



Q2 19 Non-GAAP Presentation

July 2019



Non-GAAP Financial Measures

This information should not be considered in isolation or as a substitute for related GAAP measures. Additionally, these measures as calculated by the Company may not be comparable to similarly titled measures used by other companies.

ADJUSTED EPS OR DILUTED EARNINGS PER SHARE EXCLUDING SPECIAL ITEMS

We use *diluted earnings per share excluding special items (adjusted EPS)* as an underlying operational performance measure of the business and to have a basis to compare operating results to prior and future periods. We make adjustments to net income (a GAAP measure) to remove certain charges and credits. We believe these adjustments are relevant in evaluating the overall performance of the business.

ADJUSTED CASH FLOW FROM OPERATIONS OR NET CASH PROVIDED BY OPERATING ACTIVITIES EXCLUDING SPECIAL ITEMS

We use *adjusted operating cash flow, or net cash provided by operating activities*, as an underlying operational performance measure of the continuing operations of the business and to have a basis to compare excluding special items cash flow results to prior and future periods. We make adjustments to cash flow from operations (a GAAP measure) to remove certain receipts and payments. We believe these adjustments are relevant in evaluating the overall performance of the business.

FREE CASH FLOW

We define *free cash flow* as *adjusted operating cash flow* minus expenditures for capital improvements at existing locations and expenditures for the development of cemetery property, collectively referred to as *recurring CAPEX*. We use free cash flow to assess the financial performance of the Company. We believe that free cash flow is useful to investors because it relates the operating cash flow of the Company to the capital that is spent to continue and improve business operations, such as investment in the Company's existing businesses. Further, free cash flow facilitates our ability to strengthen the Company's balance sheet, repay our debt obligations, pay cash dividends, and repurchase our common shares. We also believe the presentation of this measure will enhance the investors' ability to analyze trends in the business and evaluate our underlying performance relative to other companies in the industry.

ADJUSTED EBITDA

We define *adjusted EBITDA* as a financial measure calculated in accordance with our credit agreement and represents EBITDA to remove certain charges and credits. We use adjusted EBITDA to provide investors and lenders with additional information to measure our financial performance and evaluate our ability to service debt.

COMPARABLE OPERATIONS

We define comparable (or same store) operations as those funeral and cemetery locations owned by us for the entire fiscal period beginning January 1, 2017, and ending December 31, 2018.



Adjusted EPS

(In millions, except diluted EPS)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2019		2018		2019		2018	
	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS
Net income attributable to common stockholders, as reported	\$ 72.3	\$ 0.39	\$103.2	\$ 0.55	\$151.7	\$ 0.82	\$185.2	\$ 0.98
<u>Pre-tax reconciling items:</u>								
Losses (Gains) on divestitures and impairment charges, net	11.8	0.06	(6.9)	(0.04)	13.7	0.07	(7.3)	(0.04)
Loss on early extinguishment of debt, net	7.6	0.04	—	—	7.6	0.04	10.1	0.05
Legal settlements	(1.6)	(0.01)	—	—	6.4	0.03	—	—
<u>Tax reconciling items:</u>								
Tax effect from special items	(4.2)	(0.02)	2.2	0.02	(6.8)	(0.03)	0.6	—
Change in certain tax reserves and other	1.2	0.01	(16.1)	(0.09)	1.2	0.01	(17.3)	(0.08)
Diluted earnings per share excluding special items (Adjusted EPS)	<u>\$ 87.1</u>	<u>\$ 0.47</u>	<u>\$ 82.4</u>	<u>\$ 0.44</u>	<u>\$173.8</u>	<u>\$ 0.94</u>	<u>\$171.3</u>	<u>\$ 0.91</u>
Diluted weighted average shares outstanding (in thousands)		185,690		187,188		185,517		188,547



Adjusted Operating Cash Flow & Free Cash Flow

<i>(In millions)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Net cash provided by operating activities	\$ 78.0	\$ 103.9	\$ 262.9	\$ 315.4
Legal settlement payments	6.4	—	6.4	—
IRS tax settlement refund received	—	—	—	(5.6)
Net cash provided by operating activities excluding special items (Adjusted operating cash flow)	<u>\$ 84.4</u>	<u>\$ 103.9</u>	<u>\$ 269.3</u>	<u>\$ 309.8</u>
Capital improvements at existing operating locations and corporate office	(31.8)	(30.4)	(57.7)	(56.6)
Development of cemetery property	(19.2)	(19.7)	(37.9)	(34.9)
Free cash flow	<u>\$ 33.4</u>	<u>\$ 53.8</u>	<u>\$ 173.7</u>	<u>\$ 218.3</u>
<i>Net cash used in investing activities</i>	\$ (71.7)	\$ (192.7)	\$ (142.7)	\$ (272.8)
<i>Net cash used in financing activities</i>	\$ 82.9	\$ 33.4	\$ (79.8)	\$ (210.1)
Cash taxes included in Adjusted operating cash flow	\$ 47.8	\$ 27.8	\$ 49.6	\$ 30.9

Financial Outlook for 2019

In millions, except diluted EPS

	Low	Midpoint	High
Net cash provided by operating activities excluding special items (A) <i>Adjusted Operating Cash Flow</i>	\$550	\$580	\$610
Capital improvements at existing locations and development of cemetery property	\$195	\$195	\$195
Diluted earnings per share excluding special items (B) <i>Adjusted EPS</i>	\$1.90	\$1.95	\$2.00

(A) Reconciliations from GAAP Net cash provided by operating activities are not provided for these forward-looking estimates because GAAP net cash provided by operating activities for the fiscal year ending December 31, 2019, is not accessible and reconciling information is not available without unreasonable effort. We are unable to predict changes in assets and liabilities; future acquisition and transition costs; system and process transitions costs; potential tax adjustments to reserves, payments, credits or refunds; potential legal defense costs or settlements of litigation or the recognition of receivables for insurance recoveries associated with litigation, and these amounts could be material such that the amount of net cash provided by operating activities would vary substantially from the amount of projected net cash provided by operating activities excluding special items.

(B) Reconciliations from GAAP Net income per share are not provided for these forward-looking estimates because GAAP Net income per share for the fiscal year ending December 31, 2019 is not accessible and reconciling information is not available without unreasonable effort. We are not able to predict future system and process transition costs; acquisition and transition costs; gains/losses and impairment charges associated with asset dispositions; gains/losses associated with the early extinguishment of debt or foreign currency transactions; potential tax adjustments to reserves, payments, credits or refunds; potential costs associated with settlements of litigation or the recognition of receivables for insurance recoveries associated with litigation, and these amounts could be material, such that the amount of Net income per share would vary substantially from the amount of projected Adjusted earnings per share.

Our outlook for 2019 reflects management's current views and estimates regarding future economic and financial market conditions, company performance and financial results, business prospects, the competitive environment, and other events. These views and estimates that support the outlook provided are subject to a number of risks and uncertainties, many of which are beyond the control of SCI, that could cause actual results to differ materially from the potential results.

