAP Withdrawable Trust Income from Jan. 1, 2013 for comparative consistency with new reporting policy beginning in 2016.

# Carriage Services, Inc.

## A Value Creation Investment Platform

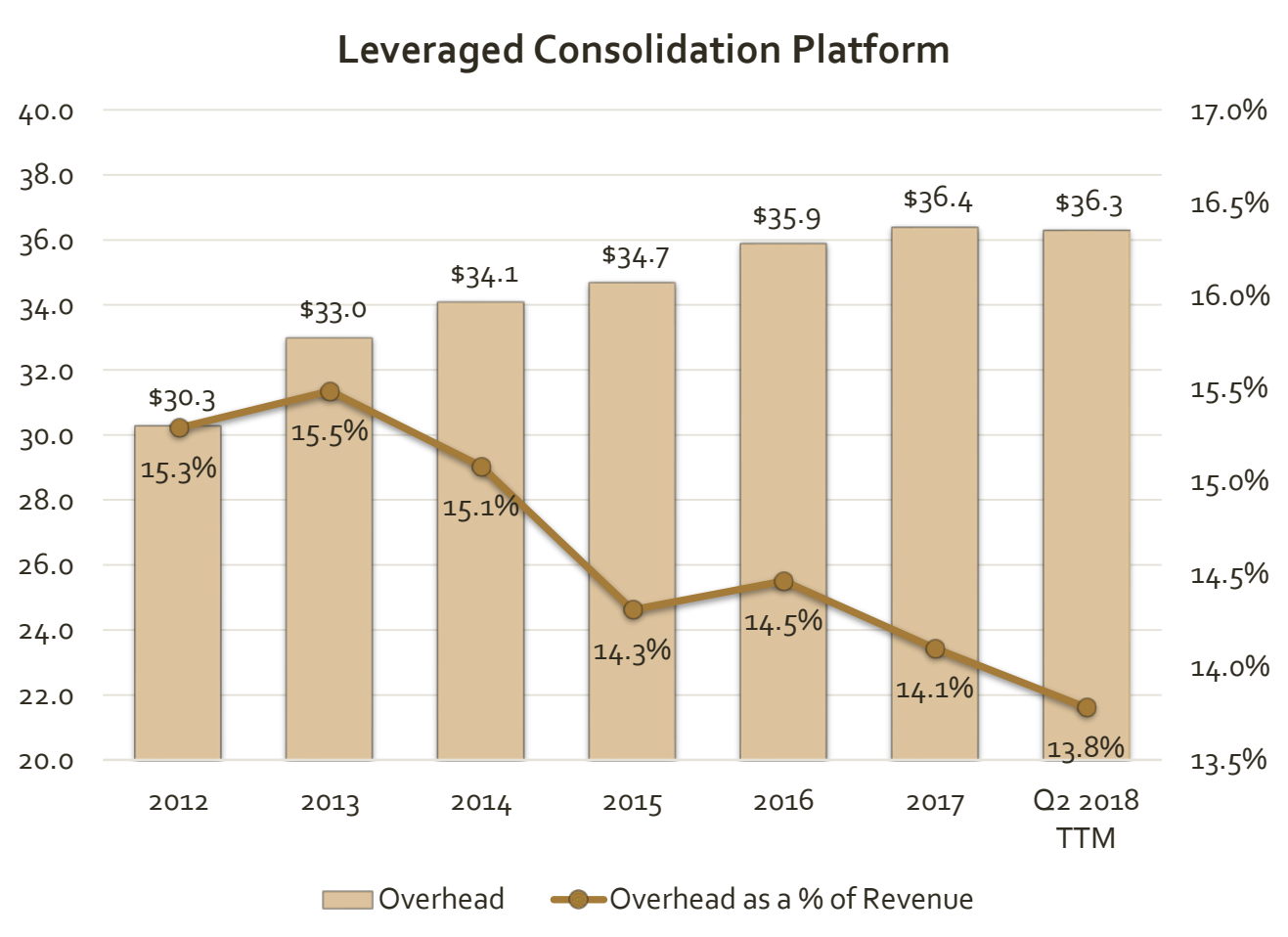
**Consistent Free Cash Flow** allows Carriage to fund the majority of acquisition activity, in addition to other investment activity that generate returns for shareholders (e.g. internal growth capital expenditures, share repurchases, dividends).



# Carriage Services, Inc.

## A Value Creation Investment Platform

**Declining Overhead as a % of Revenue** ensures Revenue grows at a significantly faster rate than Total Overhead so that the majority of Acquired and incremental Same Store Field EBITDA falls to Adjusted Consolidated EBITDA.



# Carriage Services, Inc.

## A Value Creation Investment Platform

**Five Year Growth Scenario**

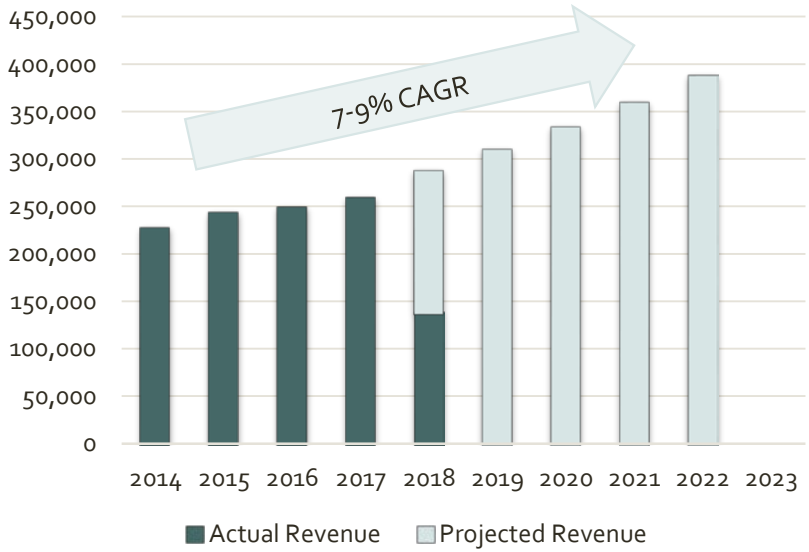
- Intention is to provide investors with a "roughly right" range of future results as we execute our Strategic Acquisition and Standards Operating Models.
- **Not intended** to be a management forecast or a prediction of future results.
- "Roughly Right" range includes:
  - Incremental improvement of our current portfolio of funeral homes and cemeteries.
  - A scenario of future acquisition activity based on Carriage's view of the current favorable acquisition landscape.
  - Approximately 60–70% growth in Field EBITDA driven by acquisition activity.
- We are committed to achieving our 5 year goals for long-term value creation.
  - We firmly believe that long-term shareholder value is created by a disciplined and consistent approach to allocating capital among various investment options to maximize intrinsic per share value of Carriage.

# Carriage Services, Inc.

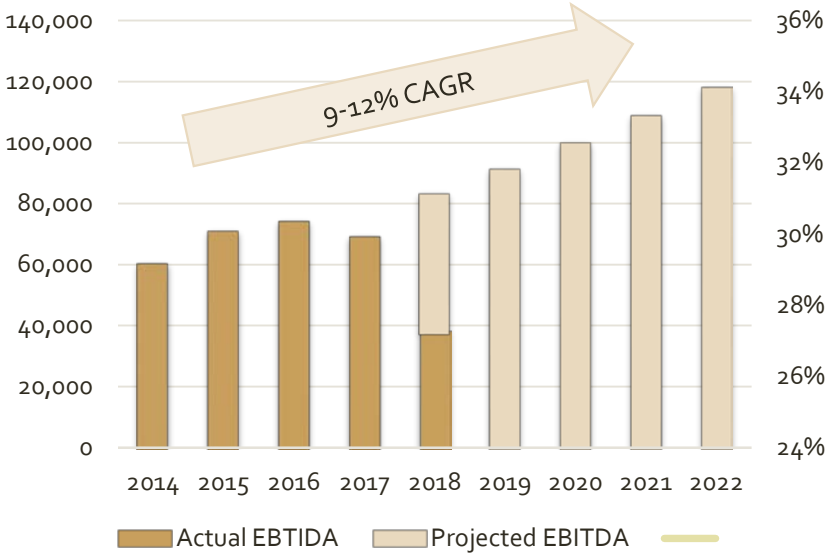
## A Value Creation Investment Platform

### Five-Year Roughly Right Scenario

**Revenue ($'000)**




**Adjusted Consolidated EBITDA ($'000)**




**Key drivers behind growth:**

- Execution of Standards Operating Model, Strategic Acquisition Model, and 4E Leadership Model
- Organic growth in Same-Store Funeral & Cemetery businesses consistent with historical trends
- Acquisition of larger businesses in larger strategic markets

# Why Carriage?

- Standards Operating Model and High Performance Culture makes Carriage the most attractive succession planning solution for independent funeral and cemetery owners
- Decentralized, Entrepreneurial Standards Operating Model with linked incentive compensation make Carriage the best destination for top industry talent
- Highly fragmented industry provides long-term opportunity to continue to affiliate with best remaining independent businesses in strategic markets.
- Recurring Free Cash Flow facilitates majority of shareholder value creation through capital allocation to be self-financed
- Proven track record of leveraging mid single digit Revenue growth, into higher Adjusted Consolidated EBITDA growth, and even higher Adjusted Diluted EPS growth
- Dedicated and tenured management team committed to long term shareholder value creation through disciplined capital allocation

# Q&A for Long-Term Carriage Shareholders

**Q: How does your Standards Operating Model promote operational discipline in a decentralized environment?**
A: Clear expectations of high Standards Achievement/ Weighted towards revenue growth at high and sustainable margins/ linked incentive compensation based on Standards Achievement.

**Q: What is the scalability of the Standards Operating Model as Carriage grows?**
A: Scalable due to dependency on local 4E Leader Managing Partners (the Right 'Who')/IT systems and support groups in place to be leveraged across the platform.

**Q: How does the increasing trend of cremation effect operating performance?**
A:Opportunity to provide high value personal service to each cremation family served/trend positive with average revenue per cremation contract up 12% since 2014.

**Q: How do you view the sustainability of your capital structure and how does it support your acquisition forecast?**
A:$150 million of revolver availability for acquisition activity/ majority of acquisition spend funded through Free Cash Flow/ Leverage 4-5x.

**Q:What is the opportunity for Carriage to be the consolidator of choice for the funeral and cemetery industry?**
A: 1) Approximately 75- 80%% of industry is unconsolidated. The Carriage culture and models resonate with the best independent funeral and cemetery businesses; only a select number align with our acquisition profile.
2) The best business owners prefer not to lose control over vendors and product/ service pricing and having top down initiatives forced on them for 'efficiencies' that over managed for short term profits.

713-332-8400

InvestorRelations@CarriageServices.com

3040 Post Oak Blvd. #300 Houston, TX 77056

CARRIAGE SERVICES

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