



## Service Corporation International Reports Record First Quarter Results

April 22, 1997

HOUSTON, April 22 /PRNewswire/ -- Service Corporation International (NYSE: SRV) (SCI), the world's largest funeral and cemetery company, today reported record first quarter revenues and earnings. For the three months ended March 31, 1997, the company reported revenues of \$638.4 million, net income of \$90.3 million and fully diluted earnings per share of \$.36 (primary of \$.37). This represents an 10.9 percent increase in revenues, a 25.7 percent increase in net income and a 24.1 percent increase in fully diluted earnings per share (23.3 percent increase in primary) over the same period in 1996.

The first quarter results reported above include a \$68.1 million gain (\$43.4 million after tax) on the sale of the Company's remaining investment in Equity Corporation International (ECI) which resulted in an after tax gain of \$.17 fully diluted earnings per share (\$.18 primary). Additionally, the Company recorded a \$40.8 million after tax extraordinary loss related to the early retirement of certain outstanding debt which resulted in a fully diluted loss per share of \$.16 (primary loss of \$.17).

SCI Chairman and Chief Executive Officer Robert L. Waltrip said, "I am very pleased to report these record results, particularly the improved performance from our businesses in France and the United Kingdom. Operationally, we remain focused on providing quality service and products to our client families."

During the first quarter of 1997, SCI acquired 60 funeral service locations, 12 cemeteries and 1 crematory at a cost of approximately \$190 million. These businesses are expected to produce approximately \$63 million in annualized revenues. Of these amounts, international acquisitions closed during the first quarter included 18 funeral service locations in France and England which are expected to produce \$7 million in annualized revenues.

Revenues from existing business clusters in North America, Europe and the Pacific Rim owned for both periods increased 10.1 percent to \$624.5 million, contributing \$184.6 million to existing cluster operating profit, a 16.0 percent increase over last year. SCI performed approximately 146,000 funeral services worldwide, 68,000 in North America, 71,000 in Europe and 7,000 on the Pacific Rim, during the quarter.

Compared to the first quarter 1996, Funeral segment revenues increased 7.6 percent to \$457.1 million. Growth in Funeral revenues was restricted by the strengthening of the U.S. dollar. Reported revenues from the Company's French operations were adversely effected by approximately \$13 million caused exclusively by changes in the currency exchange rate. Funeral segment profits rose \$13.5 million to \$119.7 million, an increase of 12.8 percent, resulting primarily from improved operating performance in France and increased funeral volume in the United Kingdom. Operating margins increased to 26.2 percent compared to 25.0 percent in the same period of 1996.

During the first quarter of 1997, sales of prearranged funeral contracts were approximately \$125.3 million which expanded the backlog of prearranged funeral contracts to be serviced in future periods to more than \$2.7 billion. Revenues from such contracts will be recognized during the periods in which the services are performed.

Compared to first quarter of 1996, Cemetery segment revenues increased 22.1 percent to \$177.8 million. Cemetery segment profits rose \$15.0 million to \$66.8 million, an increase of 29.1 percent, reflecting the results of recently acquired cemeteries as well as increased sales of preneed property and merchandise at existing cemeteries. Operating margins expanded to 37.6 percent, compared to 35.6 percent for first quarter 1996, as a result of improved cost management and favorable product mix.

General and administrative costs were \$16.6 million or 2.6 percent of revenues during the first quarter of 1997, compared to \$13.8 million, or 2.4 percent of revenues for first quarter 1996.

Interest expense for the first quarter 1997 was approximately \$1.9 million higher than 1996 due to increased indebtedness related to acquisitions.

During the first quarter of 1997, the Company recorded a \$68.1 million gain resulting from the sale of its remaining interest (7.994 million shares) in ECI. Additionally, the Company recorded a \$40.8 million after tax extraordinary loss related to its repurchase of approximately \$385.8 million of three issues of its outstanding notes. The notes covered were: the \$150 million 7 7/8% Notes due February 1, 2013, (\$94.4 million repurchased), \$200 million 8 3/8% Notes due December 15, 2004, (\$148.1 million repurchased) and Medium-Term Notes, Series A (\$143.3 million repurchased). The Company used its revolving credit facilities to repurchase these notes and in April 1997, issued approximately \$450 million in two tranches of fixed rate senior notes to reduce its revolving credit balances.

As of March 31, 1997, SCI operated 2,946 funeral service locations, 356 cemeteries and 148 crematoria. SCI provides funeral and cemetery services in North America, Europe and the Pacific Rim. SCI's stock is traded on the New York Stock Exchange. The company's ticker symbol is SRV.

### SERVICE CORPORATION INTERNATIONAL CONSOLIDATED STATEMENT OF INCOME

(Thousands, except per share amounts)	Three Months Ended March 31,	
	1997	1996
Revenues:		
Funeral	\$ 457,071	\$ 424,700
Cemetery	177,790	145,562
Financial services	3,588	5,191
Total	638,449	575,453

Cost and expenses:		
Funeral	337,368	318,541
Cemetery	110,997	93,813
Financial services	1,932	2,931
Total	450,297	415,285
Gross Profit	188,152	160,168
General and administrative expense	(16,628)	(13,755)
Income from operations	171,524	146,413
Interest expense	(34,538)	(32,686)
Dividends on preferred securities of SCI Finance LLC	(2,629)	(2,695)
Other income	3,090	2,191
Gain on sale of investment	68,077	---
Total	34,000	(33,190)
Income before income taxes	205,524	113,223
Provision for income taxes	74,377	41,326
Net income before extraordinary loss	131,147	71,897
Extraordinary loss on early extinguishment of debt (net of \$23,383 income taxes)	(40,802)	---
Net income	\$ 90,345	\$ 71,897
Earnings per share:		
Primary:		
Income before extraordinary loss	\$ 0.54	\$ 0.30
Extraordinary loss on early extinguishment of debt	(0.17)	---
Net income	\$ 0.37	\$ 0.30
Fully diluted:		
Income before extraordinary loss	\$ 0.52	\$ 0.29
Extraordinary loss on early extinguishment of debt	(0.16)	---
Net income	\$ 0.36	\$ 0.29
Weighted average number of common shares	244,394	239,476

Geographic segment information was as follows:  
(Dollars in thousands)

	United States	France	Other European	Other Foreign	Consolidated
Revenues:					
Three months ended March 31:					
1997	\$403,282	\$133,010	\$ 61,313	\$ 40,844	\$638,449
1996	\$349,734	\$136,725	\$ 51,403	\$ 37,591	\$575,453
Income from operations:					
Three months ended March 31:					
1997	\$126,640	\$ 14,894	\$ 17,112	\$ 12,878	\$171,524
1996	\$106,740	\$ 12,743	\$ 14,738	\$ 12,192	\$146,413
Funeral services performed:					
Three months ended March 31:					
1997	61,964	41,587	29,772	12,240	145,563
1996	56,593	41,011	26,804	11,891	136,299
Number of locations at March 31:					
1997	1,483	1,073	633	261	3,450

1996

1,331

1,068

619

239

3,257

SOURCE Service Corporation International

CONTACT: Todd Matherne, Vice President Investor Relations, 713-525-5243, 102121,2653@compuserve.com /Other Service Corporation

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