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PROPOSED TRANSACTION SUMMARY

Company: Carriage Services, inc.

Current Stock Price: \$37.50

Recommendation: Private Investment in Public Equity (PIPE)

Written for the Board of Directors of Carriage Services, inc.

Carriage Services inc. is a robust company that is poised for an incredible growth opportunity in an unconsolidated industry. This analysis describes how Carriage Services inc. can maximize its growth opportunities by detailing three main fundamental theses. The first thesis is that the company's stock is undervalued in the public markets. This conclusion is reached by performing a three-pronged discounted-cash-flow analysis followed by a relative valuation using Service Corporation International's and Park Lawn International as comparable companies. The second thesis is that the company is currently facing two obstacles to growth and profitability, severe leverage and high interest payments. These conclusions are reached by examining the company's publicly reported Financial Statements. Finally, the third thesis is that Carriage Services inc. would benefit from a strategic partnership with a private fund in order to pivot resources away from de-levering and back towards achieving growth via industry consolidation. These theses are illustrated below and more information can be found in the supplementary exhibits.

INTRINSIC VALUATION OF CARRIAGE SERVICES INC.

In order to perform the intrinsic valuation of the company we conducted multiple projections, these projections included compound annual growth rates ranging from 1.7% for the downside case, to 3.5% for the base case and 6.7% for the upside case.

As a result of applying the aforementioned assumptions, we obtained three different valuations for Carriage Services, inc. Of these valuations, both the Base Case and the Upside Case showed a significant premium to the current stock price. The Downside case showed a stock price similar to that of the current price, however, it is important to recognize that the current price recently experienced a jump due to positive Q3 performance.

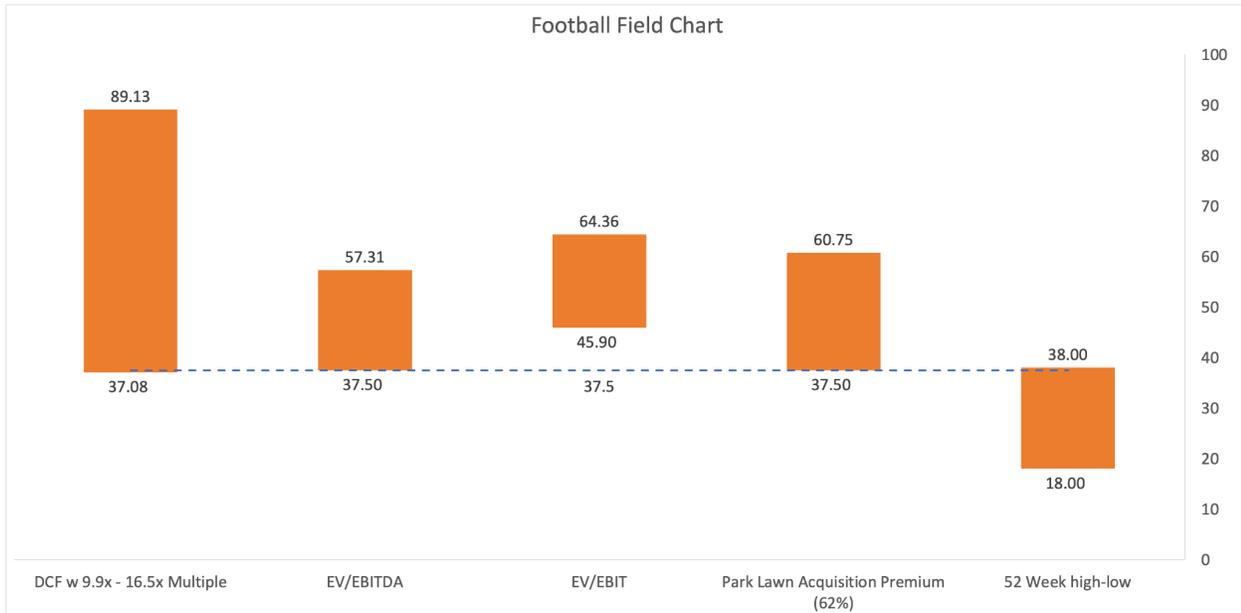
Current Price: **\$37.05**

Case	Implied Share Price	Difference
Upside Case	\$61.75	+ \$24.70 Premium
Base Case	\$89.13	+ \$52.08 Premium
Downside Case	\$37.08	- \$0.42 Discount

RELATIVE VALUATION OF CARRIAGE SERVICES INC.

In order to estimate the relative value of Carriage Services inc. we utilized two methods. The first of these was a direct comparison to a public company. We selected Service Corporation International due to the overlap in industry and services provided. We did not utilize any other public comparable companies. The second method we used was a transaction comparison. We used the recent acquisition of Park Lawn Corporation by Viridian Acquisitions, a subsidiary of Birch Hill Equity Partners.

This company was also in the same industry and had a similar market cap, location count, and revenue to Carriage Services, inc. The multiples from both of these companies were applied in order to create a comprehensive understanding of the size of a potential transaction involving Carriage Services inc.



Conclusion: As demonstrated by the graph, all metrics indicate that Carriage Services inc.'s stock price is undervalued both relatively and fundamentally. Furthermore, positive performance announced during the Q3 earnings call included a repayment of debt and an increase in their yearly revenue projections with a sustained growth rate of over 4%, which is higher than the base case of 3.5%. All evidence indicates that Carriage Services, inc. is undervalued.

STRATEGIC PARTNERSHIP: PUBLIC INVESTMENT IN PRIVATE EQUITY

Often times stockholders do not want to fully divest from a company, especially if that company has significant growth potential. Carriage Services, inc. is a prime example of this. This company, although burdened by high debt and interest payments, has significant potential in an industry that has not been modernized nor consolidated. Thus, it is reasonable to believe that investors may not want to fully divest. However, the company is in need of liquidity in order to satisfy their debt obligations and continue to grow through acquisitions, thus, a potential middle ground can be found by a Private Investment in Public Equity.

There is an inverse relationship between the premium that would be applied to the current stock price of Carriage Services, inc. and the amount of stock that an acquirer would have to purchase in order for the cash to satisfy the repayment of the company's acquisition debt. We will be working under the assumptions that CSV management wants to obtain \$400M in order to repay their debt, and that 100% of the proceeds will go to CSV.

Conclusion: Carriage Services inc. shareholders would benefit from a private partnership with the purpose of purchasing a percentage of the company with the intent of reshoring their balance sheet in order to continue their growth through acquisitions.

APPENDIX

EXHIBIT 1: DISCOUNTED CASH FLOW VALUATION

Growth Assumptions

Year	2025	2026	2027	2028	2029 + Perp
Upside Case	4%	6%	7%	8%	8.5%
Base Case	3%	3.3%	3.5%	3.8%	4%
Downside Case	1%	1.3%	1.5%	2%	2.5%

Other Assumptions

Year	2025	2026	2027	2028	2029 + Perp
EBITDA	Up: 42% Base: 41.9% Down: 41%	Up: 45% Base: 44% Down: 40%	Up: 47% Base: 45% Down: 40%	Up: 49% Base: 46% Down: 40%	Up: 50% Base: 46% Down: 40%
Overhead	Up: 12% Base: 12.4% Down: 12%	Up: 11.8% Base: 12.2% Down: 12.3%	Up: 11.6% Base: 12% Down: 12.5%	Up: 11.4% Base: 11.9% Down: 12.7%	Up: 11% Base: 11.7% Down: 12.9%
Dep & Amor	Up: 5% Base: 5% Down: 5%	Up: 5% Base: 4.9% Down: 5%	Up: 5% Base: 4.8% Down: 5%	Up: 5% Base: 4.8% Down: 5%	Up: 5% Base: 4.8% Down: 5%
CapEx	All: (2.5%)	All: (2.5%)	All: (2.5%)	All: (2.5%)	All: (2.5%)

Conclusions

Case	Implied Share Price	Difference
Upside Case	\$61.75	+ \$24.70 Premium
Base Case	\$89.13	+ \$52.08 Premium
Downside Case	\$37.08	- \$0.42 Discount

EXHIBIT 2: RELATIVE VALUATION (SERVICE CORPORATION INTERNATIONAL METRICS)

Enterprise Value Multiples

Metric	Service Corp Int.	Carriage Services inc.	Difference
EV/EBITDA	14.7x	10.5x	40%
EV/EBIT	18x	13.2x	36%
EPS	\$3.43	\$2.23	1.5x
Net Income	\$535M (13%)	\$33.4M (8%)	5%

Size Comparison (Service Corporation International)

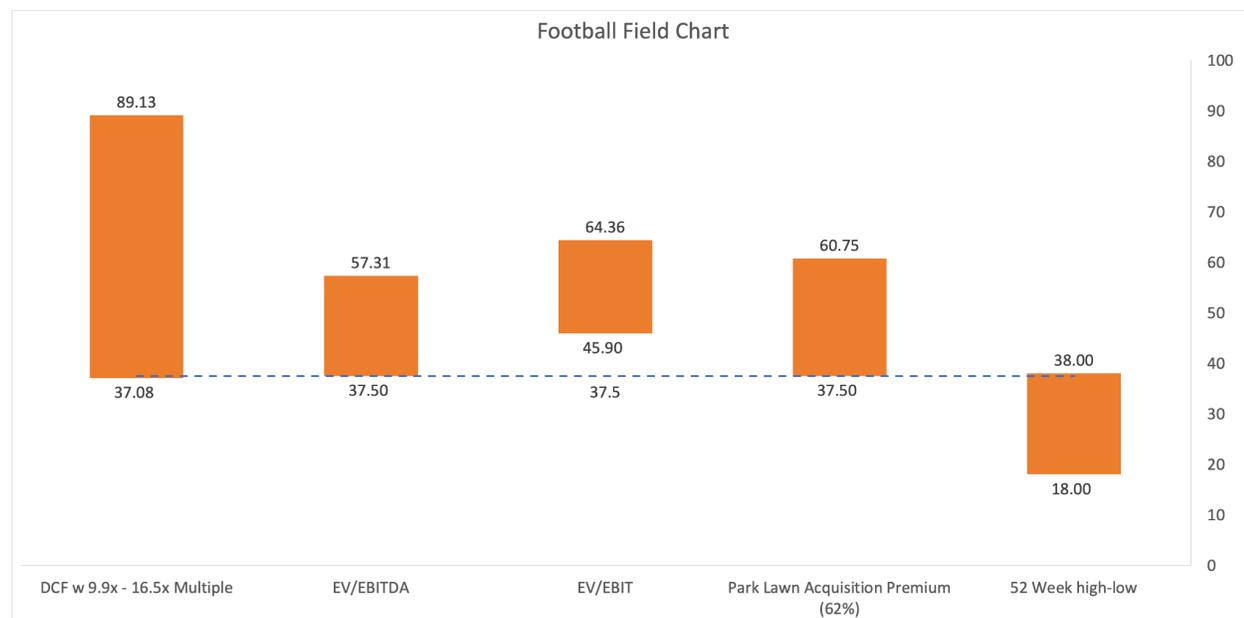
Metric	Service Corp Int.	Carriage Services inc.	Difference
Revenue	\$4.1 Billion	\$382 Million	10.7x
Market Cap	\$11.79 Billion	\$570 Million	20x

EXHIBIT 3: RELATIVE VALUATION (PARK LAWN CORPORATION METRICS)

Size Comparison (Park Lawn Corporation)

Metric	Park Lawn Corp	Carriage Services Inc	Who is Larger?
Locations	202	189	PLN
Revenue	\$332M	\$382M	CSV
Net Income	(\$7.9M)	\$33.4M	CSV

EXHIBIT 4: VALUATION CONCLUSIONS (FOOTBALL FIELD CHART)



Current Price: **\$37.05**

Metric	Low	High
DCF (1.7% - 6.7% Growth)	\$37.08	\$89.13
EV/EBITDA	\$37.50	\$57.31
EV/EBIT	\$45.90	\$64.36
Park Lawn Acquisition Premium	\$37.50	\$60.75
52-Week High/Low	\$18.00	\$38.00

EXHIBIT 5: PUBLIC INVESTMENT IN PRIVATE EQUITY

	Downside	Base	Match	Upside
Current Share Price	\$37.50	\$37.50	\$37.50	\$37.50
Premium	35%	45%	62%	75%
Purchase Price	\$50.63	\$54.38	\$60.75	\$65.63
New Market Value	\$770,006,250	\$827,043,750	\$924,007,500	\$998,156,250
Total Debt to be Repaid	\$400,436,000	\$400,436,000	\$400,436,000	\$400,436,000
Number of Shares to be Acquired to pay off debt	7,909,847	7,364,340	6,591,539	6,101,882
Total Shares before	15,210,000	15,210,000	15,210,000	15,210,000
Total Shares after	7,300,153	7,845,660	8,618,461	9,108,118
Percentage Acquired	52.00%	48.42%	43.34%	40.12%