



Service Corporation International Reports Net Income Up 27% And EPS Up 24% For Second Quarter

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HOUSTON, July 21 /PRNewswire/ -- Service Corporation International (NYSE: SRV) (SCI), the world's largest funeral and cemetery company, today reported record second quarter revenues and earnings. For the three months ended June 30, 1997, the company reported revenues of \$601.1 million, net income of \$78.8 million and fully diluted earnings per share of \$.31 (primary of \$.32). This represents a 6.4 percent increase in revenues, a 26.6 percent increase in net income and a 24.0 percent increase in fully diluted earnings per share (23.1 percent increase in primary) over the second quarter of 1996.

For the six months ended June 30, 1997, the company reported revenues of \$1.2 billion, net income of \$169.1 million and fully diluted earnings per share of \$.67 (primary of \$.69), representing an increase in revenues of 8.7 percent, an increase in net income of 26.1 percent and a 24.1 percent increase in fully diluted earnings per share (23.2 percent increase in primary) over the same period of 1996.

SCI Chairman and Chief Executive Officer Robert L. Waltrip said, "These record results were generated despite a period of more than normal seasonal softness in our industry. Our U.S. operations, which account for nearly 80 percent of consolidated operating income, responded admirably to this challenge and controlled costs to produce these excellent results. Internationally, we continue to expand and improve our businesses by offering a wider range of quality products and services appropriate for those markets."

Acquisition Activity

As of July 15, 1997, SCI had acquired or received signed letters of intent to acquire 324 funeral service, cemetery and crematory locations for an aggregate purchase price of approximately \$540 million, which are expected to produce approximately \$220 million in annualized revenues, \$142 million from North American operations and \$78 million from operations outside North America. Included in the above are newly acquired operations in Spain and the Netherlands which together perform more than 6,000 funerals annually.

During the first six months of 1997, SCI acquired 136 funeral service locations, 22 cemeteries and 7 crematoria at a cost of \$307 million, businesses expected to produce approximately \$109 million in annualized revenues. During the second quarter of 1997, SCI closed 28 transactions and acquired 78 funeral service locations, 10 cemeteries and 6 crematoria at a cost of approximately \$117 million. These businesses are expected to produce approximately \$46 million in annualized revenues, excluding approximately \$19 million in annualized revenues related to the acquisition of Marsellus Casket Company. International acquisitions closed during the second quarter and included above added 51 funeral service locations and 2 crematoria in France, England, Spain and Australia which are expected to produce \$17 million in annualized revenues.

1997 Second Quarter Highlights

Revenues from existing business clusters in North America, Europe and the Pacific Rim owned for both periods increased 6.4 percent to \$585.6 million, contributing \$163.1 million to existing cluster operating profit, a 13.5 percent increase over last year. SCI performed approximately 126,400 funeral services worldwide, 61,500 in North America, 57,900 in Europe and 7,000 on the Pacific Rim, during the quarter.

Compared to the second quarter of 1996, Funeral segment revenues increased 3.5 percent to \$419.3 million. Growth in Funeral revenues was limited by a reduced number of mortalities in markets served by SCI in the U.S., Europe and Australia, and by the strengthening of the U.S. dollar relative to the French franc, compared to the same period last year. The adverse effect on reported revenues from the Company's French operations due to changes in the currency exchange rate was approximately \$15 million this quarter. Funeral segment profits rose \$7.5 million to \$94.5 million, an increase of 8.7 percent. Funeral segment operating margins increased to 22.5 percent compared to 21.5 percent in the same period of 1996.

During the second quarter of 1997, sales of prearranged funeral contracts were approximately \$149 million which expanded the backlog of prearranged funeral contracts to be serviced in future periods to approximately \$2.8 billion. Revenues and associated investment earnings from such contracts are deferred, and will be recognized during the periods in which the funeral services are actually performed.

Compared to second quarter of 1996, Cemetery segment revenues increased 15.4 percent to \$177.7 million. Cemetery segment profits rose \$12.3 million to \$66.9 million, an increase of 22.5 percent, reflecting the results of recently acquired cemeteries as well as increased sales of preneed property and merchandise at existing cemeteries. Cemetery segment operating margins expanded to 37.6 percent, compared to 35.4 percent for second quarter of 1996.

General and administrative costs were \$15.8 million or 2.6 percent of revenues during the second quarter of 1997, compared to \$14.8 million, or 2.6 percent of revenues for the prior year.

Interest expense for the second quarter of 1997 was approximately \$1.1 million lower than 1996 benefiting from reduced interest rates on indebtedness resulting from the company's recent refinancing of certain long term debt and hedging programs associated with its international investments. This benefit was offset in part by increased indebtedness related to acquisitions.

As of June 30, 1997, SCI operated 3,012 funeral service locations, 365 cemeteries and 156 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		Six Months Ended	
June 30,		June 30,	
1997	1996	1997	1996

Revenues:				
Funeral	\$419,284	\$ 405,300	\$ 876,355	\$ 830,000
Cemetery	177,739	154,054	355,529	299,616
Financial services	4,118	5,395	7,706	10,586
Total revenues	601,141	564,749	1,239,590	1,140,202
Cost and expenses:				
Funeral	324,787	318,346	662,155	636,887
Cemetery	110,889	99,472	221,886	193,285
Financial services	2,282	2,868	4,214	5,799
Total costs and expenses	437,958	420,686	888,255	835,971
Gross margin	163,183	144,063	351,335	304,231
General and				
administrative expense	(15,812)	(14,786)	(32,440)	(28,541)
Income from operations	147,371	129,277	318,895	275,690
Interest expense	(33,093)	(34,245)	(67,631)	(66,931)
Dividends on preferred securities of				
SCI Finance LLC	(1,753)	(2,696)	(4,382)	(5,391)
Other income	8,765	5,232	11,855	7,423
Gain on sale of investment	0	0	68,077	0
Total other	(26,081)	(31,709)	7,919	(64,899)
Income before income taxes	121,290	97,568	326,814	210,791
Provision for income taxes	42,489	35,318	116,866	76,644
Net income before extraordinary loss	78,801	62,250	209,948	134,147
Extraordinary loss on early extinguishment of debt (net of \$23,383 income taxes)	0	0	(40,802)	0
Net income	\$ 78,801	\$ 62,250	\$169,146	\$134,147
Earnings per share:				
Primary:				
Income before extraordinary loss	\$ 0.32	\$ 0.26	\$ 0.86	\$ 0.56
Extraordinary loss on early extinguishment of debt	0	0	(0.17)	0
Net income	\$ 0.32	\$ 0.26	\$ 0.69	\$ 0.56
Fully diluted:				
Income before extraordinary loss	\$ 0.31	\$ 0.25	\$ 0.83	\$ 0.54
Extraordinary loss on early extinguishment of debt	0	0	(0.16)	0
Net income	\$ 0.31	\$ 0.25	\$ 0.67	\$ 0.54
Weighted average number of common shares				
	248,562	241,112	246,478	240,294

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

United	Other	Other
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	States	France	European	Foreign	Consolidated
Revenues:					
Six months ended					
June 30:					
1997	\$794,112	\$252,090	\$111,352	\$82,036	\$1,239,590
1996	\$695,549	\$272,433	\$93,951	\$78,269	\$1,140,202
Three months ended					
June 30:					
1997	\$390,830	\$118,983	\$50,136	\$41,192	\$ 601,141
1996	\$345,815	\$135,708	\$42,548	\$40,678	\$ 564,749
Income from					
operations:					
Six months ended					
June 30:					
1997	\$242,587	\$ 27,452	\$25,098	\$23,758	\$ 318,895
1996	\$202,718	\$ 25,961	\$21,427	\$25,584	\$ 275,690
Three months ended					
June 30:					
1997	\$115,947	\$ 12,544	\$ 8,000	\$10,880	\$ 147,371
1996	\$ 95,978	\$ 13,218	\$ 6,689	\$13,392	\$ 129,277
Funeral services					
performed:					
Six months ended					
June 30:					
1997	118,235	76,486	52,759	24,478	271,958
1996	109,177	77,647	48,910	24,126	259,860
Three months ended					
June 30:					
1997	56,271	34,899	22,987	12,238	126,395
1996	52,584	36,636	22,106	12,235	123,561
Number of locations at					
June 30:					
1997	1,514	1,087	647	285	3,533
1996	1,381	1,078	607	243	3,309

SOURCE Service Corporation International

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