

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): April 26, 2017

Carriage Services, Inc.

(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction
of incorporation)*

1-11961
*(Commission
File Number)*

76-0423828
*(IRS Employer
Identification No.)*

3040 Post Oak Boulevard, Suite 300
Houston, Texas 77056
(Address, including zip code, of principal executive offices)

Registrant's telephone number, including area code:
(713) 332-8400

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

In the press release dated April 26, 2017, Carriage Services, Inc. (“the Company”) announced and commented on its financial results for its quarter ended March 31, 2017. A copy of the press release issued by the Company is attached hereto as Exhibit 99.1 and incorporated by this reference. The information being furnished under Item 9.01 Financial Statements and Exhibits, including the press release attached hereto as Exhibit 99.1, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liabilities of that Section.

The Company’s press release dated April 26, 2017 contains non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company’s performance, financial position, or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with United States generally accepted accounting principles, or GAAP. Pursuant to the requirements of Regulation G, the Company has provided quantitative reconciliations within the press release of the non-GAAP financial measures to the most directly comparable GAAP financial measures.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits. The following are furnished as part of this current report on Form 8-K:

99.1 Press Release dated April 26, 2017

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, Carriage Services, Inc. has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CARRIAGE SERVICES, INC.

Dated: April 26, 2017

By: /s/ Viki K. Blinderman

Viki K. Blinderman

Senior Vice President, Principal Financial Officer, Chief Financial Officer and Secretary

INDEX TO EXHIBITS

| <u>Exhibit</u> | <u>Description</u> |
|----------------|-------------------------------------|
| 99.1 | Press Release dated April 26, 2017. |



CARRIAGE SERVICES ANNOUNCES RECORD FIRST QUARTER 2017 RESULTS AND REAFFIRMS ROLLING FOUR QUARTER OUTLOOK

HOUSTON – April 26, 2017 – Carriage Services, Inc. (NYSE: CSV) today announced record results for the first quarter ended March 31, 2017.

Mel Payne, Chief Executive Officer, stated, “Our first quarter performance of 2017 was also the first quarter performance of our second five year timeframe of **Carriage’s Good To Great Journey** that never ends. A more relevant first quarter (century) for long term investors was the first 25 years of Carriage’s history, which was covered in my recent shareholder letter titled, **The Evolution Of Our Learning Journey**.

Our Total Revenue in the first quarter increased 7.6% to a record \$68.1 million, and while our Adjusted Consolidated EBITDA of \$20.5 million and Adjusted Net Income of \$8.1 million were also records, both of these earnings metrics grew only nominally over last year as we brought less of the revenue growth to the bottom line. Our diluted earnings metrics, i.e. GAAP EPS of \$0.39 and Adjusted EPS of \$0.45, were negatively impacted by a dilution factor of 8.6% related to the share count methodology for our convertible subordinated notes.

We view the first quarter performance as a “glass half full” because the few concentrated operational areas of relative weakness are opportunities to get better in the near term, as we are continuously addressing areas of leadership weakness so that they turn into **Right Who** sustained high performance strengths in the future.

First quarter highlights are shown below:

Three Months Ended March 31, 2017 compared to Three Months Ended March 31, 2016

- Record Total Revenue of \$68.1 million, an increase of 7.6%;
- Record Net Income of \$7.1 million, an increase of 55.0%;
- Record GAAP Diluted Earnings Per Share of \$0.39, an increase of 44.4%;

- Record Total Field EBITDA of \$29.5 million, an increase of 6.6%;
- Total Field EBITDA Margin down 40 basis points to 43.3%;
- Record Adjusted Consolidated EBITDA of \$20.5 million, an increase of 3.3%;
- Adjusted Consolidated EBITDA Margin down 120 basis points to 30.2%;
- Record Adjusted Net Income of \$8.1 million, an increase of 1.8%; and
- Adjusted Diluted Earnings Per Share of \$0.45, a decrease of 4.3%.

Our Total Overhead was about \$1 million higher in the first quarter than originally anticipated, as we reorganized our corporate functions toward the end of last year and have since added substantial new leadership talent to critical functional areas to position us for better execution of our three core models over the next five years. In particular, we made substantial leadership investments in Operations, Strategic and Corporate Development and Information Technology, as well as incurred one-time expenses related to a tax strategy project and terminations.

The really good news about the first quarter of 2017 was that it was the first time in memory that our Consolidated EBITDA and Consolidated EBITDA Margin of \$20.5 million and 30.2%, respectively, was the same as our Adjusted Consolidated EBITDA and Adjusted Consolidated EBITDA Margin, meaning that we are “free at last” from confusing Non-GAAP noise. We are intensely focused on sustaining a high performance for the remainder of the year and thereafter consistent with our 2017 theme, “**Carriage Services 2017: Owning the Future, Accelerating the Good to Great Journey!**”

Listed below are High Performance Hero Managing Partners and Houston Support role models leading us during the first quarter on our **Good To Great Journey**,” concluded Mr. Payne.

| | |
|---------------------|---|
| Bob Prindiville | Bright Funeral Home & Cremation Center; Wake Forest, NC |
| James Bass | Emerald Coast/McLaughlin Mortuaries; Ft. Walton Beach, FL |
| Wayne Lovelace | Lotz Funeral Home; Vinton, VA |
| Patrick Schoen | Jacob Schoen & Son Funeral Home; New Orleans, LA |
| Curtis Ottinger | Heritage Funeral Home; Chattanooga, TN |
| John Bresnahan | Devanny-Condron Funeral; Pittsfield, MA |
| Bryan Hardwick | Bryan & Hardwick Funeral Home; Zanesville, OH |
| Andy Shemwell | Maddux-Fuqua-Hinton Funeral Homes; Hopkinsville, KY |
| Ashley Vella | Deegan Funeral Chapels; Escalon, CA |
| Justin Luyben | Evans Brown Mortuaries; Sun City, CA |
| Joseph Newkirk | West Contra Costa Group; Richmond, CA |
| Cliff Pope | Havenbrook Funeral Home; Norman, OK |
| Nicholas Welzenbach | Los Gatos Memorial Park; San Jose, CA |
| Winnie Hurston | Houston Support - Executive Assistant to Mel Payne |

TRUST FUND PERFORMANCE

Shown below are consolidated performance metrics for the combined trust fund portfolios (preneed funeral, cemetery merchandise and services and cemetery perpetual care) at key dates.

Investment Performance

| | Investment Performance ⁽¹⁾ | | Index Performance | | |
|---------------------------|---------------------------------------|-------------|---------------------|------------------|--------------------------------------|
| | Discretionary | Total Trust | S&P 500 Stock Index | High Yield Index | 70/30 index Benchmark ⁽²⁾ |
| 3 months ended 03/31/2017 | 3.1% | 2.9% | 6.1% | 2.7% | 3.7% |
| 1 year ended 12/31/2016 | 19.7% | 18.3% | 12.0% | 17.6% | 15.9% |
| 2 years ended 12/31/2016 | 16.0% | 15.1% | 13.5% | 12.0% | 12.4% |
| 3 years ended 12/31/2016 | 25.7% | 24.2% | 28.9% | 14.8% | 19.0% |
| 4 years ended 12/31/2016 | 43.6% | 41.2% | 70.6% | 23.4% | 37.6% |
| 5 years ended 12/31/2016 | 72.8% | 65.4% | 97.8% | 42.6% | 59.2% |

(1) Investment performance includes realized income and unrealized appreciation.

(2) The 70/30 Benchmark is 70% weighted to the High Yield Index and 30% weighted to the S&P 500 Stock Index.

Asset Allocation as of March 31, 2017 (in thousands)

| Asset Class | Discretionary Trust Funds | | Total Trust Funds | |
|------------------|---------------------------|-------|-------------------|-------|
| | MV | % | MV | % |
| Cash | \$ 23,706 | 12 % | \$ 38,976 | 17 % |
| Equities | 47,308 | 24 % | 49,895 | 22 % |
| Fixed Income | 123,241 | 62 % | 134,378 | 59 % |
| Other/Insurance | 3,315 | 2 % | 3,507 | 2 % |
| Total Portfolios | \$ 197,570 | 100 % | \$ 226,756 | 100 % |

For the three months ended March 31, 2017, Carriage’s discretionary trust funds returned 3.1% versus 3.7% for the 70/30 index benchmark.

The performance of our preneed trust fund portfolio in the first quarter was in line with our expectations and reflected no change in our overall portfolio strategy.

ADJUSTED FREE CASH FLOW

We produced Adjusted Free Cash Flow from operations for the three months ended March 31, 2017 of \$6.4 million compared to Adjusted Free Cash Flow from operations of \$12.2 million for the corresponding period in 2016. The decrease in Adjusted Free Cash Flow during the first quarter of 2017 reflected less Non-GAAP noise, along with a final payment for the severance of a former executive and the first five-year payment for our **Good To Great** incentive compensation award.

A reconciliation of Cash Flow Provided by Operations to Adjusted Free Cash Flow for the three months ended March 31, 2017 and 2016 is as follows (in thousands):

| | For the Three Months Ended March 31, | |
|--|---|----------|
| | 2016 | 2017 |
| Cash Flow Provided by Operations | \$ 10,233 | \$ 8,159 |
| Cash used for Maintenance Capital Expenditures | (1,618) | (1,773) |
| Free Cash Flow | \$ 8,615 | \$ 6,386 |
| <i>Plus: Incremental Special Items:</i> | | |
| Acquisition and Divestiture Expenses | 516 | — |
| Severance Costs | 2,759 | — |
| Consulting Fees | 268 | — |
| Adjusted Free Cash Flow | \$ 12,158 | \$ 6,386 |

ROLLING FOUR QUARTER OUTLOOK

The Rolling Four Quarter Outlook (“Outlook”) reflects management’s opinion on the performance of the portfolio of existing businesses, including performance of existing trusts, and excludes size and timing of acquisitions for the Rolling Four Quarter Outlook period ending March 31, 2018 unless we have a signed Letter of Intent and high likelihood of a closing within 90 days. This Outlook is not intended to be management estimates or forecasts of our future performance, as we believe precise estimates will be precisely wrong all the time. Rather our intent and goal is to reflect a “roughly right range” most of the time of future Rolling Four Quarter Outlook performance as we execute our Standards Operating, Strategic Acquisition and 4E Leadership Models over time.

Similarly, we self-publish a Company and Investment Profile, available on our website, that includes a Five Year “Roughly Right Scenario” of our future performance which together with our Five Year Trend Report provides investors a ten year past and future profile of our financial value creation dynamics and condition, making it easier to judge whether our “trends will continue to be the friend” of long term investors.

We are reaffirming our Rolling Four Quarter Outlook of Adjusted Diluted Earnings Per Share range of \$1.73 - \$1.77 for the period ending March 31, 2018.

ROLLING FOUR QUARTER OUTLOOK – Period Ending March 31, 2018

| | Range (in millions, except per share amounts) |
|--|--|
| Revenues | \$263 - \$267 |
| Adjusted Consolidated EBITDA | \$79 - \$83 |
| Adjusted Net Income | \$30 - \$32 |
| Adjusted Basic Earnings Per Share | \$1.84 - \$1.88 |
| Adjusted Diluted Earnings Per Share ⁽¹⁾ | \$1.73 - \$1.77 |

Factors affecting our analysis include, among others, funeral contract volumes, average revenue per funeral service, cemetery interment volumes, preneed cemetery sales, capital expenditures, execution of our funeral and cemetery Standards Operating Model, market volatility and changes in Federal Reserve monetary policy. Revenues, Adjusted Consolidated EBITDA, Adjusted Net Income, Adjusted Basic Earnings Per Share and Adjusted Diluted Earnings Per Share for the four quarter period ending March 31, 2018 are expected to improve relative to the trailing four quarter period ended March 31, 2017 due to increases in our existing Funeral Home and Cemetery portfolio and modest decreases in overhead as a percentage of revenue.

- (1) The Rolling Four Quarter Outlook on Adjusted Diluted Earnings Per Share does not include any changes to our fully diluted share count that could occur related to additional share repurchases or a stock price increase and EPS dilution calculations related to our convertible subordinated notes and outstanding and exercisable stock options.

CONFERENCE CALL AND INVESTOR RELATIONS CONTACT

Carriage Services has scheduled a conference call for tomorrow, April 27, 2017 at 9:30 a.m. central time. To participate in the call, please dial 866-516-3867 (ID-8035998) and ask for the Carriage Services conference call. A replay of the conference call will be available through May 1, 2017 and may be accessed by dialing 855-859-2056 (ID-8035998). The conference call will also be available at www.carriageservices.com.

For any investor relations questions, please contact Viki Blinderman at 713-332-8568 or Ben Brink at 713-332-8441 or email InvestorRelations@carriageservices.com.

CARRIAGE SERVICES, INC.
OPERATING AND FINANCIAL TREND REPORT
(in thousands, except per share amounts)

| | Three Months Ended March 31, | | |
|--|------------------------------|------------------|-----------------|
| | 2016 | 2017 | % Change |
| Same Store Contracts | | | |
| Atneed Contracts | 6,298 | 6,498 | 3.2% |
| Preneed Contracts | 1,504 | 1,496 | (0.5%) |
| Total Same Store Funeral Contracts | 7,802 | 7,994 | 2.5% |
| Acquisition Contracts | | | |
| Atneed Contracts | 720 | 1,189 | 65.1% |
| Preneed Contracts | 139 | 232 | 66.9% |
| Total Acquisition Funeral Contracts | 859 | 1,421 | 65.4% |
| Total Funeral Contracts | 8,661 | 9,415 | 8.7% |
| Funeral Operating Revenue | | | |
| Same Store Revenue | \$ 41,352 | \$ 42,717 | 3.3% |
| Acquisition Revenue | 5,562 | 9,245 | 66.2% |
| Total Funeral Operating Revenue | \$ 46,914 | \$ 51,962 | 10.8% |
| Cemetery Operating Revenue | | | |
| Same Store Revenue | \$ 11,132 | \$ 10,839 | (2.6%) |
| Acquisition Revenue | 709 | 909 | 28.2% |
| Total Cemetery Operating Revenue | \$ 11,841 | \$ 11,748 | (0.8%) |
| Financial Revenue | | | |
| Preneed Funeral Commission Income | \$ 421 | \$ 303 | (28.0%) |
| Preneed Funeral Trust Earnings | 1,967 | 1,946 | (1.1%) |
| Cemetery Trust Earnings | 1,766 | 1,716 | (2.8%) |
| Preneed Cemetery Finance Charges | 422 | 482 | 14.2% |
| Total Financial Revenue | \$ 4,576 | \$ 4,447 | (2.8%) |
| Total Revenue | \$ 63,331 | \$ 68,157 | 7.6% |
| Field EBITDA | | | |
| Same Store Funeral Field EBITDA | \$ 16,911 | \$ 17,725 | 4.8% |
| Same Store Funeral Field EBITDA Margin | 40.9% | 41.5% | 60 bp |
| Acquisition Funeral Field EBITDA | 2,413 | 4,014 | 66.3% |
| Acquisition Funeral Field EBITDA Margin | 43.4% | 43.4% | 0 bp |
| Total Funeral Field EBITDA | \$ 19,324 | \$ 21,739 | 12.5% |
| Total Funeral Field EBITDA Margin | 41.2% | 41.8% | 60 bp |
| Same Store Cemetery Field EBITDA | \$ 3,843 | \$ 3,295 | (14.3%) |
| Same Store Cemetery Field EBITDA Margin | 34.5% | 30.4% | (410 bp) |
| Acquisition Cemetery Field EBITDA | 221 | 353 | 59.7% |
| Acquisition Cemetery Field EBITDA Margin | 31.2% | 38.8% | 760 bp |
| Total Cemetery Field EBITDA | \$ 4,064 | \$ 3,648 | (10.2%) |
| Total Cemetery Field EBITDA Margin | 34.3% | 31.1% | (320 bp) |
| Funeral Financial EBITDA | \$ 2,197 | \$ 2,043 | (7.0%) |
| Cemetery Financial EBITDA | 2,103 | 2,087 | (0.8%) |
| Total Financial EBITDA | \$ 4,300 | \$ 4,130 | (4.0%) |
| Total Financial EBITDA Margin | 94.0% | 92.9% | (110 bp) |
| Total Field EBITDA | \$ 27,688 | \$ 29,517 | 6.6% |
| Total Field EBITDA Margin | 43.7% | 43.3% | (40 bp) |

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

| | Three Months Ended March 31, | | |
|--|-------------------------------------|------------------|-----------------|
| | 2016 | 2017 | % Change |
| Overhead | | | |
| Total Variable Overhead | \$ 5,400 | \$ 2,166 | (59.9%) |
| Total Regional Fixed Overhead | 875 | 1,067 | 21.9% |
| Total Corporate Fixed Overhead | 5,063 | 5,732 | 13.2% |
| Total Overhead | \$ 11,338 | \$ 8,965 | (20.9%) |
| Overhead as a Percentage of Revenue | 17.9% | 13.2% | (470 bp) |
| Consolidated EBITDA | \$ 16,350 | \$ 20,552 | 25.7% |
| Consolidated EBITDA Margin | 25.8% | 30.2% | 440 bp |
| Other Expenses and Interest | | | |
| Depreciation & Amortization | \$ 3,734 | \$ 3,847 | 3.0% |
| Non-Cash Stock Compensation | 958 | 836 | (12.7%) |
| Interest Expense | 2,851 | 3,029 | 6.2% |
| Accretion of Discount on Convertible Subordinated Notes | 927 | 1,037 | 11.9% |
| Loss on Early Extinguishment of Debt | 567 | — | |
| Other, Net | (305) | (3) | |
| Pretax Income | \$ 7,618 | \$ 11,806 | 55.0% |
| Net Tax Provision | 3,047 | 4,722 | |
| GAAP Net Income | \$ 4,571 | \$ 7,084 | 55.0% |
| Special Items, Net of Tax except for ** | | | |
| Acquisition and Divestiture Expenses | \$ 336 | \$ — | |
| Severance and Retirement Costs | 1,794 | — | |
| Consulting Fees | 175 | — | |
| Accretion of Discount on Convertible Subordinated Notes ** | 927 | 1,037 | |
| Loss on Early Extinguishment of Debt | 369 | — | |
| Gain on Sale of Assets | (198) | — | |
| Sum of Special Items, Net of Tax | \$ 3,403 | \$ 1,037 | |
| Adjusted Net Income | \$ 7,974 | \$ 8,121 | 1.8% |
| Adjusted Net Profit Margin | 12.6% | 11.9% | (70 bp) |
| Adjusted Basic Earnings Per Share | \$ 0.48 | \$ 0.48 | —% |
| Adjusted Diluted Earnings Per Share | \$ 0.47 | \$ 0.45 | (4.3%) |
| GAAP Basic Earnings Per Share | \$ 0.27 | \$ 0.42 | 55.6% |
| GAAP Diluted Earnings Per Share | \$ 0.27 | \$ 0.39 | 44.4% |
| Weighted Average Basic Shares Outstanding | 16,459 | 16,597 | |
| Weighted Average Diluted Shares Outstanding | 16,650 | 18,082 | |
| Reconciliation to Adjusted Consolidated EBITDA | | | |
| Consolidated EBITDA | \$ 16,350 | \$ 20,552 | 25.7% |
| Acquisition and Divestiture Expenses | 516 | — | |
| Severance and Retirement Costs | 2,759 | — | |
| Consulting Fees | 268 | — | |
| Adjusted Consolidated EBITDA | \$ 19,893 | \$ 20,552 | 3.3% |
| Adjusted Consolidated EBITDA Margin | 31.4% | 30.2% | (120 bp) |

CARRIAGE SERVICES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

| | <u>December 31, 2016</u> | <u>(unaudited)</u> <u>March 31, 2017</u> |
|--|--------------------------|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 3,286 | \$ 806 |
| Accounts receivable, net | 18,860 | 17,712 |
| Inventories | 6,147 | 6,313 |
| Prepaid expenses | 2,640 | 2,426 |
| Other current assets | 2,034 | 106 |
| Total current assets | <u>32,967</u> | <u>27,363</u> |
| Preneed cemetery trust investments | 69,696 | 69,975 |
| Preneed funeral trust investments | 89,240 | 89,104 |
| Preneed receivables, net | 30,383 | 30,839 |
| Receivables from preneed trusts | 14,218 | 14,652 |
| Property, plant and equipment, net | 235,113 | 234,416 |
| Cemetery property, net | 76,119 | 76,543 |
| Goodwill | 275,487 | 275,487 |
| Intangible and other non-current assets | 14,957 | 14,878 |
| Cemetery perpetual care trust investments | 46,889 | 47,716 |
| Total assets | <u>\$ 885,069</u> | <u>\$ 880,973</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current portion of long-term debt and capital lease obligations | \$ 13,267 | \$ 14,265 |
| Accounts payable | 10,198 | 7,419 |
| Other liabilities | 717 | 3,285 |
| Accrued liabilities | 20,091 | 11,394 |
| Total current liabilities | <u>44,273</u> | <u>36,363</u> |
| Long-term debt, net of current portion | 137,862 | 133,741 |
| Revolving credit facility | 66,542 | 64,011 |
| Convertible subordinated notes due 2021 | 119,596 | 120,760 |
| Obligations under capital leases, net of current portion | 2,630 | 2,580 |
| Deferred preneed cemetery revenue | 54,631 | 55,156 |
| Deferred preneed funeral revenue | 33,198 | 33,981 |
| Deferred tax liability | 40,555 | 40,717 |
| Other long-term liabilities | 2,567 | 1,798 |
| Deferred preneed cemetery receipts held in trust | 69,696 | 69,975 |
| Deferred preneed funeral receipts held in trust | 89,240 | 89,104 |
| Care trusts' corpus | 46,290 | 47,250 |
| Total liabilities | <u>707,080</u> | <u>695,436</u> |
| Commitments and contingencies: | | |
| Stockholders' equity: | | |
| Common stock, \$.01 par value; 80,000,000 shares authorized; 22,490,855 and 22,552,667 shares issued at December 31, 2016 and March 31, 2017, respectively | 225 | 226 |
| Additional paid-in capital | 215,064 | 215,527 |
| Retained earnings | 22,966 | 30,050 |
| Treasury stock, at cost; 5,849,316 shares at December 31, 2016 and March 31, 2017 | (60,266) | (60,266) |
| Total stockholders' equity | <u>177,989</u> | <u>185,537</u> |
| Total liabilities and stockholders' equity | <u>\$ 885,069</u> | <u>\$ 880,973</u> |

CARRIAGE SERVICES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited and in thousands, except per share data)

| | For the Three Months Ended March 31, | |
|---|---|-------------|
| | 2016 | 2017 |
| Revenues: | | |
| Funeral | \$ 49,302 | \$ 54,211 |
| Cemetery | 14,029 | 13,946 |
| | 63,331 | 68,157 |
| Field costs and expenses: | | |
| Funeral | 27,781 | 30,429 |
| Cemetery | 7,862 | 8,211 |
| Depreciation and amortization | 3,336 | 3,471 |
| Regional and unallocated funeral and cemetery costs | 3,049 | 2,954 |
| | 42,028 | 45,065 |
| Gross profit | 21,303 | 23,092 |
| Corporate costs and expenses: | | |
| General, administrative and other | 9,247 | 6,847 |
| Home office depreciation and amortization | 398 | 376 |
| | 9,645 | 7,223 |
| Operating income | 11,658 | 15,869 |
| Interest expense | (2,851) | (3,029) |
| Accretion of discount on convertible subordinated notes | (927) | (1,037) |
| Loss on early extinguishment of debt | (567) | — |
| Other, net | 305 | 3 |
| | 7,618 | 11,806 |
| Income before income taxes | 7,618 | 11,806 |
| Provision for income taxes | (3,047) | (4,722) |
| Net income | \$ 4,571 | \$ 7,084 |
| Basic earnings per common share: | \$ 0.27 | \$ 0.42 |
| Diluted earnings per common share: | \$ 0.27 | \$ 0.39 |
| Dividends declared per common share: | \$ 0.025 | \$ 0.050 |
| Weighted average number of common and common equivalent shares outstanding: | | |
| Basic | 16,459 | 16,597 |
| Diluted | 16,650 | 18,082 |

CARRIAGE SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited and in thousands)

| | For the Three Months Ended March 31, | |
|--|---|----------------|
| | 2016 | 2017 |
| Cash flows from operating activities: | | |
| Net income | \$ 4,571 | \$ 7,084 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 3,734 | 3,847 |
| Provision for losses on accounts receivable | 523 | 389 |
| Stock-based compensation expense | 1,297 | 836 |
| Deferred income tax expense | 379 | 162 |
| Amortization of deferred financing costs | 221 | 203 |
| Accretion of discount on convertible subordinated notes | 927 | 1,037 |
| Loss on early extinguishment of debt | 567 | — |
| Net (gain) loss on sale and disposal of other assets | (187) | 155 |
| Changes in operating assets and liabilities that provided (required) cash: | | |
| Accounts and preneed receivables | (479) | 303 |
| Inventories and other current assets | (727) | 1,976 |
| Intangible and other non-current assets | 230 | 80 |
| Preneed funeral and cemetery trust investments | 7,560 | (1,404) |
| Accounts payable | (1,755) | (2,778) |
| Accrued and other liabilities | 344 | (6,142) |
| Deferred preneed funeral and cemetery revenue | (568) | 1,308 |
| Deferred preneed funeral and cemetery receipts held in trust | (6,404) | 1,103 |
| Net cash provided by operating activities | <u>10,233</u> | <u>8,159</u> |
| Cash flows from investing activities: | | |
| Acquisitions and land for new construction | (2,685) | — |
| Net proceeds from the sale of other assets | 555 | — |
| Capital expenditures | (3,595) | (3,730) |
| Net cash used in investing activities | <u>(5,725)</u> | <u>(3,730)</u> |
| Cash flows from financing activities: | | |
| Borrowings from the revolving credit facility | 11,500 | 18,800 |
| Payments against the revolving credit facility | (50,100) | (21,400) |
| Borrowings from the term loan | 39,063 | — |
| Payments against the term loan | (2,813) | (2,813) |
| Payments on other long-term debt and obligations under capital leases | (321) | (368) |
| Payments on contingent consideration recorded at acquisition date | — | (101) |
| Proceeds from the exercise of stock options and employee stock purchase plan contributions | 228 | 315 |
| Taxes paid on restricted stock vestings and exercise of non-qualified options | (491) | (509) |
| Dividends paid on common stock | (415) | (833) |
| Payment of loan origination costs related to the credit facility | (717) | — |
| Excess tax deficiency of equity compensation | (106) | — |
| Net cash used in financing activities | <u>(4,172)</u> | <u>(6,909)</u> |
| Net increase (decrease) in cash and cash equivalents | 336 | (2,480) |
| Cash and cash equivalents at beginning of period | 535 | 3,286 |
| Cash and cash equivalents at end of period | <u>\$ 871</u> | <u>\$ 806</u> |

NON-GAAP FINANCIAL MEASURES

This press release 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. The Company's GAAP financial statements accompany this release. Reconciliations of the Non-GAAP financial measures to GAAP measures are provided in this press release.

The Non-GAAP financial measures include "Special Items", "Adjusted Net Income", "Consolidated EBITDA", "Adjusted Consolidated EBITDA", "Adjusted Consolidated EBITDA Margin", "Adjusted Free Cash Flow", "Funeral, Cemetery and Financial EBITDA", "Total Field EBITDA", "Total Field EBITDA Margin", "Adjusted Basic Earnings Per Share" and "Adjusted Diluted Earnings Per Share" in this press release. These financial measurements are defined as similar GAAP items adjusted for Special Items and are reconciled to GAAP in this press release. In addition, the Company's presentation of these measures may not be comparable to similarly titled measures in other companies' reports. The definitions used by the Company for our internal management purposes and in this press release are as follows:

- Special Items are defined as charges or credits included in our GAAP financial statements that can vary from period to period and are not reflective of costs incurred in the ordinary course of our operations. Special Items are taxed at the federal statutory rate of 35 percent for both the three months ended March 31, 2016 and 2017, except for the accretion of the discount on the Convertible Notes as this is a non-tax deductible item.
- Adjusted Net Income is defined as net income plus adjustments for Special Items and other non-recurring expenses or credits.
- Consolidated EBITDA is defined as net income before income taxes, interest expenses, non-cash stock compensation, depreciation and amortization, and interest income and other, net.
- Adjusted Consolidated EBITDA is defined as Consolidated EBITDA plus adjustments for Special Items and non-recurring expenses or credits.
- Adjusted Consolidated EBITDA Margin is defined as Adjusted Consolidated EBITDA as a percentage of revenue.
- Adjusted Free Cash Flow is defined as net cash provided by operations, adjusted by Special Items as deemed necessary, less cash for maintenance capital expenditures.
- Funeral Field EBITDA is defined as Funeral Gross Profit, which is funeral revenue minus funeral field costs and expenses, less depreciation and amortization, regional and unallocated funeral costs and Funeral Financial EBITDA.
- Cemetery Field EBITDA is defined as Cemetery Gross Profit, which is cemetery revenue minus cemetery field costs and expenses, less depreciation and amortization, regional and unallocated cemetery costs and Cemetery Financial EBITDA.
- Funeral Financial EBITDA is defined as Funeral Financial Revenue less Funeral Financial Expenses.
- Cemetery Financial EBITDA is defined as Cemetery Financial Revenue less Cemetery Financial Expenses.
- Total Field EBITDA is defined as Gross Profit less depreciation and amortization, regional and unallocated funeral and cemetery costs.
- Total Field EBITDA Margin is defined as Total Field EBITDA as a percentage of revenue.
- Adjusted Basic Earnings Per Share is defined as GAAP Basic Earnings Per Share, adjusted for Special Items.
- Adjusted Diluted Earnings Per Share is defined as GAAP Diluted Earnings Per Share, adjusted for Special Items.

Reconciliation of Non-GAAP Financial Measures:

This press release includes the use of certain financial measures that are not GAAP measures. The Non-GAAP financial measures are presented for additional information and are reconciled to their most comparable GAAP measures below.

Reconciliation of Net Income to Adjusted Net Income for the three months ended March 31, 2016 and 2017 (in thousands):

| | For the Three Months Ended March 31, | |
|--|---|-----------------|
| | 2016 | 2017 |
| Net Income | \$ 4,571 | \$ 7,084 |
| Special Items, Net of Tax except for ** | | |
| Acquisition and Divestiture Expenses | 336 | — |
| Severance and Retirement Costs | 1,794 | — |
| Consulting Fees | 175 | — |
| Accretion of Discount on Convertible Subordinated Notes ** | 927 | 1,037 |
| Loss on Early Extinguishment of Debt | 369 | — |
| Gain on Sale of Assets | (198) | — |
| Total Special Items affecting Net Income | <u>\$ 3,403</u> | <u>\$ 1,037</u> |
| Adjusted Net Income | <u>\$ 7,974</u> | <u>\$ 8,121</u> |

Reconciliation of Net Income to Consolidated EBITDA and Adjusted Consolidated EBITDA for the three months ended March 31, 2016 and 2017 (in thousands):

| | For the Three Months Ended March 31, | |
|---|---|------------------|
| | 2016 | 2017 |
| Net Income | \$ 4,571 | \$ 7,084 |
| Net Tax Provision | 3,047 | 4,722 |
| Pretax Income | <u>\$ 7,618</u> | <u>\$ 11,806</u> |
| Interest Expense | 2,851 | 3,029 |
| Accretion of Discount on Convertible Subordinated Notes | 927 | 1,037 |
| Loss on Early Extinguishment of Debt | 567 | — |
| Non-Cash Stock Compensation | 958 | 836 |
| Depreciation & Amortization | 3,734 | 3,847 |
| Other, Net | (305) | (3) |
| Consolidated EBITDA | <u>\$ 16,350</u> | <u>\$ 20,552</u> |
| Adjusted For: | | |
| Acquisition and Divestiture Expenses | 516 | — |
| Severance and Retirement Costs | 2,759 | — |
| Consulting Fees | 268 | — |
| Adjusted Consolidated EBITDA | <u>\$ 19,893</u> | <u>\$ 20,552</u> |
| Revenue | <u>\$ 63,331</u> | <u>\$ 68,157</u> |
| Adjusted Consolidated EBITDA Margin | 31.4 % | 30.2 % |

Reconciliation of Funeral and Cemetery Gross Profit to Field EBITDA for the three months ended March 31, 2016 and 2017 (in thousands):

| Funeral Field EBITDA | For the Three Months Ended March 31, | |
|------------------------------|---|------------------|
| | 2016 | 2017 |
| | | |
| Gross Profit (GAAP) | \$ 16,968 | \$ 18,969 |
| Depreciation & Amortization | 2,078 | 2,369 |
| Regional & Unallocated Costs | 2,475 | 2,444 |
| Funeral Financial EBITDA | (2,197) | (2,043) |
| Funeral Field EBITDA | \$ 19,324 | \$ 21,739 |

| Cemetery Field EBITDA | For the Three Months Ended March 31, | |
|------------------------------|---|-----------------|
| | 2016 | 2017 |
| | | |
| Gross Profit (GAAP) | \$ 4,335 | \$ 4,123 |
| Depreciation & Amortization | 1,258 | 1,102 |
| Regional & Unallocated Costs | 574 | 510 |
| Cemetery Financial EBITDA | (2,103) | (2,087) |
| Cemetery Field EBITDA | \$ 4,064 | \$ 3,648 |

| Total Field EBITDA | For the Three Months Ended March 31, | |
|---------------------------|---|------------------|
| | 2016 | 2017 |
| | | |
| Funeral Field EBITDA | \$ 19,324 | \$ 21,739 |
| Cemetery Field EBITDA | 4,064 | 3,648 |
| Funeral Financial EBITDA | 2,197 | 2,043 |
| Cemetery Financial EBITDA | 2,103 | 2,087 |
| Total Field EBITDA | \$ 27,688 | \$ 29,517 |

Reconciliation of GAAP Basic Earnings Per Share to Adjusted Basic Earnings Per Share for the three months ended March 31, 2016 and 2017:

| | For the Three Months Ended March 31, | |
|--|---|----------------|
| | 2016 | 2017 |
| | | |
| GAAP Basic Earnings Per Share | \$ 0.27 | \$ 0.42 |
| Special Items Affecting Net Income | 0.21 | 0.06 |
| Adjusted Basic Earnings Per Share | \$ 0.48 | \$ 0.48 |

Reconciliation of GAAP Diluted Earnings Per Share to Adjusted Diluted Earnings Per Share for the three months ended March 31, 2016 and 2017:

| | For the Three Months Ended March 31, | |
|--|---|----------------|
| | 2016 | 2017 |
| | | |
| GAAP Diluted Earnings Per Share | \$ 0.27 | \$ 0.39 |
| Special Items Affecting Net Income | 0.20 | 0.06 |
| Adjusted Diluted Earnings Per Share | \$ 0.47 | \$ 0.45 |

On page three of this press release, we present the Rolling Four Quarter Outlook (“Outlook”) which reflects management’s opinion on the performance of the portfolio of existing businesses, including performance of existing trusts, and excludes size and timing of acquisitions for the Rolling Four Quarter Outlook period ending March 31, 2018 unless we have a signed Letter of Intent and high likelihood of a closing within 90 days. This Outlook is not intended to be management estimates or forecasts of our future performance, as we believe precise estimates will be precisely wrong all the time. The following four reconciliations are presented at the midpoint of the range in this Outlook.

Reconciliation of Net Income to Consolidated EBITDA and Adjusted Consolidated EBITDA for the estimated Rolling Four Quarters ending March 31, 2018 (in thousands):

| | Rolling Four Quarter Outlook |
|---|-------------------------------------|
| | March 31, 2018E |
| Net Income | \$ 26,800 |
| Net Tax Provision | 17,800 |
| Pretax Income | \$ 44,600 |
| Net Interest Expense, including Accretion of Discount on Convertible Subordinated Notes | 16,500 |
| Depreciation & Amortization, including Non-cash Stock Compensation | 19,600 |
| Consolidated EBITDA | \$ 80,700 |
| Adjusted for Special Items | — |
| Adjusted Consolidated EBITDA | <u>\$ 80,700</u> |

Reconciliation of Net Income to Adjusted Net Income for the estimated Rolling Four Quarters ending March 31, 2018 (in thousands):

| | Rolling Four Quarter Outlook |
|---------------------|-------------------------------------|
| | March 31, 2018E |
| Net Income | \$ 26,800 |
| Special Items | 4,300 |
| Adjusted Net Income | <u>\$ 31,100</u> |

Reconciliation of GAAP Basic Earnings Per Share to Adjusted Basic Earnings Per Share for the estimated Rolling Four Quarters ending March 31, 2018:

| | Rolling Four Quarter Outlook |
|------------------------------------|-------------------------------------|
| | March 31, 2018E |
| GAAP Basic Earnings Per Share | \$ 1.60 |
| Special Items Affecting Net Income | 0.26 |
| Adjusted Basic Earnings Per Share | <u>\$ 1.86</u> |

Reconciliation of GAAP Diluted Earnings Per Share to Adjusted Diluted Earnings Per Share for the estimated Rolling Four Quarters ending March 31, 2018:

| | Rolling Four Quarter Outlook |
|-------------------------------------|-------------------------------------|
| | March 31, 2018E |
| GAAP Diluted Earnings Per Share | \$ 1.50 |
| Special Items Affecting Net Income | 0.25 |
| Adjusted Diluted Earnings Per Share | <u>\$ 1.75</u> |

Supplemental Information:

Funeral homes and cemeteries purchased after December 31, 2012 are referred to as “Acquired” in our Trend Report. This classification of acquisitions has been important to management and investors in monitoring the results of these businesses and to gauge the leveraging performance contribution that a selective acquisition program can have on total company performance.

The presentation below highlights the impact of our 2012 Acquired Portfolio that moved from Acquired to Same Store beginning January 1, 2017 (in thousands):

| | For the Three Months Ended March 31, 2016 | |
|-------------------------|--|---------------|
| | Revenue | EBITDA |
| 2012 Acquired Portfolio | \$ 4,115 | \$ 1,759 |

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

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. In addition to historical information, this Press Release contains certain statements and information that may constitute forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, statements regarding any projections of earnings, revenues, asset sales, cash flow, debt levels or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing and are based on our current expectations and beliefs concerning future developments and their potential effect on us. The words “may”, “will”, “estimate”, “intend”, “believe”, “expect”, “seek”, “project”, “forecast”, “foresee”, “should”, “would”, “could”, “plan”, “anticipate” and other similar words or expressions are intended to identify forward-looking statements, which are generally not historical in nature. While management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we anticipate. All comments concerning our expectations for future revenues and operating results are based on our forecasts for our existing operations and do not include the potential impact of any future acquisitions. Our forward-looking statements involve significant risks and uncertainties (some of which are beyond our control) and assumptions that could cause actual results to differ materially from our historical experience and our present expectations or projections. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, those summarized below:

- our ability to find and retain skilled personnel;
- our ability to execute our growth strategy;
- the effects of competition;
- the execution of our Standards Operating, 4E Leadership and Strategic Acquisition Models;
- changes in the number of deaths in our markets;
- changes in consumer preferences;
- our ability to generate preneed sales;
- the investment performance of our funeral and cemetery trust funds;
- fluctuations in interest rates;
- our ability to obtain debt or equity financing on satisfactory terms to fund additional acquisitions, expansion projects, working capital requirements and the repayment or refinancing of indebtedness;
- death benefits related to preneed funeral contracts funded through life insurance contracts;
- the financial condition of third-party insurance companies that fund our preneed funeral contracts;
- increased or unanticipated costs, such as insurance or taxes;
- effects of the application of applicable laws and regulations, including changes in such regulations or the interpretation thereof;
- consolidation of the deathcare industry; and
- other factors and uncertainties inherent in the deathcare industry.

For additional information regarding known material factors that could cause our actual results to differ from our projected results, please see “Risk Factors” in our most recent Annual Report on Form 10-K. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise. A copy of the Company’s Form 10-K, other Carriage Services information and news releases are available at www.carriageservices.com.

This press release includes the use of certain financial measures that are not GAAP measures. The Non-GAAP financial measures are presented for additional information and are reconciled to their most comparable GAAP measures in the tables presented above.