

The logo for Carriage Services is a dark green rectangle with a thin white border. Inside the rectangle, the word "CARRIAGE" is written in white, uppercase, sans-serif font on the top line, and the word "SERVICES" is written in white, uppercase, sans-serif font on the bottom line.

CARRIAGE  
SERVICES

# Investor Presentation

November 2017

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

Certain statements made herein or elsewhere by, or on behalf of, the Company that are not historical facts are intended to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements are based on assumptions that the Company believes are reasonable; however, many important factors, as discussed under “Forward-Looking Statements” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016, could cause the Company’s results in the future to differ materially from the forward-looking statements made herein and in any other documents or oral presentations made by, or on behalf of, the Company. Forward-looking statements contained herein regarding acquisitions include assumptions about the pricing, timing, and terms and conditions of such acquisitions. We can provide no assurances that our growth strategy will be successfully implemented. In particular, we can provide no assurances that we will find attractive acquisition targets, that we will succeed in negotiating the terms and conditions reflected in the model, or that we will execute any acquisitions during the next five years. Forward-looking statements contained herein regarding the performance of our acquisition and same store businesses include assumptions related to future revenue growth. We can provide no assurances that our acquisition and same store businesses will generate the revenue growth set forth herein, or any revenue growth at all. The Company assumes no obligation to update or publicly release any revisions to forward-looking statements made herein or any other forward-looking statements made by, or on behalf of, the Company.

This presentation uses Non-GAAP financial measures to present the financial performance of the Company. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company’s reported operating results or cash flow from operations or any other measure of performance as determined in accordance with GAAP. We believe the Non-GAAP results are useful to investors because such results help investors compare our results to previous periods and provide insights into underlying trends in our business. In addition, the Company’s presentation of these measures may not be comparable to similarly titled measures of other companies. Pursuant to the requirements of Regulation G, the Company has provided quantitative reconciliations within the most current press release and on our Investor Relations page of the website of the non-GAAP financial measures to the most directly comparable GAAP financial measures.

A copy of the Company’s Form 10-K, and other Carriage Services information and news releases, are available at [www.carriageservices.com](http://www.carriageservices.com).

# Who is Carriage Services?

## Committed to “**Being The Best**”

Funeral Home and Cemetery Operating Company

Consolidator of Independent Family Businesses

Shareholder Value Creation Platform

## Driven by our **Five Guiding Principles** including:

Honesty, Integrity, and Quality in All That We Do

Belief in the Power of People through Individual Initiative and Teamwork

Growth of the Company is Driven by Decentralization and Partnership



Everly Wheatley Funeral Home – Alexandria, VA

**High Performance Culture** company in the funeral and cemetery industry.

## Ten Year Vision:

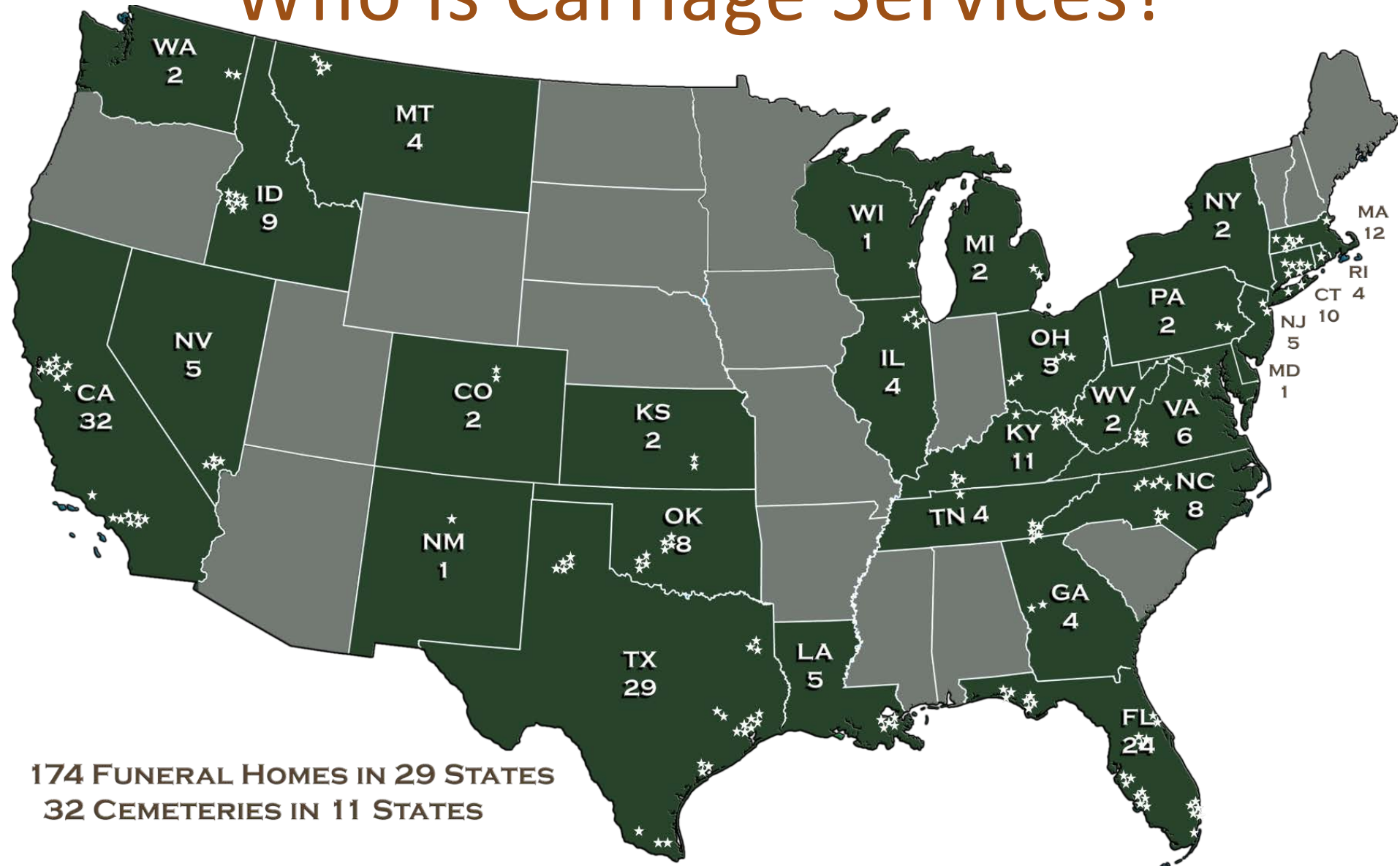
Affiliate with the best remaining independently owned funeral home and cemetery businesses in large, demographically attractive strategic markets.

Become recognized as a superior Consolidation, Operating and Value Creation Investment Platform by consistently allocating our precious capital, especially our Free Cash Flow, with discipline and flexibility among various investment options to maximize the intrinsic per share value of Carriage.

# Who is Carriage Services?

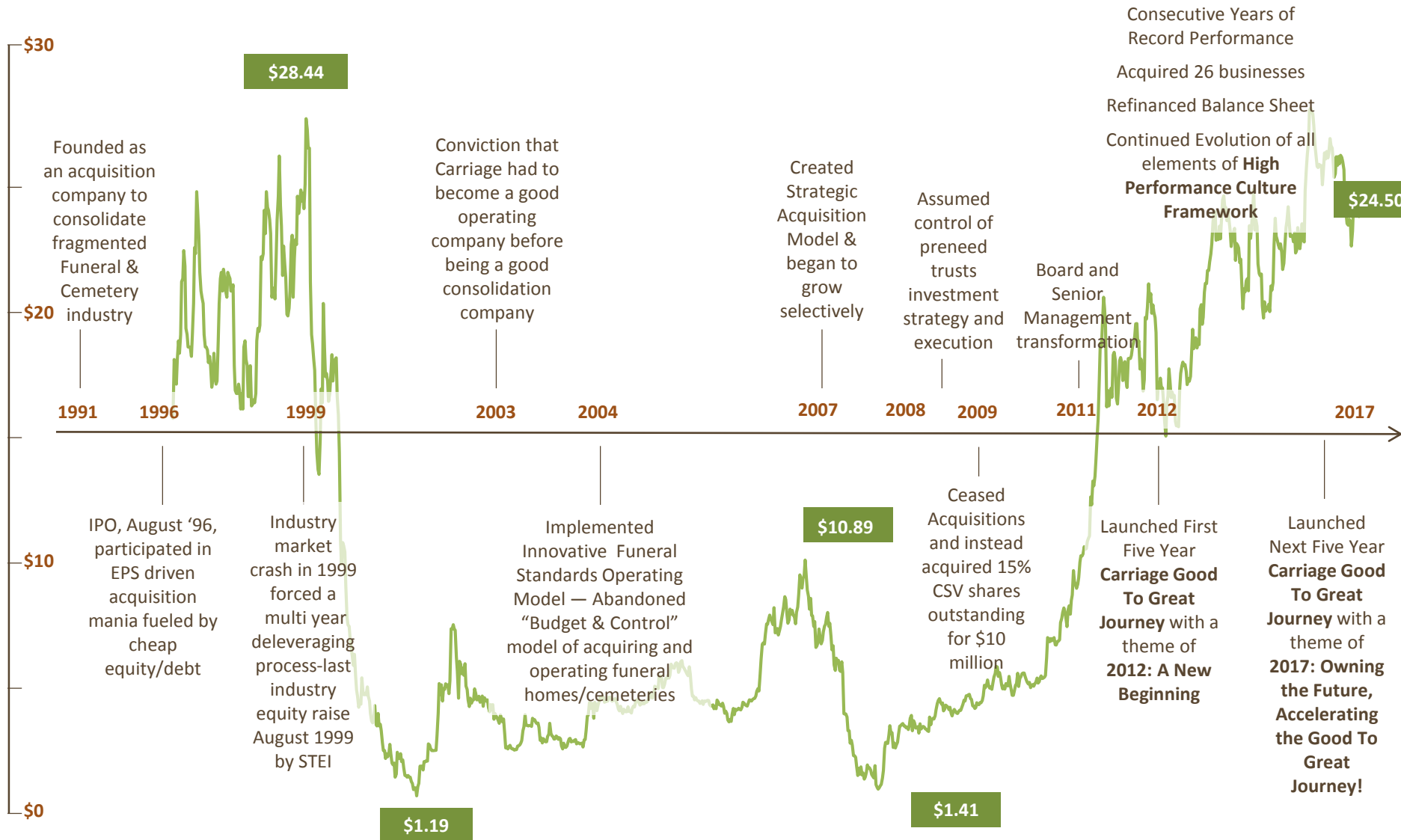
- Carriage Services is a leading operator of funeral and cemetery services and merchandise, and one of the largest death care consolidators in the United States.
- Carriage currently operates 206 funeral homes and cemeteries in 29 states.
- Due to our strong corporate culture and decentralized Standards Operating Model, Carriage has become:
  - The most attractive succession planning solution for independent businesses, and;
  - An industry leader in attracting the best entrepreneurial local management talent.
- Carriage's corporate strategy is defined by our three models:
  - Standards Operating Model
  - 4E Leadership Model
  - Strategic Acquisition Model

# Who is Carriage Services?



174 FUNERAL HOMES IN 29 STATES  
32 CEMETERIES IN 11 STATES

# Carriage's Learning Journey



# Carriage Services' High Performance Culture Framework

**CARRIAGE SERVICES INC.**  
**"BEING THE BEST"**  
 Funeral and Cemetery Operating Company  
 Consolidator Of Independent Family Businesses  
 Value Creation Investment Platform

**Five Guiding Principles**  
 Honesty, Integrity, and Quality in All That We Do  
 Hard Work, Pride of Accomplishment, and Shared Success Through Employee Ownership  
 Belief in the Power of People Through Individual Initiative and Teamwork  
 Outstanding Service and Profitability Go Hand-in-Hand  
 Growth of the Company Is Driven by Decentralization and Partnership

**Concepts of Good To Great**  
 First Who, Then What  
 Right People in the Right Seats  
*Flywheel Effect*

**4E Leadership Model**  
 Integrity      Energy      Passion  
                  Energize      Execution

**Standards Operating Model**  
 Market Share  
 People  
 Operating & Financial Metrics

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Being The Best League Table  
 Being The Best Annual Incentive  
 Good To Great Five Year Incentive

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High Standards Achievement

**Strategic Acquisition Model**  
 Ten Year Vision  
 Strategic Markets  
 Strategic Market Methodology  
 Selective Growth Strategy

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Valuation Ranking Methodology

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ROIC & LOI Methodology

**Capital Allocation**  
 Acquisitions  
 Internal Growth Projects  
 Share Repurchases  
 Dividends  
 Debt Repayment

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Maximize Intrinsic Shareholder Value Per Share

**Valuation Creation Financial Dynamics**  
 Operating Leverage  
 Overhead Leverage  
 Capital Structure Leverage  
 Consolidation Platform Leverage

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Five Year Trend Reports

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Sustained High Financial Performance

**Carriage Journey From Good To Great**  
 Carriage Achieves High Valuation  
 Carriage Becomes Built To Last

# Standards Operating Model

## “Being The Best” Funeral and Cemetery Operating Company

Eight Funeral and six Cemetery operating standards that when achieved lead to high and sustainable financial performance.

Decentralized Entrepreneurial Operating Model places operational control with local Managing Partner.

Incentive Compensation for Managing Partners and their teams based on Standards Achievement.



Conejo Mountain Funeral Home & Memorial Park — Camarillo, CA

### Funeral Standards

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

- 30% — Market Share / Volume Growth<sup>1</sup>
- 10% — Continuous Upgrading of Staff<sup>3</sup>
- 10% — Right Quality of Staff<sup>3</sup>

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

- 15% — Average Revenue Per Funeral Contract<sup>1</sup>
- 12% — Salaries & Benefits Range % of Revenue<sup>2</sup>
- 10% — Gross Margin Range % of Revenue<sup>2</sup>
- 10% — EBITDAR Margin Range % Revenue<sup>2</sup>
- 3% — Bad Debt % of Revenue<sup>2</sup>

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*100% — Standards Achievement Total (50% Minimum)*

Funeral businesses (78% of CSV Revenue) grouped into 1 of 4 categories based on volume and average revenue per contract

45% of Standards weighted for **Revenue Growth**<sup>1</sup>

35% of Standards weighted for high **Profit Margins**<sup>2</sup>

20% of Standards weighted for right **People Quality**<sup>3</sup>

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**100% Standards Achievement Total**



# Standards Operating Model

## “Being The Best” Funeral and Cemetery Operating Company

BEING THE BEST STANDARDS OPERATING MODEL									
Funeral Home Groupings	Group	B	C	B	C	B	C	B	C
	Funeral Contracts	125 - 250	251 - 400	125 - 250	251 - 400	125 - 250	251 - 400	125 - 250	251 - 400
	Group	1		2		3		4	
	ARPC	<\$4,500		\$4,500 - \$6,000		\$6,001 - \$7,500		>\$7,500	
Funeral Home Standards	Gross Margin %	87 - 89%	87 - 89%	86 - 88%	86 - 88%	85 - 87%	85 - 87%	85 - 87%	85 - 87%
	Salaries & Benefits %	28 - 30%	27 - 29%	26 - 28%	26 - 28%	26 - 28%	26 - 28%	26 - 28%	26 - 28%
	Bad Debt %	0.61%	0.61%	0.61%	0.61%	0.61%	0.61%	0.61%	0.61%
	Field EBITDAR %	37 - 41%	38 - 42%	38 - 42%	39 - 43%	39 - 43%	41 - 45%	39 - 43%	41 - 45%

### Operational Discipline:

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

# Strategic Acquisition Model

## Growth by Buying and Building a Portfolio

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

- Our Decentralized Standards Operating Model
- Our Operational Support Center (Legal, HR, IT, Business Analysis and Planning, Regulatory, etc.)
- Acquired businesses show significant improvement in operating performance after integration into our Operational Support Framework

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

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

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



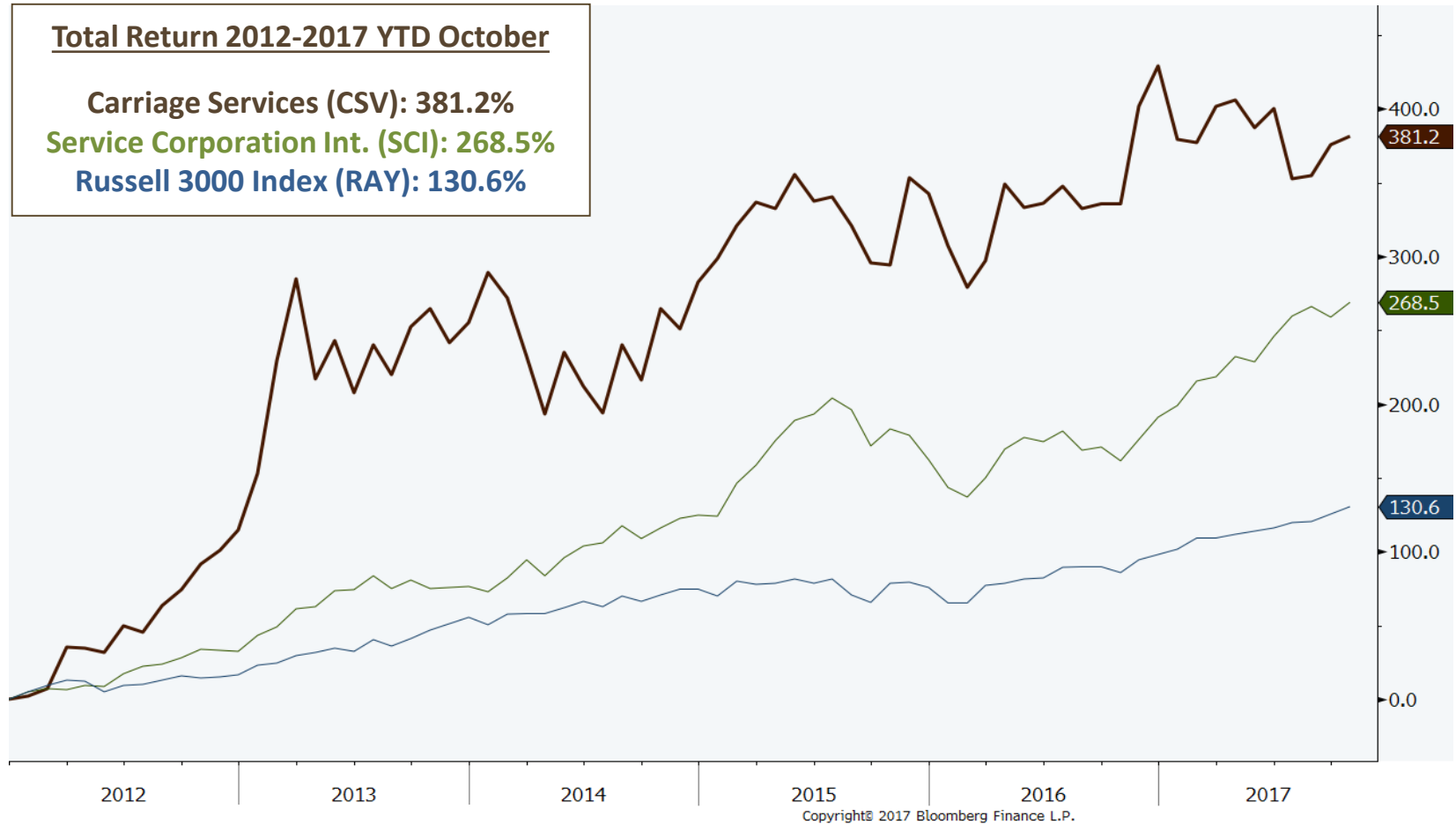
Becker-Ritter Funeral Home, Brookfield, WI — Acquired November 2016

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

# Carriage's Good To Great Journey

## Total Return 2012-2017 YTD October

Carriage Services (CSV): 381.2%  
Service Corporation Int. (SCI): 268.5%  
Russell 3000 Index (RAY): 130.6%



## Valuation Remains Compelling

- CSV trades at 14.0x Estimated Rolling 4 quarter EPS
- CSV Adjusted Free Cash Flow Yield 12.0%

# Carriage Services, Inc.

## A Value Creation Investment Platform

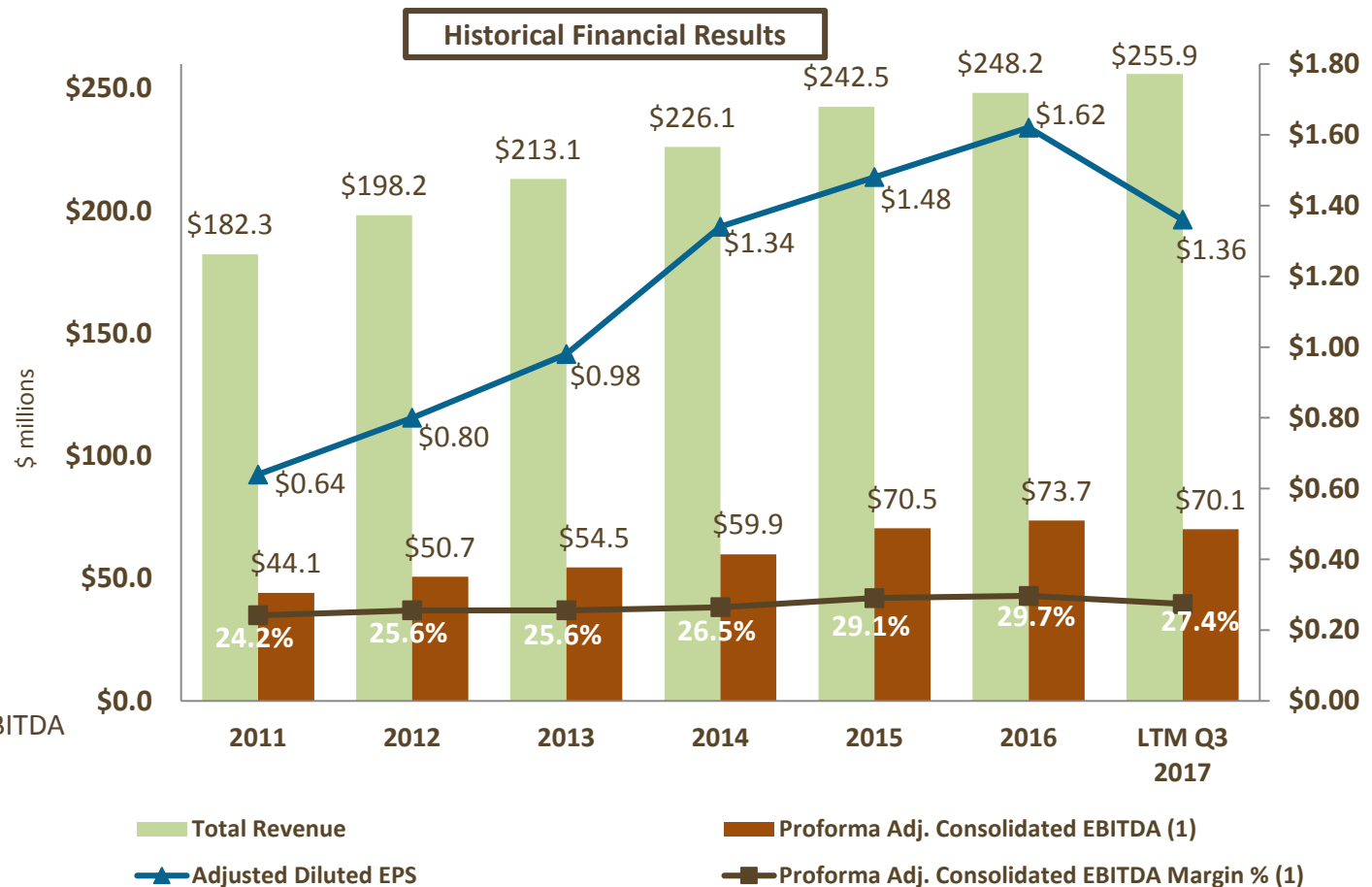
Demonstrated ability to leverage single digit Revenue growth rates into larger increases in Adjusted Consolidated EBITDA and Adjusted Diluted Earnings Per Share.

2011 – LTM Q3 2017

Revenue CAGR: 6.1%

Proforma<sup>1</sup> Adj. Consolidated EBITDA CAGR: 8.4%

Adj. Diluted EPS CAGR: 14.0%

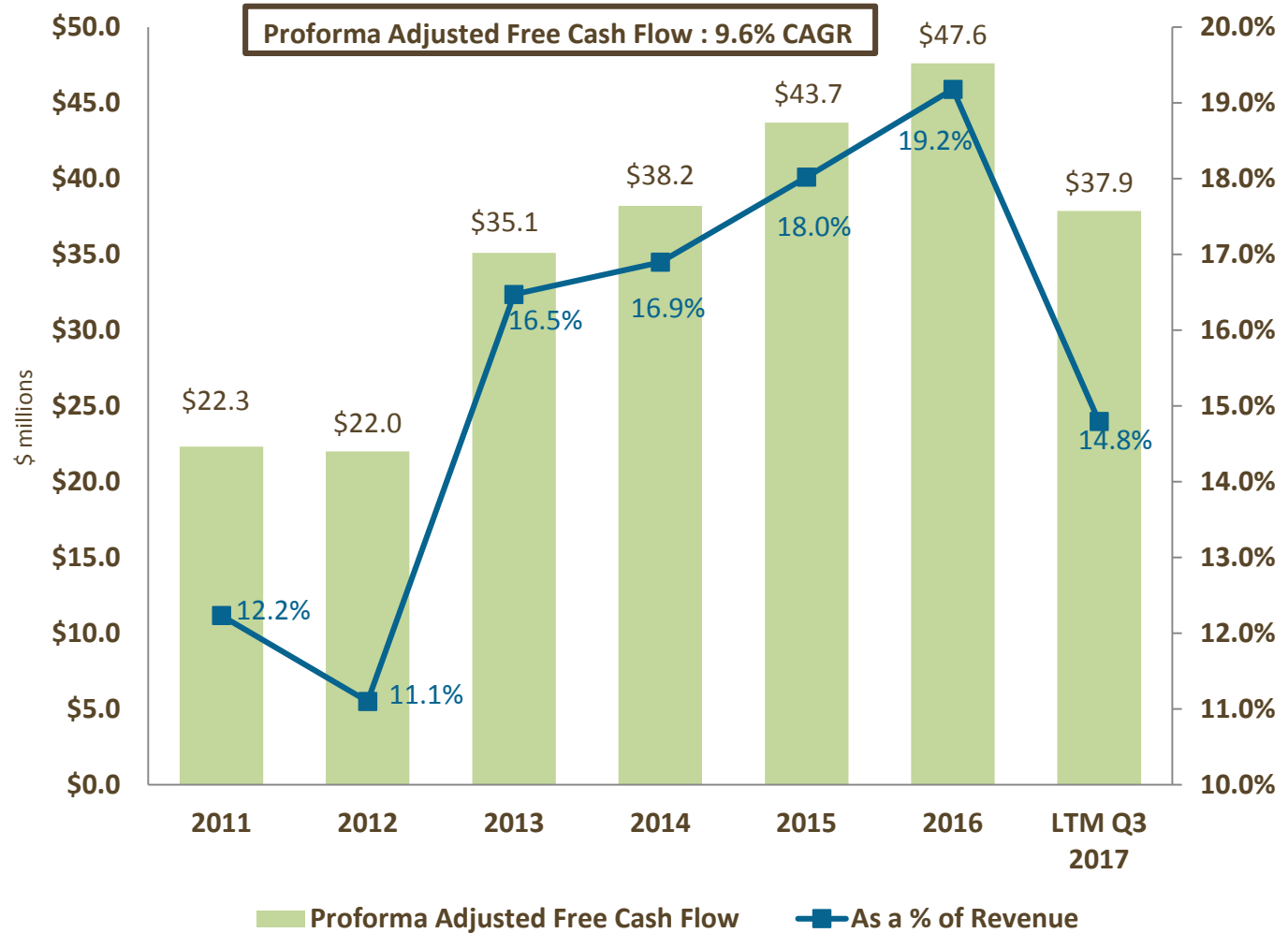


Note 1: Adjusted to exclude Non-GAAP Withdrawable Trust Income from Jan. 1, 2011 for comparative consistency with new reporting policy beginning in 2016.

# Carriage Services, Inc.

## A Value Creation Investment Platform

Growing Adjusted Free Cash flow allows Carriage to fund the majority of acquisition activity or allocate to other investment options to generate returns for shareholders (internal growth capital expenditures, share repurchases, dividends).

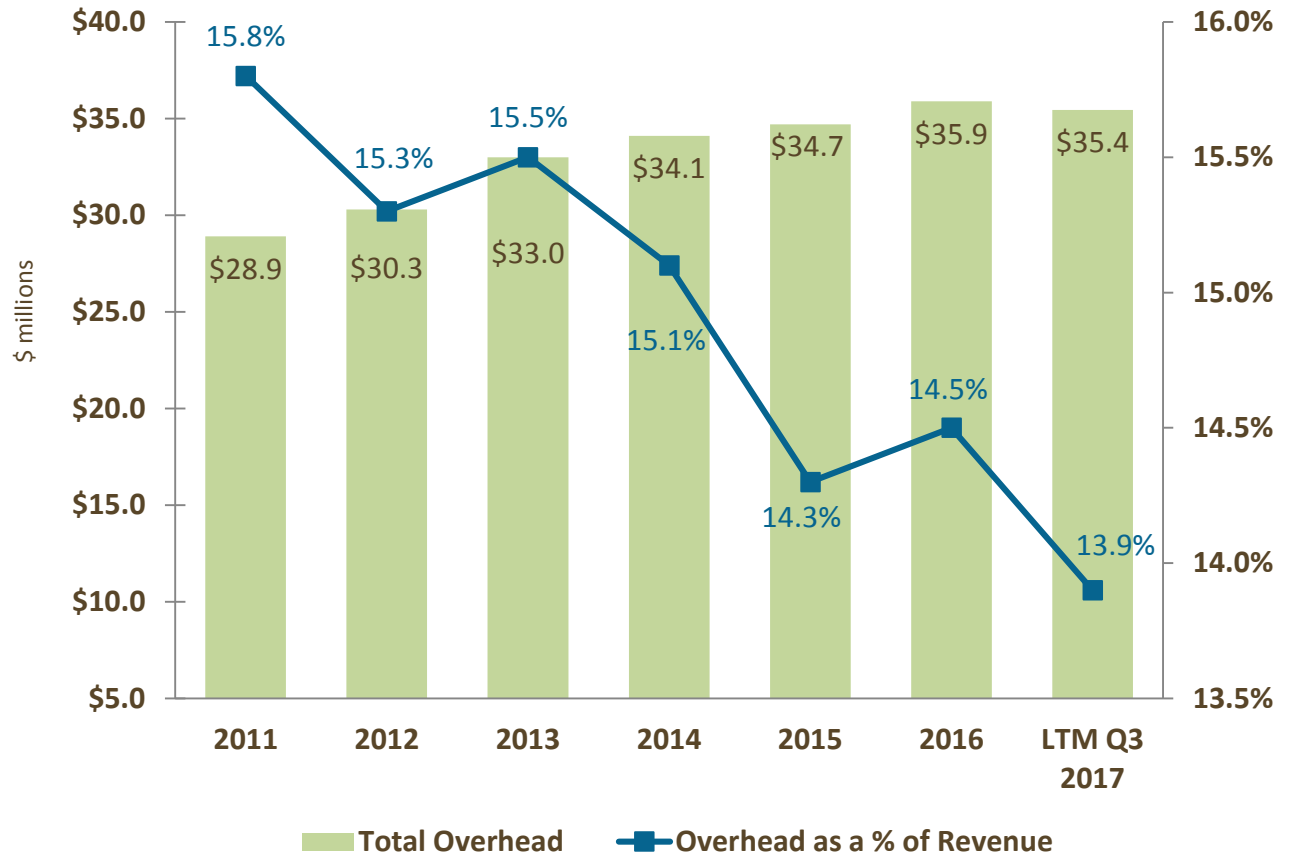


# Carriage Services, Inc.

## A Value Creation Investment Platform

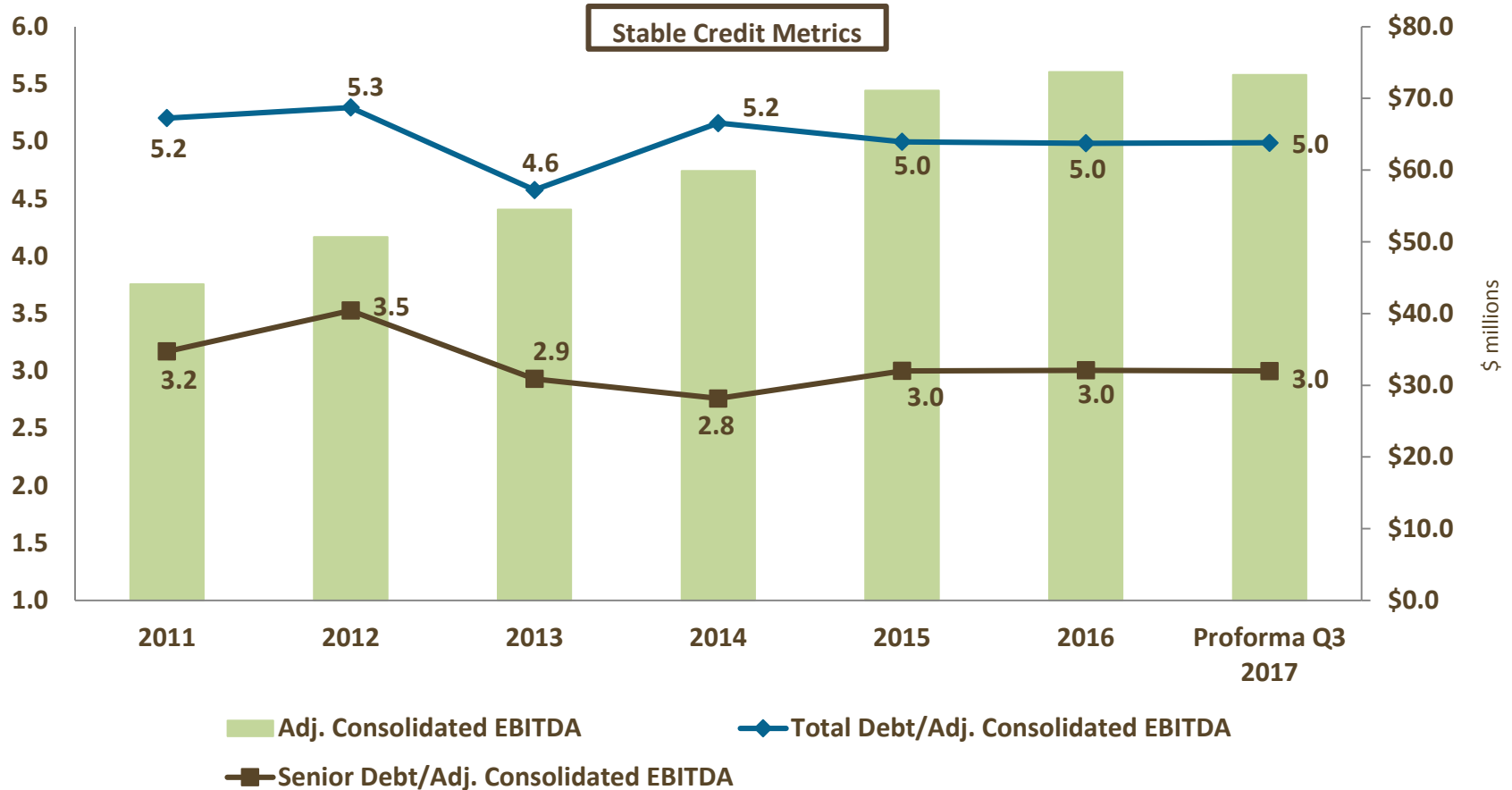
Improved Consolidation Platform

Relatively Fixed Overhead structure ensures Total Overhead grows at a slower rate versus Total Revenue so that the majority of Acquired and incremental Same Store Field EBITDA falls to Adjusted Consolidated EBITDA.



# Carriage Services, Inc.

## A Value Creation Investment Platform



- ProForma based on Credit Facility EBITDA definition
- Capital structure and lower cost of capital support Carriage's Ten Year Vision and Strategy
- Extended maturity of our Credit Facility to January 2021
- Expect to reduce net leverage to 4x Adjusted Consolidated EBITDA over time

# Carriage Services, Inc.

## A Value Creation Investment Platform

### Five Year Growth Scenario

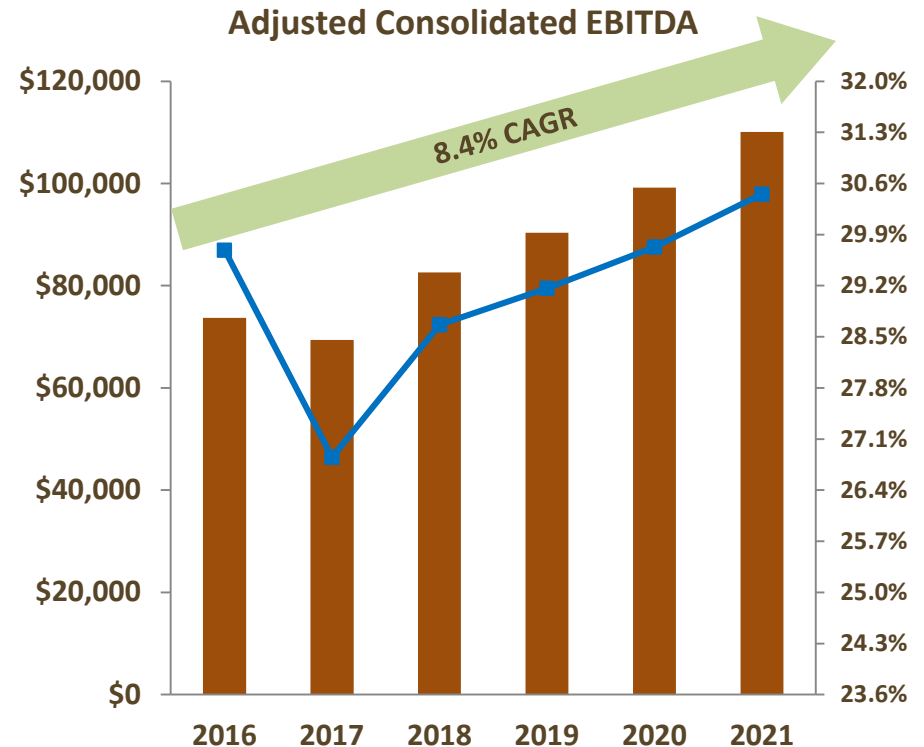
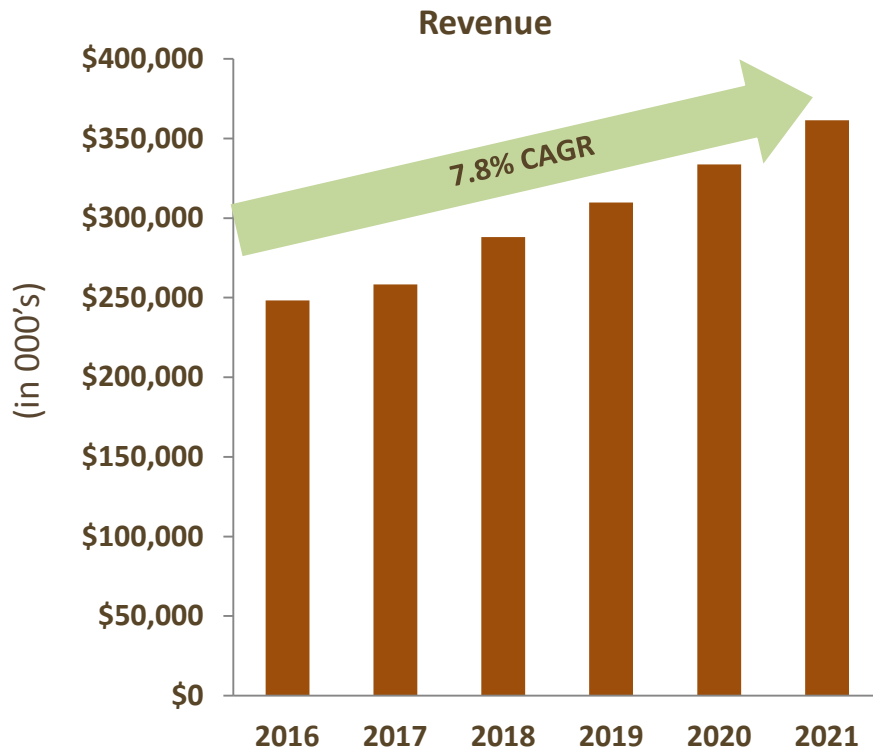
- Intention is to provide investors with a “roughly right” range of future results as we execute our Strategic Acquisition and Standards Operating Models.
- **Not intended** to be a management forecast or a prediction of future results.
- “Roughly Right” range includes:
  - Incremental improvement of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



# Carriage Services, Inc.

## A Value Creation Investment Platform

5 Year Roughly Right Scenario



Adjusted Consolidated EBITDA

Adjusted Consolidated EBITDA Margin

# Q&A for Long Term CSV Shareholders

How does your Standards Operating Model promote operational discipline in a decentralized environment?

- Clear expectations of high Standards Achievement/ Weighted towards revenue growth at high and sustainable margins/ Linked incentive compensation based on Standards Achievement.

What is the scalability of the Standards Operating Model as Carriage grows?

- Scalable due to dependency on local 4E Leader Managing Partners (the Right 'Who')/IT systems and support groups in place to be leveraged across the platform.

How does the increasing trend of cremation effect operating performance?

- Opportunity to provide high value personal service to each cremation family served/trend positive with average revenue per cremation contract up 11% since 2014.

What is the opportunity for Carriage to be the consolidator of choice for the funeral and cemetery industry?

- 77% of industry is unconsolidated/ Only a select number fit our acquisition profile/ Carriage culture and models resonate with the best independent funeral and cemetery businesses.
- Best business owners hate losing total control over vendors and product/ service pricing and having top down initiatives forced on them for 'efficiencies' that over managed for short term profits.

How do you view the sustainability of your capital structure and how does it support your acquisition forecast?

- \$72.5 million of revolver availability for acquisition activity/ majority of acquisition spend funded through Adjusted Free Cash Flow/ Leverage 4-5x.

# Why Carriage?

An innovative and unique company which attracts the best talent that allows Carriage to operate at industry leading profitability.

Standards Operating Model and High Performance Culture makes Carriage the most attractive succession planning solution for independent funeral and cemetery owners.

Acquired businesses improve operational performance once integrated and led by 4E Managing Partner under our Standards Operating Model.

Recurring Free Cash Flow enables majority of shareholder value creation through capital allocation to be self-financed.

Proven track record of leveraging mid single digit Revenue growth, into higher Adjusted Consolidated EBITDA growth, and even higher Adjusted Diluted EPS growth.

Multi-year opportunity for accelerated funeral home and cemetery industry consolidation with Carriage Services as a significant beneficiary.

Dedicated and tenured management team committed to long term shareholder value creation through disciplined capital allocation.