



Service Corporation International

**Non-GAAP Financial Measures at Q4 20
and
Financial Outlook for 2021**

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, 2019, and ending December 31, 2020.



Adjusted EPS

(In millions, except diluted EPS)

	Three Months Ended December 31,				Twelve Months Ended December 31,			
	2020		2019		2020		2019	
	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS
Net income attributable to common stockholders, as reported	\$ 201.0	\$ 1.15	\$ 147.2	\$ 0.79	\$ 515.9	\$ 2.88	\$ 369.6	\$ 1.99
<u>Pre-tax reconciling items:</u>								
Gains on divestitures and impairment charges, net	(1.2)	—	(48.1)	(0.26)	(7.0)	(0.03)	(32.9)	(0.18)
Losses on early extinguishment of debt, net	—	—	—	—	18.4	0.10	16.6	0.09
Legal settlements	—	—	—	—	—	—	6.4	0.03
<u>Tax reconciling items:</u>								
Tax effect from special items	0.6	—	13.1	0.07	(2.6)	(0.02)	4.1	0.02
Change in uncertain tax reserves and other income tax adjustments	(2.7)	(0.02)	(0.9)	—	(3.0)	(0.02)	(10.9)	(0.05)
Diluted earnings per share excluding special items (Adjusted EPS)	<u>\$ 197.7</u>	<u>\$ 1.13</u>	<u>\$ 111.3</u>	<u>\$ 0.60</u>	<u>\$ 521.7</u>	<u>\$ 2.91</u>	<u>\$ 352.9</u>	<u>\$ 1.90</u>
Diluted weighted average shares outstanding (in thousands)		174.6		185.2		179.0		185.5



Adjusted Cash Flow from Operations & Free Cash Flow

<i>(In millions)</i>	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2020	2019	2020	2019
Net cash provided by operating activities	\$ 244.9	\$ 156.6	\$ 804.4	\$ 628.8
Legal settlement payments	—	—	—	6.4
Net cash provided by operating activities excluding special items (Adjusted operating cash flow)	<u>\$ 244.9</u>	<u>\$ 156.6</u>	<u>\$ 804.4</u>	<u>\$ 635.2</u>
Capital improvements at existing operating locations	(33.1)	(34.7)	(96.8)	(126.5)
Development of cemetery property	(23.3)	(19.5)	(88.8)	(77.9)
Free cash flow	<u>\$ 188.5</u>	<u>\$ 102.4</u>	<u>\$ 618.8</u>	<u>\$ 430.8</u>
<i>Net cash used in investing activities</i>	\$ (93.0)	\$ (38.8)	\$ (318.4)	\$ (278.5)
<i>Net cash used in financing activities</i>	\$ (141.6)	\$ (77.1)	\$ (492.8)	\$ (319.1)
Cash taxes included in Adjusted operating cash flow	\$ 36.0	\$ 11.1	\$ 132.9	\$ 65.8

Financial Outlook for 2021

In millions, except Diluted EPS

	Low	Midpoint	High
Net cash provided by operating activities excluding special items/ <i>Adjusted Cash Flow from Operations</i>	\$600	\$650	\$700
Capital improvements at existing locations and development of cemetery property	\$235	\$245	\$255
Diluted earnings per share excluding special items/ <i>Adjusted EPS</i>	\$2.50	\$2.70	\$2.90
<i>Cash taxes included in Adjusted Operating Cash Flow</i>		\$160	

Diluted earnings per share excluding special items and net cash provided by operating activities excluding special items are non-GAAP financial measures. We normally reconcile these non-GAAP financial measures from diluted earnings per share and net cash provided by operating activities; however, diluted earnings per share and net cash provided by operating activities calculated in accordance with GAAP are not currently accessible on a forward-looking basis. Our outlook for 2021 excludes the following because this information is not currently available for 2021: Expenses net of insurance recoveries related to hurricanes, gains or losses associated with asset divestitures, gains or losses associated with the early extinguishment of debt, potential tax reserve adjustments and IRS payments and/or refunds, acquisition and integration costs, system implementation and transition costs, and potential costs associated with settlements of litigation or the recognition of receivables for insurance recoveries associated with litigation, or deferred tax payments. The foregoing items could materially impact our forward-looking diluted earnings per share and/or our net cash provided by operating activities calculated in accordance with GAAP, consistent with the historical disclosures found in the Appendix at the end of this press release under the headings “Cash Flow and Capital Spending” and “Non-GAAP Financial Measures”.

Our outlook for 2021 reflects management's current views and estimates regarding the impact on results from the Covid-19 pandemic, 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.

