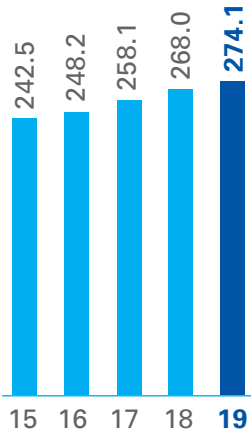




**2019**  
ANNUAL REPORT

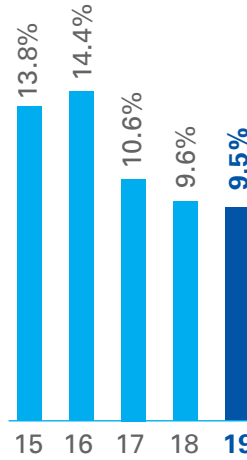
**Total Revenue**  
(In Millions)



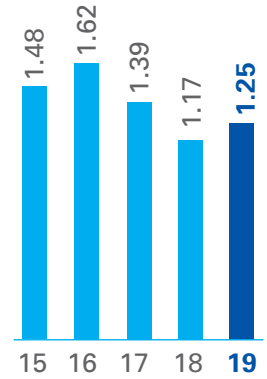
**Adjusted Consolidated EBITDA**  
(In Millions)



**Adjusted Return on Equity**



**Adjusted Diluted Earnings Per Share**

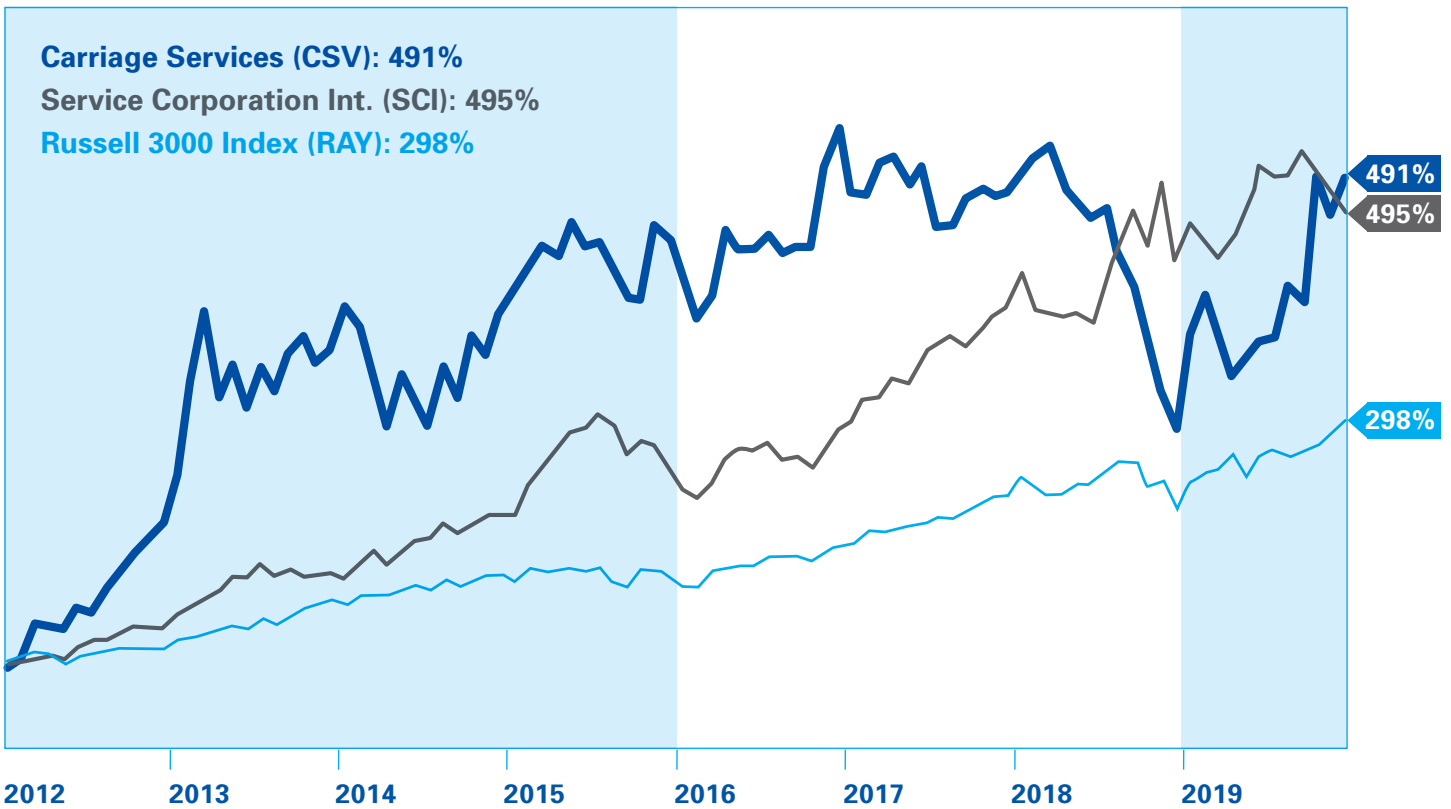


Source: Bloomberg Finance L.P.

**Total Return 2012-2019 YTD December \***

\* Total Return includes stock price appreciation and dividend reinvestment

Copyright: 2019 Bloomberg Finance L.P.



**2012-2016**  
First Five Years  
Good To Great Journey –  
A New Beginning

**2019**  
Back To The Future –  
A New Beginning –  
Part II

# SHAREHOLDER LETTER

---

It is Sunday, March 29, 2020, as I now begin to write my Shareholder Letter about **Carriage's 2019 TRANSFORMATIVE YEAR**. Yet from early February when our Executive Team decided on **TRANSFORMATIVE** for the cover of our 2019 Annual Report, our industry, country and indeed most of the world has been engulfed by the rapid spread of the highly contagious and deadly novel Coronavirus that originated in Wuhan, China in December 2019.

I will therefore orient this letter differently than any previous shareholder letter, as I'm certain that all categories of stakeholders in Carriage, including all of our leaders and employees, Board Members, institutional shareholders, bondholders and banks, suppliers, etc., would like to have some sense of how our company will be impacted by the Coronavirus Crisis, now a worldwide pandemic the likes of which hasn't been experienced since the 1918 Spanish Flu Pandemic.

## I. Background – State of the Company

In order to understand the Coronavirus Crisis potential impact on Carriage, you will be comforted to learn that the **TRANSFORMATIVE** changes starting in November 2018 that we made in operations and leadership at all levels, capped off in the fourth quarter of 2019 with four large acquisitions and the addition of Bill Goetz as our new President and Chief Operating Officer, has positioned our company as well as possible to weather the current storm. Our industry and company are very different than most others, as death, grieving over lost loved ones and friends, and celebration of lives well lived, has been part of the human condition for thousands of years in all cultures.

Even though we will certainly be impacted in the near term to a degree that isn't yet predictable, we don't expect the decline in our Total Revenues, Adjusted Consolidated EBITDA and Free Cash Flow to be deep enough or last long enough to put our company into a financial and liquidity crisis which many other industries and companies are now facing. We suffered literally little or no operational performance impact in prior national crises including the internet bubble market crash in 2000, the economic aftermath of the 9/11 terrorist attacks (September 11th), or the 2008 / 2009 credit and market crisis that produced The Great Recession.

Yet the current Coronavirus Crisis is decidedly different from these others because of government mandated changes in behaviors that are at conflict with the high social nature of our business. Combined with the natural fear of being infected by someone who may or may not be exhibiting symptoms, client families especially in certain hard hit states and markets are changing their behaviors and choices on the timing and elements of funerals related to memorialization of their loved ones at time of death. Families are also reluctant to meet with our Cemetery Sales Counselors in their homes to plan for a death that hasn't yet happened, impacting our Cemetery Preneed Property Sales.

Our Managing Partners, Sales Managers and their teams of employees, dealing with this crisis family by family on the front lines of this battle against the invisible enemy of Coronavirus, are doing no less courageous even heroic work than the front line army of doctors, nurses, and first responders across America. The huge difference related to our industry is that 85% of those who get infected will not need serious medical attention, and of the 15% who do, about 2% are expected to die.

The serious loss of closure without the traditional ritual of a funeral is a tragedy for the families and friends of those who die because the long healing process of recovering from grief might have been deferred but certainly cannot be denied. At some point over the next few months we believe that our industry and company will be able to return to the noble and healing funeral, interment and memorialization rituals we are entrusted to provide to our client families and their communities.

---

## II. Coronavirus Crisis – State of the Country

While the Coronavirus originated in Wuhan, China, it rapidly spread to other countries in January and February and has had devastating impacts on populations, economies and ways of life globally, particularly Italy, Spain, France, England and Iran as of this writing. Most medical experts predict the already dire situation will get much worse for an indeterminate time before it gets better. The province of Wuhan, China and South Korea seem to be offering glimmers of hope that the novel Coronavirus, while not yet treatable with customized therapies or preventable with new vaccines, can be contained with the right population, medical and governmental responses. The best case scenario predicted by experts at this point is that the health and economic damages could be limited to a three to four month period while still being savagely and tragically severe.

The United States experienced its first Coronavirus death only one month ago in late February at a nursing home in Kirkland, Washington. As of Monday, March 30, 2020, according to data from John Hopkins University, there are more than 181,000 confirmed Coronavirus cases in the United States that have resulted in 3,606 deaths with almost half the cases and deaths in New York City. Other severe outbreaks have occurred in the Seattle area, northern and southern California, New Orleans, New Jersey, Connecticut, and more recently Detroit and Chicago.

The Federal Government under the Trump Administration has led a massive and comprehensive medical, monetary and fiscal stimulus response totaling **\$6.2 Trillion Dollars** to this growing Coronavirus Crisis across our country. This response is by far the largest in history but is likely only the beginning commitment to mitigate the damage to the American people and our economy. Shown below are summary bullet points on just how quickly every facet of the American way of life has been shocked over the last six weeks:

### 1. Living.

- Thirty-one states with most of the largest cities (California, New York, Illinois, Michigan, Massachusetts, Washington, etc.) are under state mandated “Stay at Home” orders, and other major cities (Houston, Dallas, Philadelphia) in states without such orders are also under municipal “Stay at Home” orders;
- Three quarters of the population equal to about 245 million people are now living under “Stay at Home” orders;
- Schools at all levels and colleges are closed, many for the rest of the school year;
- Gatherings of people for any reason are either prohibited or highly restricted to very small groups (5 to 50 depending on the state), and each day generally brings shrinkage to the group size that is permitted;
- Social distancing, i.e. staying six feet away from anyone for just about any reason, is the new federal guideline for going about daily life; and
- All of the individual behavioral guidelines to mitigate spread of the Coronavirus as of late today were extended through April 30, 2020 by President Trump.

### 2. Business.

- A majority of businesses have been hugely impacted by the fear and panic and restrictions on their workforce caused by the Coronavirus Pandemic;
- Demand for products and services of just about every category except those critically needed in such a once a lifetime novel pandemic crisis has literally dried up;
- Oil and natural gas prices have collapsed to levels not seen in thirty years because of over production and a plummet in demand;
- Many companies, especially those hardest hit (travel, entertainment, restaurants, energy) have almost overnight had their revenues collapse and are hemorrhaging cash

- 
- and desperately struggling for sources of liquidity to bridge the deep economic recession the country has just entered in March; and
- Most of our economy either has been shut down by government orders or from voluntary behavioral changes which will result in tens of millions of likely unemployed workers and numerous bankruptcies over the coming months.

### 3. Financial Markets.

- After the S&P 500 Index closed at an all-time high of 3,386 on February 19, 2020 (39 days ago), the equity and bond markets collapsed because of fear and panic by investors over the Coronavirus Pandemic, with the S&P 500 plummeting to an intraday low of 2,337 on Monday, March 23rd, down 34% in 33 days, while the DOW Industrials were down 37.1% intraday;
- Bond markets began to freeze up as liquidity was sucked out of bond funds when investors sought safety in cash, exploding yields;
- As the shock of the Coronavirus Pandemic Crisis, having already caused a sudden economic crash and crisis, began to be processed by investors, fears of a financial and credit crisis were made worse by a slow response by the House of Representatives to the fiscal and monetary package passed by the Senate because of the deep political divide in our country;
- A lack of liquidity in the markets and a spike in volatility has characterized both equity and bond markets over the last month with the CBOE Volatility Index (VIX) hitting an all-time high of 82.69 on Monday, March 16, 2020, and the U.S. Ten Year Treasury yield hitting an all-time low of 0.54% on Monday, March 9, 2020, as investors sought safety and the avoidance of any corporate risk;
- Share prices of the most directly and severely impacted companies (airlines, hotels, cruise lines, Boeing, etc.) were down as much as 50% - 80% in one month at the recent market low on March 23, 2020, as were most energy companies that were already way down from the excess production and supply driven by geopolitical dynamics between large producers like Russia and Saudi Arabia;
- Bond yields especially in all high yield categories exploded as the lack of liquidity caused a breakdown in normal price discovery mechanisms, i.e. no buyers "bidding" and sellers willing to "ask" and accept hugely discounted prices from par (30 to 60 cents that one month ago were 100 cents).
- The medical, economic, financial and political crises, compounded by scary worst case reporting by almost all media, all occurring simultaneously and suddenly because of a once in a lifetime novel Coronavirus Pandemic, have defined the Gold Standard for a Black Swan Event, creating an investment environment of uncertainty that is likely to last for months if not much longer.

---

### III. The Transformation of Carriage

Shown below are my verbatim comments about the transformation of Carriage since late 2018 that are from the first 1½ pages of our full year 2019 performance press release issued quite ironically on February 19, 2020, the date of the all-time high in the S&P 500 Index and a week or so before the first Coronavirus death in the U.S. in Kirkland, Washington:

“Our performance in the full year of 2019 was dramatically better than 2018, as we reversed the broadly declining performance trends in our funeral and cemetery portfolios. While we still have much work to do to achieve the optimum performance potential in our existing portfolio, we made two bold and strategic moves in the last quarter of 2019 by recruiting Bill Goetz as President and COO and acquiring four large high quality businesses in great strategic markets with about \$50 million in new high margin revenue once fully integrated into Carriage’s operating model framework.

We believe that in 2019 we positioned Carriage for unprecedented performance and valuation success over the next five years. But no doubt the continuing work to improve performance in our existing portfolio combined with the year-end acquisition and integration of four large businesses in new markets has intensely focused our Operational Leadership and Houston Support Center Leadership Teams on Execution, Execution, Execution. We have therefore determined that the proper way to present our company over the next 3 years is as follows:

1. January 1, 2020 - June 30, 2020 - Integration & Transition.
  - Integrate new acquisitions;
  - Improve funeral and cemetery portfolio performance;
  - Recruit dedicated senior leadership to build and support a high performance cemetery preneed sales culture and system;
  - Divest low performing funeral homes; and
  - Reduce debt from increasing Adjusted Free Cash Flow and divestment proceeds.
2. July 1, 2020 - June 30, 2021 - Normalize increased earnings and Adjusted Free Cash Flow, reducing debt and improving credit profile.
  - Leadership of new acquisitions (existing and newly recruited) fully integrated into high performance framework of Standards Operating Model;
  - Increase Revenue and Total Field and Adjusted Consolidated EBITDA Margin growth trends;
  - Divest any low performing businesses that no longer fit Carriage’s future growth performance profile and apply proceeds to reduction of debt;
  - Refinance our \$400 million of 6.625% eight year senior notes that are callable after June 1, 2021 at 104.969; and
  - Optimize our capital structure and Adjusted Free Cash Flow earning power by issuing new eight to ten year senior notes at a coupon rate in the range around 5% based on current rate environment, saving an estimated \$7 million in annual cash interest expense equivalent to an additional 28¢ of EPS.
3. July 1, 2021 - December 31, 2022 and thereafter - Optimize performance potential within existing portfolio.
  - Achieve annual company milestones in Total Revenue of over \$325 million, Adjusted Consolidated EBITDA of over \$100 million, Adjusted Diluted EPS of over \$2.25 per share and Adjusted Free Cash Flow of over \$60 million; and

- Achieve leverage ratio of approximately 4 times Total Debt/Adjusted Consolidated EBITDA and return to growth by highly selective acquisitions financed primarily with increasing Adjusted Free Cash Flow.

Reflecting back on Carriage's performance decline in 2018, the performance turnaround we have already achieved, and the performance milestones we will achieve over the next three years, our company will have executed what we believe in hindsight will be viewed as a complete Carriage Leadership, Portfolio High Performance, Balance Sheet, Earnings and Free Cash Flow Transformation as a Value Creation Platform.

Shown below is an expanded Milestone Three Year Roughly Right Scenario demonstrating the shareholder value creation opportunity as we enter the next five year timeframe of our **Good To Great Journey**, beginning with:

### **Carriage Services 2020: Transformative High Performance - Good To Great Journey Part II**

The scenario below includes our best "roughly right" estimates regarding our performance in the three distinct time periods as explained above. We will update Carriage's Rolling Four Quarter Outlook when we report our first quarter 2020 performance results", concluded Mr. Payne.

#### **MILESTONE THREE YEAR SCENARIO**

Performance Outlook Scenario	Actual	Roughly Right Ranges		
		Years Ending December 31 (millions)		
		2019 A	2020 E	2021 E
Total Revenue	\$274.1	\$315 - \$319	\$320 - \$324	\$328 - \$332
Total Field EBITDA	\$109.8	\$127 - \$131	\$133 - \$137	\$139 - \$144
Total Field EBITDA Margin	40.0%	40% - 41%	41% - 42%	42% - 43%
Adjusted Consolidated EBITDA	\$76.6	\$92 - \$96	\$97 - \$101	\$102 - \$106
Adjusted Consolidated EBITDA Margin	27.9%	29% - 30%	30% - 31%	31% - 32%
Adjusted Diluted EPS	\$1.25	\$1.55 - \$1.65	\$1.92 - \$2.10	\$2.25 - \$2.40
Adjusted Free Cash Flow	\$37.4	\$42 - \$45	\$53 - \$56	\$60 - \$63
Total Debt Outstanding	\$514	\$480 - \$490	\$440 - \$450	\$390 - \$440
Total Debt to EBITDA Multiple	6.7*	5.0 - 5.2	4.3 - 4.5	3.8 - 4.0

\*Does not include ProForma EBITDA from 3 acquisitions closed in Q4 2019. CSV bank covenant compliance includes addbacks for ProForma EBITDA.

Even in a normal economic environment, it is unconventional to publish what we called in the February 19, 2020 press release a "**Milestone Three Year Scenario**" with "Roughly Right Ranges" of performance outcomes, as there are always those elements in an environment that are not controllable. But historically, as previously covered, our business has been highly resilient to all kinds of shocks including sudden and deep economic and market declines such as 2008/2009.

But what has happened over only the last six weeks in this country would surely set the Gold Standard for a Black Swan Event. Obviously, we will not achieve our 2020 "Roughly Right Ranges" of performance given that large parts of our portfolio are currently operating under the severe restrictions imposed by a majority of states for an extended period of time.

We will have a much better sense of the impact of the Coronavirus Crisis on our funeral and cemetery performance during the month of April, which will be the first full month of operations

---

under the broad geographic restrictions of the current crisis environment across most of our country. Yet we remain optimistic that the Coronavirus Crisis will be winding down by June. Therefore, our passionate conviction is that the **TRANSFORMATIVE HIGH PERFORMANCE** that we had expected in 2020 during the first year of the second five year timeframe of **Carriage's Good To Great Journey** will simply have been delayed into 2021 when our great country and economy are on the mend.

#### IV. **Being The Best – Leadership in Times of Crisis**

I would like to share with you two emails related to leadership in times of crisis that I recently sent, first to our Managing Partners and Sales Managers in northern California, and secondly to all our field and home office leadership. The responses to these two messages from across our portfolio at all levels has been inspiring and humbling:

“March 17, 2020

On behalf of all our leadership teams across the country and our Board of Directors, and speaking personally from the heart, I want each of you who are being tested to the maximum by the Coronavirus Crisis to know that we would be in your foxhole side by side with you if it were possible. I have a special place in my heart for each of you and know you and your teams are rising to the challenges you are facing day by day and hour by hour with your client families and communities.

Without being biased toward any group of high performance heroes in our company, I believe our Managing Partners and Sales Managers in Northern California are The Best Of The Best in our company. When the going gets tough, the tough get going and show the rest of us what leadership during a once in a lifetime crisis looks like. We will do all we can in the coming weeks to support you with anything you need to get through this together. We love and respect you beyond our ability to express in words.

Take care and stay healthy.

Mel”

“March 20, 2020

This past Tuesday, March 17th, I sent the attached email to our Managing Partners and Sales Managers in Northern California. They were the first to lead their businesses through the Coronavirus Crisis under a “Shelter In Place” order that did not exempt funeral and cemetery operations as “Essential Services”. Since then the Coronavirus has been spreading across our country and impacting certain areas much more seriously than others, as each day brings new challenges and often some confusion to more of our businesses. Yesterday the Federal Government brought more uniformity to the way state and city governments deal with this new crisis, especially with the determination that our business is indeed, as it has always been throughout history, an Essential Service.

The sentiments that I express in the attached email apply to each of you as you and your teams of employees deal with this crisis one family at a time. As the Coronavirus spreads geographically and impacts more of our businesses, we will be challenged individually at the business level and the Houston Support Center level to rise to the occasion and to collaborate like never before as a High Performance Team of Teams under the banner of Carriage.



---

I am optimistic that within a couple of months our country and its wonderful medical infrastructure and scientists will have successfully dealt with the worst of this crisis and we will be emerging as a country on the mend. In the meantime, I know that each of you will give your best effort with maximum courage and in so doing define what a **Being The Best Standard** is really all about. In closing, I would like to leave you with two quotes from Theodore Roosevelt, who became the country's youngest President in 1901 at 43 years of age after President William McKinley was assassinated.

***On Effort: "Nothing in this world is worth having or worth doing unless it means effort, pain, difficulty."***

***On Courage: "A soft, easy life is not worth living, if it impairs the fiber of brain and heart and muscle. We must dare to be great; and we must realize that greatness is the fruit of toil and sacrifice and high courage... For us is the life of action, and strenuous performance of duty."***

With the greatest respect and love from our Houston Support Center, Leadership Team and Board of Directors.

Mel"

I have traditionally ended my internal annual Theme Letters and external Shareholder Letters with a famous quote from Jim Collins' bestselling book, ***Good To Great (2001)***, as shown below:

***"Greatness is not a function of circumstance. Greatness, it turns out, is largely a matter of conscious choice."***

With our country in a once in a lifetime crisis, I would instead like to end this shareholder letter by sharing three quotes from John F. Kennedy, one of the greatest presidents in our history, who when sworn into office on January 20, 1961 became the youngest elected president in our history at 43 years of age. Jack Kennedy was about one year younger than Theodore Roosevelt when Roosevelt succeeded to the presidency in 1901 after President McKinley was assassinated. The tragic irony is that America suffered one of its greatest visionary leadership losses in our history when President Kennedy was assassinated in his prime on November 22, 1963.

***"Efforts and courage are not enough without purpose and direction."***

***"The one unchangeable certainty is that nothing is unchangeable or certain."***

***"Ask not what your country can do for you; ask what you can do for your country."***

Speaking on behalf of all the leadership and employees of Carriage and our Board of Directors, we would like to salute all Americans but especially the powerful army of warriors in the first responder, healthcare and deathcare industries as well as our military who are rising to the challenge of doing their best with maximum courage to win the war against the Coronavirus Pandemic.

We live in the greatest country in the history of the world, yet too many Americans do not seem to appreciate the exceptionalism and opportunity in this great land. It is time for every American to set aside all differences of whatever nature and to ask what we can do for our country. When every American makes this "conscious choice" to serve our country in this time of national crisis, and to help as best they can those fellow Americans most in need of our help, I believe with all my heart and soul that America will emerge from the Coronavirus Pandemic Crisis united in victory over this invisible enemy.

**Melvin C. Payne**

*Chief Executive Officer and Chairman of the Board*

---

## **CARRIAGE 2019 PINNACLE OF SERVICE AWARD WINNERS – HIGH PERFORMANCE HEROES**

I am delighted to announce that we had 39 businesses (36 funeral homes and 3 cemeteries) which earned Pinnacle Awards and **Being The Best** Standards Achievement Incentive Bonuses for the Managing Partners and employees of each business. This group of winners represented the Company's **High Performance Culture** well as their businesses contributed \$82.0 million in revenue (30% of Total of \$274.1 million), \$36.1 million in Field EBITDA (33% of Company Total of \$109.8 million) and a EBITDA Margin of 44.1% (Total Company Field EBITDA Margin of 40.0%).

The 39 Pinnacle Award winners included 34 businesses (33 funeral homes and 1 cemetery) which averaged 70% Standards Achievement over the 3 year period 2017-2019 (5 of these businesses also achieved 100% in 2019 under the updated/ rebooted Performance Standards), and 5 businesses (3 funeral homes and 2 cemeteries) which had 100% Standards Achievement in 2019.

As an important part of our **High Performance Culture** tradition and language, and because we have a passionate conviction that RECOGNITION is the highest form of motivation, listed below are Carriage's **Being The Best Pinnacle Of Service Award** winners for 2019:

### **"Being The Best" Pinnacle Of Service Award**

<b>Courtney Charvet</b>	North Brevard Funeral Home
<b>Patrick Schoen</b>	Jacob Schoen & Son
<b>Matthew Simpson</b>	Fry Memorial Chapel
<b>Justin Luyben</b>	Evans-Brown Mortuaries & Crematory
<b>Alan Kerrick</b>	Dakan Funeral Chapel
<b>Jeff Hardwick</b>	Bryan & Hardwick Funeral Home
<b>James Bass</b>	Emerald Coast/McLaughlin Mortuary
<b>Randy Valentine</b>	Dieterle Memorial Home & Cremation
<b>Sue Keenan</b>	Byron Keenan Funeral Home & Cremation
<b>Todd Muller</b>	All Cremation Options
<b>Jason Cox</b>	Lane Funeral Home - South Crest
<b>Jeff Seaman</b>	Dwayne R. Spence Funeral Homes
<b>Dan Simons</b>	Everly Community Funeral Care
<b>Mike Conner</b>	Conner-Westbury Funeral Home
<b>Ashley Vella</b>	Deegan Funeral Chapels
<b>Jason Higginbotham</b>	Lakeland Funeral Home
<b>Joseph Newkirk</b>	Civic Center Chapel
<b>Robert Maclary</b>	Kent-Forest Lawn Funeral Home
<b>Ken Duffy</b>	John E. Day Funeral Home
<b>Scott Sanderford</b>	Everly Wheatley Funeral Home
<b>Phil Appell</b>	Keenan Funeral Home
<b>Joseph Waterwash</b>	Baird-Case Jordan-Fannin Funeral Home & Cremation Center
<b>Jeff Steadman</b>	Sansone Funeral Home
<b>Tom O'Brien</b>	O'Brien Funeral Home
<b>Chris Chetsas</b>	Cataudella Funeral Home
<b>*Nicholas Welzenbach</b>	Darling & Fischer Funeral Homes
	Los Gatos Memorial Park
<b>*Tim Hauck</b>	Harvey-Engelhardt/Fuller Metz
	Lee County Cremation

*\*Qualified for 2 Businesses*

---

### **“Being The Best” Pinnacle Of Service Award & 100% of Standards Award**

<b>Ken Summers</b>	P.L. Fry & Sons Funeral Home
<b>Steve Mora</b>	Conejo Mountain Funeral Home
<b>Brian Binion</b>	Steen Funeral Homes
<b>James Terry</b>	James J. Terry Funeral Homes
<b>Cyndi Hoots</b>	Schmidt Funeral Homes

### **“Being The Best” 100% Of Standards Award**

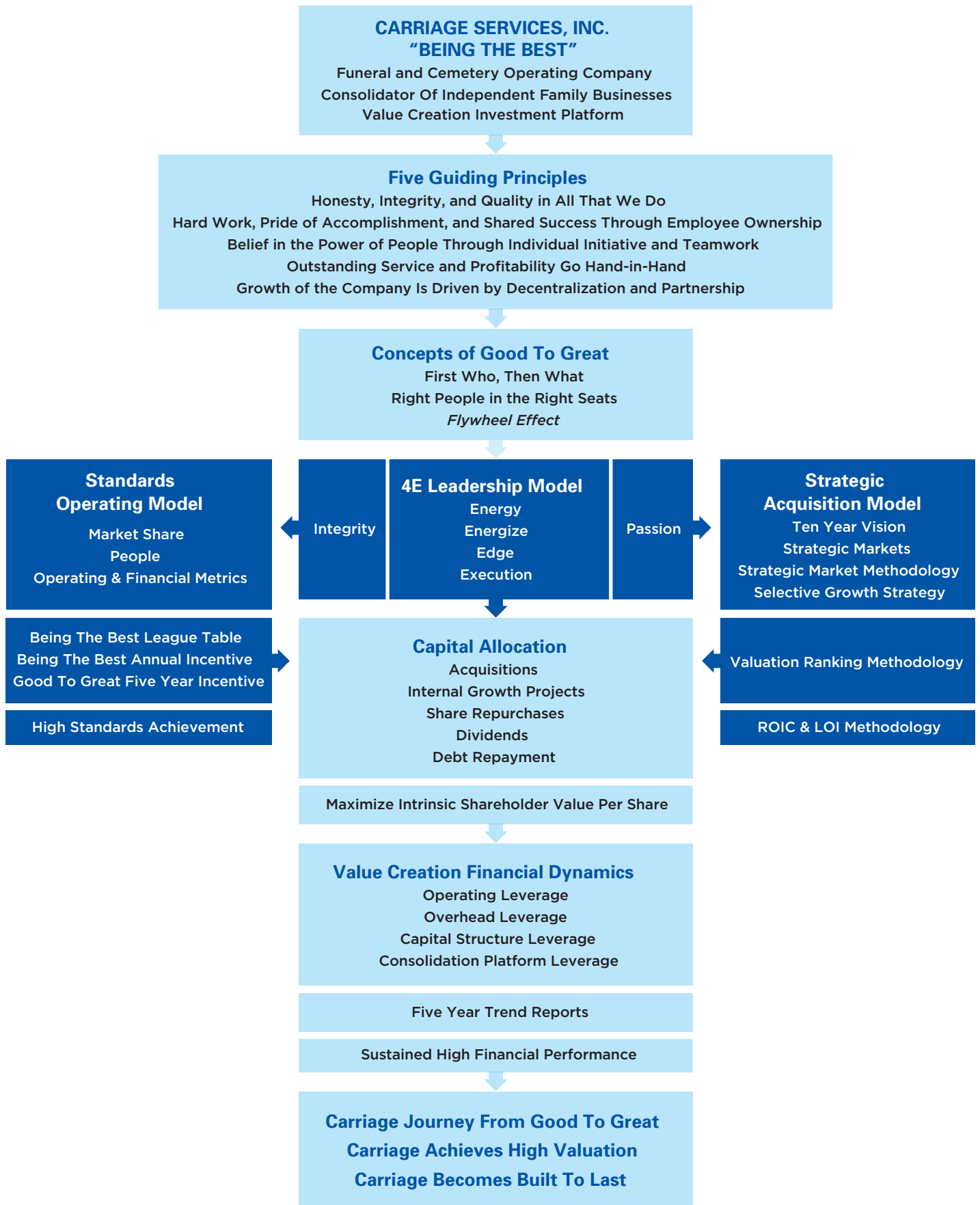
<b>JoAnna DiSibio</b>	Oak View Memorial Park
<b>Anthony Rodriguez</b>	Higgins Mortuary
<b>Ben Friberg</b>	Heritage Funeral Home & Crematory
<b>David Keller</b>	Lane Funeral Homes - Coulter Chapel
<b>Michael Page</b>	Sterling-White Cemetery

## **CARRIAGE 2019 GOOD TO GREAT AWARD WINNERS**

Our five year incentive award, called the **Good To Great Award**, is directly linked to our annual **Being The Best Pinnacle Award** which itself is linked to High Funeral Standards Achievement over a full year, i.e. our **Good To Great Awards** require high and sustained **Being The Best Standards Achievement** over a full five years. We have had many wonderful performances since the start of our **Good To Great Journey** in 2012 by High Performance Hero Funeral and Cemetery Managing Partners and Sales Managers and their teams of winning employees, so I am more than honored to announce our fourth group of **Good To Great Award** winners that sustained a high level of Standards Achievement and Financial Performance while compounding revenue at 3.1% for the five year timeframe that began in 2015 and ended at year end 2019, as listed below:

<b>Todd Muller</b>	Muller-Thompson Funeral Chapel & Cremation Services
<b>Alan Kerrick</b>	Dakan Funeral Chapels
<b>Nicholas Welzenbach</b>	Darling Fischer Funeral Homes
<b>Scott Sanderford</b>	Everly Wheatley Funeral Home
<b>Patrick Schoen</b>	Jacob Schoen & Son
<b>Charlie Eagan</b>	Greenwood Funeral Home

# HIGH PERFORMANCE CULTURE FRAMEWORK



# ANNUAL OPERATING AND FINANCIAL TREND REPORT

This table 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 in other companies' reports. The Non-GAAP financial measures include "Funeral, Cemetery, Financial and Other EBITDA", "Total Field EBITDA", "Total Field EBITDA Margin", "Divested/Planned Divested Revenue", "Divested/Planned Divested EBITDA", "Divested/Planned Divested EBITDA Margin", "Consolidated EBITDA", "Adjusted Consolidated EBITDA", "Adjusted Consolidated EBITDA Margin", "Adjusted Net Income", "Adjusted Basic Earnings Per Share", "Adjusted Diluted Earnings Per Share" and "Special Items". A full copy of our Annual Operating and Financial Trend Report and reconciliations of the Non-GAAP financial measures to GAAP measures are provided on our website, [www.carriageservices.com](http://www.carriageservices.com).

(in thousands, except per share amounts)	2015	2016	2017	2018	2019	CAGR
<b>Same Store Contracts</b>						
Atneed Contracts	24,356	24,179	25,069	25,117	25,844	
Preneed Contracts	5,936	5,728	5,840	5,721	5,700	
Same Store Funeral Contracts	30,398	30,010	30,909	30,838	31,544	0.9%
<b>Acquisition Contracts</b>						
Atneed Contracts	265	1,097	2,110	3,404	4,896	
Preneed Contracts	46	111	304	450	586	
Acquisition Funeral Contracts	311	1,208	2,414	3,854	5,482	
<b>Total Funeral Contracts</b>	<b>30,709</b>	<b>31,218</b>	<b>33,323</b>	<b>34,692</b>	<b>37,026</b>	<b>4.8%</b>
<b>Funeral Operating Revenue</b>						
Same Store Revenue	\$ 163,829	\$ 162,968	\$ 168,173	\$ 166,934	\$ 167,246	0.5%
Acquisition Revenue	2,266	7,978	16,388	26,835	33,146	
Funeral Operating Revenue	\$ 166,095	\$ 170,946	\$ 184,561	\$ 193,769	\$ 200,392	4.8%
<b>Cemetery Operating Revenue</b>						
Same Store Revenue	\$ 42,078	\$ 43,730	\$ 43,242	\$ 45,135	\$ 49,455	4.1%
Acquisition Revenue	-	-	-	-	295	
Cemetery Operating Revenue	\$ 42,078	\$ 43,730	\$ 43,242	\$ 45,135	\$ 49,750	4.3%
<b>Financial Revenue</b>	\$ 18,080	\$ 17,262	\$ 16,058	\$ 15,977	\$ 16,022	-3.0%
<b>Other Revenue</b>	\$ -	\$ -	\$ -	\$ -	\$ 748	
<b>Divested/Planned Divested Revenue</b>	\$ 16,249	\$ 16,262	\$ 14,278	\$ 13,111	\$ 7,195	-18.4%
<b>Total Revenue</b>	<b>\$ 242,502</b>	<b>\$ 248,200</b>	<b>\$ 258,139</b>	<b>\$ 267,992</b>	<b>\$ 274,107</b>	<b>3.1%</b>
<b>Field EBITDA</b>						
Same Store Funeral Field EBITDA	\$ 64,730	\$ 64,755	\$ 66,668	\$ 63,119	\$ 63,938	-0.3%
Same Store Funeral Field EBITDA Margin	39.5%	39.7%	39.6%	37.8%	38.2%	
Acquisition Funeral Field EBITDA	937	3,318	5,633	9,732	12,547	
Acquisition Funeral Field EBITDA Margin	41.4%	41.6%	34.4%	36.3%	37.9%	
Funeral Field EBITDA	\$ 65,667	\$ 68,073	\$ 72,301	\$ 72,851	\$ 76,485	3.9%
Funeral Field EBITDA Margin	39.5%	39.8%	39.2%	37.6%	38.2%	
Same Store Cemetery Field EBITDA	\$ 14,685	\$ 14,926	\$ 13,406	\$ 13,880	\$ 17,055	3.8%
Same Store Cemetery Field EBITDA Margin	34.9%	34.1%	31.0%	30.8%	34.5%	
Acquired Cemetery Field EBITDA	-	-	-	-	73	
Acquired Cemetery Field EBITDA Margin	0.0%	0.0%	0.0%	0.0%	24.8%	
Cemetery Field EBITDA	\$ 14,685	\$ 14,926	\$ 13,406	\$ 13,880	\$ 17,128	3.9%
Cemetery Field EBITDA Margin	34.9%	34.1%	31.0%	30.8%	34.4%	
Financial EBITDA	\$ 16,698	\$ 16,123	\$ 14,743	\$ 14,427	\$ 14,419	-3.6%
Financial EBITDA Margin	92.4%	93.4%	91.8%	90.3%	90.0%	
Other EBITDA	\$ -	\$ -	\$ -	\$ -	\$ 298	
Other EBITDA Margin	0.0%	0.0%	0.0%	0.0%	39.8%	
Divested/Planned Divested EBITDA	\$ 4,489	\$ 5,291	\$ 4,062	\$ 3,155	\$ 1,437	-24.8%
Divested/Planned Divested EBITDA Margin	27.6%	32.5%	28.4%	24.1%	20.0%	
<b>Total Field EBITDA</b>	<b>\$ 101,539</b>	<b>\$ 104,413</b>	<b>\$ 104,512</b>	<b>\$ 104,313</b>	<b>\$ 109,767</b>	<b>2.0%</b>
<b>Total Field EBITDA Margin</b>	<b>41.9%</b>	<b>42.1%</b>	<b>40.5%</b>	<b>38.9%</b>	<b>40.0%</b>	
Overhead	\$ 34,667	\$ 35,898	\$ 36,430	\$ 36,993	\$ 37,554	2.0%
Overhead as a percentage of Revenue	14.3%	14.5%	14.1%	13.8%	13.7%	
Consolidated EBITDA	\$ 66,872	\$ 68,515	\$ 68,082	\$ 67,320	\$ 72,213	1.9%
Consolidated EBITDA Margin	27.6%	27.6%	26.4%	25.1%	26.3%	
Other Expenses and Interest						
Depreciation & Amortization	\$ 13,780	\$ 15,421	\$ 15,979	\$ 17,430	\$ 17,771	
Non-Cash Stock Compensation	4,444	2,890	3,162	6,583	2,153	
Interest Expense	10,559	11,738	12,948	21,109	25,522	
Accretion of Discount on Convert. Sub. Notes	3,454	3,870	4,329	2,192	241	
Loss on Early Extinguishment of Debt	-	567	-	502	-	
Other, Net	45	1,788	(1,118)	1,238	4,110	
Pretax Income	\$ 34,590	\$ 32,241	\$ 32,782	\$ 18,266	\$ 22,416	-10.3%
Net Tax Provision (Benefit)	13,737	12,660	(4,411)	6,621	7,883	
<b>GAAP Net Income</b>	<b>\$ 20,853</b>	<b>\$ 19,581</b>	<b>\$ 37,193</b>	<b>\$ 11,645</b>	<b>\$ 14,533</b>	<b>-8.6%</b>
Special Items, Net of tax	\$ 6,508	\$ 8,757	\$ (12,444)	\$ 9,921	\$ 7,999	
<b>Adjusted Net Income</b>	<b>\$ 27,361</b>	<b>\$ 28,338</b>	<b>\$ 24,749</b>	<b>\$ 21,566</b>	<b>\$ 22,532</b>	<b>-4.7%</b>
Adjusted Net Profit Margin	11.3%	11.4%	9.6%	8.0%	8.2%	
Reconciliation of Consolidated EBITDA to Adjusted Consolidated EBITDA						
Consolidated EBITDA	\$ 66,872	\$ 68,515	\$ 68,082	\$ 67,320	\$ 72,213	1.9%
Special Items	\$ 4,261	\$ 5,176	\$ 620	\$ 2,872	\$ 4,374	
<b>Adjusted Consolidated EBITDA</b>	<b>\$ 71,133</b>	<b>\$ 73,691</b>	<b>\$ 68,702</b>	<b>\$ 70,192</b>	<b>\$ 76,587</b>	<b>1.9%</b>
Adjusted Consolidated EBITDA Margin	29.3%	29.7%	26.6%	26.2%	27.9%	
GAAP Diluted EPS	\$ 1.12	\$ 1.12	\$ 2.09	\$ 0.63	\$ 0.80	-8.1%
Adjusted Diluted EPS	\$ 1.48	\$ 1.62	\$ 1.39	\$ 1.17	\$ 1.25	-4.1%
Average Number of Diluted Shares Outstanding	18,313	17,460	17,715	18,374	18,005	-0.4%
GAAP Basic EPS	\$ 1.16	\$ 1.18	\$ 2.25	\$ 0.64	\$ 0.81	-8.6%
Adjusted Basic EPS	\$ 1.52	\$ 1.71	\$ 1.50	\$ 1.19	\$ 1.26	-4.6%
Average Number of Basic Shares Outstanding	17,791	16,515	16,438	17,971	17,877	0.1%

*Carriage Services*



# CORPORATE INFORMATION

Carriage Services is a leading provider of funeral and cemetery services and merchandise in the United States. As of December 31, 2019, Carriage operated 186 funeral homes in 29 states and 31 cemeteries in 11 states.

## BOARD OF DIRECTORS

### Melvin C. Payne

Chief Executive Officer and  
Chairman of the Board

### William W. Goetz

President and Chief Operating Officer

### Bryan D. Leibman

President and Chief Executive Officer,  
Frosch Travel

### Barry K. Fingerhut

Chief Executive Officer,  
Certification Partners, LLC

### Douglas B. Meehan

Deputy Chief Investment Officer,  
van Biema Value Partners, LLC

### Donald D. Patteson, Jr.

Investor

### James R. Schenck

President and Chief Executive Officer,  
PenFed Credit Union

## ADVISOR TO THE BOARD OF DIRECTORS

### Gregory R. Brudnicki

Mayor of Panama City, Florida

## Independent Public Accountants

Grant Thornton LLP, Houston, Texas

## Form 10-K Availability

The Company's Annual Report on Form 10-K for the year ended December 31, 2019 may be obtained by writing to: Investor Relations, Carriage Services, Inc., 3040 Post Oak Boulevard, Suite 300, Houston, Texas 77056; via the Company's website: [www.carriageservices.com](http://www.carriageservices.com); or via the SEC's website: [www.sec.gov](http://www.sec.gov).

## Common Stock

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

## Transfer Agent & Registrar

American Stock Transfer & Trust Company, LLC  
6201 15th Avenue  
Brooklyn, New York 11219  
800.937.5449  
[www.amstock.com](http://www.amstock.com)

## EXECUTIVE TEAM

### Melvin C. Payne

Chief Executive Officer and  
Chairman of the Board

### William W. Goetz

President and Chief Operating Officer

### Viki K. Blinderman

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

### C. Benjamin Brink

Senior Vice President, Chief Financial Officer  
and Treasurer

### Paul D. Elliott

Senior Vice President and Regional Partner

### Michael S. Loeffel

Senior Vice President of Human Resources

### Christopher Manceaux

Senior Vice President and Regional Partner

### Steven D. Metzger

Senior Vice President and General Counsel

### Shawn R. Phillips

Senior Vice President, Regional Partner and Head  
of Strategic and Corporate Development

### Peggy Schappaugh

Vice President of Operations and  
Acquisitions Analysis

## Houston Support Office

Carriage Services, Inc.  
3040 Post Oak Boulevard, Suite 300  
Houston, Texas 77056  
713.332.8400  
[www.carriageservices.com](http://www.carriageservices.com)

## Forward-looking Statements

Statements made in this Annual Report that are not historical facts are intended to be forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on assumptions that the Company believes are reasonable; however, many important factors, including factors not in our control, or as discussed under "Forward-Looking Statements" in Company's Form 10-K for the year ended December 31, 2019, could cause the Company's results to differ materially from the forward-looking statements made herein and in any other documents or presentations made by or on behalf of the Company.





**CARRIAGE SERVICES, INC.**

3040 Post Oak Boulevard, Suite 300  
Houston, Texas 77056

713.332.8400  
[www.carriageservices.com](http://www.carriageservices.com)