

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): May 1, 2024 (April 29, 2024)

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))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$.01 per share	CSV	New York Stock Exchange

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 May 1, 2024, Carriage Services, Inc. (the “Company”) announced and commented on its financial results for its quarter ended March 31, 2024. A copy of the press release issued by the Company is attached hereto as Exhibit 99.1 and incorporated by this reference.

The Company’s press release dated May 1, 2024, 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 5.02 DEPARTURE OF DIRECTORS OR CERTAIN OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF CERTAIN OFFICERS; COMPENSATORY ARRANGEMENTS OF CERTAIN OFFICERS.***(e) Amendments to Employment Agreements for certain Named Executive Officers***

On April 29, 2024, upon the recommendation of the Compensation Committee of the Board of Directors (the “Board”), the Company and Paul D. Elliott, the Company’s Senior Vice President and Regional Partner, entered into a written amendment to Mr. Elliott’s employment agreement dated November 5, 2019, as previously amended. The written amendment, among other things, (i) extends the term of Mr. Elliott’s current employment agreement to December 31, 2026, (ii) revises the amount of cash severance payable to Mr. Elliott following an involuntary termination without cause not within a corporate change in control period, providing for the continuation of Mr. Elliott’s base salary for a period of twelve (12) months, (iii) changes all post-employment restrictive covenants (non-compete, non-solicitation and non-recruitment) periods from two (2) years to one (1) year from the effective date of termination, and (iv) replaces the prior treatment of potential reductions of parachute payments (as defined in Section 280G of the Internal Revenue Code) with a “net-best” cut-back provision, which provides for any potential parachute payment and benefits to be reduced to the maximum amount that does not trigger an excise tax, unless the executive would be better off, on an after-tax basis, receiving all payments and benefits and personally paying all excise and income taxes. This amendment is consistent with the Company’s compensation practice that no executive will receive any tax gross up payment upon a potential change-in-control.

On April 30, 2024, upon the recommendation of the Compensation Committee of the Board, the Company and L. Kian Granmayeh, the Company’s Executive Vice President, Chief Financial Officer (Principal Financial Officer) and Treasurer, entered into a written amendment to Mr. Granmayeh’s employment agreement dated March 13, 2023, as previously amended. The written amendment, among other things, (i) extends the term of Mr. Granmayeh’s current employment agreement to December 31, 2026, (ii) revises the amount of cash severance payable to Mr. Granmayeh following an involuntary termination without cause (other than due to death or disability) not within a corporate change in control period, providing for the continuation of Mr. Granmayeh’s base salary for a period of twelve (12) months, and (iii) revises all post-employment restrictive covenants (non-compete, non-solicitation and non-recruitment) periods from two (2) years to one (1) year from the effective date of termination.

On April 30, 2024, upon the recommendation of the Compensation Committee of the Board, the Company and Shawn R. Phillips, the Company’s Senior Vice President and Regional Partner, entered into a written amendment to Mr. Phillips’ employment agreement dated November 5, 2019, as previously amended. The written amendment, among other things, (i) revises the amount of cash severance payable to Mr. Phillips following an involuntary termination without cause not within a corporate change in control period, providing for the continuation of Mr. Phillips’ base salary for a period of twelve (12) months, and (ii) changes all post-employment restrictive covenants (non-compete, non-solicitation and non-recruitment) periods from two (2) years to one (1) year from the effective date of termination.

The foregoing summary of the material terms of the amendments to each of Mr. Elliott’s, Mr. Granmayeh’s, and Mr. Phillips’ respective employment agreements does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the amendments, copies of which are filed as Exhibits 10.1, 10.2 and 10.3, respectively, hereto and incorporated by reference.

In accordance with General Instruction B.2 of Form 8-K, the foregoing information, 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 (the “Exchange Act”), or otherwise subject to liabilities of that Section, nor shall such information, including Exhibit 99.1, be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

<u>Exhibit</u>	<u>Description</u>
10.1	Second Amendment to Employment Agreement dated April 29, 2024, by and between Carriage Services, Inc. and Paul D. Elliott.
10.2	Second Amendment to Employment Agreement dated April 30, 2024, by and between Carriage Services, Inc. and L. Kian Granmayeh.
10.3	Third Amendment to Employment Agreement dated April 30, 2024, by and between Carriage Services, Inc. and Shawn R. Phillips.
99.1	Press Release dated May 1, 2024.
101	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document
104	The cover page from this Current Report on Form 8-K, formatted as Inline XBRL

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: May 1, 2024

By: /s/ Steven D. Metzger
Steven D. Metzger
President and Secretary

SECOND AMENDMENT TO EMPLOYMENT AGREEMENT

This SECOND AMENDMENT TO EMPLOYMENT AGREEMENT (this “Second Amendment”) is made and entered into as of APRIL 29, 2024 (the “Second Amendment Effective Date”), by and between Carriage Services, Inc., a Delaware corporation (the “Company”), and Paul D. Elliott (“Executive”). The Company and Executive may sometimes hereafter be referred to singularly as a “Party” or collectively as the “Parties.”

WHEREAS, Executive and the Company entered into an Employment Agreement dated November 5, 2019 (the “Employment Agreement”); and

WHEREAS, Executive and the Company entered into a First Amendment to Employment Agreement dated September 30, 2022 (the “First Amendment”); and

WHEREAS, the Company desires to continue to secure the employment services of Executive subject to the amended terms and conditions hereafter set forth; and

WHEREAS, the parties now desire to amend the Employment Agreement accordingly.

NOW, THEREFORE, in consideration of the premises above, as well as consideration to be granted by the Company to the Executive in the following form, the parties hereto agree as follows:

1. Section 4(a) of the Employment Agreement is hereby amended by deleting this section in its entirety and replacing it with the following language:

“(a) **Term.** Executive’s term of Employment with the Company under this Agreement shall be for the period from the Effective Date through December 31, 2026 (the ‘Initial Term’).

On December 31, 2026, and on each subsequent annual anniversary thereafter, this Agreement shall automatically renew and extend for a period of 12 months (each such 12-month period being a “Renewal Term”), unless written notice of non-renewal is delivered from either Party to the other not less than sixty (60) days prior to the expiration of the then-existing Initial Term or Renewal Term, as applicable. Notwithstanding the foregoing, Executive’s Employment pursuant to this Agreement may be terminated prior to the expiration of the then-existing Initial Term or Renewal Term in accordance with this Agreement.

The period from the Effective Date through the Executive’s Termination Date (for whatever reason) shall be referred to herein as the ‘Employment Period.’”

2. Section 6(b)(3) of the Employment Agreement is hereby amended by deleting this section in its entirety and replacing it with the following language:

“(3) Involuntary Termination Without Cause (Other than Due to Death or Disability) Not Within Corporate Change Period. If Executive’s Employment is terminated by the Company without Cause (other than on account of Executive’s death or Disability), and such Termination Date does not occur within a Corporate Change Period, the Company shall, subject to Section 6(e), provide to Executive (A) continued payment of Executive’s Base Salary as in effect on the Termination Date, in arrears, for a period of 12 months following the Termination Date, where the first such payment shall be made on the First Payment Date and shall include all payments, if any, without interest, that would have otherwise been made pursuant to this Section 6(b)(3)(A) between the Termination Date and the First Payment Date; and (B) a pro rata amount of the Target Annual Bonus described in Section 2(b), for the year in which the Termination Date occurred, based on the number of days Executive was employed in such year in comparison to 365, and based on actual performance of any applicable performance metrics through the end of the performance period, where such pro rata amount of the Target Annual Bonus shall be paid on the later of (i) the First Payment Date or (ii) the payment date that an Annual Bonus for the year of termination otherwise would have been payable pursuant to Section 2(b), had Executive’s Employment not been terminated (provided, that, in no event shall such payment occur later than the date necessary to qualify such payment as a “short-term deferral” within the meaning of Treas. Reg. § 1.409A-1(b)(4)).”

3. Section 6(f) of the Employment Agreement is hereby amended by deleting this section in its entirety and replacing it with the following language:

“(f) **Reduction of Payments.** Notwithstanding anything to the contrary in this Agreement, if Executive is a “disqualified individual” (as defined in Code Section 280G(c)), and the payments and benefits provided for in this Agreement, together with any other payments and benefits which Executive has the right to receive from the Company or any of its Affiliates (collectively, “Total Payments”), would constitute a “parachute payment” (as defined in Code Section 280G(b)(2)), then the payments and benefits provided for in this Agreement shall either (i) be paid in full, or (ii) be reduced (but not below zero) so that the present value of such Total Payments will be one dollar (\$1.00) less than three times Executive’s “base amount” (as defined in Code Section 280G(b)(3)) and so that no portion of such amounts and benefits received by Executive shall be subject to the excise tax imposed by Code Section 4999, whichever results in the receipt by Executive on an after-tax basis of the greatest amount of Total Payments (taking into account the applicable federal, state and local income taxes, the excise tax imposed by Code Section 4999 and all other taxes (including any interest and penalties) payable by Executive). All determinations required to be made under this Section 6(f), including whether reductions are necessary, shall be made in good faith by the Company, or,

in the discretion of the Company, by an accounting or financial consulting firm selected in good faith by the Company for such purposes (the “Auditor”). The Auditor shall provide detailed supporting calculations both to the Company and to Executive. All fees and expenses of the Auditor shall be borne solely by the Company. The reduction of payments and benefits hereunder, if applicable under clause (ii) above, shall be made by reducing, first, payments or benefits to be paid in cash hereunder in the order in which such payment or benefit would be paid or provided (beginning with such payment or benefit that would be made last in time and continuing, to the extent necessary, through to such payment or benefit that would be made first in time) and, then, reducing any benefit to be provided in-kind hereunder in a similar order. If a reduced payment or benefit is made or provided and through error or otherwise that payment or benefit, when aggregated with other payments and benefits from the Company (or its affiliates) used in determining if a “parachute payment” exists, exceeds one dollar (\$1.00) less than three times Executive’s base amount, then Executive shall immediately repay such excess to the Company upon notification that an overpayment has been made. Nothing in this Section 6(f) shall require the Company to be responsible for, or have any liability or obligation with respect to, Executive’s excise tax liabilities under Code Section 4999.”

4. Section 14 of the Employment Agreement is hereby amended by deleting this section in its entirety and replacing it with the following language:

“14. **Non-Solicitation Restriction**. Executive hereby agrees that in order to protect Trade Secrets, it is necessary to enter into the following restrictive covenant, which is ancillary to the enforceable promises between the Company and Executive in Sections 9 through 13 and other provisions of this Agreement. During the Executive’s Employment and for a period of one (1) year following the Termination Date (regardless of the reason for termination), Executive hereby covenants and agrees that he will not, directly or indirectly, without obtaining the express written consent of the Board, either individually or as a principal, partner, agent, consultant, contractor, employee, or as a director or officer of any entity, or in any other manner or capacity whatsoever, except on behalf of the Company, solicit business, attempt to solicit business, or conduct business, in products or services competitive with any products or services offered or performed by the Company or its Affiliates as of the Termination Date within the Restricted Territory.”

5. Section 15 of the Employment Agreement is hereby amended by deleting this section in its entirety and replacing it with the following language:

“15. **Non-Competition Restriction**. Executive hereby agrees that in order to protect Trade Secrets, it is necessary to enter into the following restrictive covenant, which is ancillary to the enforceable promises between the Company and Executive in Sections 9 through 14 and other provisions of this Agreement. Executive hereby covenants and agrees that during Executive’s period of Employment, and for a

period of one (1) year following the Termination Date (regardless of the reason for termination), Executive will not, without obtaining the express written consent of the Company, engage in any capacity, directly or indirectly (whether as proprietor, stockholder, director, partner, employee, agent, independent contractor, consultant, trustee, or in any other capacity), with respect to any entity which is or may be in the funeral, mortuary, crematory, cemetery or burial insurance business or in any business related thereto (a) as part of any of the companies or entities listed on Schedule I hereto, or (b) within the Restricted Territory (in each case, a “Competing Enterprise”); provided, however, Executive shall not be deemed to be participating or engaging in a Competing Enterprise solely by virtue of the ownership of not more than one percent (1%) of any class of stock or other securities which are publicly traded on a national securities exchange or in a recognized over-the-counter market.”

6. Section 16 of the Employment Agreement is hereby amended by deleting this section in its entirety and replacing it with the following language:

“16. **No Recruitment Restriction.** Executive agrees that during Executive’s period of employment with the Company or its Affiliates, and for a period of one (1) year following the Termination Date (regardless of the reason for termination), without obtaining the express written consent of the Company, Executive shall not, either directly or indirectly, or by acting in concert with another person or entity, (a) hire any employee or independent contractor performing services for the Company or any Affiliate, or any such individual who performed services for the Company or any Affiliate at any time during the one-year period ending on the Termination Date, or (b) solicit or influence or seek to solicit or influence, any employee or independent contractor performing services for the Company or any Affiliate, or any such individual who performed services for the Company or any Affiliate at any time during the one-year period ending on the Termination Date, to terminate, reduce or otherwise adversely affect such individual’s employment or other relationship with the Company or any Affiliate.”

7. Except as otherwise provided herein, all other provisions of the Employment Agreement and the First Amendment shall remain in effect.

8. This Second Amendment, the Employment Agreement (other than as amended above), and the First Amendment (where applicable) constitute the entire agreement between the parties on the subject of Executive’s employment with the Company.

9. This Second Amendment shall be governed by and construed in accordance with the laws of the State of Texas, without regard to conflicts of laws principles thereof.

10. This Second Amendment may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

[Signature page follows]

Paul Elliott – Second Amendment to Employment Agreement

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Second Amendment as of the date set forth above.

EXECUTIVE:




Paul D. Elliott

COMPANY:

CARRIAGE SERVICES, INC.

By: _____


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

Address for Notices:
Carriage Services, Inc.
3040 Post Oak Blvd, Suite 300
Houston, Texas 77056
Attn: Legal

[End of Signatures]

SECOND AMENDMENT TO EMPLOYMENT AGREEMENT

This SECOND AMENDMENT TO EMPLOYMENT AGREEMENT (this “Second Amendment”) is made and entered into as of April 30, 2024 (the “Second Amendment Effective Date”), by and between Carriage Services, Inc., a Delaware corporation (the “Company”), and L. Kian Granmayeh (“Executive”). The Company and Executive may sometimes hereafter be referred to singularly as a “Party” or collectively as the “Parties.”

WHEREAS, Executive and the Company entered into an Employment Agreement dated March 13, 2023 (the “Employment Agreement”); and

WHEREAS, Executive and the Company entered into a First Amendment to Employment Agreement dated February 21, 2024 (the “First Amendment”); and

WHEREAS, the Company desires to continue to secure the employment services of Executive subject to the amended terms and conditions hereafter set forth; and

WHEREAS, the parties now desire to amend the Employment Agreement accordingly.

NOW, THEREFORE, in consideration of the premises above, as well as consideration to be granted by the Company to the Executive in the following form, the parties hereto agree as follows:

1. Section 4(a) of the Employment Agreement is hereby amended by deleting this section in its entirety and replacing it with the following language:

“(a) **Term.** Executive’s term of Employment with the Company under this Agreement shall be for the period from the Effective Date through December 31, 2026 (the ‘Initial Term’).

On December 31, 2026, and on each subsequent annual anniversary thereafter, this Agreement shall automatically renew and extend for a period of 12 months (each such 12-month period being a “Renewal Term”), unless written notice of non-renewal is delivered from either Party to the other not less than sixty (60) days prior to the expiration of the then-existing Initial Term or Renewal Term, as applicable. Notwithstanding the foregoing, Executive’s Employment pursuant to this Agreement may be terminated prior to the expiration of the then-existing Initial Term or Renewal Term in accordance with this Agreement.

The period from the Effective Date through the Executive’s Termination Date (for whatever reason) shall be referred to herein as the ‘Employment Period.’”

2. Section 6(b)(3) of the Employment Agreement is hereby amended by deleting this section in its entirety and replacing it with the following language:

“(3) Involuntary Termination Without Cause (Other than Due to Death or Disability) Not Within Corporate Change Period. If Executive’s Employment is terminated by the Company without Cause (other than on account of Executive’s death or Disability), and such Termination Date does not occur within a Corporate Change Period, the Company shall, subject to Section 6(e), provide to Executive (A) continued payment of Executive’s Base Salary as in effect on the Termination Date, in arrears, for a period of 12 months following the Termination Date, where the first such payment shall be made on the First Payment Date and shall include all payments, if any, without interest, that would have otherwise been made pursuant to this Section 6(b)(3)(A) between the Termination Date and the First Payment Date; and (B) a pro rata amount of the Target Annual Bonus described in Section 2(b), for the year in which the Termination Date occurred, based on the number of days Executive was employed in such year in comparison to 365, and based on actual performance of any applicable performance metrics through the end of the performance period, where such pro rata amount of the Target Annual Bonus shall be paid on the later of (i) the First Payment Date or (ii) the payment date that an Annual Bonus for the year of termination otherwise would have been payable pursuant to Section 2(b), had Executive’s Employment not been terminated (provided, that, in no event shall such payment occur later than the date necessary to qualify such payment as a “short-term deferral” within the meaning of Treas. Reg. § 1.409A-1(b)(4)).”

3. Section 14 of the Employment Agreement is hereby amended by deleting this section in its entirety and replacing it with the following language:

“14. Non-Solicitation Restriction. Executive hereby agrees that in order to protect Trade Secrets, it is necessary to enter into the following restrictive covenant, which is ancillary to the enforceable promises between the Company and Executive in Sections 9 through 13 and other provisions of this Agreement. During the Executive’s Employment and for a period of one (1) year following the Termination Date (regardless of the reason for termination), Executive hereby covenants and agrees that he will not, directly or indirectly, without obtaining the express written consent of the Board, either individually or as a principal, partner, agent, consultant, contractor, employee, or as a director or officer of any entity, or in any other manner or capacity whatsoever, except on behalf of the Company, solicit business, attempt to solicit business, or conduct business, in products or services competitive with any products or services offered or performed by the Company or its Affiliates as of the Termination Date within the Restricted Territory.”

4. Section 15 of the Employment Agreement is hereby amended by deleting this section in its entirety and replacing it with the following language:

“15. **Non-Competition Restriction.** Executive hereby agrees that in order to protect Trade Secrets, it is necessary to enter into the following restrictive covenant, which is ancillary to the enforceable promises between the Company and Executive in Sections 9 through 14 and other provisions of this Agreement. Executive hereby covenants and agrees that during Executive’s period of Employment, and for a period of one (1) year following the Termination Date (regardless of the reason for termination), Executive will not, without obtaining the express written consent of the Company, engage in any capacity, directly or indirectly (whether as proprietor, stockholder, director, partner, employee, agent, independent contractor, consultant, trustee, or in any other capacity), with respect to any entity which is or may be in the funeral, mortuary, crematory, cemetery or burial insurance business or in any business related thereto (a) as part of any of the companies or entities listed on Schedule I hereto, or (b) within the Restricted Territory (in each case, a “Competing Enterprise”); provided, however, Executive shall not be deemed to be participating or engaging in a Competing Enterprise solely by virtue of the ownership of not more than one percent (1%) of any class of stock or other securities which are publicly traded on a national securities exchange or in a recognized over-the-counter market.”

5. Section 16 of the Employment Agreement is hereby amended by deleting this section in its entirety and replacing it with the following language:

“16. **No Recruitment Restriction.** Executive agrees that during Executive’s period of employment with the Company or its Affiliates, and for a period of one (1) year following the Termination Date (regardless of the reason for termination), without obtaining the express written consent of the Company, Executive shall not, either directly or indirectly, or by acting in concert with another person or entity, (a) hire any employee or independent contractor performing services for the Company or any Affiliate, or any such individual who performed services for the Company or any Affiliate at any time during the one-year period ending on the Termination Date, or (b) solicit or influence or seek to solicit or influence, any employee or independent contractor performing services for the Company or any Affiliate, or any such individual who performed services for the Company or any Affiliate at any time during the one-year period ending on the Termination Date, to terminate, reduce or otherwise adversely affect such individual’s employment or other relationship with the Company or any Affiliate.”

6. Except as otherwise provided herein, all other provisions of the Employment Agreement and the First Amendment shall remain in effect.

7. This Second Amendment, the Employment Agreement (other than as amended above), and the First Amendment (where applicable) constitute the entire agreement between the parties on the subject of Executive’s employment with the Company.

8. This Second Amendment shall be governed by and construed in accordance with the laws of the State of Texas, without regard to conflicts of laws principles thereof.

9. This Second Amendment may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Second Amendment as of the date set forth above.

EXECUTIVE:

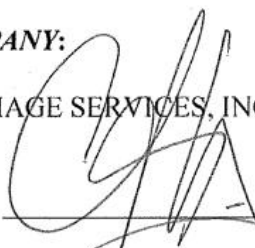


L. Kian Granmayeh

COMPANY:

CARRIAGE SERVICES, INC.

By: _____



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

Address for Notices:
Carriage Services, Inc.
3040 Post Oak Blvd, Suite 300
Houston, Texas 77056
Attn: Legal

THIRD AMENDMENT TO EMPLOYMENT AGREEMENT

This THIRD AMENDMENT TO EMPLOYMENT AGREEMENT (this "Third Amendment") is made and entered into as of April 30, 2024 (the "Third Amendment Effective Date"), by and between Carriage Services, Inc., a Delaware corporation (the "Company"), and Shawn R. Phillips ("Executive"). The Company and Executive may sometimes hereafter be referred to singularly as a "Party" or collectively as the "Parties."

WHEREAS, Executive and the Company entered into an Employment Agreement dated November 5, 2019 (the "Employment Agreement"); and

WHEREAS, Executive and the Company entered into a First Amendment to the Employment Agreement dated September 30, 2022 (the "First Amendment"); and

WHEREAS, Executive and the Company entered into a Second Amendment to the Employment Agreement dated February 21, 2024 (the "Second Amendment"); and

WHEREAS, the Company desires to continue to secure the employment services of Executive subject to the amended terms and conditions hereafter set forth; and

WHEREAS, the parties now desire to amend the Employment Agreement accordingly.

NOW, THEREFORE, in consideration of the premises above, as well as consideration to be granted by the Company to the Executive in the following form, the parties hereto agree as follows:

1. Section 6(b)(3) of the Employment Agreement is hereby amended by deleting this section in its entirety and replacing it with the following language:

“(3) Involuntary Termination Without Cause (Other than Due to Death or Disability) Not Within Corporate Change Period. If Executive’s Employment is terminated by the Company without Cause (other than on account of Executive’s death or Disability), and such Termination Date does not occur within a Corporate Change Period, the Company shall, subject to Section 6(e), provide to Executive (A) continued payment of Executive’s Base Salary as in effect on the Termination Date, in arrears, for a period of 12 months following the Termination Date, where the first such payment shall be made on the First Payment Date and shall include all payments, if any, without interest, that would have otherwise been made pursuant to this Section 6(b)(3)(A) between the Termination Date and the First Payment Date; and (B) a pro rata amount of the Target Annual Bonus described in Section 2(b), for the year in which the Termination Date occurred, based on the number of days Executive was employed in such year in comparison to 365, and based on actual performance of any applicable performance metrics through the end of the performance period, where such pro rata amount of the Target Annual Bonus shall be paid on the later of (i)

the First Payment Date or (ii) the payment date that an Annual Bonus for the year of termination otherwise would have been payable pursuant to Section 2(b), had Executive's Employment not been terminated (provided, that, in no event shall such payment occur later than the date necessary to qualify such payment as a "short-term deferral" within the meaning of Treas. Reg. § 1.409A-1(b)(4))."

2. Section 14 of the Employment Agreement is hereby amended by deleting this section in its entirety and replacing it with the following language:

"14. **Non-Solicitation Restriction.** Executive hereby agrees that in order to protect Trade Secrets, it is necessary to enter into the following restrictive covenant, which is ancillary to the enforceable promises between the Company and Executive in Sections 9 through 13 and other provisions of this Agreement. During the Executive's Employment and for a period of one (1) year following the Termination Date (regardless of the reason for termination), Executive hereby covenants and agrees that he will not, directly or indirectly, without obtaining the express written consent of the Board, either individually or as a principal, partner, agent, consultant, contractor, employee, or as a director or officer of any entity, or in any other manner or capacity whatsoever, except on behalf of the Company, solicit business, attempt to solicit business, or conduct business, in products or services competitive with any products or services offered or performed by the Company or its Affiliates as of the Termination Date within the Restricted Territory."

3. Section 15 of the Employment Agreement is hereby amended by deleting this section in its entirety and replacing it with the following language:

"15. **Non-Competition Restriction.** Executive hereby agrees that in order to protect Trade Secrets, it is necessary to enter into the following restrictive covenant, which is ancillary to the enforceable promises between the Company and Executive in Sections 9 through 14 and other provisions of this Agreement. Executive hereby covenants and agrees that during Executive's period of Employment, and for a period of one (1) year following the Termination Date (regardless of the reason for termination), Executive will not, without obtaining the express written consent of the Company, engage in any capacity, directly or indirectly (whether as proprietor, stockholder, director, partner, employee, agent, independent contractor, consultant, trustee, or in any other capacity), with respect to any entity which is or may be in the funeral, mortuary, crematory, cemetery or burial insurance business or in any business related thereto (a) as part of any of the companies or entities listed on Schedule I hereto, or (b) within the Restricted Territory (in each case, a "Competing Enterprise"); provided, however, Executive shall not be deemed to be participating or engaging in a Competing Enterprise solely by virtue of the ownership of not more than one percent (1%) of any class of stock or other securities which are publicly traded on a national securities exchange or in a recognized over-the-counter market.

4. Section 16 of the Employment Agreement is hereby amended by deleting this section in its entirety and replacing it with the following language:

“16. **No Recruitment Restriction.** Executive agrees that during Executive’s period of employment with the Company or its Affiliates, and for a period of one (1) year following the Termination Date (regardless of the reason for termination), without obtaining the express written consent of the Company, Executive shall not, either directly or indirectly, or by acting in concert with another person or entity, (a) hire any employee or independent contractor performing services for the Company or any Affiliate, or any such individual who performed services for the Company or any Affiliate at any time during the one-year period ending on the Termination Date, or (b) solicit or influence or seek to solicit or influence, any employee or independent contractor performing services for the Company or any Affiliate, or any such individual who performed services for the Company or any Affiliate at any time during the one-year period ending on the Termination Date, to terminate, reduce or otherwise adversely affect such individual’s employment or other relationship with the Company or any Affiliate.”

5. Except as otherwise provided herein, all other provisions of the Employment Agreement, First Amendment, and Second Amendment shall remain in effect.

6. This Third Amendment, the Employment Agreement (other than as amended above), and the First and Second Amendments (where applicable) constitute the entire agreement between the parties on the subject of Executive’s employment with the Company.


7. This Third Amendment shall be governed by and construed in accordance with the laws of the State of Texas, without regard to conflicts of laws principles thereof.

8. This Third Amendment may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Third Amendment as of the date set forth above.

EXECUTIVE:




Shawn R. Phillips

COMPANY:

CARRIAGE SERVICES, INC.

By:



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

Address for Notices:
Carriage Services, Inc.
3040 Post Oak Blvd, Suite 300
Houston, Texas 77056
Attn: Legal

[End of Signatures]



Carriage Services Announces First Quarter 2024 Results

Conference call on Thursday, May 2, 2024 at 9:30 a.m. central time.

HOUSTON - May 1, 2024 - (GLOBE NEWSWIRE) Carriage Services, Inc. (NYSE: CSV) today announced its financial results for the first quarter ended March 31, 2024.

Company Highlights:

- Total revenue of \$103.5 million led to growth of 8.4% over the prior-year quarter, primarily driven by a 38.4% increase in cemetery preneed sales;
- GAAP diluted EPS of \$0.45 and Adjusted diluted EPS of \$0.75, compared to \$0.57 and \$0.56 in the prior-year quarter, respectively;
- Completed the divestiture of previously announced non-core assets;
- The Company paid down \$25.0 million of debt on its credit facility during the first quarter; and
- Reaffirm full-year 2024 outlook.

Carlos Quezada, Vice Chairman and CEO, stated, “We are pleased to announce another solid performance in the first quarter of 2024, which reflects our consistent focus on executing our five-year strategic objectives. Our preneed cemetery sales team achieved a remarkable 38.4% year-over-year increase in preneed sales, highlighting the continued effectiveness of our cemetery sales growth plan. This solid cemetery performance contributed significantly to an increase in total revenue of 8.4% compared to the previous year.

Despite the anticipated operating volume decline of 1.9% in our Funeral segment due to the COVID-related “pull forward” effect, we continued to improve our top line through targeted enhancements to our pricing strategy, leading to total funeral operating revenue growth of 1.8% over the same quarter last year. Furthermore, we have made noticeable progress with our cost management initiatives, which led to an increase in adjusted consolidated EBITDA of 20.9% and an expansion of our adjusted consolidated EBITDA margin of 340 basis points to 32.5% when compared to the same quarter last year.

We remain excited about the future at Carriage. As we continue to focus on the implementation of our strategic objectives, as highlighted in our recent 2023 shareholder letter, we are encouraged by these positive results and remain fully committed to our new purpose statement: ‘Creating premier experiences through innovation, empowered partnership, and elevated service.’” concluded Mr. Quezada.

FINANCIAL HIGHLIGHTS

(in millions except margins and EPS)	Three months ended March 31,	
	2023	2024
GAAP Metrics:		
Total revenue	\$ 95.5	\$ 103.5
Operating income	\$ 20.6	\$ 19.5
Operating income margin	21.6%	18.8%
Net income	\$ 8.8	\$ 7.0
Diluted EPS	\$ 0.57	\$ 0.45
Cash provided by operating activities	\$ 25.9	\$ 19.7
Non-GAAP Metrics⁽¹⁾:		
Adjusted consolidated EBITDA	\$ 27.8	\$ 33.6
Adjusted consolidated EBITDA margin	29.1%	32.5%
Adjusted diluted EPS	\$ 0.56	\$ 0.75
Adjusted free cash flow	\$ 17.0	\$ 20.9

(1) We present both GAAP and non-GAAP measures to provide investors with additional information and to allow for the increased comparability of our ongoing performance from period to period. The most comparable GAAP measures to the Non-GAAP measures presented in this table can be found in the Reconciliation of Non-GAAP Financial Measures section of this press release.

- Revenue for the three months ended March 31, 2024 increased \$8.0 million compared to the three months ended March 31, 2023, as we experienced a 37.3% increase in the number of preneed interment rights (property) sold, a 7.9% increase in the average price per preneed interment right sold and a 4.1% increase in the average revenue per funeral contract, offset by a 2.6% decrease in consolidated funeral contract volume.
- Net income for the three months ended March 31, 2024 decreased \$1.9 million compared to the three months ended March 31, 2023, as the \$6.2 million increase in profit contribution from our businesses was offset by a \$6.1 million increase in general, administrative and other expenses and \$1.3 million increase in loss on divestitures.

CALL AND INVESTOR RELATIONS CONTACT

Carriage Services has scheduled a conference call for tomorrow, May 2, 2024 at 9:30 a.m. central time. To participate in the call, please dial 888-224-1005 (Conference ID - 6599558) or to listen live over the Internet via webcast click link. An audio archive of the call will be available on demand via the Company's website at www.carriageservices.com. For any investor relations questions, please email InvestorRelations@carriageservices.com.

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

	Three months ended March 31,	
	2023	2024
Funeral operating revenue	\$ 65,407	\$ 66,578
Cemetery operating revenue	21,317	27,581
Financial revenue	6,068	6,936
Ancillary revenue	1,057	1,247
Divested revenue	1,665	1,151
Total revenue	\$ 95,514	\$ 103,493
Funeral operating EBITDA	\$ 26,327	\$ 27,527
Funeral operating EBITDA margin	40.3%	41.3%
Cemetery operating EBITDA	8,312	11,952
Cemetery operating EBITDA margin	39.0%	43.3%
Financial EBITDA	5,727	6,505
Financial EBITDA margin	94.4%	93.8%
Ancillary EBITDA	146	173
Ancillary EBITDA margin	13.8%	13.9%
Divested EBITDA	538	170
Divested EBITDA margin	32.3%	14.8%
Total field EBITDA	\$ 41,050	\$ 46,327
Total field EBITDA margin	43.0%	44.8%
Total overhead	\$ 13,265	\$ 19,356
Overhead as a percentage of revenue	13.9%	18.7%
Consolidated EBITDA	\$ 27,785	\$ 26,971
Consolidated EBITDA margin	29.1%	26.1%
Other expenses and interest		
Depreciation & amortization	\$ 4,769	\$ 5,460
Non-cash stock compensation	2,141	489
Interest expense	8,539	8,712
Other	(10)	1,588
Pretax income	\$ 12,346	\$ 10,722
Net tax expense	3,502	3,749
Net income	\$ 8,844	\$ 6,973
Special items ⁽¹⁾	\$ (177)	\$ 6,795
Tax on special items	(51)	2,229
Adjusted net income	\$ 8,718	\$ 11,539
Adjusted net income margin	9.1%	11.1%
Adjusted basic earnings per share	\$ 0.58	\$ 0.77
Adjusted diluted earnings per share	\$ 0.56	\$ 0.75
GAAP basic earnings per share	\$ 0.59	\$ 0.46
GAAP diluted earnings per share	\$ 0.57	\$ 0.45
Weighted average shares o/s - basic	14,758	14,876
Weighted average shares o/s - diluted	15,468	15,309
Reconciliation of Consolidated EBITDA to Adjusted consolidated EBITDA		
Consolidated EBITDA	\$ 27,785	\$ 26,971
Special items ⁽¹⁾	—	6,630
Adjusted consolidated EBITDA	\$ 27,785	\$ 33,601
Adjusted consolidated EBITDA margin	29.1%	32.5%

(1) A detail of our Special items presented in this table can be found in the Reconciliation of Non-GAAP Financial Measures section of this press release.

CARRIAGE SERVICES, INC.
CONDENSED CONSOLIDATED BALANCE SHEET
(unaudited and in thousands)

	December 31, 2023	March 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,523	\$ 1,689
Accounts receivable, net	27,060	26,549
Inventories	8,347	8,252
Prepaid and other current assets	4,791	3,905
Total current assets	41,721	40,395
Preneed cemetery trust investments	96,374	98,757
Preneed funeral trust investments	107,842	109,833
Preneed cemetery receivables, net	35,575	36,854
Receivables from preneed funeral trusts, net	21,530	21,632
Property, plant and equipment, net	287,484	281,965
Cemetery property, net	114,580	114,002
Goodwill	423,643	414,895
Intangible and other non-current assets, net	37,677	37,872
Operating lease right-of-use assets	16,295	16,512
Cemetery perpetual care trust investments	85,331	87,802
Total assets	\$ 1,268,052	\$ 1,260,519
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of debt and lease obligations	\$ 3,842	\$ 3,953
Accounts payable	11,866	12,727
Accrued and other liabilities	35,362	39,380
Total current liabilities	51,070	56,060
Acquisition debt, net of current portion	5,461	5,380
Credit facility	177,794	152,932
Senior notes	395,905	396,075
Obligations under finance leases, net of current portion	5,831	5,434
Obligations under operating leases, net of current portion	15,797	15,802
Deferred preneed cemetery revenue	61,048	61,219
Deferred preneed funeral revenue	39,537	39,745
Deferred tax liability	52,127	49,785
Other long-term liabilities	1,855	1,942
Deferred preneed cemetery receipts held in trust	96,374	98,757
Deferred preneed funeral receipts held in trust	107,842	109,833
Care trusts' corpus	84,351	88,000
Total liabilities	1,094,992	1,080,964
Commitments and contingencies:		
Stockholders' equity:		
Common stock	266	268
Additional paid-in capital	241,291	240,811
Retained earnings	210,256	217,229
Treasury stock	(278,753)	(278,753)
Total stockholders' equity	173,060	179,555
Total liabilities and stockholders' equity	\$ 1,268,052	\$ 1,260,519

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

	Three months ended March 31,	
	2023	2024
Revenue:		
Service revenue	\$ 48,207	\$ 49,699
Property and merchandise revenue	40,011	45,502
Other revenue	7,296	8,292
	95,514	103,493
Field costs and expenses:		
Cost of service	23,477	23,708
Cost of merchandise	29,734	31,950
Cemetery property amortization	1,201	1,756
Field depreciation expense	3,357	3,467
Regional and unallocated funeral and cemetery costs	5,437	3,842
Other expenses	1,253	1,508
	64,459	66,231
Gross profit	31,055	37,262
Corporate costs and expenses:		
General, administrative and other	10,180	16,240
Net loss on divestitures, disposals and impairments charges	241	1,545
Operating income	20,634	19,477
Interest expense	8,539	8,712
Loss on property damage, net of insurance claims	271	—
Other, net	(522)	43
Income before income taxes	12,346	10,722
Expense for income taxes	3,568	3,519
(Benefit) expense related to discrete items	(66)	230
Total expense for income taxes	3,502	3,749
Net income	\$ 8,844	\$ 6,973
Basic earnings per common share:	\$ 0.59	\$ 0.46
Diluted earnings per common share:	\$ 0.57	\$ 0.45
Dividends declared per common share:	\$ 0.1125	\$ 0.1125
Weighted average number of common and common equivalent shares outstanding:		
Basic	14,758	14,876
Diluted	15,468	15,309

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

	Three months ended March 31,	
	2023	2024
Cash flows from operating activities:		
Net income	\$ 8,844	\$ 6,973
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,769	5,460
Provision for credit losses	699	782
Stock-based compensation expense	2,141	489
Deferred income tax benefit	(178)	(2,342)
Amortization of intangibles	321	332
Amortization of debt issuance costs	174	176
Amortization and accretion of debt	127	132
Net loss on divestitures, disposals and impairment charges	241	1,545
Loss on property damage, net of insurance claims	271	—
Gain on sale of excess land	(530)	—
Changes in operating assets and liabilities that provided (used) cash:		
Accounts and preneed receivables	120	(1,800)
Inventories, prepaid and other current assets	884	814
Intangible and other non-current assets	(1,277)	(834)
Preneed funeral and cemetery trust investments	5,356	(15,255)
Accounts payable	(246)	862
Accrued and other liabilities	1,924	4,831
Deferred preneed funeral and cemetery revenue	8,132	2,267
Deferred preneed funeral and cemetery receipts held in trust	(5,903)	15,271
Net cash provided by operating activities	<u>25,869</u>	<u>19,703</u>
Cash flows from investing activities:		
Acquisitions of businesses and real estate	(44,000)	—
Proceeds from divestitures and sale of other assets	1,275	10,877
Proceeds from insurance claims	421	46
Capital expenditures	(4,982)	(3,551)
Net cash (used in) provided by investing activities	<u>(47,286)</u>	<u>7,372</u>
Cash flows from financing activities:		
Borrowings from the credit facility	51,700	13,600
Payments against the credit facility	(28,800)	(38,600)
Payments on acquisition debt and obligations under finance leases	(127)	(152)
Proceeds from the exercise of stock options and employee stock purchase plan contributions	526	347
Taxes paid on restricted stock vestings and exercise of stock options	(98)	(418)
Dividends paid on common stock	(1,661)	(1,686)
Net cash provided by (used in) financing activities	<u>21,540</u>	<u>(26,909)</u>
Net increase in cash and cash equivalents	123	166
Cash and cash equivalents at beginning of period	1,170	1,523
Cash and cash equivalents at end of period	<u>\$ 1,293</u>	<u>\$ 1,689</u>

NON-GAAP FINANCIAL MEASURES

This earnings 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 to compare our results to previous periods, to provide insight into the underlying long-term performance trends in our business and to provide the opportunity to differentiate ourselves as the best consolidation platform in the industry against the performance of other funeral and cemetery companies.

Reconciliations of the Non-GAAP financial measures to GAAP measures are also provided in this earnings release.

The Non-GAAP financial measures used in this earnings release and the definitions of them used by the Company for our internal management purposes in this earnings release are described below.

- 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 were taxed at the operating tax rate.
- Adjusted net income is defined as net income after adjustments for special items that we believe do not directly reflect our core operations and may not be indicative of our normal business operations. Adjusted net income margin is defined as adjusted net income as a percentage of total revenue.
- Consolidated EBITDA is defined as operating income, plus depreciation and amortization expense, non-cash stock compensation and net loss on divestitures, disposals and impairment charges. Consolidated EBITDA margin is defined as consolidated EBITDA as a percentage of total revenue.
- Adjusted consolidated EBITDA is defined as consolidated EBITDA after adjustments for severance and separation costs and other special items. Adjusted consolidated EBITDA margin is defined as adjusted consolidated EBITDA as a percentage of total revenue.
- Adjusted free cash flow is defined as cash provided by operating activities, adjusted by special items as deemed necessary, less cash for maintenance capital expenditures, which include facility repairs and improvements, equipment, furniture and vehicle purchases. Adjusted free cash flow margin is defined as adjusted free cash flow as a percentage of total revenue.
- Funeral operating EBITDA is defined as funeral gross profit, plus depreciation and amortization and regional and unallocated costs, less financial EBITDA, ancillary EBITDA and divested EBITDA related to the funeral home segment. Funeral operating EBITDA margin is defined as funeral operating EBITDA as a percentage of funeral operating revenue.
- Cemetery operating EBITDA is defined as cemetery gross profit, plus depreciation and amortization and regional and unallocated costs, less financial EBITDA and divested EBITDA related to the cemetery segment. Cemetery operating EBITDA margin is defined as cemetery operating EBITDA as a percentage of cemetery operating revenue.
- Preneed cemetery sales is defined as cemetery property, merchandise and services sold prior to death.
- Financial EBITDA is defined as financial revenue, less the related expenses. Financial revenue and the related expenses are presented within *Other revenue* and *Other expenses*, respectively, on the Consolidated Statement of Operations. Financial EBITDA margin is defined as financial EBITDA as a percentage of financial revenue.
- Ancillary revenue is defined as revenues from our ancillary businesses, which include a flower shop, a monument business, a pet cremation business and our online cremation businesses. Ancillary revenue and the related expenses are presented within *Other revenue* and *Other expenses*, respectively, on the Consolidated Statement of Operations.
- Ancillary EBITDA is defined as ancillary revenue, less expenses related to our ancillary businesses noted above. Ancillary EBITDA margin is defined as ancillary EBITDA as a percentage of ancillary revenue.
- Divested revenue is defined as revenues from certain funeral home and cemetery businesses that we have divested.

- Divested EBITDA is defined as divested revenue, less field level and financial expenses related to the divested businesses noted above. Divested EBITDA margin is defined as divested EBITDA as a percentage of divested revenue.
- Overhead expenses are defined as *regional and unallocated funeral and cemetery costs* and *general, administrative and other costs*, excluding home office depreciation and non-cash stock compensation.
- Adjusted basic earnings per share (EPS) is defined as GAAP basic earnings per share, adjusted for special items.
- Adjusted diluted earnings per share (EPS) is defined as GAAP diluted earnings per share, adjusted for special items.

Funeral Operating EBITDA and Cemetery Operating EBITDA

Our operations are reported in two business segments: Funeral Home operations and Cemetery operations. Our operating level results highlight trends in volumes, revenue, operating EBITDA (the individual business' cash earning power/locally controllable business profit) and operating EBITDA margin (the individual business' controllable profit margin).

Funeral operating EBITDA and cemetery operating EBITDA are defined above. Funeral and cemetery gross profit is defined as revenue less "field costs and expenses" — a line item encompassing these areas of costs: i) funeral and cemetery field costs, ii) field depreciation and amortization expense, and iii) regional and unallocated funeral and cemetery costs. Funeral and cemetery field costs include cost of service, funeral and cemetery merchandise costs, operating expenses, labor and other related expenses incurred at the business level.

Regional and unallocated funeral and cemetery costs presented in our GAAP statement consist primarily of salaries and benefits of our regional leadership, incentive compensation opportunity to our field employees and other related costs for field infrastructure. These costs, while necessary to operate our businesses as currently operated within our unique, decentralized platform, are not controllable operating expenses at the field level as the composition, structure and function of these costs are determined by executive leadership in the Houston Support Center. These costs are components of our overall overhead platform presented within consolidated EBITDA and adjusted consolidated EBITDA. We do not directly or indirectly "push down" any of these expenses to the individual business' field level margins.

We believe that our "regional and unallocated funeral and cemetery costs" are necessary to support our decentralized, high performance culture operating framework, and as such, are included in consolidated EBITDA and adjusted consolidated EBITDA, which more accurately reflects the cash earning power of the Company as an operating and consolidation platform.

Usefulness and Limitations of These Measures

When used in conjunction with GAAP financial measures, our total EBITDA, consolidated EBITDA and adjusted consolidated EBITDA are supplemental measures of operating performance that we believe are useful measures to facilitate comparisons to our historical consolidated and business level performance and operating results.

We believe our presentation of adjusted consolidated EBITDA, a key metric used internally by our management, provides investors with a supplemental view of our operating performance that facilitates analysis and comparisons of our ongoing business operations because it excludes items that may not be indicative of our ongoing operating performance.

Our total field EBITDA, consolidated EBITDA and adjusted consolidated EBITDA are not necessarily comparable to similarly titled measures used by other companies due to different methods of calculation. Our presentation is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. Funeral operating EBITDA, cemetery operating EBITDA, financial EBITDA, ancillary EBITDA and divested EBITDA are not consolidated measures of profitability.

Our total field EBITDA excludes certain costs presented in our GAAP statement that we do not allocate to the individual business' field level margins, as noted above.

Consolidated EBITDA excludes certain items that we believe do not directly reflect our core operations and may not be indicative of our normal business operations. A reconciliation to operating income, the most directly comparable GAAP measure, is set forth below.

Therefore, these measures may not provide a complete understanding of our performance and should be reviewed in conjunction with our GAAP financial measures. We strongly encourage investors to review the Company's consolidated financial statements and publicly filed reports in their entirety and not rely on any single financial measure.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

The Non-GAAP financial measures are presented for additional information and are reconciled to their most comparable GAAP measures, all of which are reflected in the tables below.

Reconciliation of Operating income to Consolidated EBITDA and Adjusted consolidated EBITDA (in thousands) and Operating income margin to Adjusted consolidated EBITDA margin for the three months ended March 31, 2023 and 2024:

	Three months ended March 31,	
	2023	2024
Operating income	\$ 20,634	\$ 19,477
Depreciation & amortization	4,769	5,460
Non-cash stock compensation	2,141	489
Net loss on divestitures, disposals and impairment charges	241	1,545
Consolidated EBITDA	<u>\$ 27,785</u>	<u>\$ 26,971</u>
Adjusted for:		
Severance and separation costs ⁽¹⁾	\$ —	\$ 5,457
Other special items ⁽²⁾	—	1,173
Adjusted consolidated EBITDA	<u>\$ 27,785</u>	<u>\$ 33,601</u>
Total revenue	\$ 95,514	\$ 103,493
Operating income margin	21.6%	18.8%
Adjusted consolidated EBITDA margin	29.1%	32.5%

(1) Primarily represents the severance and performance award settlement expense recognized during the first quarter of 2024 for our former Executive Chairman of the Board per his Transition Agreement which was effective February 22, 2024.

(2) Represents expenses related to the review of strategic alternatives.

Special items affecting Adjusted net income (in thousands) for the three months ended March 31, 2023 and 2024:

	Three months ended March 31,	
	2023	2024
Severance and separation costs ⁽¹⁾	\$ —	\$ 5,457
Equity award cancellation ⁽²⁾	—	(1,336)
Net (gain) loss on divestitures and sale of real estate ⁽³⁾	(448)	1,501
Loss on property damage, net of insurance claims ⁽⁴⁾	271	—
Other special items ⁽⁵⁾	—	1,173
Total	<u>\$ (177)</u>	<u>\$ 6,795</u>

(1) Primarily represents the severance and performance award settlement expense recognized during the first quarter of 2024 for our former Executive Chairman of the Board per his Transition Agreement, which was effective February 22, 2024.

(2) Primarily represents the stock compensation benefit recognized during the first quarter of 2024 for equity awards cancelled for our former Executive Chairman of the Board per his Transition Agreement, which was effective February 22, 2024.

(3) Represents the net gain or loss recognized for the sale of businesses and real estate during the periods presented.

(4) Represents the loss on property damage, net of insurance claims for property damaged by a fire that occurred during first quarter of 2023.

(5) Represents expenses related to the review of strategic alternatives.

Reconciliation of GAAP basic earnings per share to Adjusted basic earnings per share for the three months ended March 31, 2023 and 2024:

	Three months ended March 31,	
	2023	2024
GAAP basic earnings per share	\$ 0.59	\$ 0.46
Special items	(0.01)	0.31
Adjusted basic earnings per share	<u>\$ 0.58</u>	<u>\$ 0.77</u>

Reconciliation of GAAP diluted earnings per share to Adjusted diluted earnings per share for the three months ended March 31, 2023 and 2024:

	Three months ended March 31,	
	2023	2024
GAAP diluted earnings per share	\$ 0.57	\$ 0.45
Special items	(0.01)	0.30
Adjusted diluted earnings per share	<u>\$ 0.56</u>	<u>\$ 0.75</u>

Reconciliation of Cash provided by operating activities to Adjusted free cash flow (in thousands) for the three months ended March 31, 2023 and 2024:

	Current ⁽¹⁾		Adjustments ⁽¹⁾		Revised ⁽¹⁾	
	Three months ended March 31,					
	2023	2024	2023	2024	2023	2024
Cash provided by operating activities	\$ 25,869	\$ 19,703	\$ —	\$ —	\$ 25,869	\$ 19,703
Cash used for capital expenditures	(1,842)	(1,162)	(3,140)	(2,389)	(4,982)	(3,551)
Free cash flow	<u>\$ 24,027</u>	<u>\$ 18,541</u>	<u>\$ (3,140)</u>	<u>\$ (2,389)</u>	<u>\$ 20,887</u>	<u>\$ 16,152</u>
<i>Plus: incremental special items:</i>						
Withdrawal from preneed funeral and cemetery trust investments ⁽²⁾	\$ (7,002)	\$ —	\$ —	\$ —	\$ (7,002)	\$ —
Severance and separation costs ⁽³⁾	—	1,211	—	—	—	1,211
Other special items ⁽⁴⁾	—	1,173	—	—	—	1,173
Adjusted free cash flow	<u>\$ 17,025</u>	<u>\$ 20,925</u>	<u>\$ (3,140)</u>	<u>\$ (2,389)</u>	<u>\$ 13,885</u>	<u>\$ 18,536</u>

(1) We have provided full year 2024 guidance for adjusted free cash flow based on the calculation in the current column above, which includes cash used for maintenance expenditures. However, in years subsequent to 2024, we plan to provide adjusted free cash flow guidance based on a revised adjusted free cash flow calculation, which includes cash used for total capital expenditures. The adjustments column above reflects the cash used for growth capital expenditures. The revised column above reflects adjusted free cash flow based on a calculation which includes cash used for total capital expenditures.

(2) During the three months ended March 31, 2023, we withdrew \$7.0 million of realized capital gains and earnings from our preneed funeral and cemetery trust investments. In certain states, we are allowed to withdraw these funds prior to the delivery of preneed merchandise and service contracts. While the realized capital gains and earnings are not recognized as revenue, they increase our cash flow from operations.

(3) Primarily represents the cash paid to our former Executive Chairman of the Board per his Transition Agreement, which was effective February 22, 2024, during the first quarter of 2024.

(4) Represents expenses related to the review of strategic alternatives.

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

This earnings release contains 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, and 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. All statements made herein or elsewhere by us, or on our behalf, other than statements of historical information, should be deemed to be forward-looking statements, which include, but are not limited to, statements regarding any projections of earnings, revenue, cash flow, investment returns, capital allocation, debt levels, equity performance, death rates, market share growth, cost inflation, overhead, preneed sales or other financial items; any statements of the plans, strategies, objectives and timing of management for future operations or financing activities, including, but not limited to, technology improvements, product development, capital allocation, organizational performance, execution of our strategic objectives and growth plan, planned divestitures, the ability to obtain credit or financing, anticipated integration, performance and other benefits of recently completed and anticipated acquisitions, and cost management and debt reductions; any statements of the plans, timing and objectives of management for acquisition and divestiture activities; any statements regarding future economic conditions and market conditions or performance; any projections or expectations related to the conclusion of the Board's strategic review; 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. Words such as "may", "will", "estimate", "intend", "believe", "expect", "seek", "project", "forecast", "foresee", "should", "would", "could", "plan", "anticipate" and other similar words may be used to identify forward-looking statements; however, the absence of these words does not mean that the statements are not forward-looking. While we believe these assumptions concerning future events 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 revenue and operating results are based on our forecasts for our existing operations and do not include the potential impact of any future acquisitions, except where specifically noted. 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: our ability to find and retain skilled personnel; the effects of our talent recruitment efforts, incentive and compensation plans and programs, including such effects on our Standards Operating Model and the Company's operational and financial performance; our ability to execute our strategic objectives and growth strategy, if at all; the potential adverse effects on the Company's business, financial and equity performance if management fails to meet the expectations of its strategic objectives and growth plan; our ability to execute and meet the objectives of our High Performance and Credit Profile Restoration Plan, if at all; the execution of our Standards Operating and Strategic Acquisition Models; the effects of competition; changes in the number of deaths in our markets, which are not predictable from market to market or over the short term; changes in consumer preferences and our ability to adapt to or meet those changes; our ability to generate preneed sales, including implementing our cemetery portfolio sales strategy, product development and optimization plans; the investment performance of our funeral and cemetery trust funds; fluctuations in interest rates, including, but not limited to, the effects of increased borrowing costs under our Credit Facility and our ability to minimize such costs, if at all; the effects of inflation on our operational and financial performance, including the increased overall costs for our goods and services, the impact on customer preferences as a result of changes in discretionary income, and our ability, if at all, to mitigate such effects; 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; our ability to meet the timing, objectives and expectations related to our capital allocation framework, including our forecasted rates of return, planned uses of free cash flow and future capital allocation, including share repurchases, potential strategic acquisitions, internal growth projects, dividend increases, or debt repayment plans; our ability to meet the projected financial and equity performance goals to our full year outlook, if at all; the timely and full payment of 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 merchandise, goods, insurance or taxes, and our ability to mitigate or minimize such costs, if at all; our level of indebtedness and the cash required to service our indebtedness; changes in federal income tax laws and regulations and the implementation and interpretation of these laws and regulations by the

Internal Revenue Service; effects of the application of other applicable laws and regulations, including changes in such regulations or the interpretation thereof; the potential impact of epidemics and pandemics, such as the COVID-19 coronavirus, including any new or emerging public health threats, on customer preferences and on our business; government, social, business and other actions that have been and will be taken in response to pandemics and epidemics, such as those that were taken with the COVID-19 coronavirus, including potential responses to any new or emerging public health threats; effects and expense of litigation; consolidation in the funeral and cemetery industry; our ability to identify and consummate strategic acquisitions, if at all, and successfully integrate acquired businesses with our existing businesses, including expected performance and financial improvements related thereto; potential adverse impacts resulting from shareholder or market perceptions of our recent announcement regarding the conclusion of our Board's review of potential strategic alternatives; economic, financial and stock market fluctuations; interruptions or security lapses of our information technology, including any cybersecurity or ransomware incidents; adverse developments affecting the financial services industry; acts of war or terrorists acts and the governmental or military response to such acts; our failure to maintain effective control over financial reporting; and other factors and uncertainties inherent in the funeral and cemetery 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 Annual Report on Form 10-K for the year ended December 31, 2023, and in other filings with the SEC, available at www.carriageservices.com. Investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of the applicable communication and we undertake no obligation to publicly update or revise any forward-looking statements except to the extent required by applicable law.