



Service Corporation International Announces First Quarter Results of \$.25 Per Diluted Share Before Extraordinary Gains

April 26, 2000

HOUSTON, April 26 /PRNewswire/ -- Service Corporation International (NYSE: SRV), the world's largest funeral and cemetery company, today announced results for the first quarter of 2000. Excluding extraordinary gains on early extinguishments of debt, the Company announced diluted earnings per share of \$.25 (\$.25 basic) for the three months ended March 31, 2000. Including the extraordinary gains on early extinguishments of debt, the Company announced diluted earnings per share of \$.27 (\$.27 basic) for the three months ended March 31, 2000.

	Three Months Ended March 31,	
	2000	1999
Revenues	\$869.5 million	\$904.1 million
EBITDA Before Non-Recurring Items	\$236 million	\$270 million
Earnings Before Non-Recurring Items	\$68.2 million	\$98.6 million
Net Income	\$74.8 million	\$43.8 million
Diluted EPS Before Non-Recurring Items	\$.25 per share	\$.36 per share
Diluted Earnings Per Share	\$.27 per share	\$.16 per share

In the first quarter of 2000, the Company announced \$6.6 million (net of tax) of extraordinary gains on early extinguishments of debt. In the first quarter of 1999, the Company reported non-recurring items consisting of a restructuring charge of \$89.9 million and net extraordinary gains on early extinguishments of debt of \$1.9 million (net of tax).

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

"We are pleased with our operating results this quarter which were in line with our expectations and demonstrate that our Company and our industry is fundamentally sound. We are continuing to progress with our cash flow initiatives which will result in the reduction of debt and with the implementation of our long-term strategic revenue and marketing initiatives which we believe will result in future internal revenue growth without the outlay of significant additional capital."

2000 FIRST QUARTER HIGHLIGHTS

Funeral

Funeral segment revenues for the first quarter of 2000 were \$542.6 million compared to \$574.6 million for the first quarter of 1999. Funeral segment gross profits were \$123.6 million for the three months ended March 31, 2000 compared to \$131.0 million for the same period of 1999. The funeral service gross margin percentage was 22.8% for both the first quarter of 2000 and 1999 and was in line with the Company's first quarter 2000 expectations.

A substantial reason for the decrease in funeral segment revenues and gross profits in the first quarter of 2000 compared to the same period of 1999 was related to an approximate \$24 million negative currency translation effect on funeral revenues and an approximate \$4 million negative currency translation effect on funeral service gross profits. These negative currency translation effects are primarily related to the weakness of the Euro relative to the U.S. dollar in the first quarter of 2000 compared to the same period of 1999.

In North America funeral service locations, approximately 84,600 funeral services were performed during the first quarter of 2000, a decrease of 1.6% compared to the first quarter of 1999 and was in line with the Company's expectations. Due to the strong volume of funeral services performed by the Company in the first quarter of 1999, the Company anticipated a decrease in the number of funeral services performed in the first quarter of 2000.

For the three months ended March 31, 2000, 28.4% of funeral services performed in the Company's North America funeral service locations were previously prearranged funeral contracts compared to 26.9% in the first quarter of 1999. The average revenue per funeral service in North America from prearranged funeral contracts becoming atneed was \$3,587 in the first quarter of 2000, a 2.0% increase compared to the same period of 1999. Of the total mix of funeral services performed in North America funeral service locations, 35.2% were cremation services in the first quarter of 2000 compared to 33.0% in the first quarter of 1999. For all funeral services performed in North America in the first quarter of 2000, the average revenue per funeral service was \$3,823, a decrease of 1.4% compared to the first quarter of 1999. The \$3,823 average revenue per funeral service was slightly below the Company's expectations primarily because the number of prearranged funeral contracts becoming atneed in the first quarter of 2000 was greater than originally anticipated.

In the Company's European funeral operations, approximately 81,400 funeral services were performed during the first quarter of 2000, a decrease of 0.9% compared to the first quarter of 1999. The number of funeral services performed in European operations was ahead of the Company's expectations for the first quarter of 2000. Currency translations had a negative impact on the average revenue per funeral service in the Company's European funeral service locations. Excluding the negative effect of currency translation, the average revenue per funeral service in the Company's European funeral service locations increased approximately 3.8% in the first quarter of 2000 compared to the first quarter of 1999. The increase in the average revenue per funeral service was primarily a result of the positive effect of package pricing programs instituted in several major markets during the middle of 1999.

Cemetery

Cemetery segment revenues for the first quarter of 2000 were \$218.9 million compared to \$251.9 million for the first quarter of 1999. Cemetery segment gross profits were \$60.4 million for the three months ended March 31, 2000 compared to \$77.8 million for the same period of 1999. The cemetery segment gross margin percentage was 27.6% for the first quarter of 2000 which was in line with the Company's expectations and compared to 30.9% for the first quarter of 1999.

Revenues for the cemetery segment in the first quarter of 2000 were expected to be less than the first quarter of 1999 due to anticipated lower realized investment earnings and capital gains from cemetery trust funds, the anticipated initial negative impact from changes in cemetery sales compensation plans and the exceptional strength of preneed cemetery sales experienced by the Company in the first quarter of 1999.

Realized investment earnings and capital gains for the first quarter of 2000 were \$12.5 million compared to \$18.2 million in the same period of 1999. Revenues from North America cemeteries decreased 14.7% to \$174.8 million and gross profits decreased 25.9% to \$37.9 million in the first quarter of 2000 compared to the first quarter of 1999. The decreases in revenues, quarter over quarter, were primarily the result of significant changes to North America cemetery compensation plans, as well as the record performance in this segment achieved in the first quarter of 1999. Although selling and compensation costs as a percentage of revenues decreased over the comparable period of 1999, the reduction in sales activity resulted in a greater reduction in cemetery gross profits due to the level of fixed costs within the cemetery segment. The Company has changed cemetery compensation plans to align its sales management team with gross profits of the cemetery operations and not revenues alone, as well as to reduce the cash outflows associated with these sales.

The Company's cemetery operations in South America had revenues of \$14.8 million and gross profits of \$3.1 million in the first quarter of 2000, representing increases of 20.0% in revenues and 87.5% in gross profits when compared to the first quarter of 1999. These revenues and gross profits were above the Company's expectations and resulted from the maturing of the Company's operational, sales and marketing initiatives implemented since the time of acquisition in 1998 and 1999.

Financial Services

Revenues from the Company's financial services segment were \$108.1 million in the first quarter of 2000 compared to \$77.6 million in the first quarter of 1999. Gross profits from the financial services segment in the first quarter of 2000 were \$9.6 million compared to \$10.1 million for the same period of 1999. The gross margin percentage was 8.9% for the first quarter of 2000 compared to 13.0% for the same period of 1999.

The results from the Company's financial services segment were in line with the Company's expectations for the first quarter of 2000. Whenever possible, the Company is funding prearranged funeral contracts using the Company's captive insurance company in North America. While having the effect of increasing revenues in the financial services segment, this initiative initially increases actuarially determined benefits and expenses more than revenues, having the effect of reducing the financial service segment's gross margin percentage.

Other Income, Costs and Expenses

For the first quarter of 2000, general and administrative expenses were \$20.1 million or 2.3% of total revenues compared to \$19.7 million or 2.2% of total revenues for the first quarter of 1999. The 2.0% increase in general and administrative expenses, quarter over quarter, is generally due to anticipated costs associated with moving the Company's North America proprietary point of sale system into production in late 1999 and the initial roll-out of Central Processing Centers in the Company's realigned operating clusters, partially offset by a reduction of approximately \$3.1 million of recurring administrative expenses principally resulting from the restructuring programs initiated in 1999.

Interest expense increased \$12.1 million to \$69.5 million in the first quarter of 2000 compared to the same period of 1999. This increase is primarily a result of higher financing costs associated with changes in market rates, elimination of the Company's commercial paper program and the reduction of the Company's credit rating subsequent to the first quarter of 1999.

Other income in the first quarter of 2000 was \$3.5 million compared to \$14.6 million for the same period of 1999. Other income includes, among other things, gains and losses from the sales of excess real estate. In the first quarter of 2000, \$1.6 million of other income was related to net gains on sales of excess assets compared to \$10.6 million in the first quarter of 1999.

Update on Strategic Initiatives

The Company is continuing towards its primary objectives in 2000 of reducing costs, increasing cash flow and reducing its debt.

The Company's cost reduction program is ongoing as the Company transitions into an efficient operating company. The Company is creating Central Processing Centers to consolidate back office accounting and administrative functions in North America at the cluster level. The Company has successfully implemented this concept in five North America clusters and will begin full implementation to all North America clusters by the end of 2000.

The Company continues its progress towards its cash flow targets previously communicated. The Company completed the sale of certain interest rate swaps and cross-currency interest rate swaps producing net pretax proceeds of \$110 million in the first quarter of 2000. These proceeds were primarily used to reduce the Company's debt. The Company is progressing in line with its expectations in reducing commission payments and other selling expenses for prearranged funeral sales. The Company believes it is currently in line with its target of \$300 to \$500 million (before estimated severance payments) generated from operating free cash flow and after tax proceeds from sales of non-core assets available for reducing debt. The Company's debt balance at March 31, 2000 was approximately \$3.94 billion, and the Company remains comfortable with the targeted debt balance of \$3.6 billion to \$3.8 billion by the end of 2000. At March 31, 2000, the Company had cash balances of approximately \$80 million to \$100 million available to reduce debt.

Commenting on the Company's strategic initiatives, SCI Senior Vice President and Chief Financial Officer, Jeffrey E. Curtiss, said:

"We remain confident our cash flow initiatives will allow us to reduce debt and meet all of our financial requirements in 2000. We remain acutely focused on non-core asset sales and are continuing discussions with our agent bank primarily relating to the revolving credit facility to be renewed in November 2000."

Other Matters

The Company, together with other members of its industry, is currently discussing directly with the staff of the Securities and Exchange Commission the application of SAB No. 101, "Revenue Recognition in Financial Statements". The Company has not reached a final resolution of these discussions, but anticipates these discussions to be finalized and any effects implemented by the end of the second quarter of 2000. Final resolution of these discussions will not have an impact on the Company's consolidated cash flows, but may have a material impact on the Company's consolidated financial statements and on the manner in which the Company and its industry records certain preneed sales activities.

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 convey 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 of the Company 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, particularly but not limited to, levels of interest expense, negative currency translation effects and changes in credit relationships impacting the availability of credit.
2. Changes in domestic and international political and/or regulatory environments in which the Company operates, including tax and accounting policies.
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 of the Company's cemeteries.
5. The Company's ability to successfully implement ongoing cost reduction initiatives, as well as changes in domestic and international economic, political and/or regulatory environments, which could negatively effect the implementation of the Company's cost reduction initiatives.
6. The Company's ability to successfully realize the estimated savings associated with the Company's cost reduction initiatives announced in 1999.
7. The Company's ability to successfully implement certain strategic revenue and marketing initiatives resulting in increased volume through its existing facilities.
8. The Company's ability to successfully implement certain strategic cash flow initiatives, including but not limited to the sale of non-core assets and the previously announced funeral and cemetery consumer financing program, which could improve or generate cash flow for the Company and enhance the Company's ability to reduce debt.
9. The Company's ability to successfully exploit its substantial purchasing power with certain of the Company's vendors.

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, 2000, SCI affiliates operated 3,821 funeral service locations, 525 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>.

CONSOLIDATED STATEMENT OF INCOME

(In thousands, except per share amounts)	Three Months Ended	
	March 31,	
	2000	1999
Revenues:		
Funeral	\$542,565	\$574,641
Cemetery	218,851	251,858
Financial services	108,050	77,557
	869,466	904,056
Cost and expenses:		
Funeral	418,931	443,621
Cemetery	158,467	174,058
Financial services	98,455	67,506
	675,853	685,185
General and administrative expense	(20,113)	(19,710)
Restructuring charge	---	(89,884)
Income from operations	173,500	109,277
Interest expense	(69,549)	(57,448)
Other income	3,515	14,588
	(66,034)	(42,860)
Income before income taxes and extraordinary gain	107,466	66,417
Provision for income taxes	39,225	24,534
Net income before extraordinary gain	68,241	41,883
Extraordinary gain on early extinguishments of debt (net of income taxes of \$3,785 and \$1,071, respectively)	6,585	1,885
Net income	\$ 74,826	\$ 43,768
Earnings per share:		
Basic:		
Income before non-recurring items	\$.25	\$.36
Restructuring charge	---	(.21)
Extraordinary gain on early extinguishments of debt	.02	.01
Net income	\$.27	\$.16
Diluted:		
Income before non-recurring items	\$.25	\$.36
Restructuring charge	---	(.21)
Extraordinary gain on early extinguishments of debt	.02	.01
Net income	\$.27	\$.16
Basic weighted average number of shares	272,063	272,990
Diluted weighted average number of shares	273,501	275,442

Geographic segment information was as follows:
(In thousands, except number of locations)

	North America	Europe	Other Foreign
Revenues:			
Three months ended March 31:			
2000	\$596,521	\$234,068	\$ 38,877
1999	612,318	257,310	34,428
Change from prior year	\$(15,797)	\$(23,242)	\$ 4,449

Percentage change from prior year	(2.6)%	(9.0)%	12.9%
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Income from operations:

Three months ended March 31
(1999 amounts exclude effect
of Restructuring Charge):

2000	\$126,518	\$ 39,712	\$ 7,270
1999	156,301	36,289	6,571
Change from prior year	\$(29,783)	\$ 3,423	\$ 699

Percentage change from prior year	(19.1)%	9.4%	10.6%
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Operating income margin:

Three months ended March 31
(1999 amounts exclude effect
of Restructuring Charge):

2000	21.2%	17.0%	18.7%
1999	25.5%	14.1%	19.1%

Funeral services performed:

Three months ended March 31:

2000	84,581	81,381	7,505
1999	85,948	82,095	6,980

Percentage change from prior year	(1.6)%	(0.9)%	7.5%
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Number of locations at March 31:

2000	2,288	2,070	186
1999	2,293	2,058	175

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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