



Service Corporation International Reports Net Income Up 27% and EPS Up 22% For Third Quarter

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HOUSTON, Oct. 22 /PRNewswire/ -- Service Corporation International (NYSE: SRV)(SCI), the world's largest funeral and cemetery company, today reported record third quarter revenues and earnings. For the three months ended September 30, 1997, the company reported revenues of \$584.8 million, net income of \$72.7 million and fully diluted earnings per share of \$.28 (primary of \$.28). This represents a 7.4 percent increase in revenues, a 26.7 percent increase in net income and a 21.7 percent increase in fully diluted earnings per share (16.7 percent increase in primary) over the third quarter of 1996.

For the nine months ended September 30, 1997, the company reported revenues of \$1.82 billion, net income of \$241.9 million and fully diluted earnings per share of \$.95 (primary of \$.97), representing an increase in revenues of 8.3 percent, an increase in net income of 26.3 percent and a 23.4 percent increase in fully diluted earnings per share (21.3 percent increase in primary) over the same period of 1996.

SCI Chairman and Chief Executive Officer Robert L. Waltrip said, "These record results were attained due to the efforts of more than 33,000 dedicated employees worldwide. Our ability to achieve these results is a testament to the effectiveness of SCI's business strategy and proven operating practices."

Acquisition Activity

As of October 17, 1997, SCI had acquired, or received signed letters of intent to acquire, 434 funeral service, cemetery and crematory locations for an aggregate purchase price of approximately \$672 million. These businesses are expected to produce approximately \$297 million in annualized revenues, including \$186 million from North American operations and \$111 million from operations outside North America. As a result, 1997 is expected to be the largest acquisition year in SCI's history, excluding 1994 and 1995 which included the large strategic acquisitions in the United Kingdom and France.

During the first nine months of 1997, SCI acquired 226 funeral service locations, 34 cemeteries and 13 crematoria at a cost of \$426 million, businesses expected to produce approximately \$172 million in annualized revenues. During the third quarter of 1997, SCI completed 48 transactions and acquired 89 funeral service locations, 11 cemeteries and 4 crematoria at a cost of approximately \$121 million. These businesses are expected to produce approximately \$63 million in annualized revenues. International acquisitions completed during the third quarter and included above added 57 funeral service locations and 3 crematoria which are expected to produce \$25 million in annualized revenues.

1997 Third Quarter Highlights

Revenues from existing business clusters in North America, Europe and the Pacific Rim owned for both periods increased 6.2 percent to \$566.8 million, contributing \$150.3 million to existing cluster operating profit, a 12.5 percent increase over last year. SCI performed approximately 126,100 funeral services worldwide, 58,700 in North America, 58,800 in Europe and 8,600 on the Pacific Rim, during the quarter.

Compared to the third quarter of 1996, Funeral segment revenues increased 2.3 percent to \$397.8 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 \$22 million this quarter. Funeral segment profits rose \$3.8 million to \$82.1 million, an increase of 4.8 percent. Funeral segment margins increased to 20.6%, compared to 20.1% in the same period of 1996.

During the third quarter of 1997, sales of prearranged funeral contracts were approximately \$151 million, which expanded the backlog of prearranged funeral contracts to be serviced in future periods to approximately \$3.0 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 third quarter of 1996, Cemetery segment revenues increased 21.3 percent to \$182.6 million. Cemetery segment profits rose \$17.4 million to \$67.5 million, an increase of 34.6 percent, reflecting the results of recently acquired cemeteries, increased sales of preneed property and merchandise at existing cemeteries, as well as investment returns associated with the larger asset base from the cemetery merchandise and endowment care trust funds. Cemetery segment margins expanded to 37.0 percent, compared to 33.3 percent for third quarter of 1996.

General and administrative costs were \$16.8 million, or 2.9 percent of revenues, during the third quarter of 1997, compared to \$12.3 million, or 2.3 percent of revenues, for the prior year.

Interest expense for the third quarter of 1997 was approximately \$3.3 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 September 30, 1997, SCI operated 3,048 funeral service locations, 376 cemeteries and 160 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

Three Months Ended

Nine Months Ended

(Thousands, except per share amounts)	September 30,		September 30,	
	1997	1996	1997	1996
Revenues:				
Funeral	\$397,810	\$389,031	\$ 1,274,165	\$ 1,219,031
Cemetery	182,624	150,584	538,153	450,200
Financial services	4,384	4,885	12,090	15,471
	584,818	544,500	1,824,408	1,684,702
Cost and expenses:				
Funeral	315,670	310,646	977,825	947,533
Cemetery	115,135	100,456	337,021	293,741
Financial services	2,241	2,020	6,455	7,819
	433,046	413,122	1,321,301	1,249,093
	151,772	131,378	503,107	435,609
General and administrative expense				
	(16,775)	(12,296)	(49,215)	(40,837)
Income from operations				
	134,997	119,082	453,892	394,772
Interest expense				
	(32,734)	(35,995)	(100,365)	(102,926)
Dividends on preferred securities of SCI				
Finance LLC	---	(2,695)	(4,382)	(8,086)
Other income	9,330	8,382	21,185	15,805
Gain on sale of investment				
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	(23,404)	(30,308)	(15,485)	(95,207)
Income before income taxes				
	111,593	88,774	438,407	299,565
Provision for income taxes				
	38,869	31,379	155,735	108,023
Net income before extra- ordinary loss				
	72,724	57,395	282,672	191,542
Extraordinary loss on early extinguishment of debt (net of \$23,383 income taxes)				
	---	---	(40,802)	---
Net income	\$72,724	\$57,395	\$241,870	\$191,542
Earnings per share:				
Primary:				
Income before extraordinary loss				
	\$0.28	\$0.24	\$1.14	\$0.80
Extraordinary loss on early extinguishment of debt				
	---	---	(0.17)	---
Net income	\$0.28	\$0.24	\$0.97	\$0.80
Fully diluted:				
Income before extraordinary loss				
	\$0.28	\$0.23	\$1.11	\$0.77
Extraordinary loss on early extinguishment				

of debt	---	---	(0.16)	---
Net income	\$0.28	\$0.23	\$0.95	\$0.77

Weighted average number of common shares	258,970	241,875	250,642	240,843
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(Dollars in thousands)

	United States	France	Other European	Other Foreign	Consolidated
Revenues:					
Nine months ended					
September 30:					
1997	\$1,178,470	\$356,040	\$162,931	\$126,967	\$1,824,408
1996	\$1,034,226	\$393,595	\$135,337	\$121,544	\$1,684,702
Change from prior year	\$ 144,244	\$(37,555)	\$ 27,594	\$ 5,423	\$ 139,706
Percentage change from prior year	13.9%	(9.5)%	20.4%	4.5%	8.3%

Three months ended					
September 30:					
1997	\$ 384,358	\$103,950	\$ 51,579	\$ 44,931	\$ 584,818
1996	\$ 338,677	\$121,162	\$ 41,386	\$ 43,275	\$ 544,500
Change from prior year	\$ 45,681	\$(17,212)	\$ 10,193	\$ 1,656	\$ 40,318
Percentage change from prior year	13.5%	(14.2)%	24.6%	3.8%	7.4%

Income from operations:					
Nine months ended					
September 30:					
1997	\$ 346,672	\$ 34,783	\$ 32,831	\$ 39,606	\$ 453,892
1996	\$ 292,633	\$ 33,188	\$ 29,091	\$ 39,860	\$ 394,772
Change from prior year	\$ 54,039	\$ 1,595	\$ 3,740	\$ (254)	\$ 59,120
Percentage change from prior year	18.5%	4.8%	12.9%	(0.6)%	15.0%

Three months ended					
September 30:					
1997	\$ 104,085	\$ 7,331	\$ 7,733	\$ 15,848	\$ 134,997
1996	\$ 89,915	\$ 7,227	\$ 7,664	\$ 14,276	\$ 119,082
Change from prior year	\$ 14,170	\$ 104	\$ 69	\$ 1,572	\$ 15,915
Percentage change from prior year	15.8%	1.4%	0.9%	11.0%	13.4%

Operating income margin:					
Nine months ended					
September 30:					
1997	29.4%	9.8%	20.2%	31.2%	24.9%
1996	28.3%	8.4%	21.5%	32.8%	23.4%

Three months ended					
September 30:					
1997	27.1%	7.1%	15.0%	35.3%	23.1%
1996	26.5%	6.0%	18.5%	33.0%	21.9%

Funeral services performed:					
Nine months ended					
September 30:					
1997	171,910	111,548	76,451	38,122	398,031

1996	160,186	112,050	69,719	37,697	379,652
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Three months ended
September 30:

1997	53,675	35,062	23,692	13,644	126,073
1996	51,009	34,403	20,809	13,571	119,792

Number of locations
at September 30:

1997	1,528	1,093	679	284	3,584
1996	1,392	1,101	609	244	3,346

SOURCE Service Corporation International

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