



## Service Corporation International Reports First Quarter Results of \$.36 Per Diluted Share Before Non-Recurring Items

April 29, 1999

HOUSTON, April 29 /PRNewswire/ -- Service Corporation International (NYSE: SRV), the world's largest funeral and cemetery company, today reported results for the first quarter of 1999.

Three Months Ended March 31, 1999 (Compared to Same Period 1998)	
Revenues	\$904.1 million, up 29.4 percent from \$698.8 million
Earnings Before Non-Recurring Items	\$98.6 million, down 9.4 percent from \$108.8 million
Diluted EPS Before Non-Recurring Items	\$.36, down 14.3 percent from \$.42

For the three months ended March 31, 1999, Service Corporation International (the "Company" or "SCI") reported revenues of \$904.1 million, representing a 29.4 percent increase in revenues compared to revenues of \$698.8 million from the first quarter of 1998. Before non-recurring items relating to the Company's cost rationalization program and early extinguishments of debt, the Company reported earnings of \$98.6 million and diluted earnings per share of \$.36 (\$.36 basic) for the first quarter of 1999. This represents a 9.4 percent and 14.3 percent decrease in earnings and diluted earnings per share before non-recurring items, respectively, when compared to the first quarter of 1998. After giving effect to the non-recurring items, the Company reported net income of \$43.8 million or \$.16 diluted earnings per share (\$.16 basic) for the first quarter of 1999 compared to \$108.8 million or \$.42 diluted earnings per share (\$.43 basic) in the first quarter of 1998.

### Management Initiatives

The Company today also reported details associated with its previously announced cost rationalization program and early extinguishments of debt. As a result of the cost rationalization program, the Company reported a restructuring charge of \$89.9 million on a pretax basis. The primary component of the restructuring charge is \$56.8 million of severance costs related to the termination of several individual contractual relationships and the involuntary termination of approximately 800 employees of the Company worldwide. Other components of the restructuring charge include \$19.1 million in preacquisition and preconstruction costs for projects that have now been terminated; \$7.2 million in selected business and facility closures; and \$6.8 million in various other cost initiatives, including the disposal of certain marketing materials that will be replaced by materials associated with the Company's new marketing initiatives. The effect of the above cost rationalization program, coupled with other cost reduction initiatives, is expected to produce future annualized cost savings of at least \$60 million on a pretax basis.

### Early Extinguishments of Debt

The Company also completed a repurchase of \$200 million floating rate notes in the first quarter of 1999 resulting in an extraordinary charge of \$22.2 million (\$14.1 million net of tax). The Company expects an annualized reduction in future interest expense of approximately \$2.5 million as a result of the \$200 million debt retirement. Additionally in the first quarter of 1999, the Company recorded an extraordinary gain of \$25.1 million (\$16.0 million net of tax) on the early extinguishment of \$143.8 million convertible subordinated debt that was assumed in a stock-for-stock merger with Equity Corporation International ("ECI").

Commenting on the results, SCI Chairman, Chief Executive Officer and President, Robert L. Waltrip, said:

"We made solid progress this quarter focusing on our core businesses. Global funeral and cemetery revenues from comparable businesses (same store) increased 5.5 percent and 11.9 percent, respectively. We are working to improve our operating efficiencies and, as always, remain committed to serving each family as if they were our own."

### Acquisition Activity

In January 1999, a wholly owned subsidiary of the Company merged with ECI in a stock-for-stock transaction. The transaction was valued at approximately \$557 million with assumed debt of approximately \$310 million. At the time of the consummation of the merger, ECI owned 359 funeral homes and 80 cemeteries all in North America.

Exclusive of the merger with ECI, the Company, as of April 21, 1999, had acquired (or received Letters of Intent to acquire) 80 funeral service locations, 14 cemeteries and 4 crematoria for an aggregate purchase price of \$106.2 million. These businesses are expected to produce annualized revenues of approximately \$26.2 million from North America operations and \$29.8 million from operations outside North America.

### 1999 First Quarter Highlights

Gross profits for the first quarter of 1999 increased 1.3 percent to \$218.9 million compared to \$216.1 million in the first quarter of 1998. In the first quarter of 1999, income from operations of \$199.2 million, before the effect of non-recurring charges, remained relatively flat compared to \$199.1 million in the first quarter of 1998. The results from the first quarter of 1999 contain no significant benefits from the Company's cost rationalization program.

### Funeral Segment

Compared to the first quarter of 1998, funeral segment revenues increased 22.3 percent to \$574.6 million. Funeral segment profits for the first quarter of 1999 increased approximately \$500,000 to \$131.0 million while funeral segment margins decreased to 22.8 percent as compared to 27.8 percent in the same period of 1998. The decrease in funeral segment margins is primarily related to an increase in operating expenses associated with the Company's operations in North America and the United Kingdom. During the first quarter of 1999, SCI affiliated operations performed approximately 175,000 funeral services worldwide (147,000 in the first quarter of 1998) with 86,000 in North America, 42,000 in France, 40,000 in other European operations and 7,000 in other foreign operations. On a comparable (same store) basis, revenues increased 5.5 percent to \$485.1 million with SCI affiliated operations performing approximately 148,000 funeral services in the first quarter of 1999 compared to 143,000 funeral services in the first quarter of 1998, an increase of 3.1 percent. Comparable funeral revenues in North America increased 0.1 percent to \$272.9 million as a result of a 0.1 percent increase in the number of funeral services performed at a slightly higher average revenue per funeral of \$3,838. Comparable funeral revenues in France increased 16.1 percent to \$137.9 million resulting from a 3.1 percent increase in funeral services performed at an average revenue per funeral of \$2,124, up 9.3 percent from 1998. The United Kingdom's comparable funeral revenues increased 10.9 percent to \$49.6 million in the first quarter of 1999 as a result of performing 15.3 percent more funeral services at an average revenue per funeral of 5.5 percent less than the same period of 1998.

During the first quarter of 1999, net sales of prearranged funeral contracts increased 43 percent to approximately \$169 million compared to \$118 million in the first quarter of 1998, which expanded the backlog of prearranged funeral contracts to be serviced in future periods to approximately \$4 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.

#### Cemetery Segment

Compared to the first quarter of 1998, cemetery segment revenues increased \$45.9 million or 22.3 percent to \$251.9 million primarily due to a \$30.5 million, or 27.8 percent, increase in preneed cemetery sales in North America. Comparable cemetery revenues in North America increased \$17.8 million (\$15.6 million preneed) in the first quarter of 1999 compared to the same period of 1998 while newly acquired cemetery revenues in North America increased \$22.5 million (\$14.9 million preneed). The Company's newly acquired cemetery operations in South America increased revenues by \$9.6 million in the first quarter of 1999 compared to the same period of 1998. However, realized gains from cemetery merchandise trust funds were \$10.1 million less in the first quarter of 1999 compared to the first quarter of 1998. Cemetery segment profits decreased \$3.5 million to \$77.8 million, a decrease of 4.2 percent, while cemetery segment margins decreased to 30.9 percent as compared to 39.5 percent for the first quarter of 1998. The decrease in cemetery segment profits and margins is attributed to an increase in merchandise costs, selling and commission costs related to a change in the product mix sold, the dilutive effect of lower margins in the cemetery operations in South America and the reduction in realized gains from the cemetery merchandise trust funds in North America.

#### Financial Services

SCI Financial Services performed in line with Company expectations during the first quarter of 1999. Revenues of \$77.6 million were reported and profits for the segment were \$10.1 million. For the quarter, segment revenues increased \$54.6 million from the first quarter of 1998, of which \$50.0 million was related to the acquisition of American Memorial Life Insurance Company in July 1998. Segment profits increased \$5.7 million in the first quarter of 1999 from profits of \$4.4 million in the first quarter of 1998.

#### Other Costs and Expenses

For the first quarter of 1999, general and administrative expenses increased \$2.7 million to \$19.7 million compared to \$17.0 million for the first quarter of 1998. This increase was related to increased professional fees and increases in information technology costs. As a percentage of total revenues, general and administrative expenses were 2.2 percent in the first quarter of 1999, as compared to 2.4 percent in the same period of 1998.

Interest expense for the first quarter of 1999 increased \$19.7 million to \$57.4 million from \$37.7 million in the first quarter of 1998. The increase in interest expense is related to increases in indebtedness as a result of business acquisitions.

#### Cautionary Statement on Forward-Looking Statements

The statements contained in this press release that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be accompanied by words such as "believe," "estimate," "expect," "anticipate," or "predict," that conveys the uncertainty of future events or outcomes. These statements are based on assumptions that the Company believes are reasonable; however, many important factors could cause the Company's actual results in the future to differ materially from the forward-looking statements made herein and in any other documents or oral presentations made by, or on behalf of, the Company. Important factors which could cause actual results to differ materially from those in forward-looking statements include, among others, the following:

- 1) Changes in general economic conditions both domestically and internationally impacting financial markets (e.g. marketable security values, as well as currency and interest rate fluctuations).
- 2) Changes in domestic and international political and/or regulatory environments in which the Company operates, including tax and accounting policies. Changes in regulations may impact the Company's ability to enter or expand new markets.
- 3) Changes in consumer demand for the Company's services caused by several factors, such as changes in local death rates, cremation rates, competitive pressures and local economic conditions.
- 4) The Company's ability to identify and complete additional acquisitions on terms that are favorable to the Company, to successfully integrate acquisitions into the Company's business and to realize expected cost savings in connection with such acquisitions. The Company's future results may be materially impacted by changes in the level of acquisition activity.
- 5) The ability of the Company, or its critical third party suppliers, to adequately complete "Y2K" preparation efforts. "Y2K" refers to the inability of some computer programs and computer-based microprocessors to correctly interpret the century from a date in which the year is represented by only two digits.

The Company assumes no obligation to publicly update or revise any forward-looking statements made herein or any other forward-looking statements made by the Company.

As of March 31, 1999, SCI affiliates operated 3,812 funeral service locations, 515 cemeteries and 199 crematoria. SCI provides funeral and cemetery services in 20 countries on five continents.

Other Service Corporation International and press releases are available through Company News On-Call by fax, 800-758-5804, extension 104532, or at <http://www.prnewswire.com> or SCI's homepage: <http://www.sci-corp.com>.

SERVICE CORPORATION INTERNATIONAL  
CONSOLIDATED STATEMENT OF INCOME

(Thousands, except per share amounts)	Three Months Ended March 31,	
	1999	1998
Revenues:		
Funeral	\$ 574,641	\$ 469,962
Cemetery	251,858	205,941
Financial services	77,557	22,941
	904,056	698,844
Cost and expenses:		
Funeral	443,621	339,436
Cemetery	174,058	124,688
Financial services	67,506	18,592
	685,185	482,716
	218,871	216,128
General and administrative expense	(19,710)	(17,008)
Restructuring charge	(89,884)	---
Income from operations	109,277	199,120
Interest expense	(57,448)	(37,710)
Other income	14,588	6,651
	(42,860)	(31,059)
Income before income taxes and extraordinary gain	66,417	168,061
Provision for income taxes	24,534	59,275
Net income before extraordinary loss	41,883	108,786
Extraordinary gain on early extinguishments of debt (net of \$1,071 income taxes)	1,885	---
Net income	\$ 43,768	\$ 108,786
Earnings per share:		
Basic:		
Income before non-recurring items	\$ 0.36	\$ 0.43
Restructuring charge	(0.21)	---
Extraordinary gain on early extinguishments of debt	0.01	---
Net income	\$ 0.16	\$ 0.43
Diluted:		
Income before non-recurring items	\$ 0.36	\$ 0.42
Restructuring charge	(0.21)	---
Extraordinary gain on early extinguishments of debt	0.01	---
Net income	\$ 0.16	\$ 0.42
Basic weighted average number of shares	272,990	254,635
Diluted weighted average number of shares	275,442	261,768

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

	North America	France	Other Europe	Other Foreign
Revenues:				
Three months ended March 31:				
1999	\$612,178	\$168,578	\$88,872	\$34,428
1998	473,659	139,088	63,714	22,383
Change from prior year	\$138,519	\$ 29,490	\$25,158	\$12,045
Percentage change from prior year				
	29.2%	21.2%	39.5%	53.8%

Income from operations:

Three months ended March 31

(1999 amounts exclude effect of Restructuring Charge):

1999	\$152,937	\$ 20,747	\$18,906	\$ 6,571
1998	168,485	12,456	13,762	4,417
Change from prior year	\$(15,548)	\$ 8,291	\$ 5,144	\$ 2,154
Percentage change from prior year				
	(9.2)%	66.6%	37.4%	48.8%

Operating income margin:

Three months ended March 31

(1999 amounts exclude effect of Restructuring Charge):

1999	25.0%	12.3%	21.3%	19.1%
1998	35.6%	9.0%	21.6%	19.7%

Funeral services performed:

Three months ended March 31:

1999	85,948	42,015	40,080	6,980
1998	72,634	39,257	28,849	6,735
Percentage change from prior year				
	18.3%	7.0%	38.9%	3.6%

Number of locations at March 31:

1999	2,293	1,220	838	175
1998	1,732	1,118	731	149

SOURCE Service Corporation International

Web site: <http://www.sci-corp.com>

Company News On-Call: <http://www.prnewswire.com/comp/104532.html> or fax, 800-758-5804, ext. 104532

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