



## Service Corporation International Announces Expected Results for the Third Quarter of 1999 and Additional Strategic Initiatives Related to Cash Flow

October 1, 1999

HOUSTON, Oct. 1 /PRNewswire/ -- Service Corporation International (NYSE: SRV), the world's largest funeral and cemetery company, announced today a downward adjustment in expected earnings for the third quarter of 1999. The Company now expects to report net income in the range of \$27 to \$37 million or diluted earnings per share of \$.10 to \$.13 for the three months ended September 30, 1999. The Company reported net income of \$83.2 million and \$.32 diluted earnings per share for the three months ended September 30, 1998.

### Contributing Factors to Earnings Adjustment

The following reasons were contributing factors to the downward earnings adjustment for the third quarter of 1999:

- North America cemetery operating income for the third quarter of 1999 has been negatively affected by an estimated \$20 to \$25 million from weakened death rates, inclement weather conditions in the southeastern United States and the impact of the Company's continued strategic initiatives on sales of heritage cemetery property.
- Finalization of labor negotiations took longer than anticipated in the Company's funeral operations in France resulting in operating inefficiencies and a delay in the realization of expected savings in the third quarter of 1999 from previously announced cost rationalization programs. Primarily as a result of this delay, operating income from funeral operations in France is now anticipated to be \$6 to \$8 million below original expectations for the third quarter of 1999.
- Realized investment earnings and capital gains, primarily related to cemetery merchandise trust funds, are now anticipated to be approximately \$18 million for the third quarter of 1999 versus previous expectations of approximately \$22.5 million.
- A valuation charge of approximately \$8 million associated with the planned divestiture of the Company's Wisconsin cemetery operations, which is a result of recent judicial interpretation of state law.
- Gains on sales of businesses included in non-operating income are expected to be \$3 to \$4 million below previous expectations for the third quarter of 1999. There are also no significant gains on sales of businesses now anticipated in the fourth quarter of 1999 resulting in an expected shortfall of approximately \$7 to \$8 million below previous fourth quarter 1999 non-operating income expectations.

### Strategic Cash Flow Initiatives

The Company's strategic initiatives will concentrate on areas that will enhance shareholder value in the long-term. The Company is currently exploring certain initiatives aimed at increasing cash flow and generating improved returns on invested capital. These initiatives include, among other things, limiting funeral and cemetery acquisition activity, significantly reducing capital expenditures of the Company and the possible disposition of selected operating businesses and non-core assets. These initiatives are designed to improve cash flow and allow the Company to reduce its current leverage through the reduction of existing debt, resulting in increased financial flexibility.

### Strategic Cemetery Initiatives

The Company continues to believe the initiatives focusing on sales of heritage cemetery property such as lots, lawn crypts and mausoleum spaces are valid. Heritage sales are cemetery contracts which include interment spaces with new property owners which can usually be expected to lead to additional future merchandise sales, additional new property sales based on referrals, and sales of prearranged and at need funerals, especially at funeral and cemetery combination operations. The Company is also focusing on strengthening the cash flow results from its cemetery operations by revising certain Company policies related to preneed sales, including but not limited to standard installment financing terms and conditions for payment of commissions.

Certain of these initiatives have negatively impacted preneed cemetery revenues and operating income in the third quarter of 1999 more than previously anticipated and are expected to have a similar negative effect on preneed cemetery revenues and operating income in the fourth quarter of 1999. However, these initiatives are ultimately expected to improve the quality and persistency of preneed sales, expand customer relationships, improve sales force stability and increase cash flows from cemetery operations.

In order to reduce the volatility on the Company's earnings from the realization of capital gains and losses, the Company is re-examining its investment

strategy regarding cemetery merchandise trust funds. The Company's goal is to produce a more predictable and stable realized return from the cemetery merchandise trust funds. Realized investment capital gains and earnings from cemetery trust funds are now expected to be approximately \$14 million less than previously revised full year 1999 estimates.

#### Strategic Funeral Initiatives

The Company continues to develop and implement key strategic initiatives for its funeral operations, such as the implementation of the Dignity(TM) Memorial Plan funeral packages, the implementation of an expanded range of products and services for the cremation consumer, the sales of prearranged price guaranteed funeral contracts through the Company's captive insurance company, American Memorial Life Insurance Company, and the continued development of affinity relationships in North America and internationally. The Company's progress in the development of these key strategic initiatives remains in line with expectations.

The Company is continuing with the previously announced reengineering of key business processes that will result in improved operational efficiencies. The reengineering program continues to be a key strategic initiative for the Company that is expected to result in significant cost savings. In the Company's funeral operations in France, the impact on the cost structure of anticipated reengineering savings has been delayed beyond original expectations due to longer than anticipated labor negotiations. This delay is now expected to also have a similar negative impact on operating income in France in the fourth quarter of 1999 as compared to expectations. Despite the delay, the estimated annualized cost savings associated with the entire reengineering initiative continues to be in line with previous expectations.

Commenting on the Company's strategic initiatives, SCI Chairman, Chief Executive Officer and President, R. L. Waltrip, said:

"The previously announced initiatives relating to revenue and operating costs did not have the effect we expected in the short term. However, we remain committed to and are working diligently to completely implement these initiatives. We remain focused on our core funeral and cemetery operations and are dedicated to maintaining and increasing market share in our markets in the most cost efficient manner. We are also committed to the adherence of EVA(R) and to the type of cash flow and return on invested capital principles which EVA(R) demands. These principles will be congruent with all decisions made by our Company in order to place our Company in an even stronger competitive and financial position for the future."

#### Conference Call

The Company will conduct a conference call today, October 1, 1999, at 12:00 p.m. Eastern time to discuss items associated with this announcement. The teleconference call-in number is (800) 946-0712. Please call fifteen minutes prior to the start time in order to participate. If you are calling from outside the United States, the dial-in number is (719) 457-2641. Interested parties will also have the opportunity to listen to the live conference call via the Internet through <http://www.vcall.com>.

The Company anticipates announcing its earnings and conducting its usual conference call for the third quarter ended September 30, 1999, during the week of October 25, 1999.

#### 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," "project," "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) that could negatively affect the Company, especially the Company's anticipated cemetery trust revenues.
- 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 and/or pricing for the Company's products and 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 sell preneed heritage cemetery property which is usually associated with new customers to the Company's cemeteries.
- 5) The Company's ability to identify and complete additional acquisitions in domestic and international markets 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 worldwide acquisition activity.
- 6) The Company's ability to successfully implement certain cost reduction initiatives, including the cost reduction initiatives previously announced, as well as changes in domestic and international political and/or regulatory environments which could negatively effect the

implementation of the Company's cost initiatives.

- 7) The Company's ability to successfully implement certain strategic revenue and marketing initiatives resulting in increased volume through its existing facilities and the Company's ability to successfully implement certain strategic cash flow initiatives which could improve or generate cash flow for the Company.
- 8) The Company's ability to successfully leverage its substantial purchasing power with certain vendors of the Company.
- 9) 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 June 30, 1999, SCI affiliates operated 3,824 funeral service locations, 520 cemeteries and 198 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>.

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

CONTACT: Debbie E. Fisher, Director/Investor Relations, 713-525-9088, or Eric D. Tanzberger, Assistant Controller/Investor Relations, 713-525-7768, or W. Cardon Gerner, Vice President/Controller, 713-525-9121, or George R. Champagne, Executive Vice President and Chief Financial Officer, 713-525-5546, all of Service Corporation International