Service Corporation International Announces Additional Phases to Strategic Plan and Second Quarter Results of $.12 Per Diluted Share Before Non-Recurring Items

August 8, 2000

HOUSTON, Aug. 8 /PRNewswire/ -- Service Corporation International (NYSE: SRV), the world's largest funeral and cemetery company, today announced additional phases to its strategic plan to reduce indebtedness and enhance long-term value to its shareholders. The Company also announced today results for the second quarter of 2000. Excluding non-recurring items defined as extraordinary gains on early extinguishments of debt and restructuring and non-recurring charges, the Company announced earnings of $.12 per diluted share ($.12 basic) for the three months ended June 30, 2000.

Statement of Company Strategy

SCI Chairman and Chief Executive Officer, Robert L. Waltrip, today announced additional phases of the Company's current business strategy, which will redefine the Company's approach to a number of its existing business activities and improve financial stability for the Company's future. This announcement clarifies the Company's business focus and has been approved by the Company's Board of Directors.

Initial Phase

The initial phase of the Company's strategic plan begun in early 1999 was designed to reduce overhead, increase cash flow and pay down debt. The reduction of overhead was initially addressed through a cost rationalization program, which restructured the Company's operating clusters into more efficient operating units and resulted in two separate restructuring charges recorded in 1999 totaling $362.4 million. The Company's initiative to increase cash flow included the suspension of the quarterly cash dividend, the suspension of the acquisition program, realignment of preneed cemetery and prearranged funeral sales commission structures, increased efforts to expedite the receipt of funds due to the Company from certain funeral and cemetery trusts and the sale of certain non-core assets and businesses.

The Company has executed sales of certain non-core financial assets during 2000 and will continue the process of selling other non-core assets. The Company intends to complete the sale of certain loans of its lending subsidiary (Provident) in 2000 and has signed definitive agreements to sell its wholly owned insurance operations, American Memorial Life Insurance Company (AMLIC) and Auxia, which are both expected to close by October 31, 2000, subject to customary regulatory and other closing conditions. These transactions align SCI with very strong partners: Fortis, Inc. with AMLIC, and Mederic Assurances of France and Zurich France with Auxia. The Company has entered into marketing agreements with these strategic partners, which are related to future performance and projected to produce more free cash flow for the Company than if the insurance operations were owned by the Company. Under the performance based ten year marketing agreement in conjunction with the AMLIC transaction, and based on the Company's sales forecasts, the net present value of future commissions and overrides associated with the AMLIC marketing agreement is expected to exceed $200 million. The marketing agreements with both the AMLIC and Auxia transactions are also expected to provide enhanced opportunities to sell prearranged funerals in the Company's worldwide funeral markets.

The overhead reductions and cash flow enhancing initiatives associated with the initial phase of the Company's strategic plan were designed to pay down the Company's debt due in 2000. Through the sale of non-core assets and its ongoing cash flow initiatives, the Company believes it will conclude the initial phase of its strategic plan by year-end. The Company's total debt at June 30, 2000 was $3.76 billion, which is before the receipt of estimated proceeds associated with the sale of AMLIC and Auxia, and down from a previous high balance of $4.2 billion at September 30, 1999. The June 30, 2000 debt balance is already within its year-end 2000 targeted range of $3.6 billion to $3.8 billion.

"We are pleased with the execution of the initial phase of our strategic plan, which has increased our operating free cash flow to a level that will provide adequate funds, coupled with the closing of the AMLIC and Auxia transactions and other non-core asset sales, to retire all of our debt maturing in 2000," said Waltrip. "We continue to focus on market share in our core operations, which is imperative in these periods with decreases in the number of deaths in our global funeral markets. Our cost rationalization program examining our fixed cost structure will also continue in light of the reductions in the number of deaths for the past several quarters."

Second Phase

The second phase of the Company's strategic plan, which is presently being initiated, is to define the Company's operations by demographic, market and geographic segments and restructure these operations through alliances and joint ventures with strategic partners that the Company believes would add value to the businesses. Strategic partners could invest in and provide other benefits to the joint ventures, which would include funeral home and cemetery properties owned by or affiliated with the Company. Any investments made by strategic partners would be used by the Company to substantially reduce or eliminate amounts currently outstanding on its credit facilities due in 2002 or other indebtedness. Strategic partners could include companies or other groups that could offer unique competitive advantages not previously available to the Company, such as access to customer databases, marketing or telemarketing services and prearrangement financing.

As part of this second phase, the Company has already formulated a model plan for a worldwide demographic operating segment to be headquartered in Miami, Florida, targeting the rapidly growing Spanish, Latin, South American and Cuban populations. The Company is currently in discussions with several potential strategic partners in this venture, which could bring internal growth and incremental cash flows to this segment through enhanced operating results.

"SCI is actively evaluating a range of alternatives to further strengthen our financial position," said Waltrip. "The second phase of our strategic plan is a reaffirmation of our goals to reduce debt and develop internal growth and improved cash returns on our core businesses. We view the second phase of our strategic plan as a significant positive move to add value for our employees, equity shareholders, debt holders and strategic partners. The strategic alliance and joint venture program is similar to our affinity program, which aligns our core operations with third parties and could enhance future internal growth and incremental cash flows. This program could also generate cash proceeds from strategic partner capital contributions, which could be used to reduce our current bank indebtedness due in 2002 as well as other indebtedness."

Third Phase

The third phase of the Company's strategic plan continues the focus on internal growth within the Company's existing core businesses. Central to this strategy is the continued execution of agreements with affinity partners which provide exclusive, direct access by the Company to large groups of individuals who meet the Company's ideal customer profile. Existing affinity relationships include insurance companies, charitable organizations, corporations and social/fraternal groups internationally and within North America with whom the Company is currently in various stages of discussion, contract negotiations, market testing or program execution. Marketing to affinity group customers will be either through the Company's existing funeral and cemetery network, direct to consumer or through e-commerce marketing initiatives.

The third phase also includes the continued development and implementation of the Dignity Memorial(TM) Plan funeral packages and the Dignity Memorial(TM) brand name. The Company plans to develop a seamless, global, brand recognized network of funeral service providers under the Dignity Memorial(TM) brand name to provide funeral products and services, which would be recognized and portable on a worldwide basis. The Dignity Memorial(TM) provider network will be developed through a program of offering non-SCI funeral homes, primarily in markets where the Company does not currently have coverage, the opportunity to participate in the network and have access to the Company's affinity partners, Dignity Memorial(TM) products and services, prearranged funeral funding sources, merchandising expertise and Internet capabilities.

The Dignity Memorial(TM) provider network will have the advantage of being accessible to consumers through the Internet site DignityMemorial.com. When fully implemented, this Internet site will give consumers the ability to locate Dignity Memorial(TM) providers throughout a worldwide network and offer consumers high value consumer friendly packages of funeral products and services that will be portable throughout the network. Additionally, DignityMemorial.com will participate as the exclusive death care provider in a much broader Internet portal, Besthalf.com, which is also being developed by the Company and could be available as early as the fall of 2000 and would provide a comprehensive array of products and services targeting the global senior citizen market. This participating relationship would give the Dignity Memorial(TM) consumer access to a much larger and broader range of products and services on Besthalf.com through other participating companies and organizations. Other participants in Besthalf.com could include nursing homes, assisted living companies, rehabilitation hospitals, insurance companies, pharmaceutical companies and numerous other organizations marketing to the global senior citizen market.

Second Quarter Results

For the second quarter of 2000, the Company reported earnings of $.12 per diluted share ($.12 basic) compared to $.28 per diluted share ($.28 basic) for the second quarter of 1999, excluding non-recurring items defined as extraordinary gains on early extinguishments of debt and restructuring and non-recurring charges. For the six months ended June 30, 2000, the Company reported earnings of $.37 per diluted share ($.37 basic) compared to $.64 per diluted share ($.64 basic) for the same period of 1999, excluding non- recurring items.

The Company previously announced expected earnings for the second quarter of 2000 to be in a range of $.07 to $.10 per diluted share before non-recurring items. This announcement was based on underlying trends, factors and assumptions which were believed to be reasonable by the Company and related to the performance of the Company's core funeral and cemetery businesses. The Company's actual results of operations in the second quarter of 2000 were consistent with these trends relating to the performance of the Company's core businesses. The actual second quarter earnings of $.12 per diluted share before non-recurring items are in excess of the previously announced earnings range due to certain sales of businesses and undeveloped cemetery property, which resulted in pretax gains of approximately $8 million during the second quarter of 2000 and were not considered in the Company's 2000 earnings guidance.

In July 2000, the Company announced definitive agreements for the sale of its wholly owned insurance operations, AMLIC and Auxia. Accordingly, during the second quarter of 2000, the Company's insurance operations reportable segment is now presented as discontinued operations in the Company's financial statements. The Company's lending subsidiary (Provident) is being presented as a component of the Company's continuing operations, as only certain of its loans are being held for sale.

Highlights of Financial Results

	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
(In millions, except per share amounts)				
Revenues from Continuing Operations	$702.1	$745.8	$1,467.9	$1,578.1
Earnings from Continuing and Discontinued Operations Before Non-Recurring Items	$31.8	$76.0	$100.1	$175.1
Net Income	$38.8	$76.0	$113.6	$119.8
Diluted EPS from Continuing and Discontinued Operations Before Non-Recurring Items	$.12	$.28	$.37	$.64
Diluted Earnings Per Share	$.14	$.28	$.42	$.44
EBITDA from Continuing and Discontinued Operations Before Non-Recurring Items	$188.6	$243.0	$427.9	$512.7
Cash Flow from Operations			$158.6	$219.1
Operating Free Cash Flow			$131.4	$0.2
Total Debt			$3,757.1	$4,060.0*

Net Worth	$3,557.8	$3,529.0*
Cash and Cash Equivalents	$48.3	$57.8*

*Balance Sheet items reflected as of December 31, 1999.

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: investors, Debbie E. Fisher, Director/Investor Relations, 713-525-9088, or Eric D. Tanzberger, Vice President/Investor Relations and Assistant Corporate Controller, 713-525-7768, or media, Terry Hemeyer, Managing Director/Corp. Communications, 713-525-5235, all of Service Corporation International