June 5, 2018

Carriage Services Announces Balance Sheet Recapitalization and Update to Rolling Four Quarter Outlook

HOUSTON, June 05, 2018 (GLOBE NEWSWIRE) -- Carriage Services, Inc. (NYSE:CSV) ("Carriage Services" or the "Company") today announced the completion of its balance sheet recapitalization and an update to its Rolling Four Quarter Outlook.

Mel Payne, Chief Executive Officer, stated, "We have major long term 'turning point' good news to report for our Company. Over the last five weeks we have executed a balance sheet recapitalization involving $550 million of new financing that our senior leadership team and Board of Directors believe financially positions Carriage for unprecedented growth in Revenue, Earnings and Free Cash Flow over the next five to ten years as we execute our three core models on Carriage's **Good To Great Journey** that never ends. Starting during the week of Monday, April 23rd and ending last Thursday, May 31st we executed a series of transactions described below:

1. Repurchased in privately negotiated transactions approximately 80% of our $143 .75 million 2.75% subordinated convertible notes due May 2021 for approximately $150 million (29.5% market value premium over par), funded by issuance of 2.8 million common shares to repurchased convertible holders at $26.79 per share (primarily to cover short positions) and $75 million of cash from interim bank financing under our prior credit facility with our previous large bank group.
2. Issued $325 million of eight year 6⅝% unsecured senior notes that refinanced all outstanding bank debt (about $290 million including the $75 million interim financing for the convertible note repurchases) under our prior secured term loan and revolving credit bank facilities due March 2021.
3. Put in place a new $150 million five year secured Bank Revolving Credit Facility (undrawn) on improved terms with a smaller bank group.

The above series of transactions to recapitalize our balance sheet have been the result of a two year project during which we sought and received substantial and much appreciated input from existing and potential long term institutional equity investors as well as several capital structure specialists and investment bankers. We fine-tuned our capital structure strategy for the future over the last six months and decided that we should move now in an interest rate environment that is still historically low but whose intermediate term outlook while unknowable is more likely to be up than down.

Before I lay out what our new and strengthened balance sheet and financial flexibility means for the future, let me first provide the background and motivating reasons.

Four years ago we made an 'unforced error' by refinancing a thirty year $90 million 7% coupon hybrid convertible (at $20.44 per common share) which was issued in 1999 during the public deathcare capital markets crash with another seven year $143.75 million 2.75% coupon convertible (at $22.56 per common share) with no early call feature. The new convertible combined with a secured syndicated Bank Term Loan and Revolving Credit meant that our entire liability capital structure matured in the first half of 2021 which over time began to increasingly shrink our financial flexibility. Moreover the converts made our diluted common share count calculations a complex yo-yo target that correlated to fluctuations in our share price from quarter to quarter, and even worse led to more than 3 million shares sold short (almost 20% of outstanding), essentially restricting our share price to a range of $25 - $28 plus or minus as the converts became concentrated primarily at hedge funds with no interest in the fundamentals or future of our company.

We believe the balance sheet recapitalization outlined above has financially positioned the Company for a period of more rapid growth by selective high quality acquisitions during what we expect will be a period of more rapid consolidation of the remaining best independents in our industry compared to the last ten to fifteen years. We are now well prepared organizationally and financially for this more opportunistic industry landscape with a hugely differentiating story that offers a succession plan solution to business owners akin to them 'joining in' as a strategic partner with other elite firms while also becoming better as an operating business under the Carriage framework of **Being The Best** Support Services from our Houston Support Center. For this reason our pipeline of high quality acquisition candidates has been growing as our Strategic Growth Leadership Team has been actively out telling our story.

To begin this new phase of our **Good To Great Journey**, I am pleased to update our Rolling Four Quarter Outlook that includes a Letter of Intent on a large, high quality funeral business in a very attractive strategic market consistent with the section on Page 19 of my 2017 Shareholder Letter titled '***U.S. Demographic Trends of the Future***'.

ROLLING FOUR QUARTER OUTLOOK - Period Ending March 31, 2019

	Range (in millions, except per share amounts)
Revenues	$281 - $285
Consolidated EBITDA	$80 - $84
GAAP Net Income(1)(2)	$26 - $28
GAAP Basic Earnings Per Share(1)(2)	$1.36 - $1.41
GAAP Diluted Earnings Per Share(1)(2)(3)	$1.33 - $1.38

(1) The Rolling Four Quarter Outlook no longer treats approximately $1.2 million of annual *Accretion of Discount on Convertible Subordinated Notes* on the remaining 20% of the convertible subordinated notes outstanding as an addback to GAAP Net Income to calculate Adjusted Net Income. Our reporting policy will now reflect such convertible accretion as an economic cost of the security in determining GAAP earnings, i.e. there will be no Non-GAAP treatment of this item.

(2) The Rolling Four Quarter Outlook does not include one-time expenses and losses related to write-offs of remaining unamortized financing costs from the refinancing and replacement of our prior secured bank term loan and revolving credit facilities and 80% of the convertible subordinated notes, which will be reflected as *Special Items* in our second quarter Trend Report.

(3) The Rolling Four Quarter Outlook on Adjusted Diluted Earnings Per Share does not include any changes to our share count that could occur related to stock price increases and EPS dilution calculations related to our remaining convertible subordinated notes and outstanding and exercisable stock options.

Our near term annual earnings per share performance metrics have been reduced to a range of $1.33 to $1.41 because of a 16% increase in actual common shares outstanding to approximately 19.1 million as well as higher total annual cash interest on our new senior notes of $21.5 million, about $2 million of annual non-cash loan amortization expense, and about $2 million of economic costs ($800,000 cash interest and $1.2 million accretion) related to the remaining $28.75 million face amount of the convertible notes. However, we expect to settle into a long and consistent phase of material increases in all of our performance metrics so that over time our shares trade at a premium multiple compared to any industry benchmark as opposed to discounted multiples in the past.

As articulated on Page 1 of my 2017 Shareholder Letter, our goal is to grow revenue over the five year period 2018 - 2022 at a compound rate of 7 - 9%, comprised of about 2% from existing operations and 5 - 7 % from acquisitions, thereby achieving a 'Roughly Right Range' of revenue on an annualized basis of $380 million to $400 million by the end of 2022. As we have shown since the beginning of 2012, mid to high single digit revenue growth both organically and by selective acquisition can be highly leveraged to produce gradually increasing Consolidated EBITDA Margins which then creates higher rates of growth in Consolidated EBITDA, Free Cash Flow and Earnings Per Share.

We expect a majority of our acquisition and growth capital expenditures over the 2018 - 2022 timeframe to be funded from internally generated Free Cash Flow that over time will enable the powerful leveraging dynamics of our consolidation platform to compound the intrinsic value of CSV shares represented by book value per share at low to mid teen rates of growth. We also expect to simultaneously reduce our Total Debt to Consolidated EBITDA leverage ratio to approximately 4 - 4.5 times biased toward 4 times as a matter of policy.

Finally after 27 years we have achieved a 'grown up, vanilla/chocolate' balance sheet that better supports a **Being The Best High Performance Culture Vision** of our company and which all of our leaders, employees, long term shareholders and new bondholders so richly deserve. And as Chairman of our Board and CEO, I can also happily report that we have the most qualified, aligned and engaged Senior Leadership Team and Board Members in the history of the company," concluded Mr. Payne.

About Carriage Services

Carriage Services is a leading provider of deathcare services and merchandise in the United States. Carriage operates 178 funeral homes in 29 states and 32 cemeteries in 11 states.

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 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 the Company's current expectations and beliefs concerning future developments and their potential effect on it. The words "may", "will", "estimate", "intend", "believe", "expect", "seek", "project", "forecast", "foresee", "should", "would", "could", "plan", "anticipate", "target", and other similar words or expressions are intended to identify forward-looking statements, which are generally not historical in nature. These statements are based on assumptions that the Company believes are reasonable; however, many important factors, as discussed under "Forward-Looking Statements and Cautionary 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. 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. A copy of the Company's Annual Report on Form 10-K, and other information about the Company and news releases, are available at http://www.carriageservices.com.

Source: Carriage Services, Inc.

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