

A grid of 15 employee portraits is overlaid on a dark blue background. The portraits are arranged in three rows of five. The top row shows a woman with glasses, a man with glasses, a woman, a man, and a woman. The middle row shows a woman, a woman, a woman, a woman, and a woman. The bottom row shows a man, a woman, a man, a man, and a man. The portraits are semi-transparent and have a blue tint.

CARRIAGE SERVICES

ANNUAL REPORT

2023

**INNOVATION
PARTNERSHIP
SERVICE**

Our Purpose

To create a **premier experience** through **innovation**, empowered **partnership**, and elevated **service**.

2023 ANNUAL REPORT

Carriage At A Glance

171

*Owned
Funeral
Homes

32

*Owned
Cemeteries

8.4%

Adjusted
Diluted
Earnings Per
Share CAGR
(2013-2023)

7.3%

Adjusted
Consolidated
EBITDA CAGR
(2013-2023)

2,800+

Employees
Nationwide

\$382
million

2023 Annual
Revenue

Greenlawn Memorial Park Southwest - Bakersfield, California

*Funeral Home and Cemetery data as of (12/31/2023)

2023 SHAREHOLDER LETTER

Dear Shareholder

Reflecting on the past year, it is important to acknowledge our significant accomplishments amidst a comprehensive review of strategic alternatives, initiated by our Board in June 2023. This process, inherently distracting and time-consuming, did not deter us from moving the Company forward through several significant achievements. This past year stood as a testament to Carriage's

resilience—our business model, our business teams, and the support center, all demonstrated remarkable adaptability. It was a year marked by unforeseen challenges, enriched by new learnings and opportunities, and underscored by diligent work that laid the groundwork for innovation and sustainable growth in the years ahead.



Carlos Quezada,

Chief Executive Officer and
Vice Chairman of the Board



2023 SHAREHOLDER LETTER

Focus on Feedback from Shareholders and Enhanced Board Leadership



Chad Fargason - Chairman of the Board



Somer Webb - Board Director



Julie Sanders - Board Director

As we began our 2023 journey, we prioritized implementing the valuable feedback we received from you in 2022, especially concerning our Board of Directors. This year marked the beginning of a significant refresh for our Board, resulting in two members stepping down and the welcome addition of three new members to Carriage. These additions have enriched our Board with a more diverse blend of skills, experience, and perspectives, significantly contributing to the evolving Carriage success narrative. We are enthusiastic about the fresh insights and contributions these new Directors bring

to Carriage. For those interested in learning more about their impressive backgrounds and expertise, I encourage you to visit our website at carriageservices.com, where detailed profiles are available.

Furthermore, our commitment to enhancing our approach to governance led to the amendment of our bylaws, ensuring the voices and votes of our shareholders are always prioritized, by eliminating the Board's prior ability to dismiss a director's resignation if that director failed to receive a majority of support from our shareholders in an uncontested election.

2023 SHAREHOLDER LETTER

The Top Five

Despite the review of strategic alternatives process presenting time consuming challenges to our daily operations, we still achieved several transformative milestones, which are pivotal to our long-term growth story. Below are five of our more impactful achievements in 2023:

- We significantly reduced our debt, paying down \$34.5 million on our credit facility since its peak level after closing the Greenlawn acquisition at the end of the first quarter, reducing our leverage ratio to 5.13x (from a peak of 5.51x) by year end.
- We successfully completed our CEO succession plan, which marks a pivotal moment in our leadership transition, ensuring continuity and a strong direction for our future;
- We surpassed our key financial performance targets in four of the past five quarters, spanning from Q4 2022 through Q4 2023¹;
- We reduced overhead costs² from \$53.8 million (14.5%) to \$50.1 million (13.1%), demonstrating our commitment to efficiency and productivity; and
- We entered and launched a groundbreaking national partnership with the National Guardian Life Insurance Company and Precoa. This unprecedented

strategy in pre-need funeral sales is projected to double our General Agent commission over the next two years, while expanding our market share across our funeral home portfolio. We are projecting this partnership to help drive year-over-year growth in pre-need funeral sales of 20% over the next five years.

Each milestone reflects our dedication to strategic growth and operational excellence and highlights our commitment to responding to your feedback with action and integrity.

If you would like to examine our 2023 financial performance in more detail, please refer to the tables and 10-K that follow this letter.



From left to right; **Tyler Anderson** - Precoa Sr. VP Business Development, **Shane Pudenz** - Carriage Sr. VP of Sales & Marketing, **Cameron Black** - National Guard and Life VP Sales & Business Development

¹ Carriage's outlook compared to analysts' consensus expectations.

² As a percentage of Total Revenue.

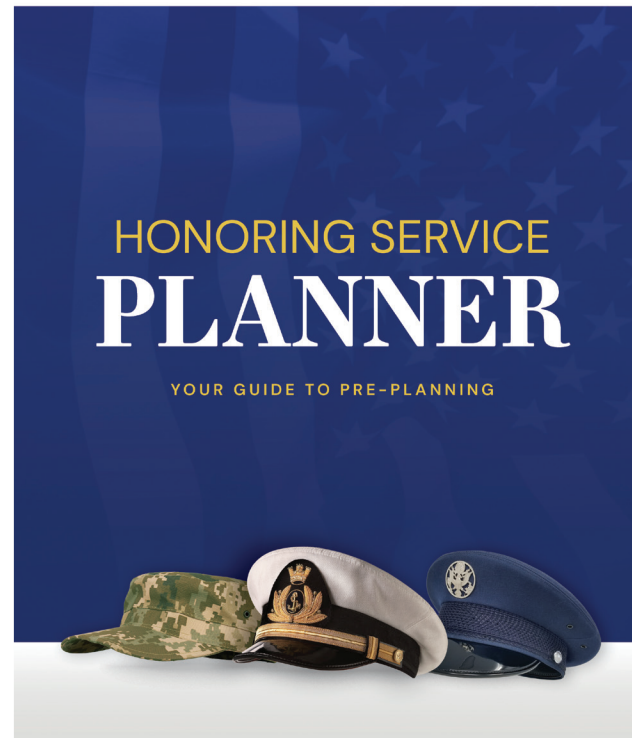
2023 SHAREHOLDER LETTER

A Vision of the Future

Looking towards the future of Carriage, I envision our Company will be distinguished by its industry-leading talent, leveraged by cutting-edge technology and innovation in a profession that will benefit greatly from a more direct focus on technology as an accelerator of growth. Additionally, I anticipate our Company will be characterized by its financial discipline, strategically deploying capital towards paying down debt while achieving the highest returns on invested capital for any investment project, creating added economic value for our shareholders. I also foresee a customer-centric organization upholding the highest



Fairfax Memorial Park Pavilion Estates - Fairfax, Virginia



Veterans and First Responders Pre-planning

standards of service excellence and fostering loyalty in every community we serve. I see Carriage as a continually evolving organization committed to continuous improvement, ensuring our operational and financial performance today is better than yesterday. Embracing improvement is a deliberate, inspiring, and strategic choice. While perfection may not be achieved, it is the benchmark we will consistently target.

2023 SHAREHOLDER LETTER

Our Five-Year Strategic Objectives

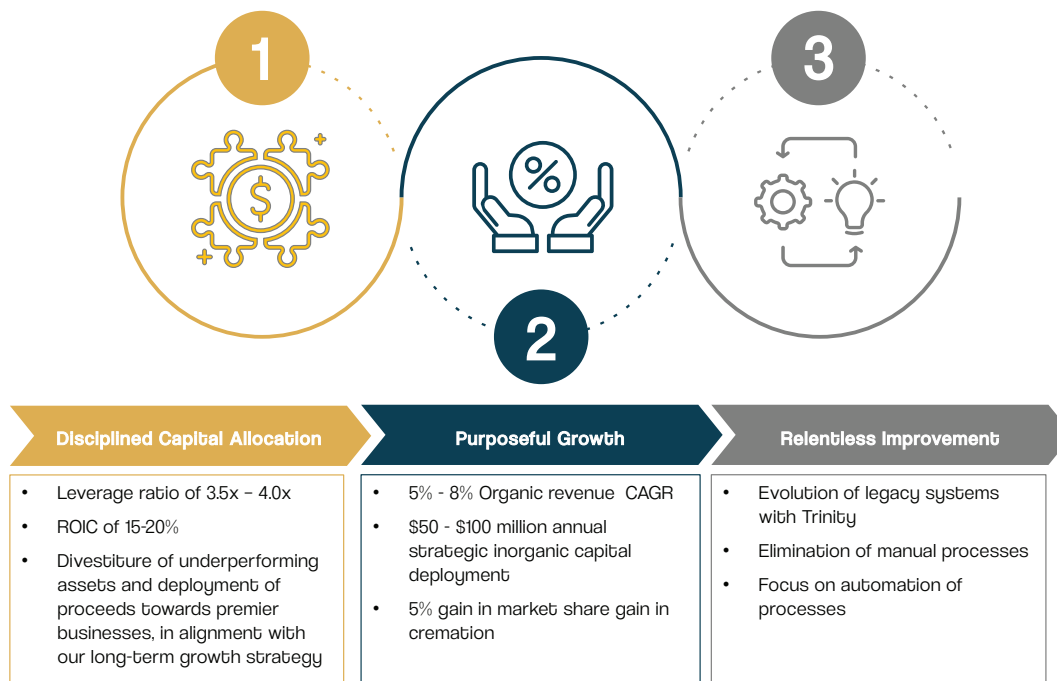
2024 has started off strong with our five-year strategic objectives. We are excited to continue building upon our ten-year vision driven by our new purpose statement: **“Creating premier experiences through innovation, empowered partnerships, and elevated service.”** This new purpose statement is a testament to our unwavering commitment across all areas of our operations, emphasizing our dedication to innovation, partnership, and exceptional service delivery. It is rooted in three foundational pillars, guiding our strategy and actions, and ensuring we remain at the forefront of funeral and cemetery innovation.



Caring Decisions Seminar - Rest Haven Funeral Home and Cemetery, Rockwall, Texas

The first pillar is **Disciplined Capital Allocation**. This strategic approach ensures our investments are focused on areas with the highest potential for returns, laying the groundwork for sustainable success and long-term value creation. This disciplined investment strategy is pivotal in navigating the path toward sustainable growth and profitability.

Our Five-Year Strategic Objectives



Purposeful Growth, our second pillar, transcends mere expansion, emphasizing strategic and thoughtful planning. This approach to business development is not about increasing our size, but rather, enhancing our revenue and financial health through strategic, thoughtful, and data-driven planning. It signifies our commitment to growing with intent and enriching our Company's value proposition organically and through strategic partnerships.

Finally, at the heart of our ethos lies **Relentless Improvement** and a commitment to the pursuit of excellence in all that we do. This pillar champions the idea that every day presents a new opportunity to refine our processes, prioritize efficiencies, enhance our service, and exceed our prior achievements.

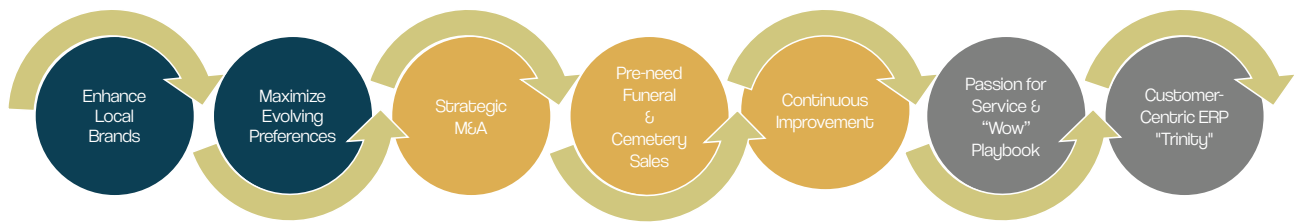
It embodies our dedication to continuous advancement and is the essence of our new purpose statement.

These three pillars are more than strategic imperatives. They represent our covenant to pursue excellence relentlessly, innovate with purpose, and redefine industry standards through superior service. Reflecting our commitment to this vision, we have revitalized our website and visual identity, including a refreshed Carriage logo, symbolizing our drive and commitment towards an exciting future.

Transformational Initiatives Underway

Implementing changes to enhance our market position and financial performance, while elevating the consumer experience

Opportunities to Further Distinguish Carriage from Competitors



Market Position

Financial Performance

Consumer Experience

We have a set of transformational initiatives currently underway:

Enhance Local Brands: Carriage is committed to reinforcing the identity and presence of our local brands. We can strengthen customer connections and loyalty by tailoring services to each community’s unique character and needs. We will continue to invest in brand-specific strategies highlighting local heritage and fostering deeper community engagement, ultimately enhancing our competitive advantage across various markets.

Maximize Evolving Preferences: By recognizing the dynamic nature of consumer preferences, we will actively adapt our offerings to align with current and emerging trends. Our agile approach to the various markets we serve demands that we always look ahead, delivering services that resonate with our customers’ evolving needs and expectations.

Strategic M&A: After achieving a leverage ratio of 3.5x–4.0x, Carriage aims to expand its market reach and enhance its service portfolio through inorganic growth. We will continue to identify and pursue acquisition opportunities in strategic growth markets that promise the highest returns, integrating each new asset in a manner that fortifies our market positioning and drives shareholder value. The growth profile we have established through our acquisitions over the last five years, serves as a great representation of our focus on high quality, premier assets with significant growth potential.

Pre-need Funeral & Cemetery Sales: We are intensifying our efforts in pre-need sales to provide greater education and peace of mind to our clients and their families. By offering comprehensive pre-planning services, we believe we will smooth the path for the future needs of our customers and secure a long-term revenue stream for Carriage.

Continuous Improvement: Continuous improvement is at the heart of Carriage’s reinvigorated operational philosophy. By adopting a kaizen mindset, we are committed to incremental improvements in every aspect of our business. This proactive approach ensures efficiency, quality, and customer satisfaction. It highlights our commitment to operational efficiency and effectiveness, enhancing productivity, reducing costs, and uncovering new opportunities. It aligns with our Relentless Improvement pillar and underscores our dedication to excellence.

Passion for Service & “Wow” Playbook: Our unwavering passion for service excellence sets us apart. We have developed a “Wow” Playbook, a guide to delivering exceptional experiences that exceed customer expectations at selected customer touchpoints. Training and empowering our staff to create “wow” moments ensures a service level that cultivates enduring customer relationships. For this purpose, we are proud to announce the creation of the Director of Customer Care role, which will be pivotal to our heightened focus on service excellence. Central to our Passion for Service Program, this new role will focus on developing hospitality concepts, creating Key Performance Indicators for customer experience, and implementing our Wow Moments Playbook. This initiative underscores our commitment to improving service delivery, ensuring every interaction reflects our dedication to exceeding expectations.

Customer-Centric ERP “Trinity”: We are currently streamlining processes to put our customers at the forefront of every decision. This integrated system, known as “Trinity,” will provide comprehensive insights into customer interactions, enabling personalized service and fostering customer loyalty.

Each of these initiatives reinforces Carriage’s commitment to excellence and innovation. As we embark on this continuous improvement and innovation journey, we will keep you updated along the way and share our progress and insights. We are confident in our strategic direction and look forward to building a future at Carriage that promises differentiation, customer loyalty, and sustainable success, all while driving shareholder value.

Thank you, Mel Payne

As I conclude this shareholder letter, it is important to highlight someone who has been a critical figure in Carriage’s history, and my own professional journey. Mel Payne dedicated more than thirty years, since founding Carriage in 1991, to building Carriage into a built-to-last company that he often calls “an elite club of the best businesses and operators in the profession.” Over the years, Mel relentlessly desired to build the best (not the biggest) funeral home and cemetery consolidation company. His passion and energy are unrivaled, and Mel’s high-performance expectations, at all levels, are well known.

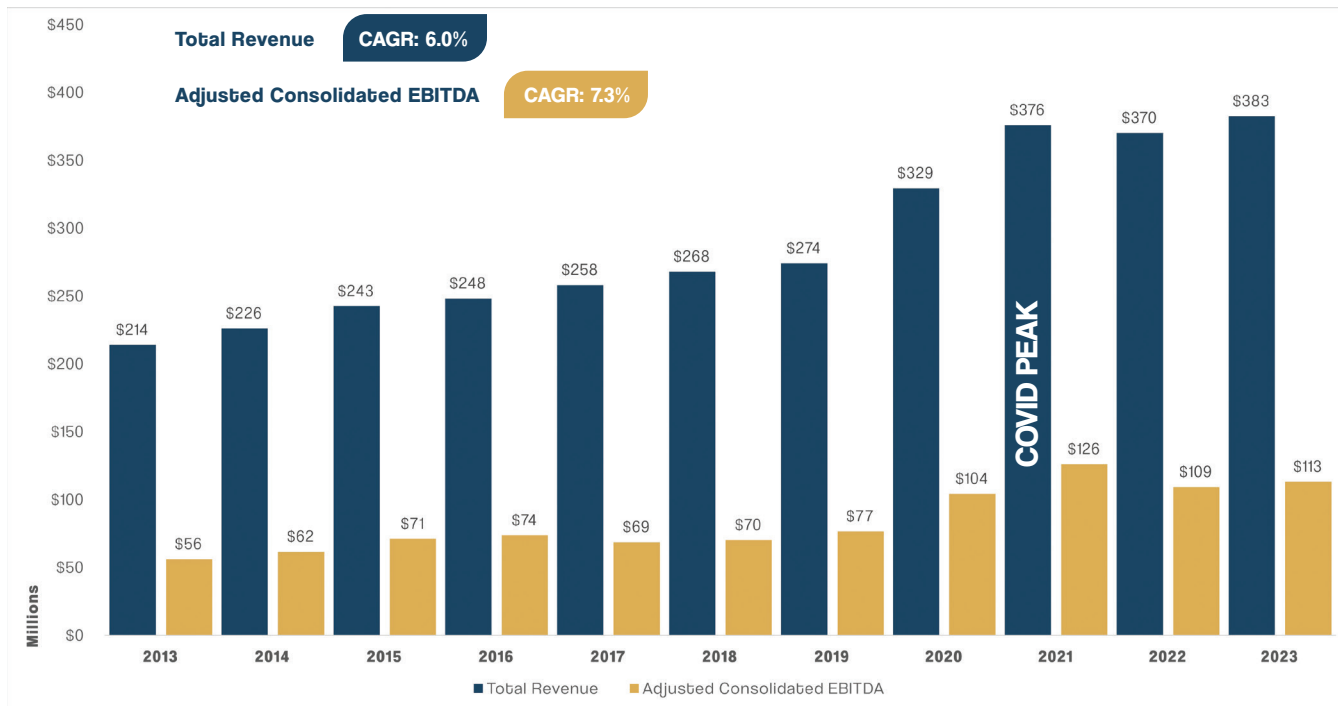
Along the way, Mel built an incredible company and many unique relationships. Just as impactful, Mel also created countless opportunities for others within Carriage to develop meaningful friendships. Mel often talks of living a life of significance and meaning. Not many things in the world are as meaningful as friendship. While business is usually measured by financial performance, life is more appropriately measured through

meaningful relationships. Mel has been highly successful, as his life has had so much significance and meaning.

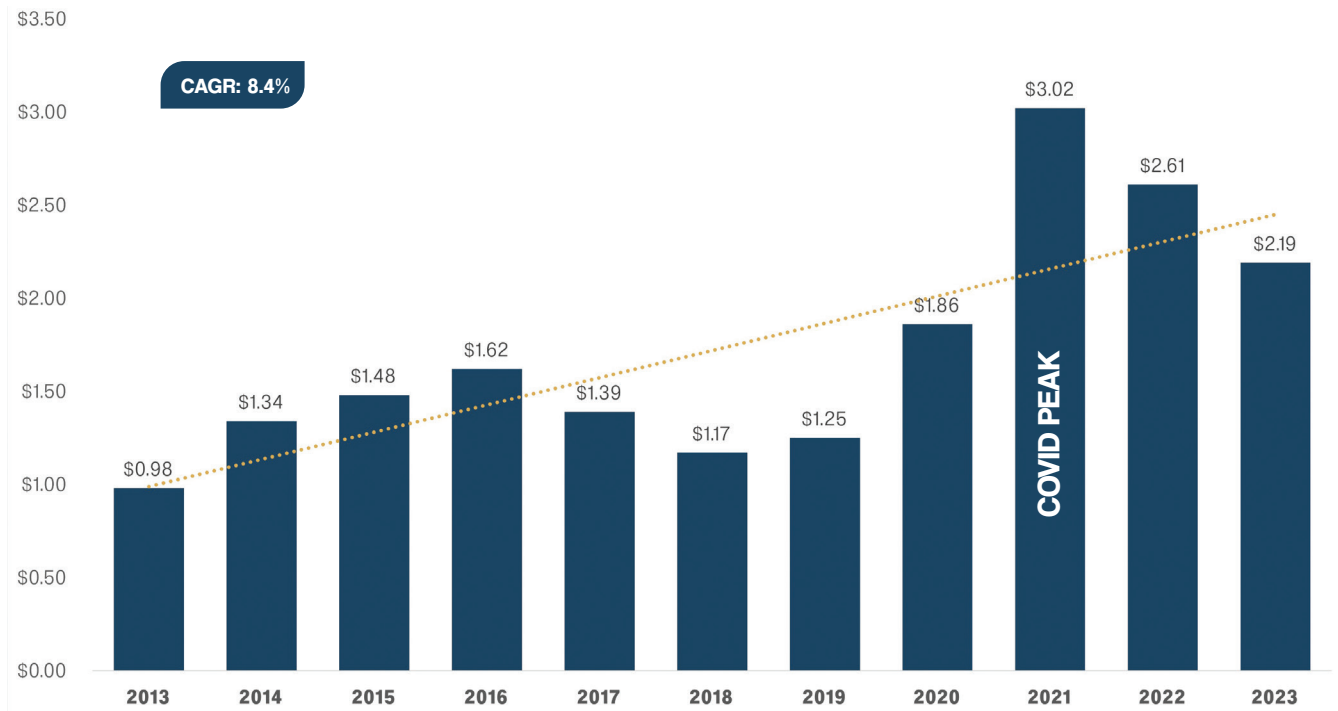
As we look ahead to the bright future in front of Carriage, it is important to take a moment to reflect on the foundation Mel helped build and the countless relationships he helped make possible. Thank you, Mel.



Track Record of Long-Term Revenue & Adjusted Consolidated EBITDA Growth



Long-Term Adjusted Diluted Earnings Per Share Growth



Condensed Five Quarter Operating & Financial Trend Report (in thousands, except per share amounts)	QTR 4 2022	QTR 1 2023	QTR 2 2023	QTR 3 2023	QTR 4 2023
Funeral Operating Revenue	\$ 63,964	\$ 66,463	\$ 60,919	\$ 59,397	\$ 62,401
Cemetery Operating Revenue	23,169	21,605	29,142	24,577	26,892
Financial Revenue	5,265	6,221	6,294	5,346	8,398
Other Revenue	1,518	1,225	1,323	1,174	1,143
Total Revenue	\$ 93,916	\$ 95,514	\$ 97,678	\$ 90,494	\$ 98,834
Funeral Operating EBITDA	\$ 26,874	\$ 26,628	\$ 21,925	\$ 22,025	\$ 24,371
Funeral Operating EBITDA Margin	42.0%	40.1%	36.0%	37.1%	39.1%
Cemetery Operating EBITDA	9,910	8,393	12,940	9,005	10,758
Cemetery Operating EBITDA Margin	42.8%	38.8%	44.4%	36.6%	40.0%
Financial EBITDA	4,846	5,881	5,846	4,945	7,889
Financial EBITDA Margin	92.0%	94.5%	92.9%	92.5%	93.9%
Other EBITDA	389	148	69	160	93
Other EBITDA Margin	25.6%	12.1%	5.2%	13.6%	8.1%
Total Field EBITDA	\$ 42,019	\$ 41,050	\$ 40,780	\$ 36,135	\$ 43,111
Total Field EBITDA Margin	44.7%	43.0%	41.7%	39.9%	43.6%
Total Overhead	\$ 13,360	\$ 13,265	\$ 12,087	\$ 12,848	\$ 11,886
Overhead as a percentage of revenue	14.2%	13.9%	12.4%	14.2%	12.0%
Consolidated EBITDA	\$ 28,659	\$ 27,785	\$ 28,693	\$ 23,287	\$ 31,225
Consolidated EBITDA Margin	30.5%	29.1%	29.4%	25.7%	31.6%
Other Expenses and Interest					
Depreciation & Amortization	\$ 5,188	\$ 4,769	\$ 5,668	\$ 5,186	\$ 5,494
Non-Cash Stock Compensation	1,381	2,141	2,022	1,992	1,548
Interest Expense	7,687	8,539	9,396	9,278	9,053
Other Expense (Income), net	2,452	(10)	(95)	55	(475)
Pretax Income	\$ 11,951	\$ 12,346	\$ 11,702	\$ 6,776	\$ 15,605
Net Tax Expense	3,731	3,502	3,416	2,131	3,967
GAAP Net Income	\$ 8,220	\$ 8,844	\$ 8,286	\$ 4,645	\$ 11,638
Sum of Special Items	\$ 2,384	\$ (177)	\$ (118)	\$ 829	\$ 469
Tax on Special Items	665	(51)	(33)	238	131
Adjusted Net Income	\$ 9,939	\$ 8,718	\$ 8,201	\$ 5,236	\$ 11,976
Adjusted Net Income Margin	10.6%	9.1%	8.4%	5.8%	12.1%
Adjusted Basic EPS	\$ 0.68	\$ 0.58	\$ 0.55	\$ 0.35	\$ 0.80
Adjusted Diluted EPS	\$ 0.64	\$ 0.56	\$ 0.53	\$ 0.33	\$ 0.77
GAAP Basic EPS	\$ 0.56	\$ 0.59	\$ 0.55	\$ 0.31	\$ 0.78
GAAP Diluted EPS	\$ 0.53	\$ 0.57	\$ 0.53	\$ 0.30	\$ 0.75
Weighted Average Number of Shares Outstanding					
Basic	14,707	14,758	14,793	14,820	14,838
Diluted	15,418	15,468	15,454	15,514	15,448
Reconciliation of Consolidated EBITDA to Adjusted Consolidated EBITDA					
Consolidated EBITDA	\$ 28,659	\$ 27,785	\$ 28,693	\$ 23,287	\$ 31,225
Other Special Items	-	-	-	973	1,219
Adjusted Consolidated EBITDA	\$ 28,659	\$ 27,785	\$ 28,693	\$ 24,260	\$ 32,444
Adjusted Consolidated EBITDA Margin	30.5%	29.1%	29.4%	26.8%	32.8%

Condensed Annual Operating And Financial Trend Report
(in thousands, except per share amounts)

	2019	2020	2021	2022	2023
Funeral Operating Revenue	\$ 196,475	\$ 226,819	\$ 252,926	\$ 251,396	\$ 249,180
Cemetery Operating Revenue	49,317	69,083	91,330	90,033	102,216
Financial Revenue	15,878	19,689	22,708	22,452	26,259
Other Revenue	12,437	13,857	8,922	6,293	4,865
Total Revenue	\$ 274,107	\$ 329,448	\$ 375,886	\$ 370,174	\$ 382,520
Funeral Operating EBITDA	\$ 75,553	\$ 93,480	\$ 109,204	\$ 101,951	\$ 94,949
Funeral Operating EBITDA Margin	38.5%	41.2%	43.2%	40.6%	38.1%
Cemetery Operating EBITDA	17,164	26,627	42,158	37,509	41,096
Cemetery Operating EBITDA Margin	34.8%	38.5%	46.2%	41.7%	40.2%
Financial EBITDA	14,272	18,357	21,156	20,767	24,561
Financial EBITDA Margin	89.9%	93.2%	93.2%	92.5%	93.5%
Other EBITDA	2,778	3,478	2,123	1,134	470
Other EBITDA Margin	22.3%	25.1%	23.8%	18.0%	9.7%
Total Field EBITDA	\$ 109,767	\$ 141,942	\$ 174,641	\$ 161,361	\$ 161,076
Total Field EBITDA Margin	40.0%	43.1%	46.5%	43.6%	42.1%
Total Overhead	\$ 37,554	\$ 40,514	\$ 54,282	\$ 53,848	\$ 50,086
Overhead as a percentage of revenue	13.7%	12.3%	14.4%	14.5%	13.1%
Consolidated EBITDA	\$ 72,213	\$ 101,428	\$ 120,359	\$ 107,513	\$ 110,990
Consolidated EBITDA Margin	26.3%	30.8%	32.0%	29.0%	29.0%
Other Expenses and Interest					
Depreciation & Amortization	\$ 17,771	\$ 19,389	\$ 20,520	\$ 19,799	\$ 21,117
Non-Cash Stock Compensation	2,153	3,370	5,513	5,959	7,703
Interest Expense	25,522	32,515	25,445	25,895	36,266
Other Expense (Income), net	4,351	21,506	770	(1,524)	(525)
Pretax Income	\$ 22,416	\$ 24,642	\$ 44,304	\$ 57,194	\$ 46,429
Net Tax Expense	7,883	8,552	11,145	15,813	13,016
GAAP Net Income	\$ 14,533	\$ 16,090	\$ 33,159	\$ 41,381	\$ 33,413
Sum of Special Items	\$ 9,821	\$ 25,579	\$ 30,607	\$ (200)	\$ 1,003
Tax on Special Items	1,822	7,986	8,503	95	285
Adjusted Net Income	\$ 22,532	\$ 33,683	\$ 55,263	\$ 41,086	\$ 34,131
Adjusted Net Income Margin	8.2%	10.2%	14.7%	11.1%	8.9%
Adjusted Basic EPS	\$ 1.26	\$ 1.88	\$ 3.17	\$ 2.76	\$ 2.29
Adjusted Diluted EPS	\$ 1.25	\$ 1.86	\$ 3.02	\$ 2.61	\$ 2.19
GAAP Basic EPS	\$ 0.81	\$ 0.90	\$ 1.90	\$ 2.78	\$ 2.24
GAAP Diluted EPS	\$ 0.80	\$ 0.89	\$ 1.81	\$ 2.63	\$ 2.14
Weighted Average Number of Shares Outstanding					
Basic	17,877	17,872	17,409	14,857	14,803
Diluted	18,005	18,077	18,266	15,710	15,455
Reconciliation of Consolidated EBITDA to Adjusted Consolidated EBITDA					
Consolidated EBITDA	\$ 72,213	\$ 101,428	\$ 120,359	\$ 107,513	\$ 110,990
Special Items	4,374	2,822	5,802	1,799	2,192
Adjusted Consolidated EBITDA	\$ 76,587	\$ 104,250	\$ 126,161	\$ 109,312	\$ 113,182
Adjusted Consolidated EBITDA Margin	27.9%	31.6%	33.6%	29.5%	29.6%

DISCIPLINE **CAPITAL**
ALLOCATION

INNOVATION **PROJECT**
TRINITY

PREMIER EXPERIENCE **ELEVATED**
SERVICE

CUSTOMER TECHNOLOGY
CARE **PASSION FOR THE RIGHT**
SERVICE PEOPLE

LEADERSHIP **EVOLUTION**

TRANSFORMATIONAL
ENGAGEMENT

WOW **CONTINUOUS**
IMPROVEMENT
EMPOWERED

MOMENTS **PARTNERSHIP**



INNOVATION
PARTNERSHIP
SERVICE

The logo features the word "carriage" in a bold, dark blue, sans-serif font. A golden-yellow, curved line arches over the letters "a", "r", and "i", starting from the left and ending on the right, partially overlapping the top of the letter "i".

carriage

Corporate Information

Carriage Services is a leading provider of funeral and cemetery services and merchandise in the United States. As of December 31, 2023, the Company operated 171 funeral homes in 26 states and 32 cemeteries in 11 states.

Board of Directors

Melvin C. Payne
Founder, Former Executive Chairman
and Special Advisor to the Board

Chad Fargason*
Non-Executive Chairman of the Board
Vaughan Nelson Investment Management

Carlos R. Quezada
Chief Executive Officer
and Vice Chairman of the Board

Douglas B. Meehan*
Deputy Chief Investment Officer,
van Biema Value Partners, LLC

Donald D. Patteson, Jr.*
Former Chief Executive Officer and
Chairman of the Board, Sovereign Business Forms, Inc.

Julie Sanders*
Senior Vice President and
Chief Audit Executive, Dell Technologies

Somer Webb*
Chief Financial Officer, Authority Brands

**Independent Director*

Advisor to the Board of Directors

Gregory R. Brudnicki
Former Mayor of Panama City, Florida

Independent Public Accountants
Grant Thornton LLP, Dallas, Texas

Form 10-K Availability

The Company's Annual Report on Form 10-K for the year ended December 31, 2023 may be obtained by writing to: Investor Relations, Carriage Services, Inc., 3040 Post Oak Boulevard, Suite 300, Houston, Texas via the Company's website: www.carriageservices.com; or via the SEC's website: www.sec.gov.

Common Stock

Carriage Services, Inc.'s common stock is traded on the New York Stock Exchange under the symbol "CSV".

Transfer Agent & Registrar
Equiniti Trust Company, LLC
48 Wall Street, Floor 23, New York, NY 10005
800.937.5449 | Website: equiniti.com

Executive Leadership Team

Carlos R. Quezada*
Chief Executive Officer
and Vice Chairman of the Board

Steven D. Metzger*
President and Secretary

L. Kian Granmayeh*
Executive Vice President, Chief Financial
Officer and Treasurer

Rob P. Franch
Chief Information Officer

Shane T. Pudenz
Senior Vice President of Sales and Marketing

Kathryn Shanley
Chief Accounting Officer

**Member, Strategic Vision and Principles Group*

Houston Support Center
Carriage Services, Inc.
3040 Post Oak Boulevard, Suite 300
Houston, Texas 77056 | 713.332.8400
www.carriageservices.com

Forward-Looking Statements

Statements made in this Annual Report that are not historical facts and are intended to be forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on assumptions that the Company believes are reasonable; however, many important factors, including factors not in our control, or as discussed under "Forward-Looking Statements" in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, could cause the Company's results to differ materially from the forward-looking statements made herein and in any other documents or presentations made by or on behalf of the Company.



INNOVATION. **PARTNERSHIP.** SERVICE

CARRIAGE SERVICES, INC.

(713) 332.8400

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