



SERVICE CORPORATION INTERNATIONAL

# INVESTOR DAY 2022





# Forward-looking statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements in this presentation that are not historical facts are forward-looking statements. You can generally identify our forward-looking statements by the words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “goal,” “intend,” “may,” “objective,” “plan,” “potential,” “predict,” “projection,” “should,” “target,” “will,” or other similar words. The absence of these or similar words, however, does not mean that the statements are not forward-looking. These statements are based on assumptions and expectations that the Company believes are reasonable at the time made; however, many important factors could cause the Company’s actual results in the future to differ materially from any forward-looking statements.

For further information on these and other risks and uncertainties, see our Securities and Exchange Commission filings, including our 2021 Annual Report on Form 10-K. Copies of this document as well as other SEC filings can be obtained from our website at [www.SCI-Corp.com](http://www.SCI-Corp.com). Except as required by law, we undertake no obligation to update or revise any forward-looking statements made herein or any other forward-looking statements made by us, whether as a result of new information, future events, or otherwise.





## **Introduction Video**



# Investor Day 2022



**TOM  
RYAN**

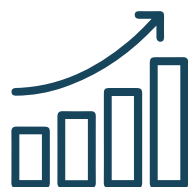
Chairman of the Board  
CEO and President

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# Our strategy has been effective and remains intact



**GROW  
REVENUE**



**LEVERAGE  
SCALE**



**DEPLOY  
CAPITAL**



# Our financial position affords us financial flexibility, which allows us to be opportunistic

Provides financial flexibility to invest in our associates and our businesses, and pursue strategic acquisitions and new builds

**LIQUIDITY**  
**\$1.04B**

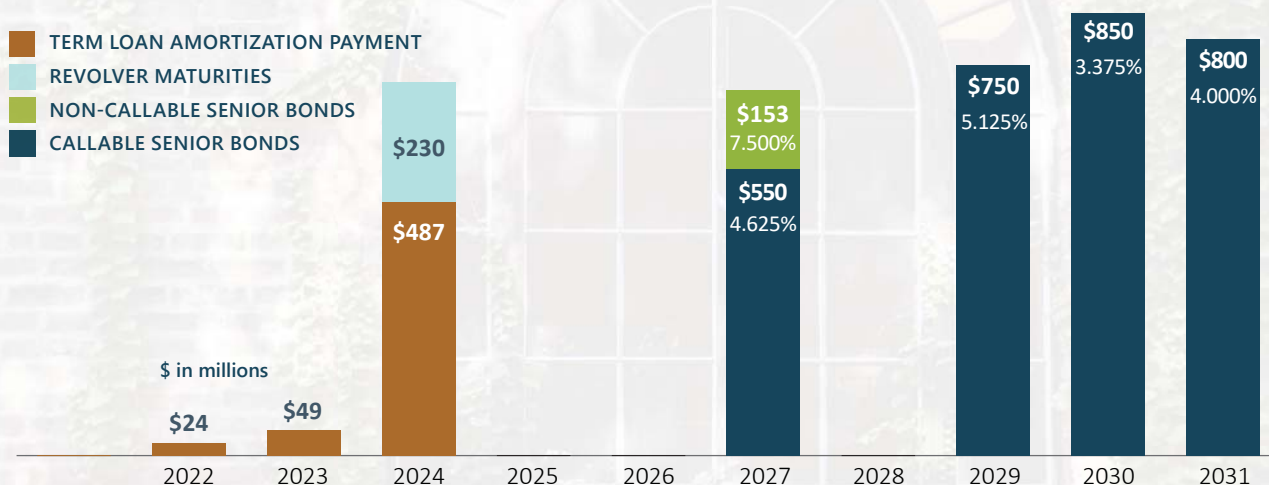
Cash \$300M /  
Credit Facility \$740M

**LEVERAGE**  
**2.6x**

Target  
3.50x–4.00x

## DEBT MATURITY PROFILE March 31, 2022

- TERM LOAN AMORTIZATION PAYMENT
- REVOLVER MATURITIES
- NON-CALLABLE SENIOR BONDS
- CALLABLE SENIOR BONDS





# Making our equity sweat— enhancing shareholder returns

## VALUE RETURNED TO SHAREHOLDERS

**\$5.3B**

Value returned to shareholders  
through dividends and share repurchases since 2004

### SHARES OUTSTANDING

350,000  
325,000  
300,000  
275,000  
250,000  
225,000  
200,000  
175,000  
150,000

2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021

**52%**  
Reduction in outstanding  
shares since mid 2004

**17% CAGR**  
Dividends per share  
2005-2021

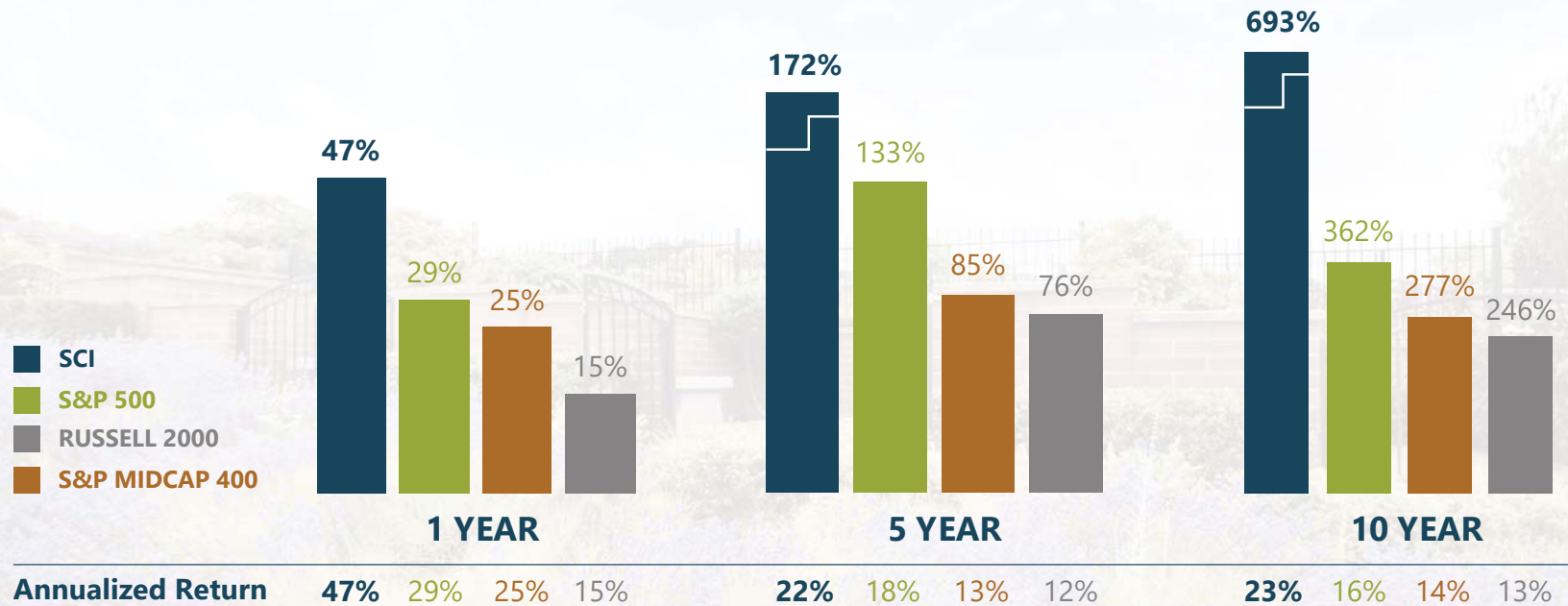
### DIVIDENDS PER SHARE

\$1.00  
\$0.90  
\$0.80  
\$0.70  
\$0.60  
\$0.50  
\$0.40  
\$0.30  
\$0.20  
\$0.10  
\$-



# Our execution has translated into superior total shareholder returns over time

## TOTAL SHAREHOLDER RETURN December 31, 2021





# Sustainable value creation foundational in everything we do



## SUPPORTING OUR 24,000 ASSOCIATES

Supporting the personal and professional goals of our associates and empowering inclusive and diverse teams



## INVESTING IN OUR COMMUNITIES

Delivering service excellence and supporting the communities where we do business and where our associates live and work



## OPERATING WITH PRINCIPLE

Operating with integrity, responsibility and accountability to our stakeholders and with respect to our environment

Our inaugural 2021 Sustainability Report is available at [sci-corp.com](https://www.sci-corp.com)



### 2021 Sustainability Report



SERVICE CORPORATION INTERNATIONAL

# Investor Day 2022 Key Takeaways

1

Strong business model with a sustainable growth platform

2

Significant and consistent cash flow continues to grow the Company and enhance shareholder value

3

Industry leaders in innovation and technology

4

Preneed model and backlog strength differentiates us

5

Potential for incremental growth is much greater in the coming years, as we are poised to benefit from demographic tailwinds



# Agenda

## OPENING & OVERVIEW



Welcome

Tom Ryan



Industry/Company Overview

Jay Waring



Funeral & Cemetery Segment Overview

Steve Tidwell



New Earnings Base for Growth

Eric Tanzberger

## GROWTH DRIVERS



Demographic Tailwinds

Elisabeth Nash



Marketing, Sales & Cemetery Inventory Impact

Jamie Pierce  
Gerry Heard  
Michael Johnson



Enhanced Growth Capital Opportunities

John Faulk



Preneed Backlog Impact

Aaron Foley

## CLOSING



Long-Term Power of SCI's Growth Model

Eric Tanzberger



Q&A

Tom Ryan





## INDUSTRY/COMPANY

# Overview



**JAY  
WARING**

Senior Vice President  
Chief Operating Officer





# North America Deathcare Industry (U.S. & Canada)

## THE INDUSTRY IS HIGHLY FRAGMENTED

**~22,000**  
Funeral Homes

**~\$17B**

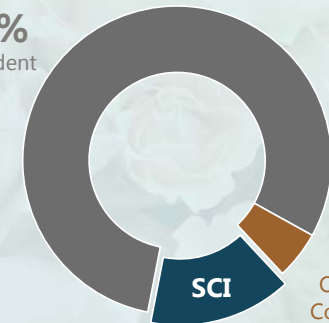
**~5,500**  
Cemeteries

**~\$5B**

**~\$22B**  
Deathcare Industry  
Revenues

### Industry Revenue Contribution

~80%  
Independent



~5%  
Other Large  
Consolidators

**~15-16%**

North America is defined throughout this presentation as U.S. and Canada. Industry revenue estimated from 2020 U.S. Census Bureau and Statistics Canada data. Large consolidator revenue based on public information and company estimates. | Number of funeral homes and cemeteries estimated by SCI from various sources and include only those of size. We estimate that there are several thousand smaller funeral homes and smaller municipal, church and not-for-profit cemeteries.

# Service Corporation International

**WE ARE THE LARGEST COMPANY IN THE INDUSTRY**

**1,471**  
Funeral Homes

**\$2.3B**

**488**  
Cemeteries

**\$1.8B**

**\$4.1B**  
2021 SCI  
Revenue

### 2021 Snapshot

**~24K**  
Employees

**~750K**  
Customers Served (Funeral & Cemetery)

**\$2.4B**  
Preneed Sales

**~\$14B**  
Backlog of Future Revenue



# Our scale and footprint provides competitive advantages

**CANADA**

**165**  
FUNERAL

**12**  
CEMETERY

**UNITED STATES**

**1,306**  
FUNERAL

**476**  
CEMETERY

**1,959**  
**LOCATIONS**

As of December 31, 2021



National brand

Leading technologies

Supply chain cost advantages

Premier preneed sales program

Network optimization/  
back office efficiencies

Leading cemeteries in markets where  
we operate

Differential economics in preneed trust/  
insurance structures

Training and development –  
Dignity University®



# Funeral and cemetery have different business characteristics

	BUSINESS FOCUS	BARRIERS TO ENTRY	REVENUE RECOGNITION	FUTURE OUTLOOK
FUNERAL	High-touch personalized service/retail	Moderate, except low in the price-sensitive market	Generally recognized at time of death	Revenue growth and high incremental margin growth expected from demographic tailwinds
CEMETERY	Real estate/sales/service	High (Capital/regulatory/permitting)	Preneed property sales can be recognized before death	Continued growth in revenues and high incremental margins driven by demographics and robust preneed sales program



**Our base  
case earnings  
framework  
remains sound**

**8%–12%**

**ORGANIC  
5%–7%**

**FUNERAL**

Modest revenue growth driven by increases in volume and sales average supporting stable margins

**CEMETERY**

Mid-single digit % preneed sales growth supporting increasing margins

**CAPITAL DEPLOYMENT**

**3%–5%**

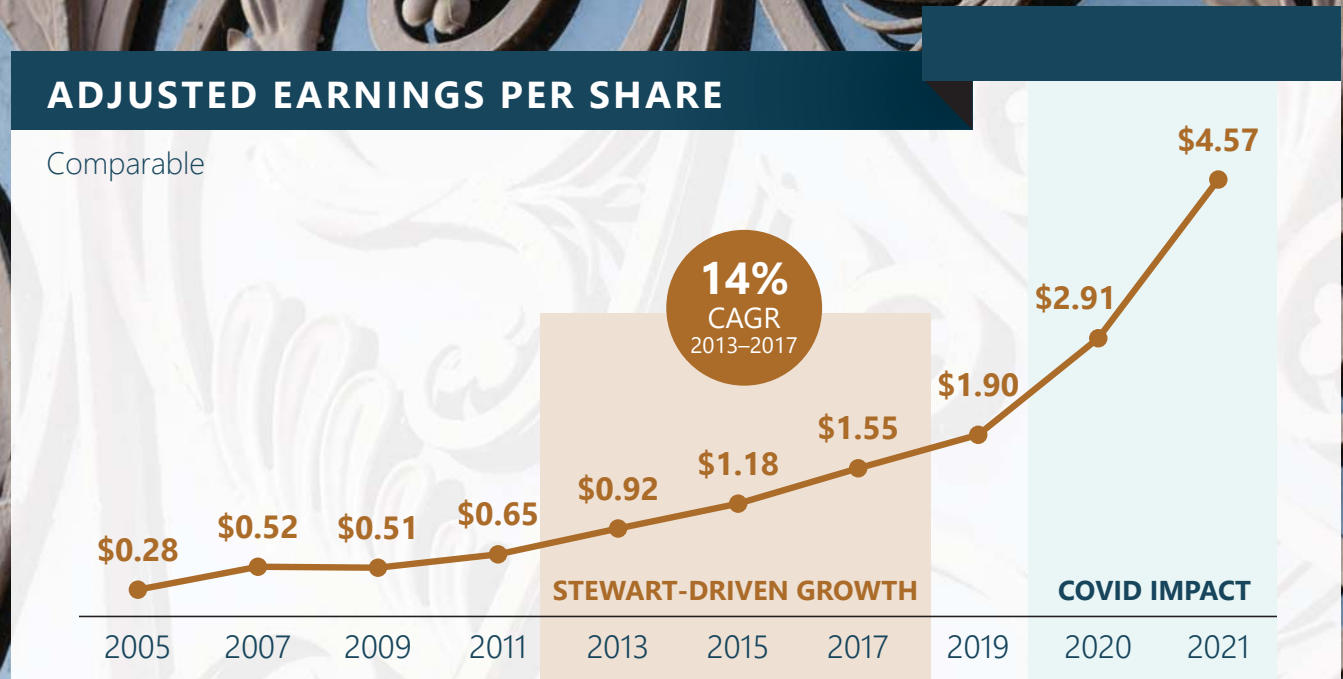
Continue Reinvesting in Business, Growth Capital,  
Share Repurchases and Debt Management



# Long-Term Consistent EPS Growth

Modest incremental revenue growth drives EPS above the range

Our business model has proven that incremental revenue yields significant profitability; similar to post-Stewart, post-COVID, we expect to return to 8%-12% earnings growth framework on a new, higher earnings base





FUNERAL & CEMETERY

# Segment Overview



**STEVE  
TIDWELL**

Senior Vice President  
Sales & Marketing

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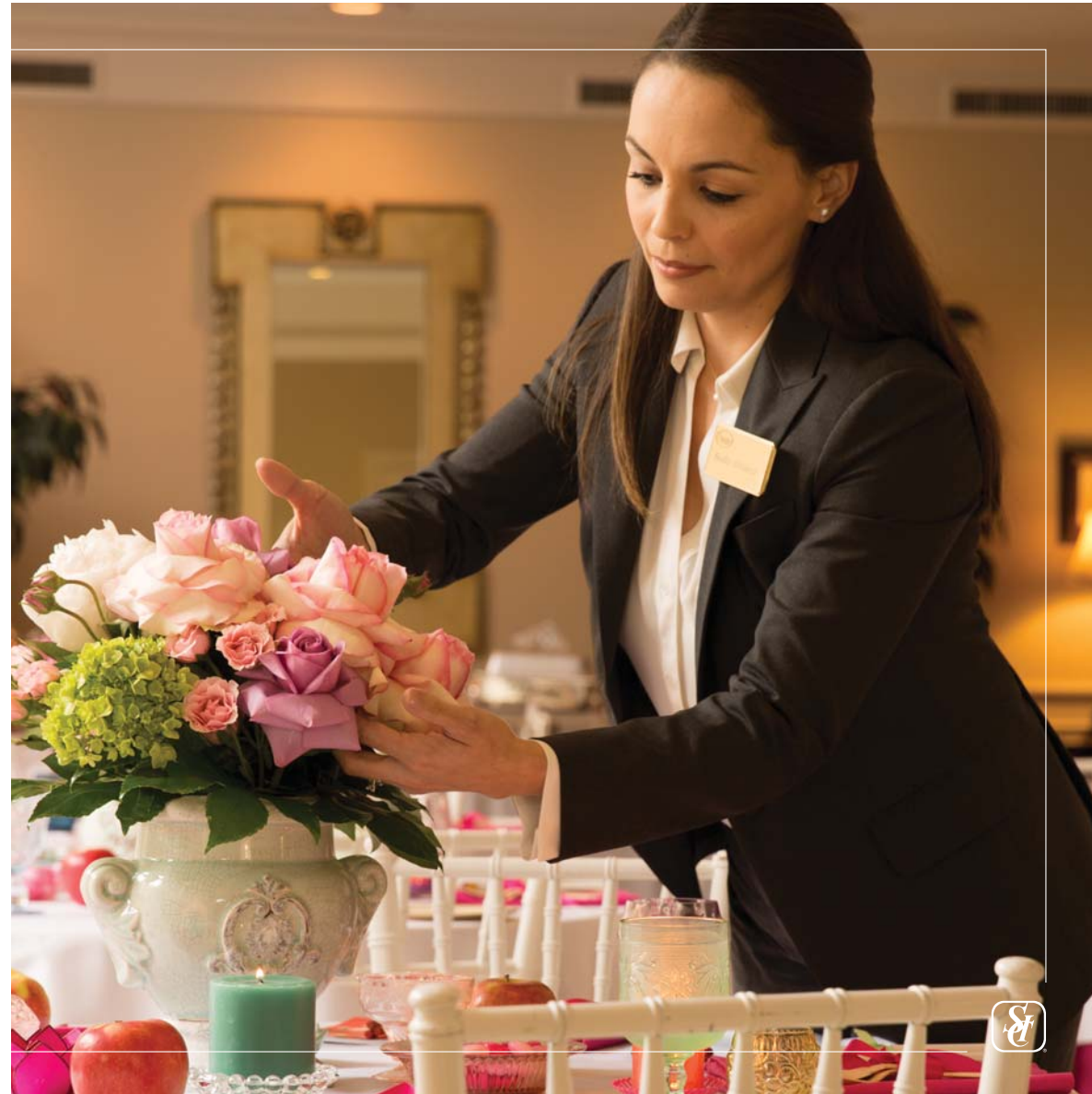


**FUNERAL & CEMETERY  
SEGMENT OVERVIEW**



# Funeral

Dedicated to caring for customers and poised for growth





# Funeral segment overview



## BUSINESS FOCUS

High-touch personalized service/retail



## BARRIERS TO ENTRY

Moderate, except low in the price-sensitive market



## REVENUE RECOGNITION

Generally recognized at time of death



## FUTURE OUTLOOK

Revenue growth and high incremental margin growth expected from demographic tailwinds

## 2021 SNAPSHOT

Consolidated Operations

**\$2.3B**

Revenues

**~500K**

Customers Served  
(atneed and preneed)

**1,471**

Funeral Homes

**~\$10B**

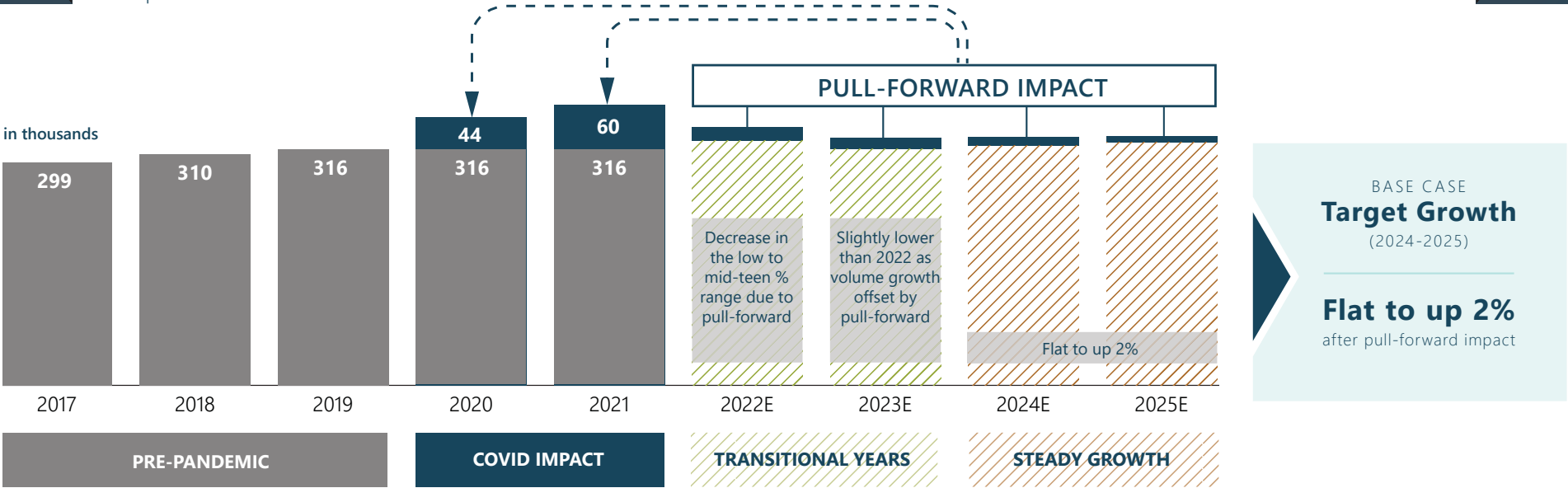
Preneed Backlog



# Volume expected to be flat to up 2% beyond 2023

## FUNERAL SERVICES PERFORMED

Comparable



As a result of COVID, some volume has been pulled forward into 2020 and 2021. We expect the largest portion of this impact to be captured in 2022 and 2023, with a diminishing effect in later years.

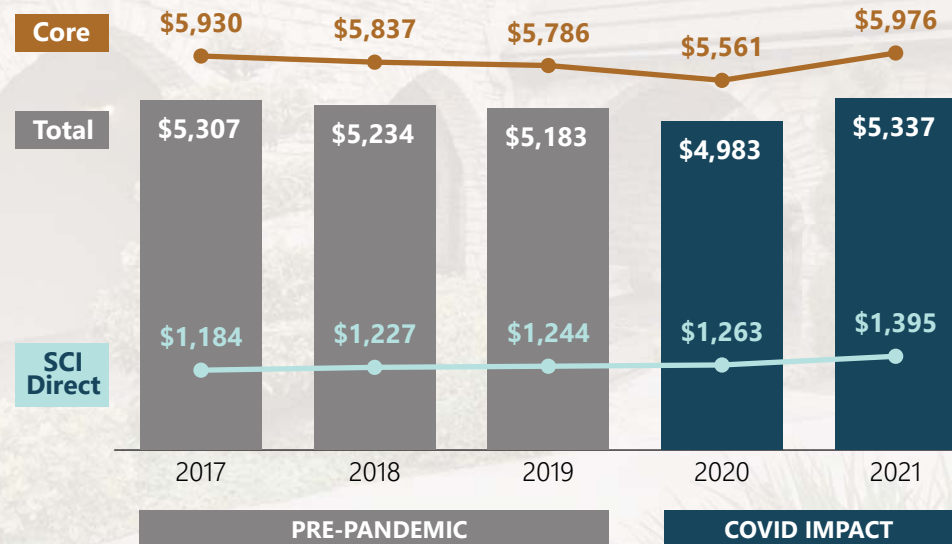


# We expect continued growth in the sales average

We are confident in our ability to continue to grow the sales average through:

- Inflationary Price Adjustments
- Innovative Products/Services
- Dignity Packages
- Venue Options/Pricing
- Cremation Opportunities
- Preneed Strength

## AVERAGE REVENUE PER FUNERAL SERVICE Comparable



BASE CASE  
**Target Growth**  
(2022-2025)

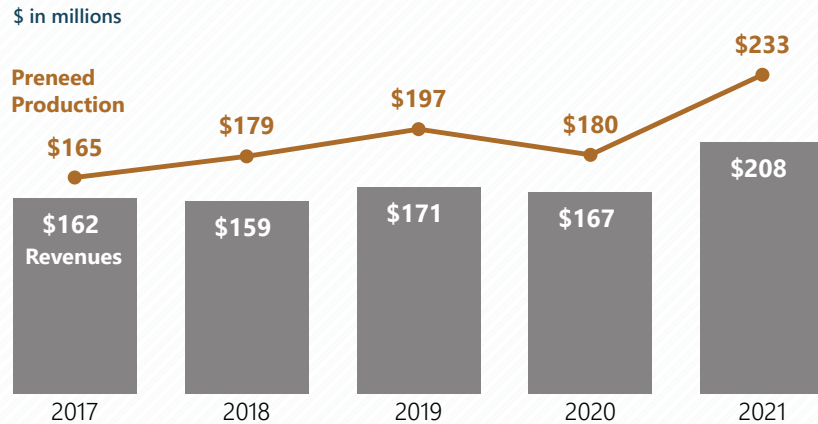
Low single-digit  
% range after  
cremation mix shift





# SCI Direct benefits from expanding market generating double-digit profit growth

## SCI DIRECT REVENUES AND PRENEED PRODUCTION Comparable



BASE CASE  
**TARGET GROWTH**  
(2022-2025)

**Mid to High Single-Digit % Range**

## 2021 SNAPSHOT

**\$37M**  
Gross Profit

**109**  
Locations

**31**  
States



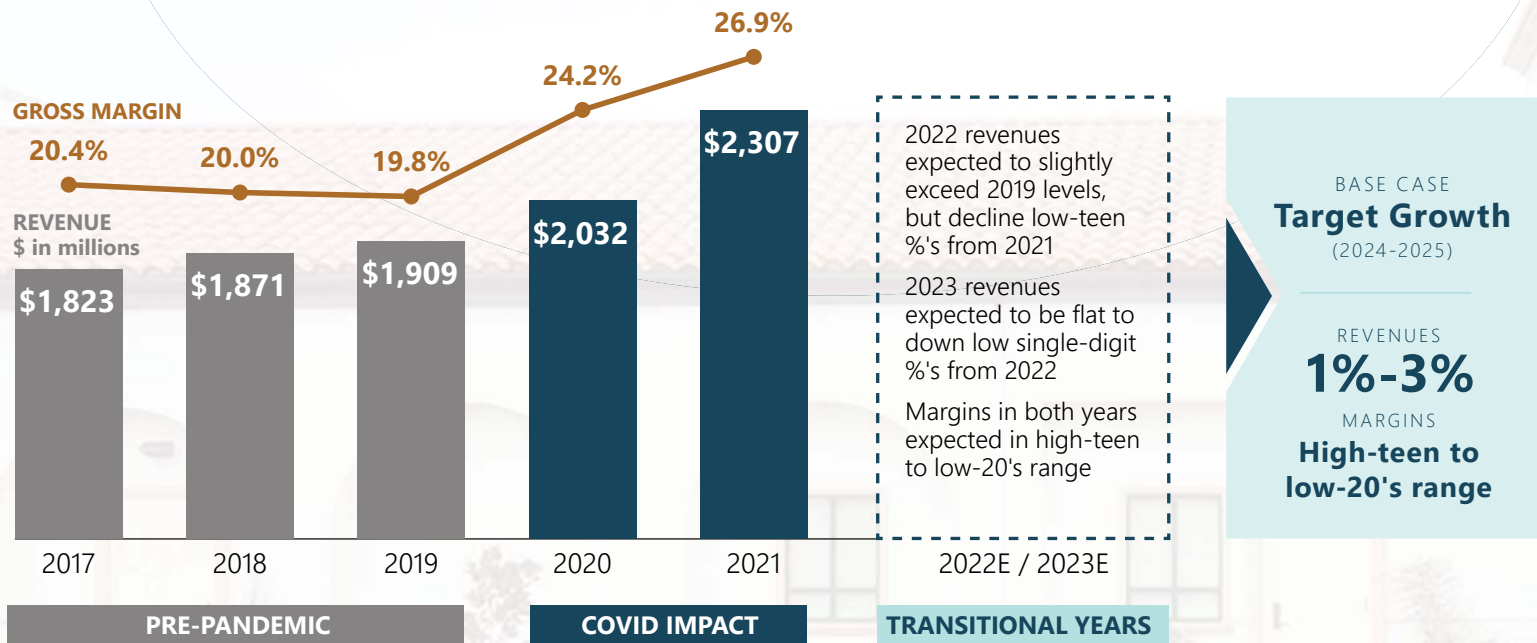
## THE OPPORTUNITY

- Asset light preneed model serving the direct cremation consumer
- Incremental channel to capture the price-sensitive consumer
- Simple product offerings and packaged pricing
- Growing volume and average



# Moderate funeral revenue growth with stable margins expected beyond 2023

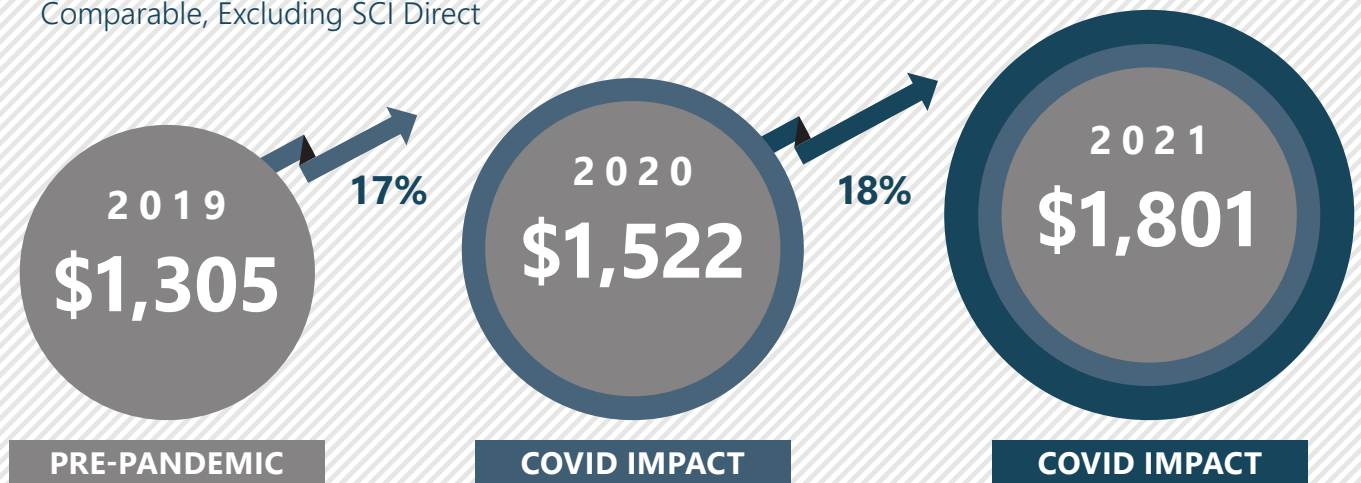
## REVENUE AND GROSS MARGIN Comparable



# Strength of operating leverage proven during the pandemic

SCI has proven we have the capacity to manage increased volumes expected with the Baby Boomer generation as well as the power of incremental margins on higher sales

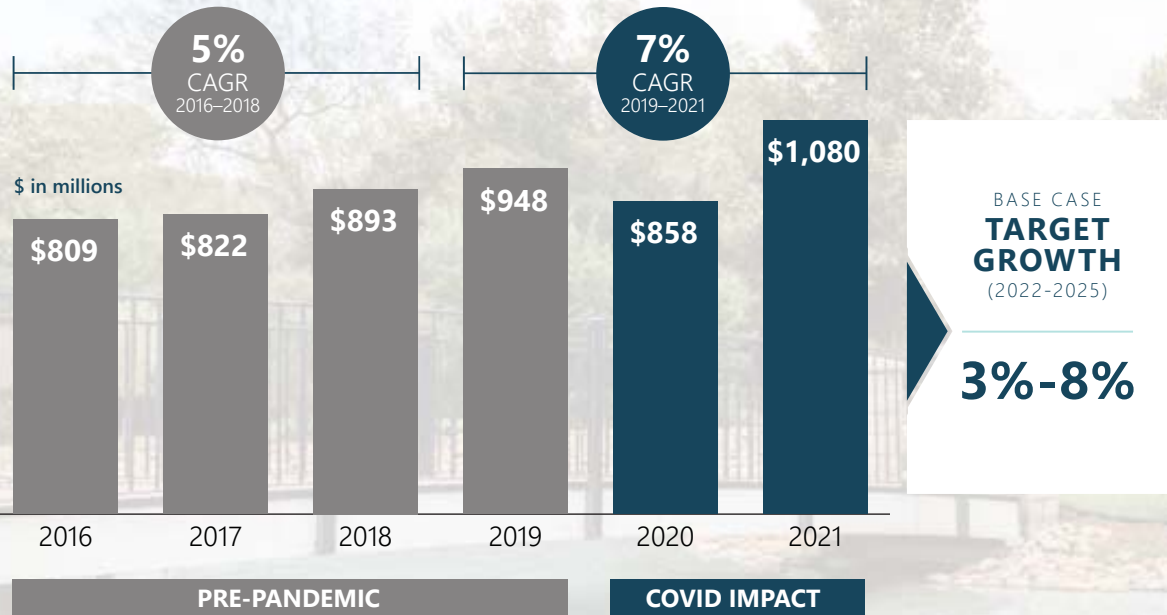
## CORE GROSS PROFIT PER FUNERAL SERVICE Comparable, Excluding SCI Direct





# Funeral preneed program supporting future growth

## PRENEED FUNERAL SALES PRODUCTION Comparable



### DIFFERENTIAL GROWTH OPPORTUNITY

Independents do not have well-structured and scalable preneed programs

### OUR PROGRAM IS CASH FLOW NEUTRAL

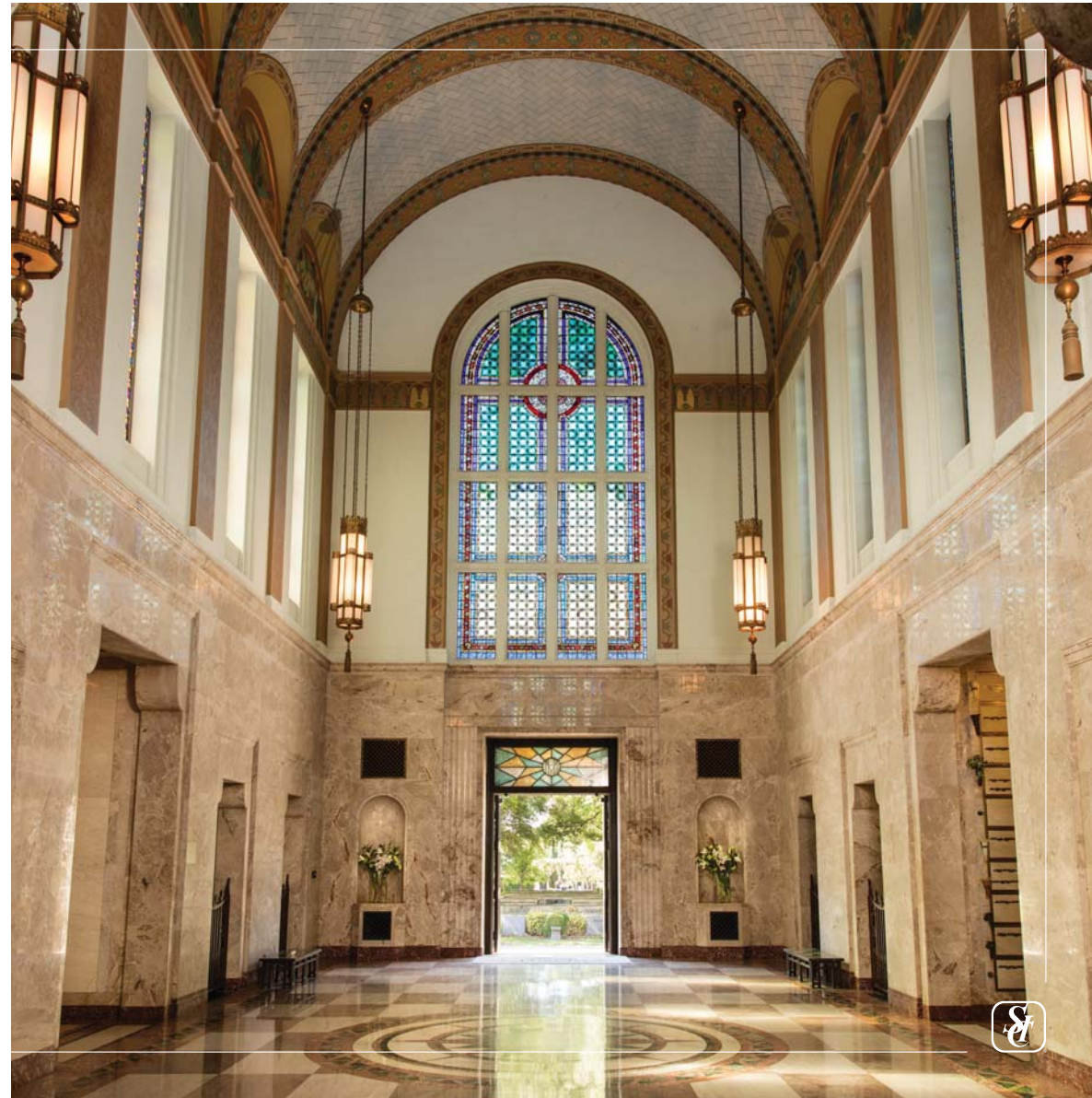
Insurance commissions and trust retainage covers selling compensation outflows

## FUNERAL & CEMETERY SEGMENT OVERVIEW



# Cemetery

Our robust preneed sales program and ability to invest in new and unique property set us apart





# Cemetery segment overview



## BUSINESS FOCUS

Real estate/sales/service



## BARRIERS TO ENTRY

High  
(Capital/regulatory/permitting)



## REVENUE RECOGNITION

Preneed property sales can be recognized before death



## FUTURE OUTLOOK

Continued growth in revenues and high incremental margins driven by demographics and robust preneed sales program

## 2021 SNAPSHOT

Consolidated Operations

**\$1.8B**

Revenues

**250K**

Customers Served  
(atneed and preneed)

**488**

Cemeteries  
(61% combos)

**\$4B**

Preneed backlog of  
merchandise and services sold

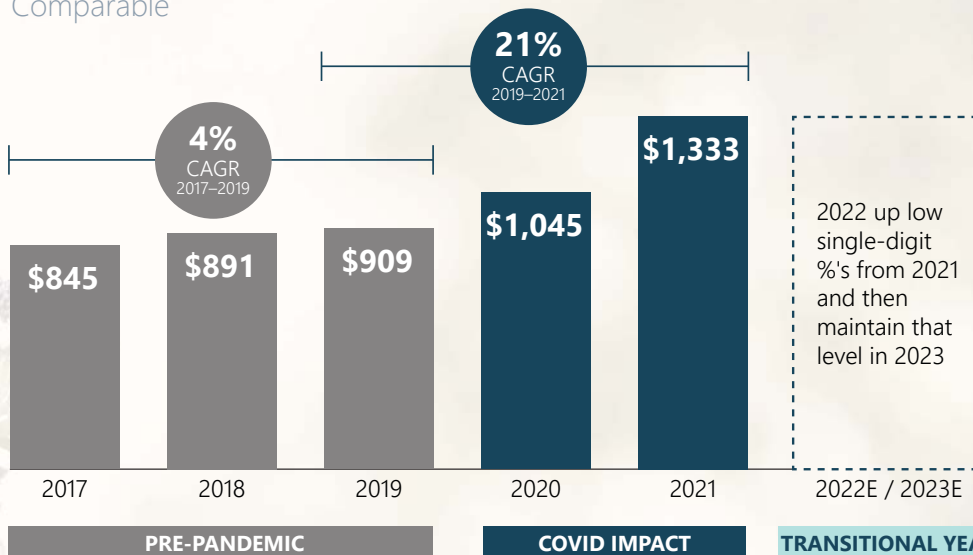


# Mid single-digit % growth in preneed sales production expected on higher post-pandemic base

Production growth benefited during the pandemic; not only from higher volumes, but also from sustainable enhanced productivity, which is expected to continue to drive growth on a much higher base

## CEMETERY PRENEED SALES PRODUCTION

Comparable



**TARGET GROWTH**  
ON NEW  
HIGHER BASE  
(2024-2025)

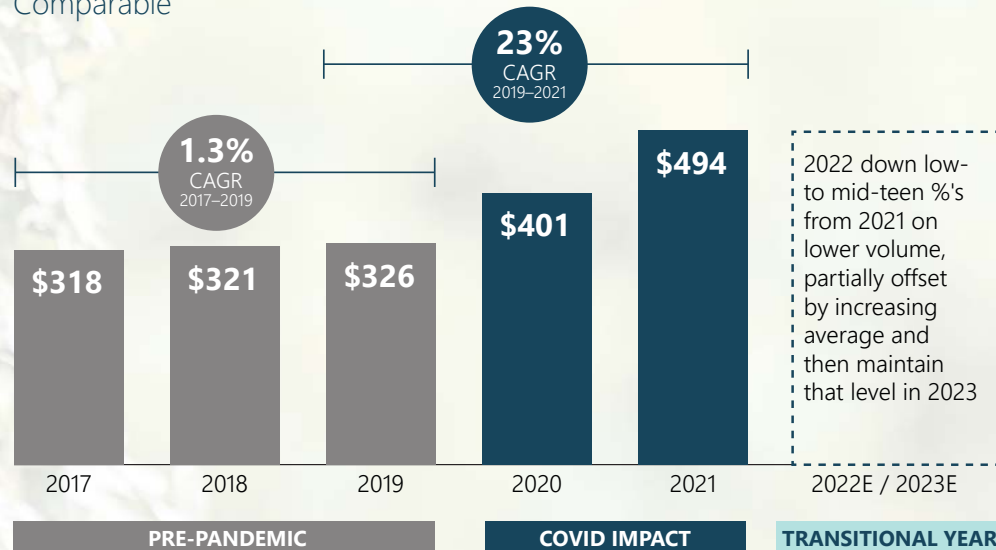
**Mid single-digit %**

# Modest growth in atneed sales production on higher base 2023 and beyond

Strong atneed sales production during pandemic driven by both volume and sales average increases

## CEMETERY ATNEED SALES PRODUCTION

Comparable



**TARGET GROWTH**  
ON NEW HIGHER BASE (2024-2025)

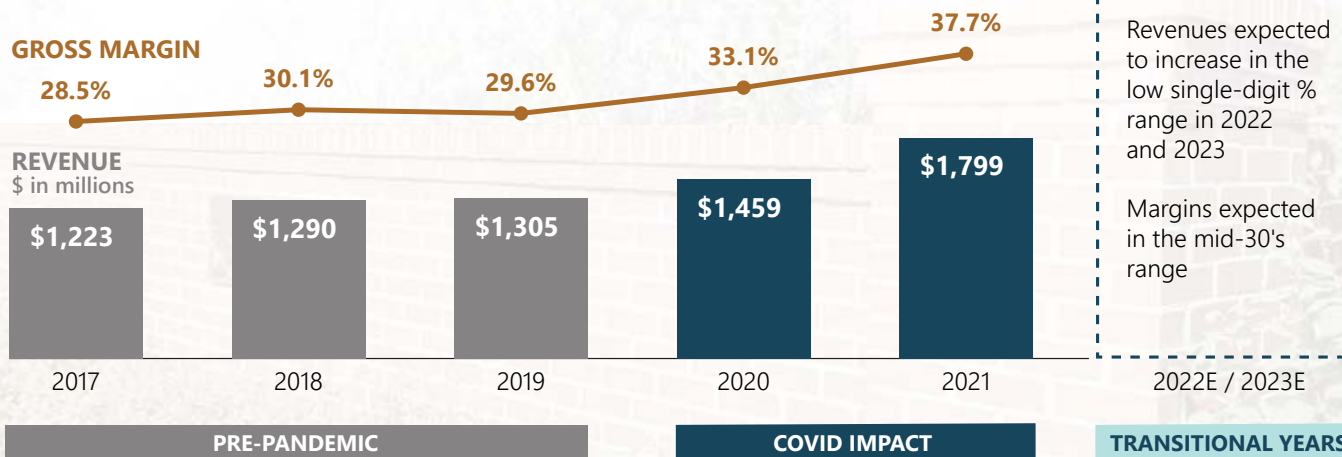
**2%-4%**



# Future cemetery revenue and margin growth expected from sales production strength

## REVENUE AND GROSS MARGIN

Comparable



BASE CASE  
**Target Growth**  
 (2024-2025)

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REVENUES  
**Mid single-digit %**

MARGINS  
**Mid to high 30's**  
 Growing 50-80 bps per year







# New Earnings Base for Growth



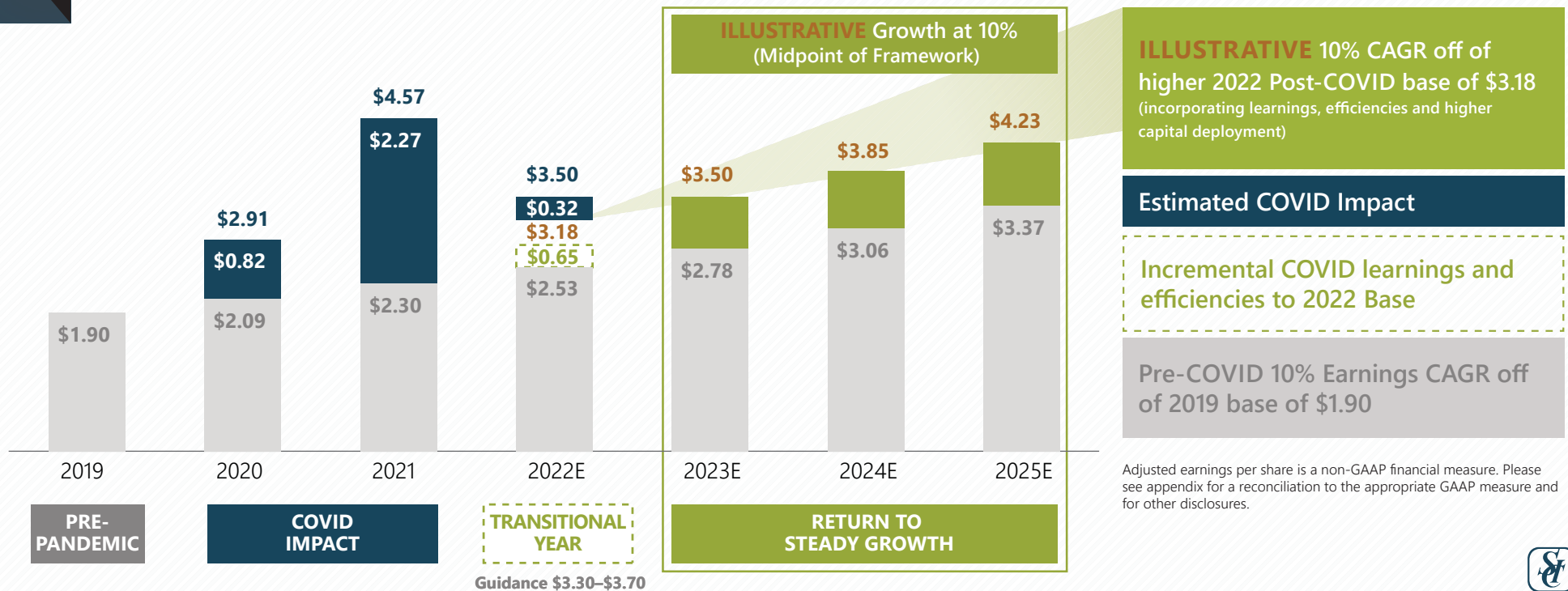
**ERIC  
TANZBERGER**

Senior Vice President  
Chief Financial Officer

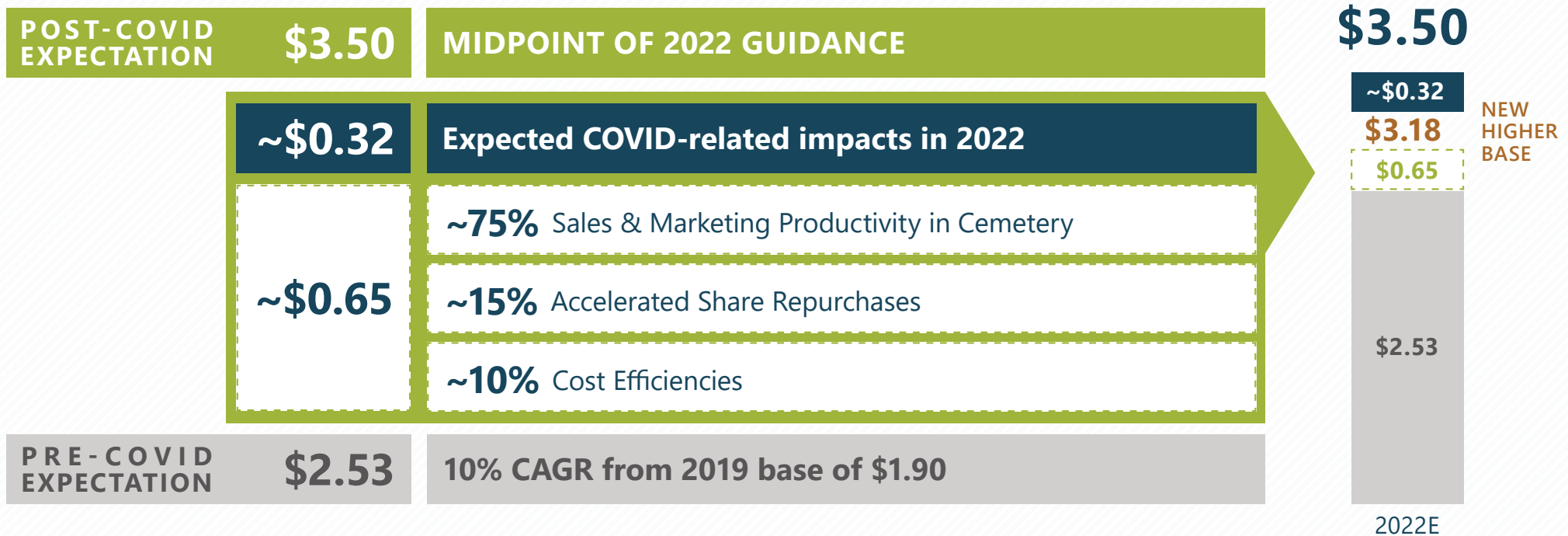


# New earnings base reflects post-COVID learnings and efficiencies

## ADJUSTED EARNINGS PER SHARE



# Incremental EPS growth in 2022 above pre-COVID expectations





# There are 4 key pillars to reach even greater potential growth



**Demographic  
Tailwinds**



**Marketing,  
Sales &  
Cemetery  
Inventory  
Impact**



**Enhanced  
Growth Capital  
Opportunities**



**Preneed  
Backlog  
Impact**

# KEY GROWTH DRIVERS

## Demographic Tailwinds



**ELISABETH  
NASH**

Senior Vice President  
Operation Services



## Funeral and cemetery growth coming with aging demographics

LARGEST GROWTH STATES	U.S. 75+ Population 2020-2040		SCI U.S. Volume 2021	SCI Footprint	
	INCREASE (millions)	% INCREASE	% OF TOTAL FUNERAL SERVICES	NUMBER OF FUNERAL HOMES	NUMBER OF CEMETERIES
<b>California</b>	2.4	96%	19%	158	39
<b>Florida</b>	2.3	117%	13%	132	61
<b>Texas</b>	1.9	125%	12%	166	65
<b>New York</b>	0.9	63%	3%	52	N/A
<b>Arizona</b>	0.8	133%	4%	31	11
<b>Georgia</b>	0.7	113%	2%	32	18

## PEOPLE AGE 75 AND OLDER

(U.S. population, in millions)

2020  
**23.3**

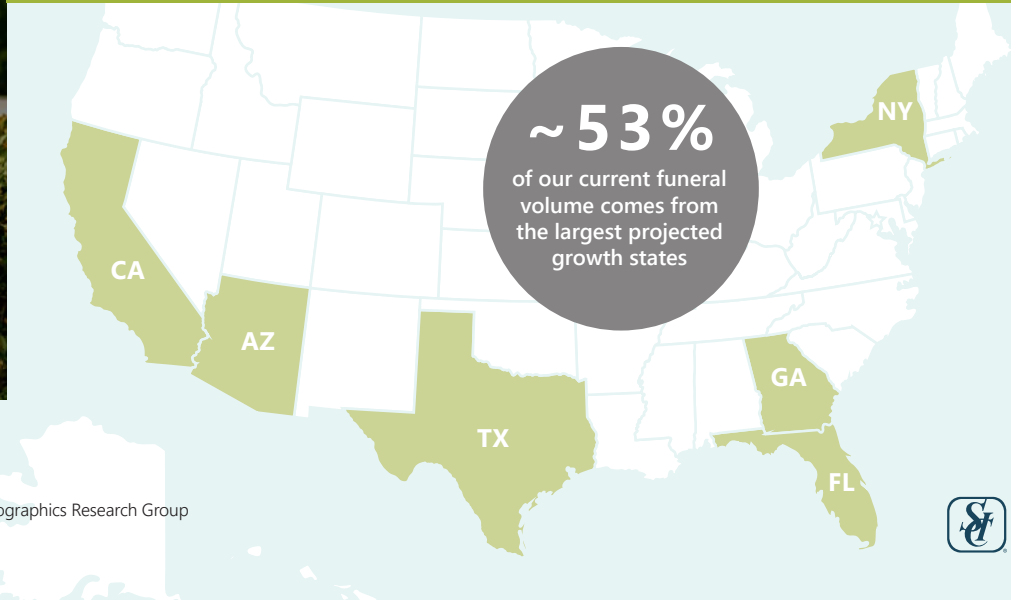


2040  
**44.9**



**93%**  
INCREASE

### Top 6 population growth states by 2040<sup>1</sup> & SCI footprint<sup>2</sup>



<sup>1</sup> Sources: U.S. Census Bureau, 2017 National Population Projections, and University of Virginia Weldon Cooper Center, Demographics Research Group

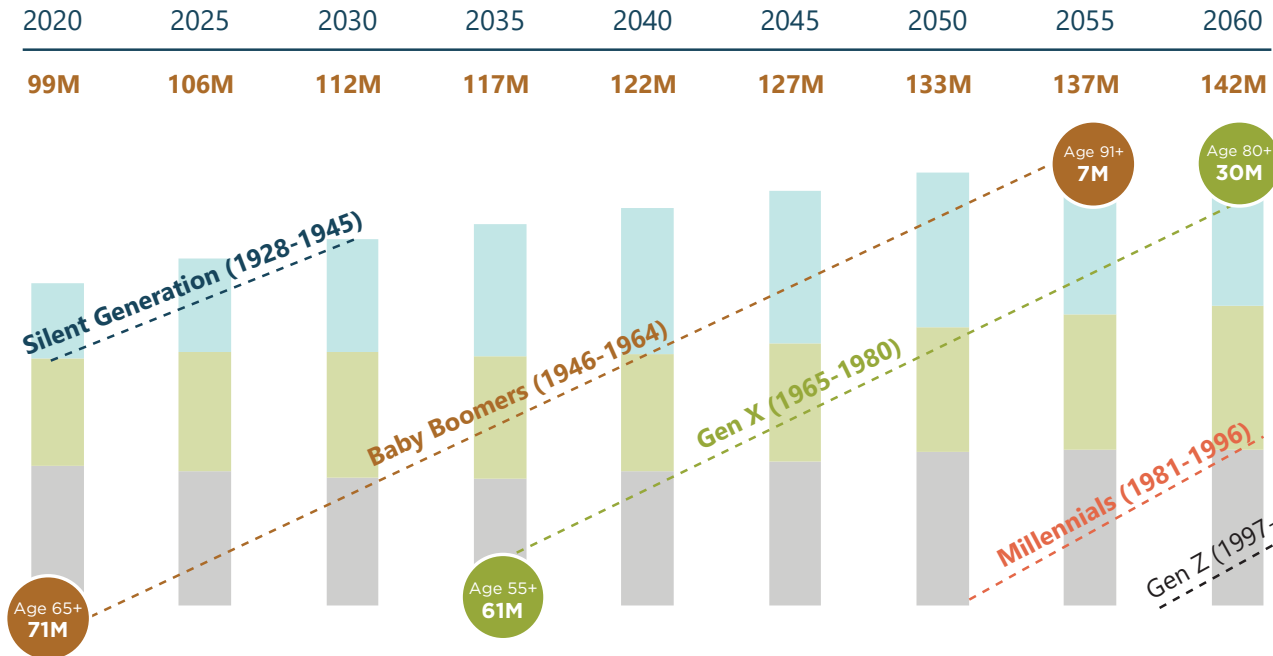
<sup>2</sup> As of the year ended December 31, 2021





# Longer-term growth expected post-Baby Boomer generation

## MILLIONS OF PEOPLE AGE 55 AND OLDER (U.S. POPULATION)



### Average Age SCI Customer

Atneed Customer 75+



Preneed Funeral Customer 65-74

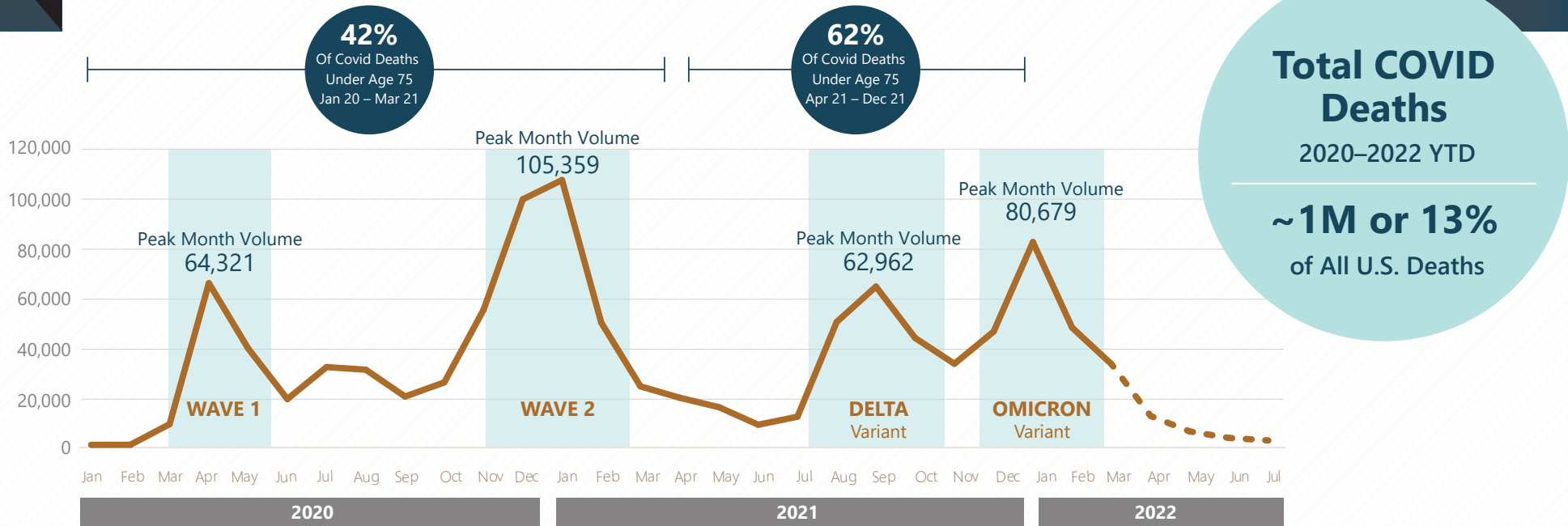


Preneed Cemetery Customer 55-64



# COVID mortality has been significant, affecting a younger population as it progresses

## U.S. COVID DEATHS



# Modest COVID pull-forward impact expected

ESTIMATED SCI COVID DEATHS PULLED FORWARD INTO 2020, 2021 AND 2022 AS A PERCENTAGE OF 2019 PRE-COVID VOLUME



We expect the pull-forward of funeral volumes to mainly impact 2022 and 2023 then begin to diminish



# Unfortunately, the indirect effect of COVID on mortality continues to have an impact

One of the things that we don't know is ... how the COVID pandemic will affect mortality indirectly.

ELIZABETH ARIAS, CDC



*FTC Report Finds Annual Cigarette Sales Increased for the First Time in 20 Years...* FEDERAL TRADE COMMISSION

*We're facing a mental health crisis like we've never seen before as Covid continues...* CNBC

*The pandemic may have created a nation of problem drinkers...* CNN HEALTH

*The Pandemic Has Worsened the U.S. Obesity Epidemic...* FEDERAL TRADE COMMISSION

*Doctors see advanced cancer cases in the wake of pandemic-delayed screenings and treatment...* CNN HEALTH

*U.S. overdose deaths increased almost 30% last year during pandemic...* CNBC

*Traffic deaths are surging during the pandemic...* NY TIMES

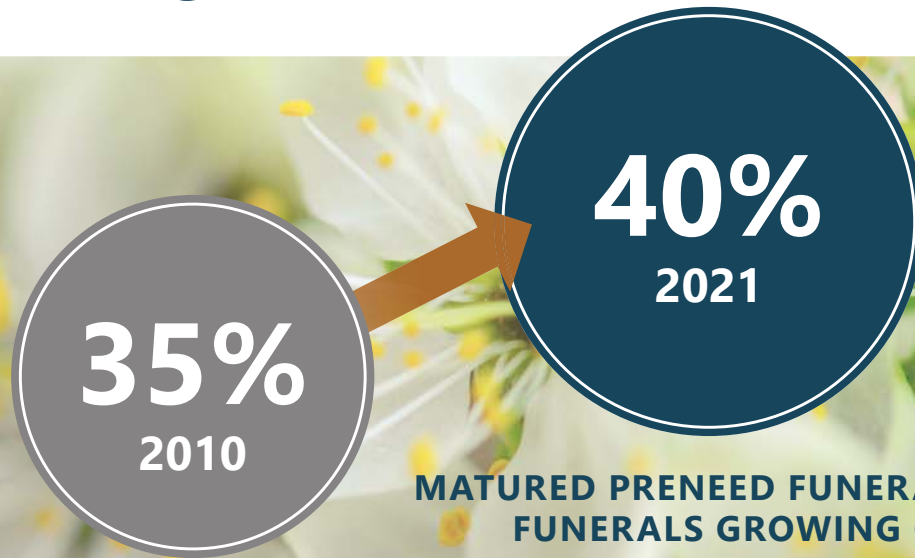
*Heart disease and diabetes deaths climbed amid Covid, CDC says...* NBC NEWS

*The Pandemic Has Made Many Seniors Less Active...* NY TIMES

## Preneed strategy also supporting volume growth

We believe we are more active and effective than our competitors at building a high-quality funeral backlog

Our sophisticated marketing approach is proactively targeting consumers, generating incremental leads with lower atneed cannibalization rates



**MATURED PRENEED FUNERALS/TOTAL FUNERALS GROWING OVER TIME**

Consolidated

**We anticipate growth in future volume market share**

# Favorable conditions exist for future volume growth

## MAIN DRIVERS



**AGING  
DEMOGRAPHICS**

**MODERATION  
OF COVID  
PULL-FORWARD**

**PRENEED DRIVING  
MARKET SHARE**

These drivers could easily increase our current assumptions for funeral volume and cemetery atneed production



## KEY GROWTH DRIVERS

# Marketing, Sales & Cemetery Inventory Impact



# Marketing, Sales & Cemetery Inventory Impact

Driving current and sustained growth



**Quality & Quantity  
of Marketing-  
Driven Leads**

**JAMIE PIERCE**

Vice President — Chief Marketing Officer



**Improved Sales  
Effectiveness &  
Efficiencies**

**GERRY HEARD**

Vice President — Sales



**Cemetery  
Inventory  
Opportunities**

**MICHAEL JOHNSON**

Vice President — Revenue Management



# QUALITY & QUANTITY OF Marketing- Driven Leads



**JAMIE PIERCE**  
Vice President  
Chief Marketing Officer





# Marketing channels are generating new and accretive leads

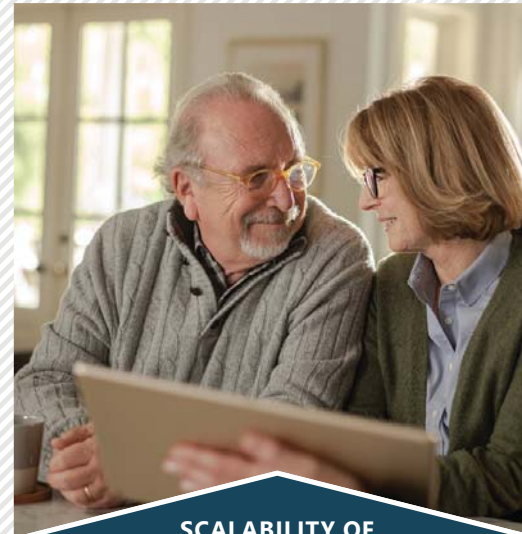
## CORE LEADS

Leads driven by continued relationships and referrals from atneed families, as well as the power of our local brands



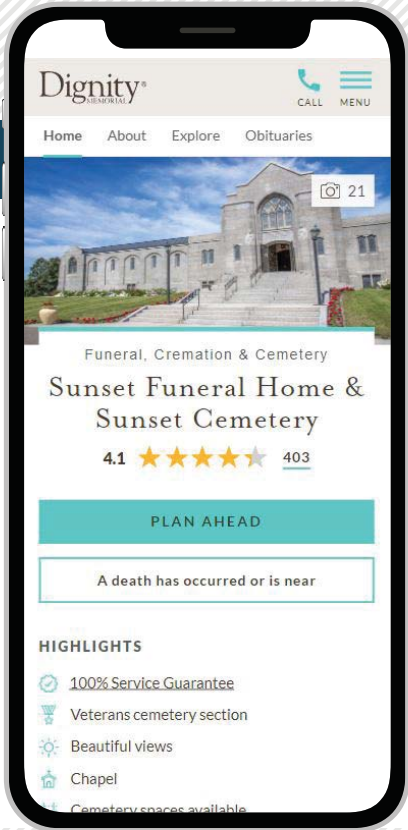
## MARKETING LEADS

Proactive outreach to consumers driven primarily by paid lead generation efforts and managed by our marketing and sales teams through three primary channels – digital (website), direct mail and seminars

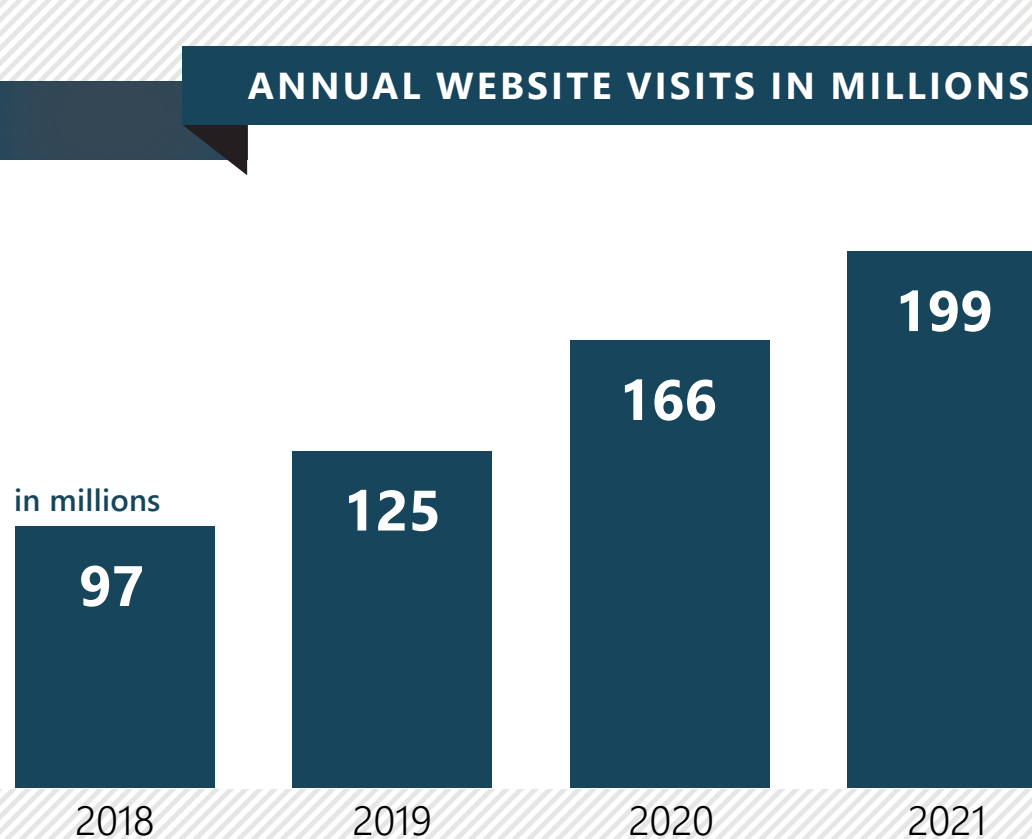


SCALABILITY OF MARKETING STRATEGY IS A COMPETITIVE ADVANTAGE

# Tremendous growth in visits to our websites



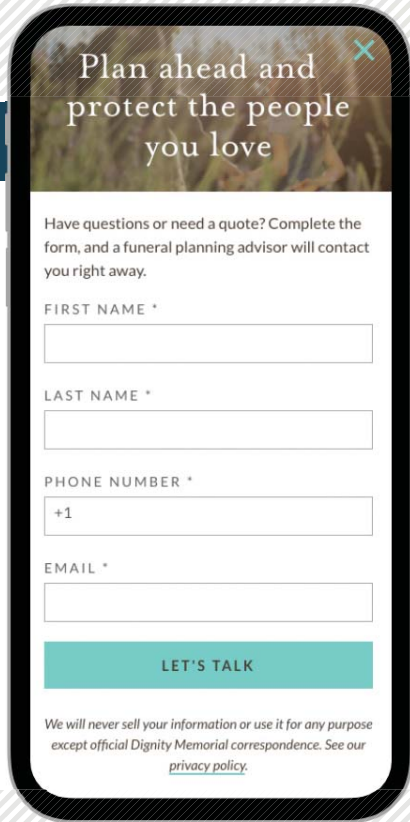
ANNUAL WEBSITE VISITS IN MILLIONS



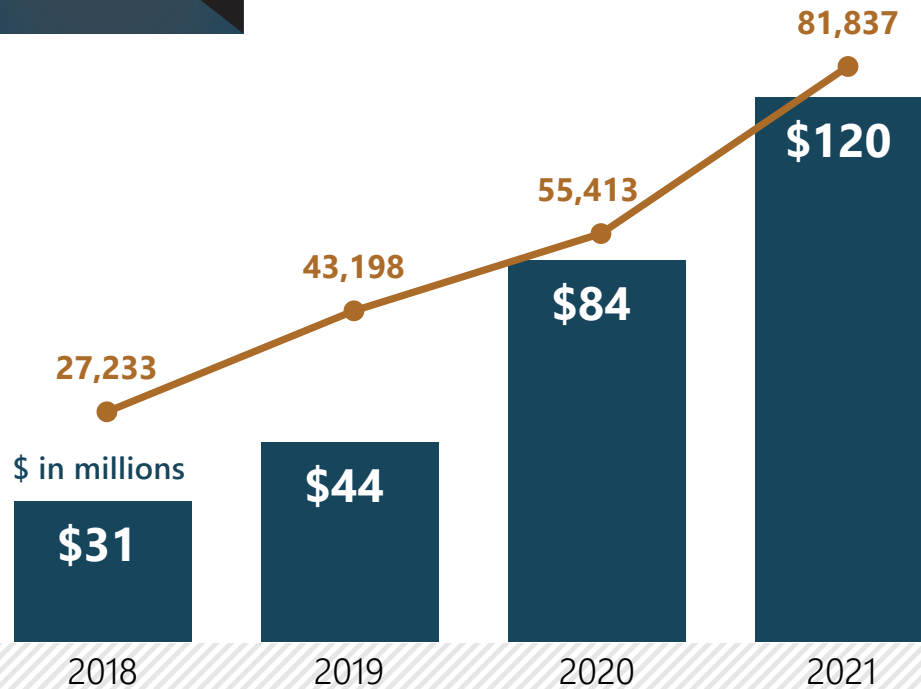
**27%**  
CAGR  
2018–2021

Our active, ongoing investments in search engine optimization (SEO) and user experience improvements (website redesigns or navigation changes) have more than doubled the number of annual visits to our websites

# These visits are driving material increases in digital lead volume and preneed sales production



## DIGITAL LEAD GENERATION AND PRENEED SALES FROM DIGITAL LEADS



Digital Lead Generation



Permanent efficiencies and effectiveness from our improved lead generation efforts

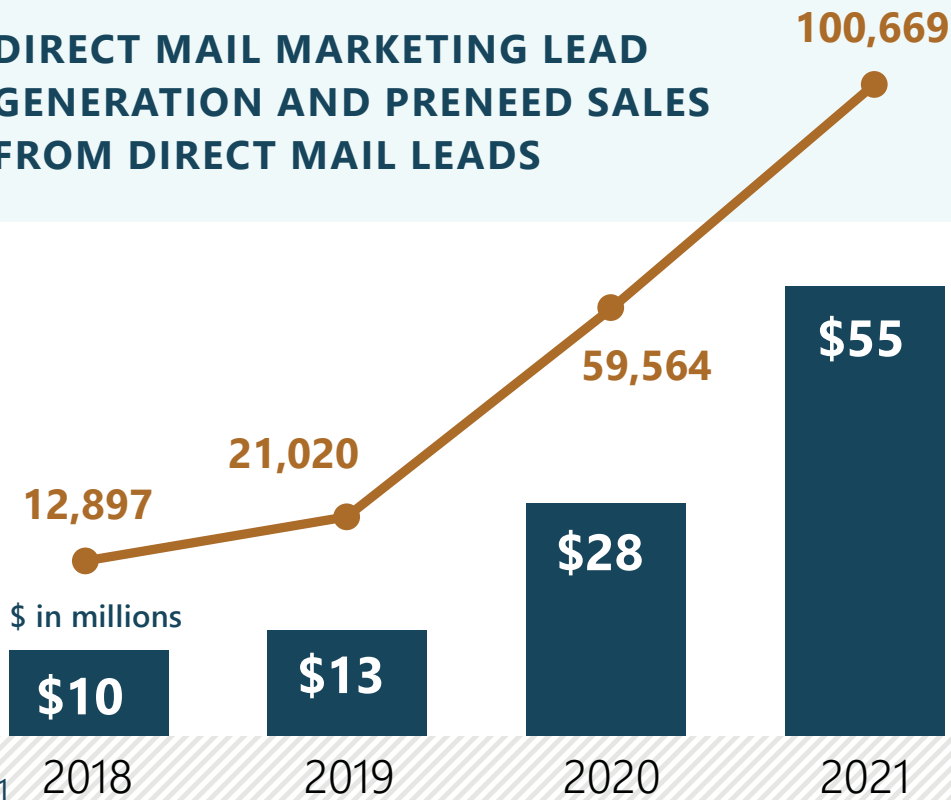
Digital Lead Generated Preneed Sales





# Advanced targeting for direct mail implemented in 2019 is driving increases in production

**DIRECT MAIL MARKETING LEAD GENERATION AND PRENEED SALES FROM DIRECT MAIL LEADS**



**98%**  
CAGR  
2018-2021

Direct Mail Marketing Lead Generation

**77%**  
CAGR  
2018-2021

Direct Mail Marketing Lead Generated Preneed Sales

## ADVANCED CONSUMER DATA MODELING



Over 2,000 variables considered with over 200 specific variables driving the model



# Major changes in marketing strategy are driving sizable growth in production

## THREE PRIMARY MARKETING LEAD CHANNELS

### DIGITAL



### DIRECT MAIL



### SEMINARS



## BEFORE CHANGES

- Few major enhancements annually
- Static website focused on information only
- Not a driver for preneed growth
- Outsourced obituary experience
- 5M – 6M visits monthly

- Basic-level consumer targeting (age, proximity, income)
- Decentralized management of spend and strategy

- Basic-level consumer targeting (age, proximity, income)
- Decentralized management of local seminars

## Changes Implemented

## AFTER CHANGES

- 2018**
- 100+ enhancements released annually
  - Dynamic website focused on consumer experience
  - Key driver for preneed growth
  - Ownership of obituary experience
  - 17M – 20M visits monthly

- 2019**
- Dynamic, predictive model with over 200 demographic, behavioral and first-party predictive response data, conversion and sales
  - Centralized management of spend, strategy and data model

- 2022**
- Dynamic predictive modeling for response, conversion and sales
  - Centralized management of spend, strategy and seminar locations

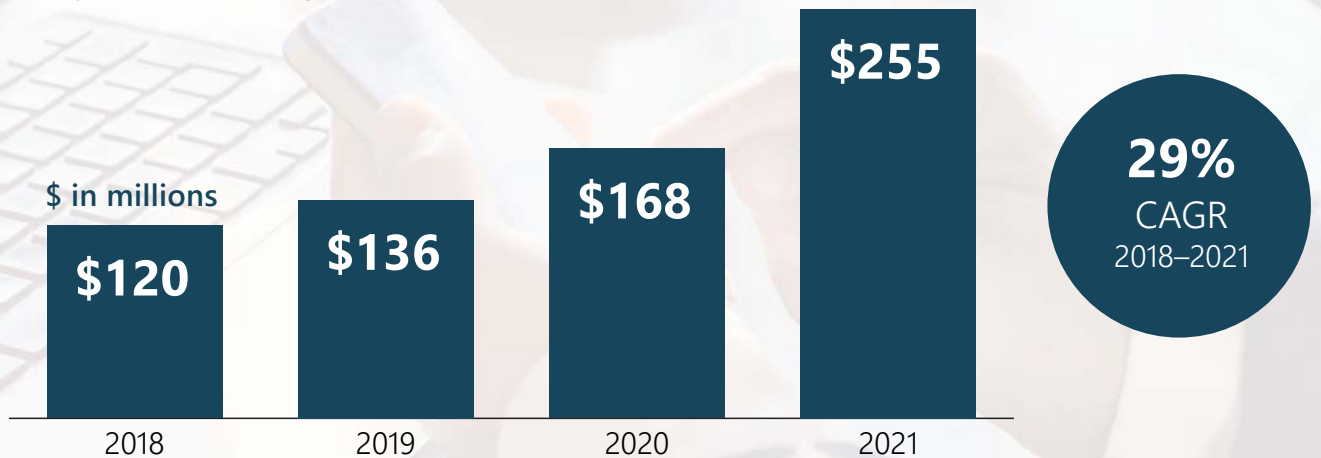


# Enhanced capabilities have more than doubled production from marketing leads since 2018

Strong growth in marketing-generated leads resulted in significant increases in sales production, with 5% less lead-generating marketing spend since 2018

## MARKETING GENERATED PRENEED SALES PRODUCTION

Comparable , Excluding SCI Direct





# These marketing leads are driving differential sales production growth

Our marketing lead growth is not cannibalizing our core preneed sales growth, as both are resulting in impressive growth

## TOTAL PRENEED SALES PRODUCTION BY LEAD CHANNEL

Comparable , Excluding SCI Direct

\$ in millions



Marketing-Generated Preneed Sales  
**29%**  
CAGR  
2018-2021

Core-Generated Preneed Sales  
**9%**  
CAGR  
2018-2021





# Improved Sales Effectiveness & Efficiencies



**GERRY  
HEARD**  
Vice President  
Sales



# Improved marketing approach igniting higher sales effectiveness...



## CUSTOMERS

Marketing data analysis improves targeted customer prospects



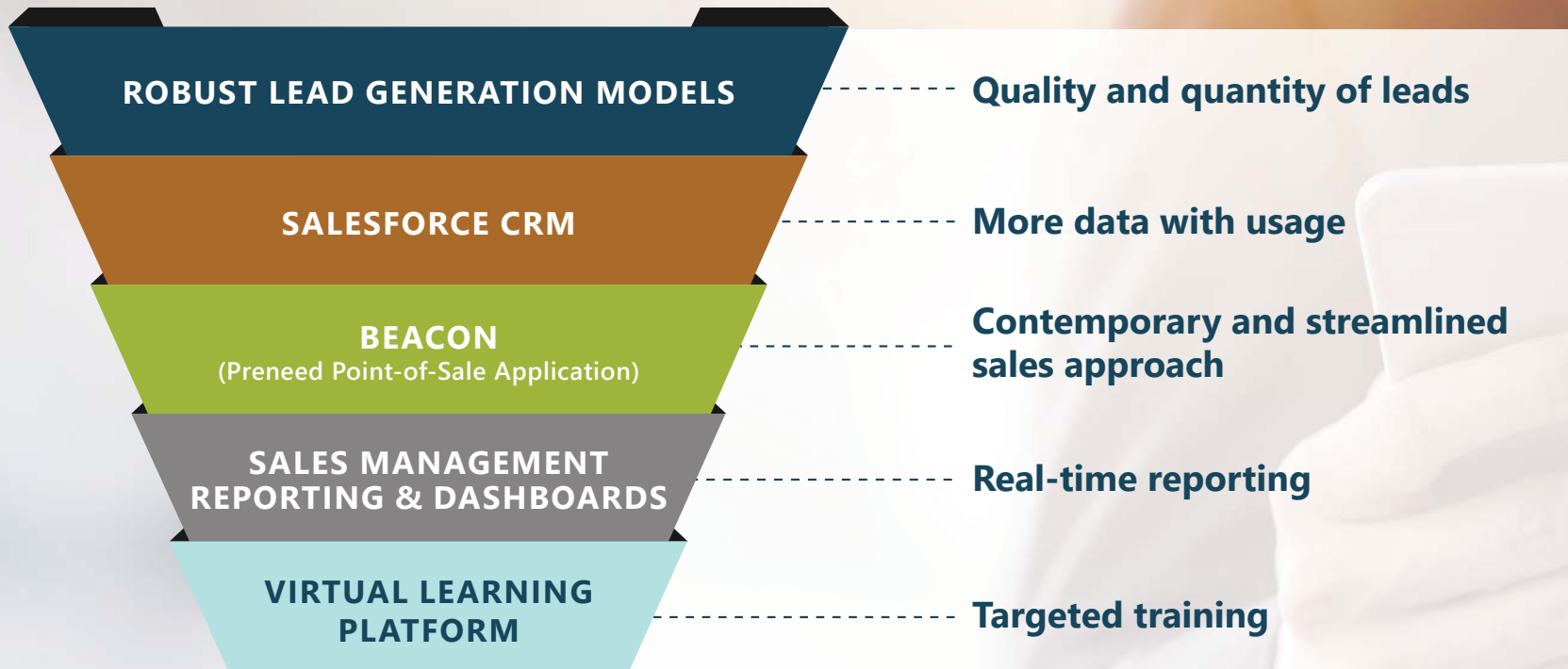
## COUNSELORS

Sales customer relationship management systems improve matching prospects with expert counselors

...which is driving higher efficiencies and effectiveness to improve our production capabilities



# Technology is foundational for continued and efficient sales production growth



# Increased usage of our CRM during COVID accelerated growth

## SALESFORCE AND SALES MANAGEMENT



### BEFORE

- “Rolodex” or relationship sales approach
- Honor system used for following up on leads
- No visibility into how leads were allocated
- Difficulties in stratification of data tranches and manual reporting limited timeliness and quality of reporting

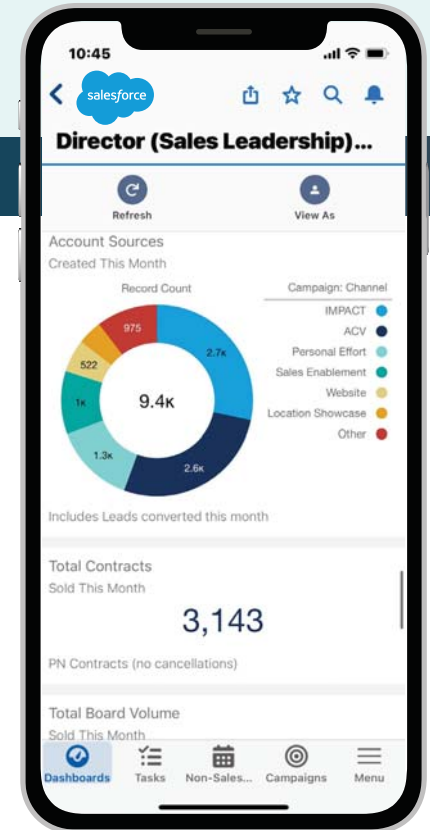
**PUSH REPORTING | 30+ DAYS**  
**Sales Leadership Travel Time ~75%**



### NOW

- Higher lead quality and quantity provides competitive advantage, reduces turnover
- No counselor protection of unworked leads
- Counselor metrics explain lead assignment
- Automated activity and performance insights allow quick pivoting for forecasting, incentives, lead management and training

**PULL REPORTING | Immediate Data**  
**Sales Leadership Travel Time ~25%**



# 65% reduction in cost to train



## SALES COUNSELOR TRAINING



**BEFORE**

- Physical sales schools and in-person visits from sales leadership team for training
- Training took counselors out of the market, reducing selling opportunities
- Due to costs associated with travel, counselors may delay or forego training



**NOW**

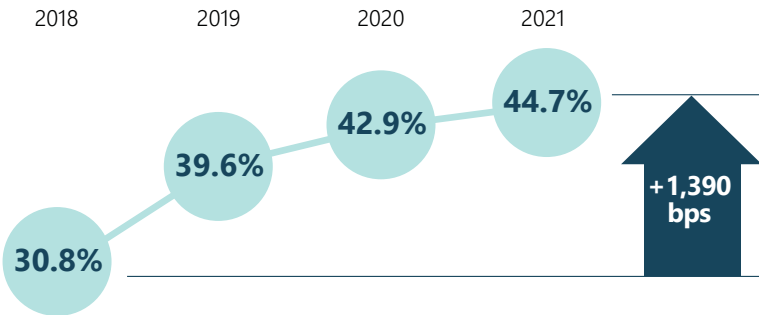
- Training from sales school and sales leadership held virtually and scheduled so counselor can spend half day at training and other half being productive
- Lower travel costs generate cost savings
- Flexibility encourages more timely and targeted training



# Improvements resulted in higher close rates and higher sales with fewer counselors

## CORE CLOSE RATES ON ALL LEADS

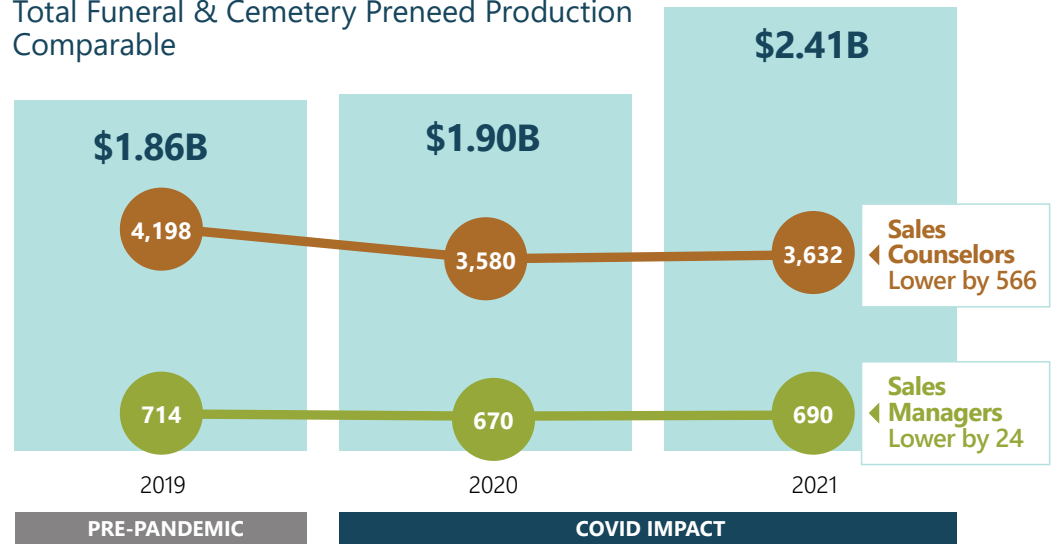
### Appointments to Sale



Close rates represent the percentage of appointments kept that resulted in a sale

## FEWER, BUT MORE EFFECTIVE SALES COUNSELORS SUPPORTED BY TECHNOLOGY

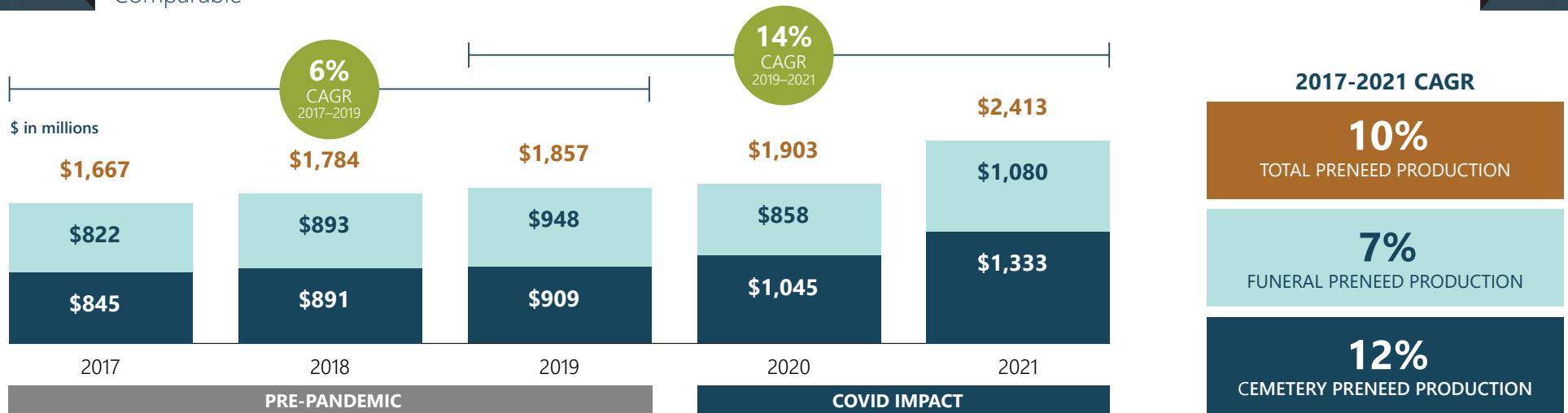
### Total Funeral & Cemetery Preneed Production Comparable



# Expecting continued growth off a higher base post-COVID

## TOTAL CEMETERY & FUNERAL PRENEED SALES PRODUCTION

Comparable



Beyond 2022, our base case expects a combined funeral and cemetery preneed annual growth rate in the mid single-digit % range on a new elevated base; however, with more effective lead generation and sales management we see potential for higher growth



# Cemetery Inventory Opportunities



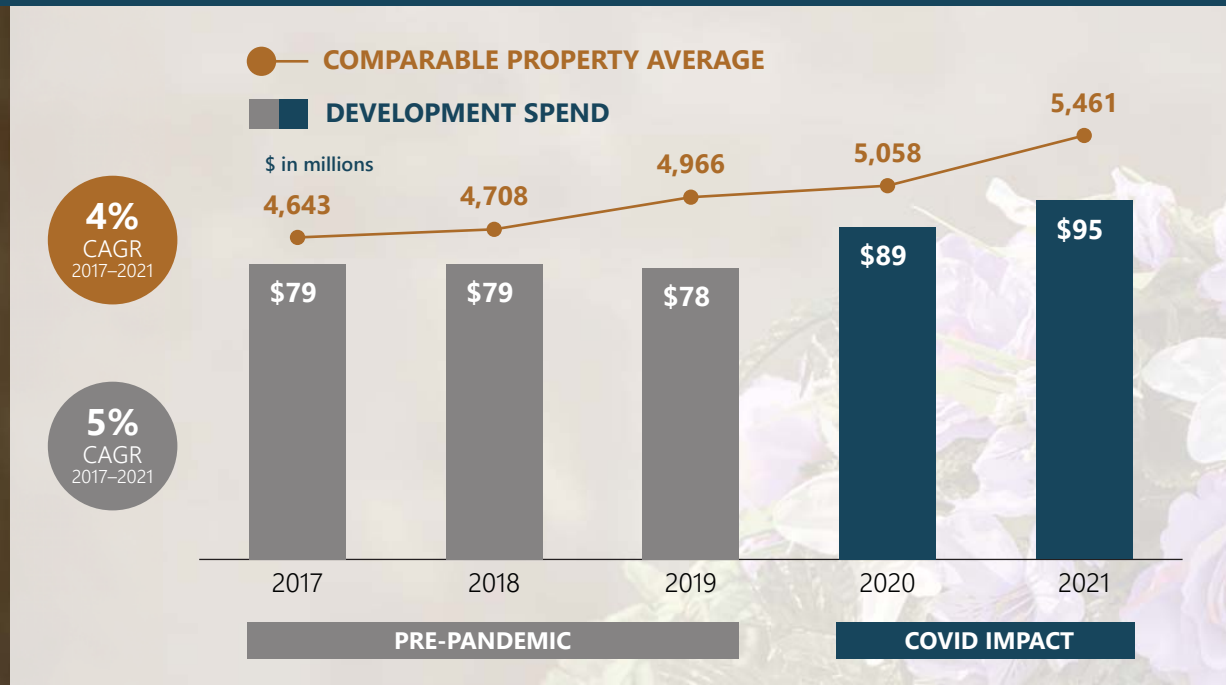
**MICHAEL  
JOHNSON**

Vice President  
Revenue Management



# Development of tiered property inventory supporting average growth

## CEMETERY PROPERTY SALES AVERAGES & DEVELOPMENT SPEND



Our cemetery property product offerings are aligning with changing consumer preferences

Development spend today supports future velocity and sales average growth



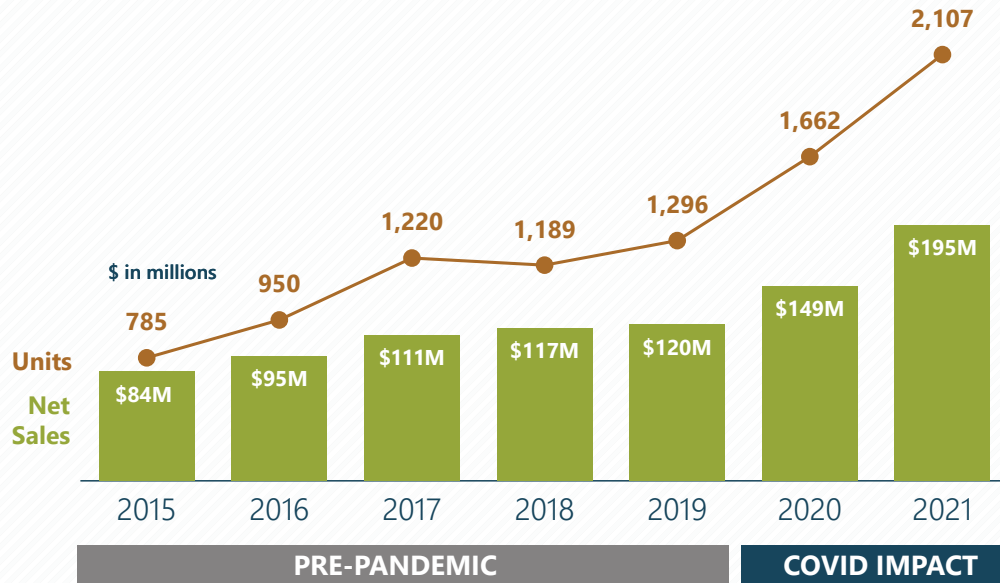


## **Cemetery Video**

# Demand for premium property increasing

## PREMIUM PROPERTY SALES (>\$40K)

Consolidated



**18%**  
CAGR  
2015-2021

**15%**  
CAGR  
2015-2021



**BENCH ESTATE**  
\$50,000 – \$250,000



**GATED ESTATE**  
\$100,000 – \$500,000



**HEDGE ESTATE**  
\$25,000 – \$125,000



**PRIVATE MAUSOLEUM**  
\$250,000 – \$5,000,000

# Aligning developments with culturally diverse and expanding customer segments is driving incremental growth

## HISPANIC OPPORTUNITIES



Our Lady of Guadalupe — Valhalla Memorial Park, Burbank, California

Cultural preneed property sales  
**24%**  
2019-2021 CAGR

VS.

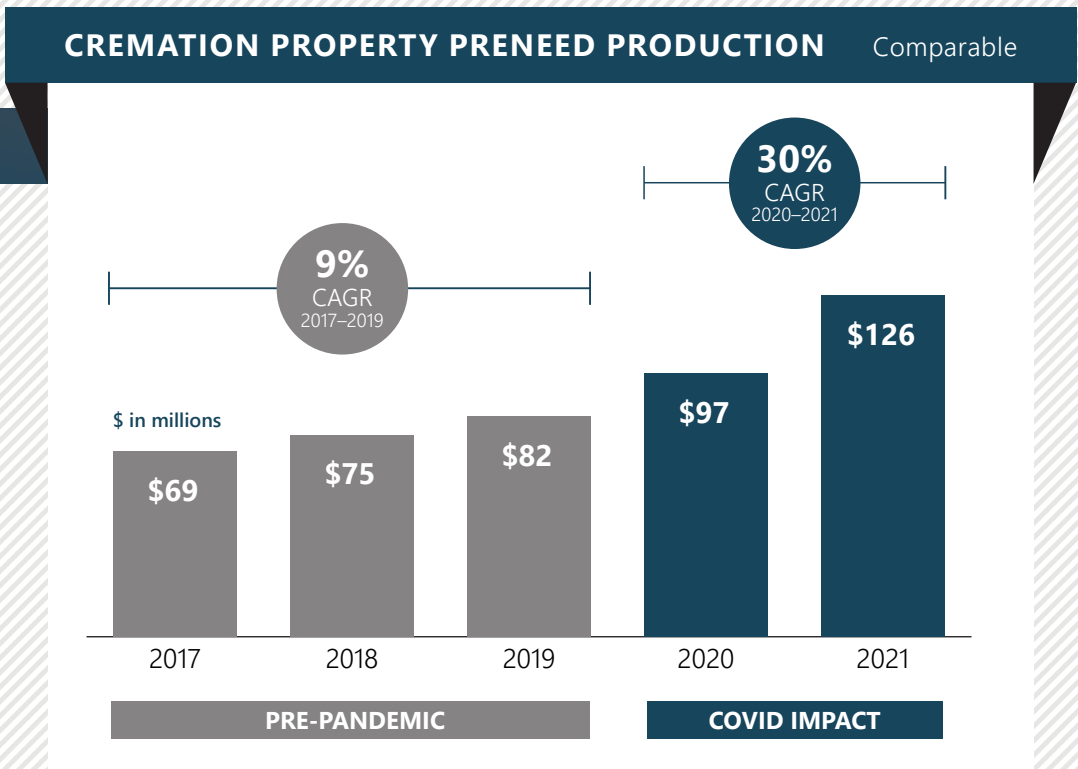
All other preneed property sales  
**16%**  
2019-2021 CAGR

## CHINESE / VIETNAMESE OPPORTUNITIES



Eternity Columbarium & Estates — Live Oak Memorial Park, Monrovia, California

# Cremation inventory is a significant growth opportunity for us



**GLASS-FRONT NICHE**  
\$5,000 - \$75,000



**COLUMBARIUM**  
\$10,000 - \$100,000



**CREMATION GARDEN**  
\$2,000 - \$25,000



# We have ample capacity in our cemeteries for many years to come

**~12,000**

**Acres Remaining**

**~2,000**  
Acres of  
Developed/  
Unsold Land

**~10,000**  
Acres of  
Undeveloped/  
Unsold Land



**~110**

**Average Acres  
Sold per Year**



**~110**

**Years of  
Available Life**



# Initiatives underway supporting even further production growth

## MAIN DRIVERS



**QUALITY & QUANTITY  
OF MARKETING-  
DRIVEN LEADS**

**IMPROVED SALES  
EFFECTIVENESS &  
EFFICIENCIES**

**CEMETERY  
INVENTORY  
OPPORTUNITIES**

These drivers could easily increase our current assumptions for cemetery preneed production

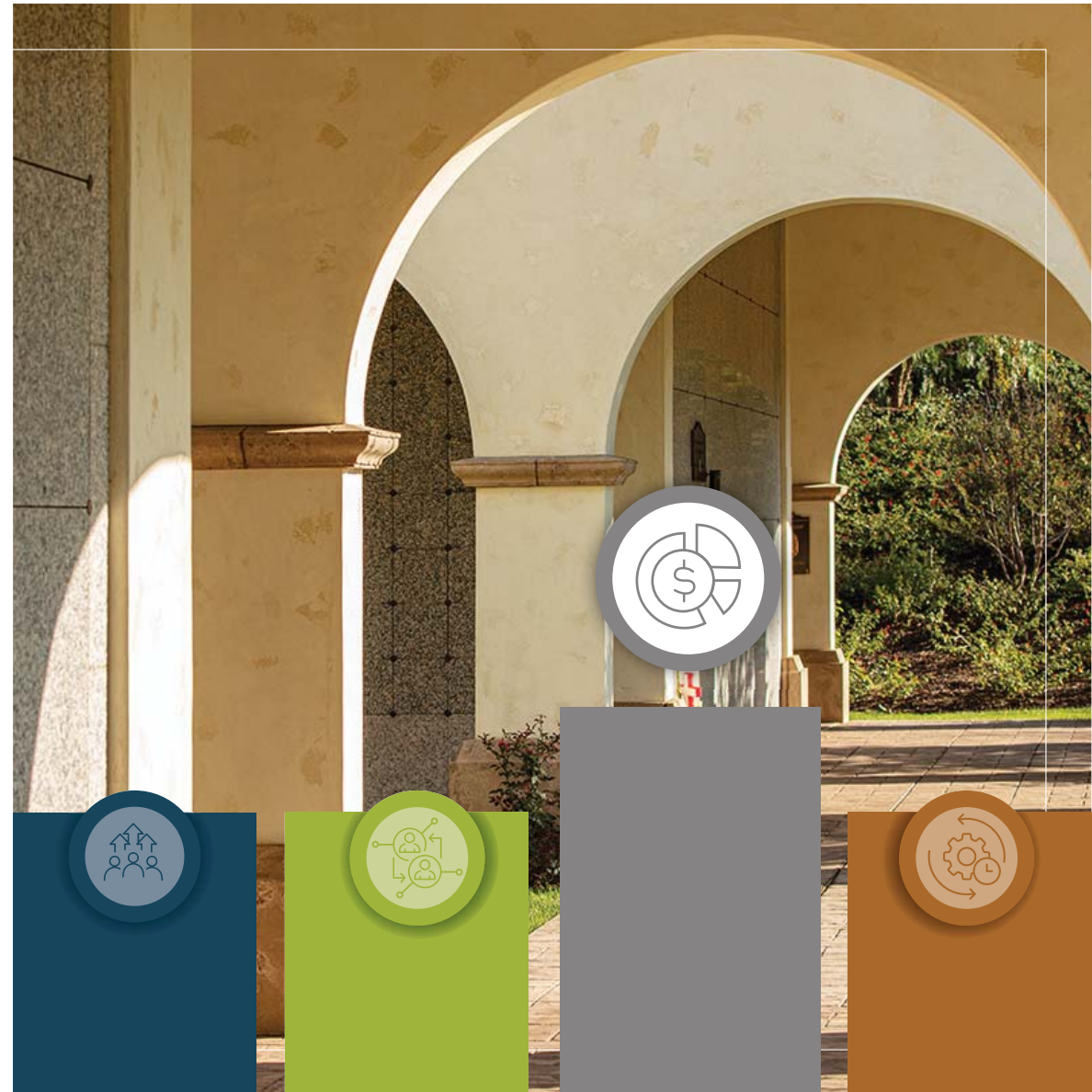
# KEY GROWTH DRIVERS

## Enhanced Growth Capital Opportunities



**JOHN  
FAULK**

Senior Vice President  
Revenue & Business  
Development





# Growth capital spend varies across our footprint

## ACQUISITIONS



Purchase of funeral homes and cemeteries

## NEW BUILDS



New funeral home or cemetery on existing or new property

## MISCELLANEOUS GROWTH

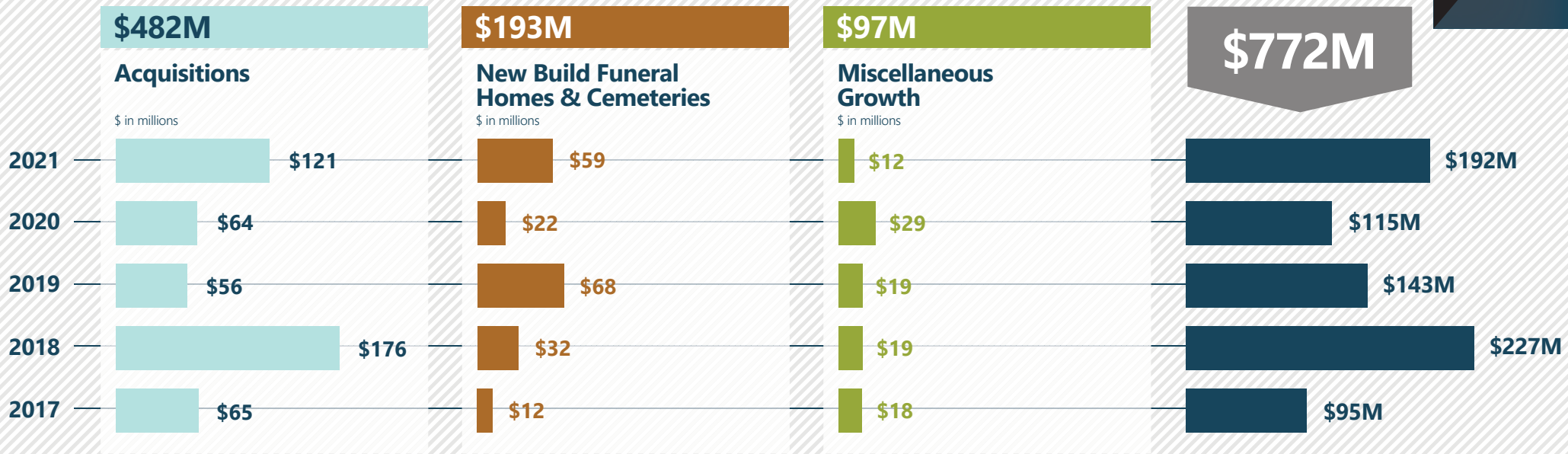


Facility expansions and significant ad-hoc accretive investments



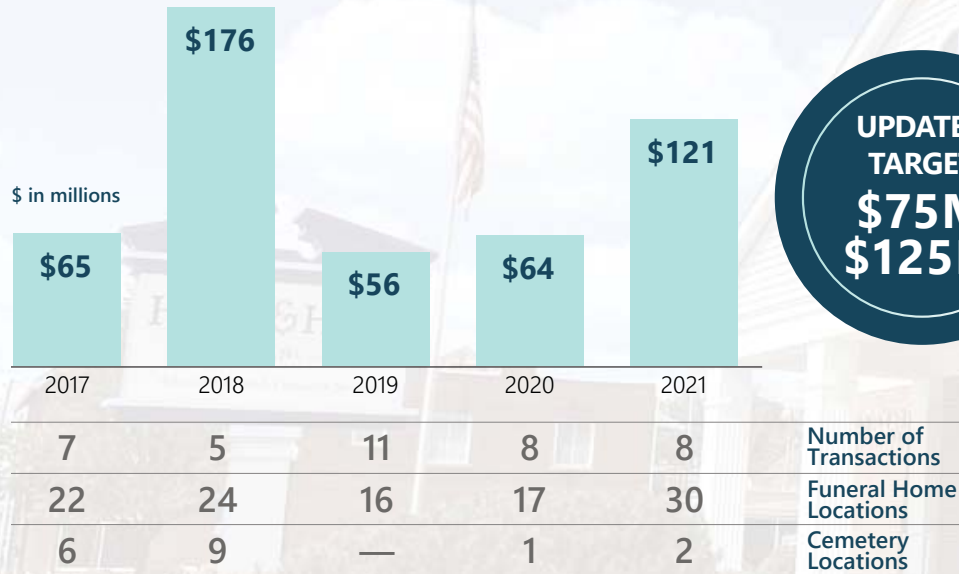
# Over \$770M invested in growth opportunities over the past 5 years

## TOTAL 5-YEAR GROWTH CAPEX SPEND



# Acquisitions are our best use of capital

## ACQUISITION SPEND



### THE OPPORTUNITY

- Low-to mid-teen IRRs
- Still ample opportunity to acquire closely held candidates (Target list represents \$0.8B-\$1B in revenue)
- Opportunities could accelerate as pandemic wanes

### BENEFITS WITH SCI

- Funeral revenue growth due to improved funeral merchandising and packaging
- Cemetery revenue growth due to enhanced cemetery offerings and experienced sales force
- Access to capital provides ability to upgrade facilities
- Cost savings related to local and national scale



DEPLOYMENT

**SCHOEDINGER FUNERAL & CREMATION SERVICE | NEW DUBLIN, OH**

12 locations in the greater Columbus area in Ohio

**MILLER JONES MORTUARY & CREMATORY AND MENIFEE VALLEY CEMETERY | HEMET, CA**

7 funeral locations and 1 cemetery location in the Hemet Valley area in California

2021 Acquisitions consisted of 32 businesses in 7 states with annual revenues of ~\$40M

**SKYLINE MEMORIAL PARK & CREMATORY MONEE, IL**

1 cemetery location south of Chicago

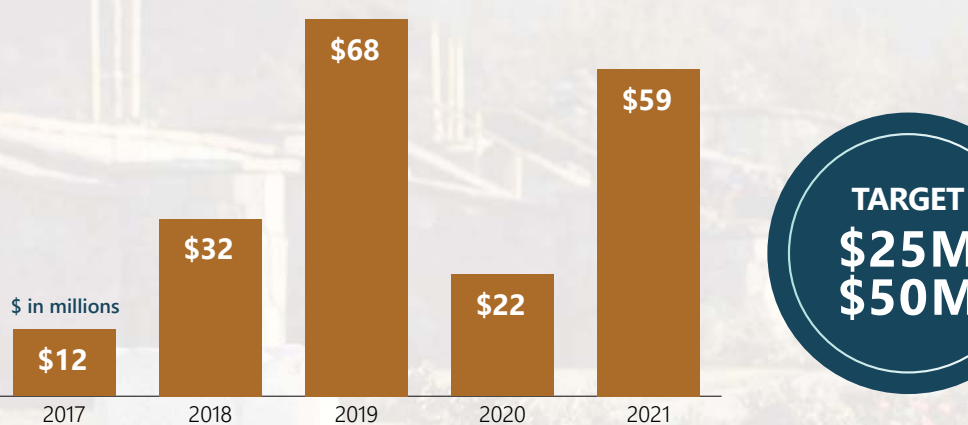
**WAPPNER FUNERAL DIRECTORS ONTARIO, OH**

4 locations in the Mansfield area in Ohio



# Greenfield new build opportunities are an increasing focus for us

## NEW BUILD FUNERAL HOMES & CEMETERIES



**TARGET**  
**\$25M-**  
**\$50M**

Year	2017	2018	2019	2020	2021	
Funeral Home Locations	5	5	6	5	8	
Cemetery Locations	—	—	1	—	1	
SCI Direct Locations	3	6	5	5	3	
Locations in Progress	9	9	7	12	14	

### THE OPPORTUNITY

- Expansion of footprint to reach growing demographics and target customers
- Target 10 to 15 new funeral homes annually
- Invest in select, strategic cemetery start-up projects where opportunities meet market needs
- Low- to mid-teen IRRs





## WHERE WE FOCUS

Target growing suburbs in urban markets where we operate

Look to be the first entrant where there is a sizeable representation of our target customer

Also will create combos via building funeral homes on existing, owned cemeteries

Opportunistically rebuild combo funeral homes with attractive demographics



DIGNITY MEMORIAL LIFE CELEBRATION CENTER | WILDWOOD, FL



ALLNUT FUNERAL & CREMATION | GREELEY, CO



HUA YUAN AT ROSE HILLS | WHITTIER, CA

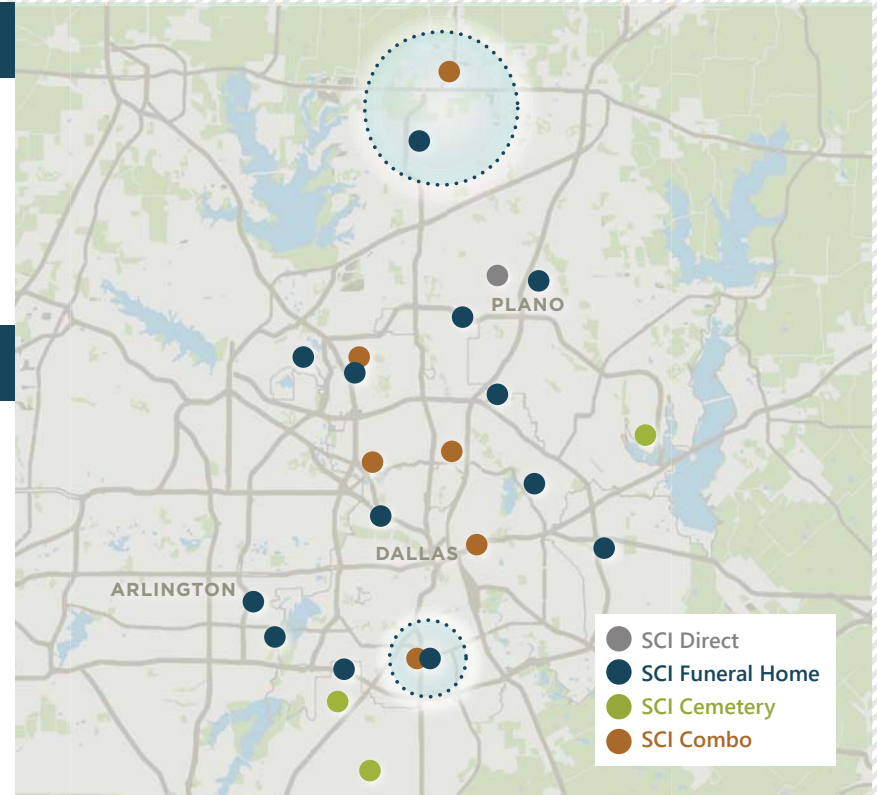
# Dallas, Texas - Market Footprint

## OVERVIEW

- Dallas is among the fastest growth areas in U.S.
- We have scale, serving over 5,100 funeral customers and 3,800 cemetery customers

## GROWTH PROJECTS

- Two new locations in the northern growth corridor where we lacked presence:
  - Stand-alone funeral home in Frisco
  - Planned combo facility in Prosper
- Rebuilt our flagship property, Laurel Land Funeral Home (combo), into a modern, contemporary space



DEPLOYMENT



**STONEBRIAR FUNERAL HOME | FRISCO, TX** *(North of Dallas)*

OPENED 2013 | Serving ~240 families annually



**LAUREL LAND FUNERAL HOME | DALLAS, TX**

NEW FACILITY OPENED 2019 | Serving ~650 families annually

**New build projects in Dallas will drive future growth for our shareholders**



**PROSPER TRAILS FUNERAL HOME & CEMETERY | DALLAS, TX**

RENDERING | Construction starting soon

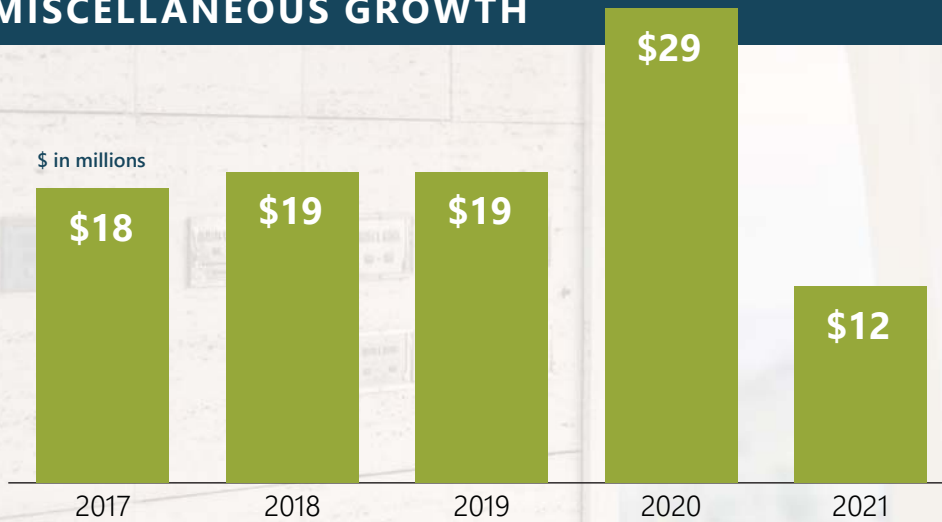




# Opportunistic considerations for expansion and redesign of current business

## MISCELLANEOUS GROWTH

\$ in millions



## THE OPPORTUNITY

- Expand high-growth funeral homes to increase their capacity to serve
- Opportunistic, high-return capital opportunities such as:
  - Purchases of leased real estate
  - Adding infrastructure to lower cost to serve (e.g., crematories, solar power, etc.)

# Creating unique new venues within our existing footprint



Memorial Oaks Funeral Home, Houston, TX



Blount & Curry Funeral Home - MacDill Avenue, Tampa, FL



Hodges Funeral Home, Naples, FL



Joseph Gawler's Sons, Washington, DC



Woodlawn-Roesch-Patton Funeral Home, Nashville, TN

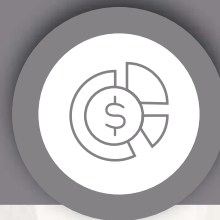


Geo. H. Lewis & Sons Funeral Directors, Houston, TX



# Our growth capital continues to add strength to our earnings growth framework

## MAIN DRIVERS



### ACQUISITIONS

### NEW BUILDS

### OTHER GROWTH CAPITAL

With more deployment years like 2021, with nearly \$200M in acquisitions and new builds, we are able to support higher earnings growth potential



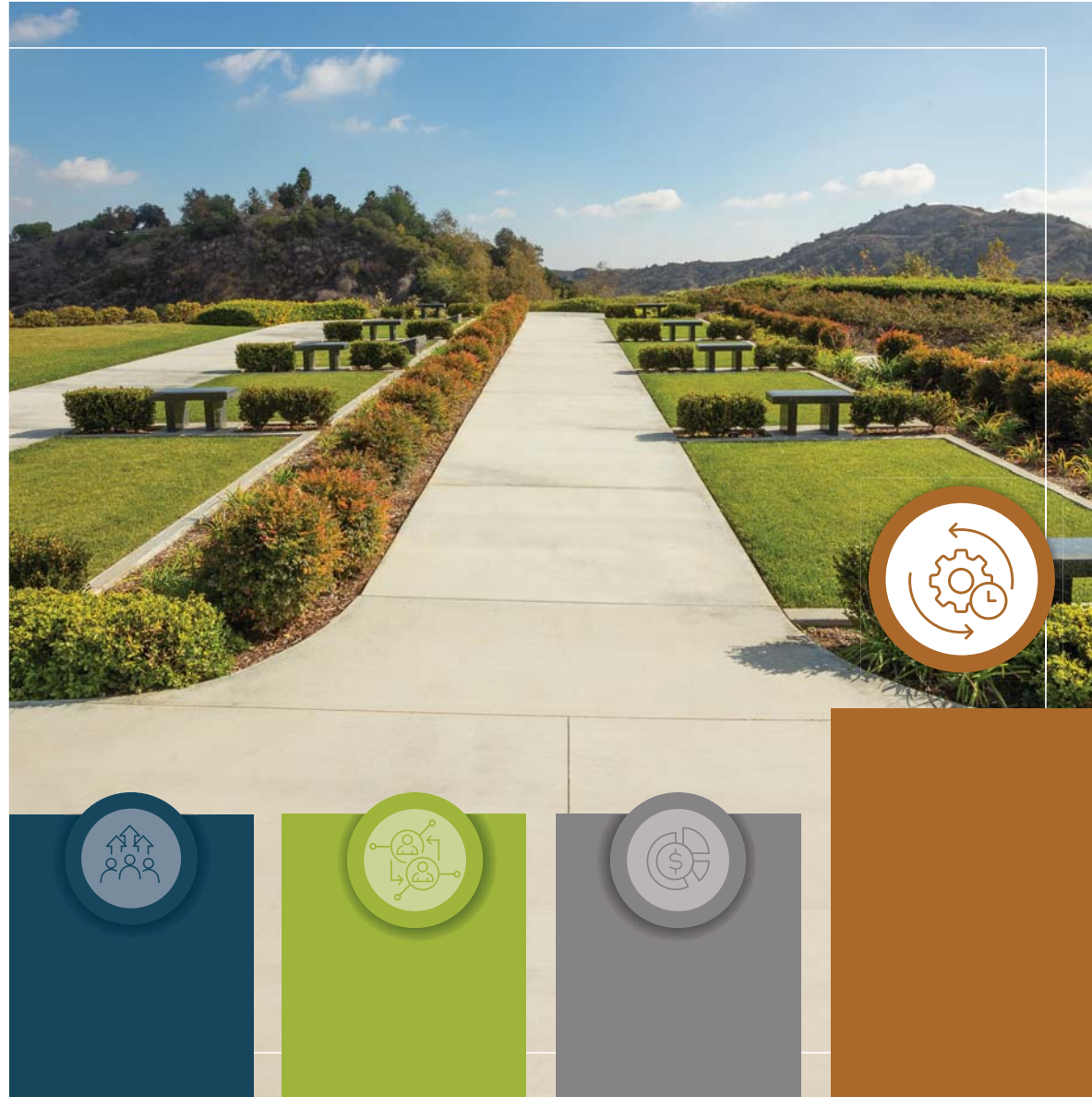
## KEY GROWTH DRIVERS

# Preneed Backlog Impact



**AARON  
FOLEY**

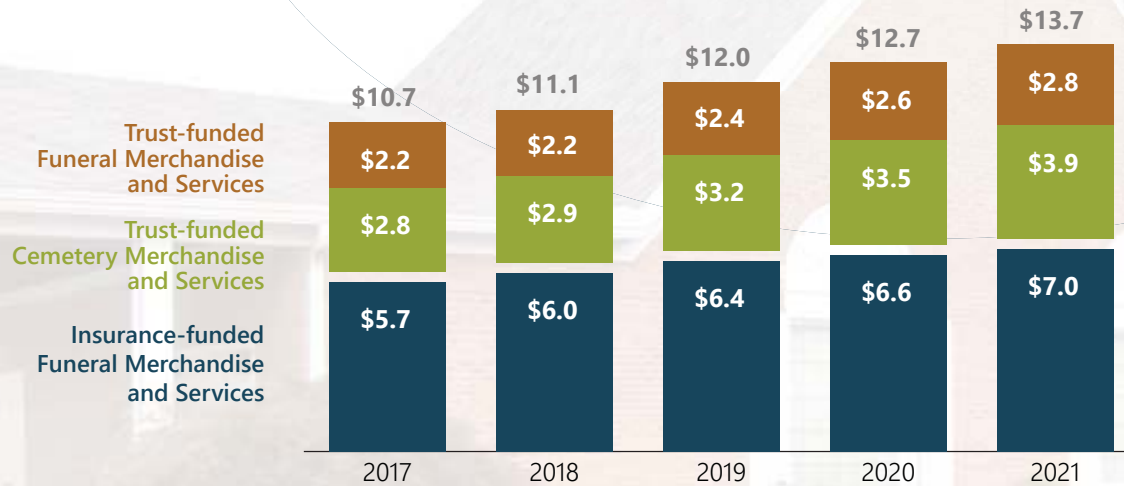
Vice President  
Treasurer



# Preneed backlog supporting earnings growth and stability

## DEFERRED REVENUE BACKLOG

\$ in billions



6%  
CAGR  
2017-2021

9%  
CAGR  
2017-2021

5%  
CAGR  
2017-2021

### TRUST

Supported by marketable securities and customer receivables

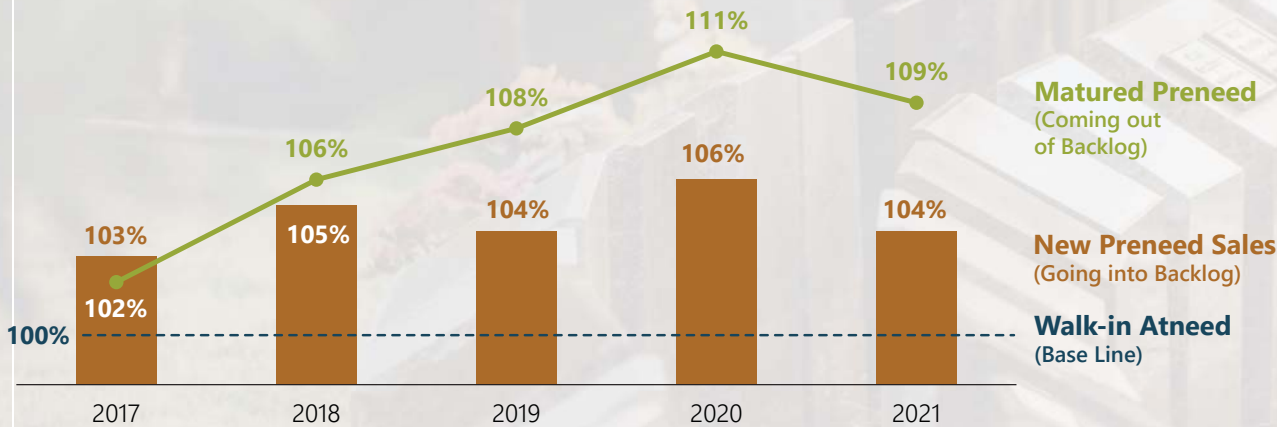
### INSURANCE

Supported by third-party life insurance policies

# Funeral averages going into and coming out of backlog supporting sales average growth

## CORE FUNERAL SALES AVERAGES

Comparable, Excluding SCI Direct



~\$10B

Funeral Backlog

70% INSURANCE | 30% TRUST

Presold funeral merchandise and services, which will be recognized upon delivery driving future profits

~4.5x

CURRENT FUNERAL REVENUES



# Cemetery backlog positioned to drive future revenue growth

## RECOGNIZED MERCHANDISE & SERVICE REVENUE PRENEED MERCHANDISE & SERVICE SALES Comparable

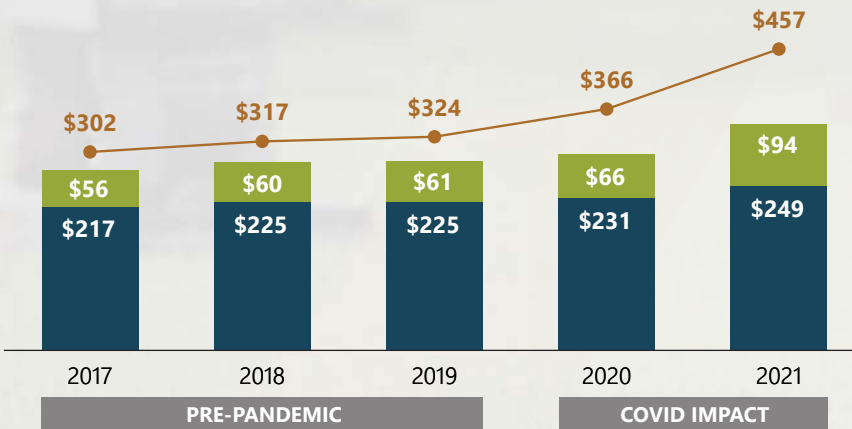
\$ in millions

- PRENEED MERCHANDISE & SERVICE SALES
- RECOGNIZED PRENEED MERCHANDISE & SERVICE TRUST INCOME
- RECOGNIZED MERCHANDISE & SERVICE REVENUE

11%  
CAGR  
2017-2021

14%  
CAGR  
2017-2021

3%  
CAGR  
2017-2021



~\$4B 100% TRUST  
**Cemetery Backlog**

Presold cemetery merchandise and services, which will be recognized upon delivery driving future profits

Cemetery backlog trust income has grown at a CAGR of 14% and should continue providing support with compounding effects of strong markets

10-year Cemetery Merchandise & Service Trust accumulated return of 10.3% at December 31, 2021

~6x

CURRENT ATNEED & PRENEED MERCHANDISE & SERVICE REVENUE



# Our preneed strategy and backlog are structured to drive earnings and cash flow growth

## MAIN DRIVERS



**HIGHER-QUALITY  
CONTRACT SALES  
PRODUCTION**

**TRUST INVESTMENT  
RETURNS SUPPORTING  
FUTURE GROWTH**

**INCREASING  
CEMETERY BACKLOG  
RECOGNITION**

Strength in our backlog could easily drive increases in our sales average and cemetery recognition assumptions



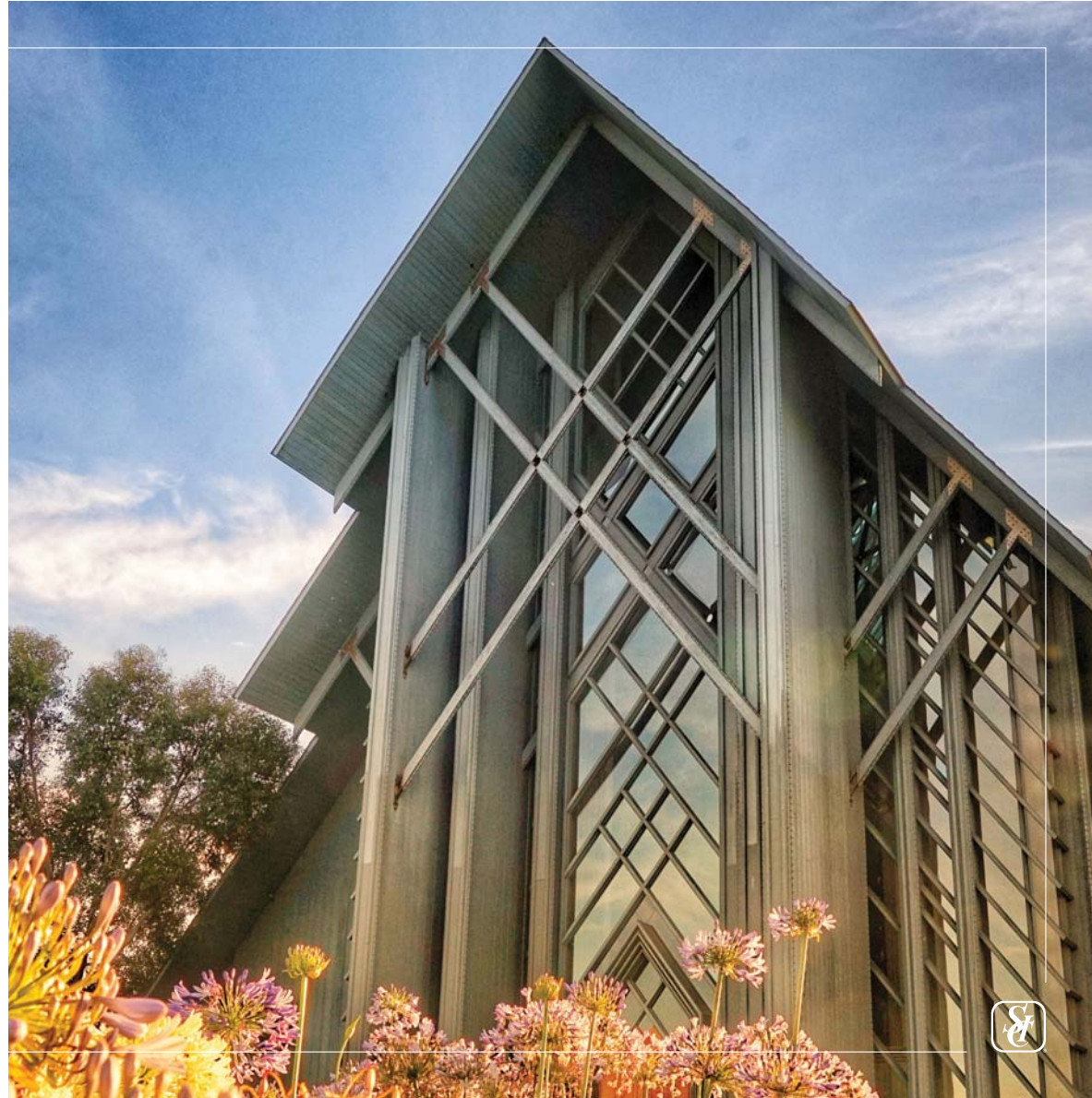


# Long-Term Power of SCI's Growth Model



**ERIC  
TANZBERGER**

Senior Vice President  
Chief Financial Officer





# There are 4 key pillars to reach even greater potential growth



**Demographic  
Tailwinds**



**Marketing,  
Sales &  
Cemetery  
Inventory  
Impact**



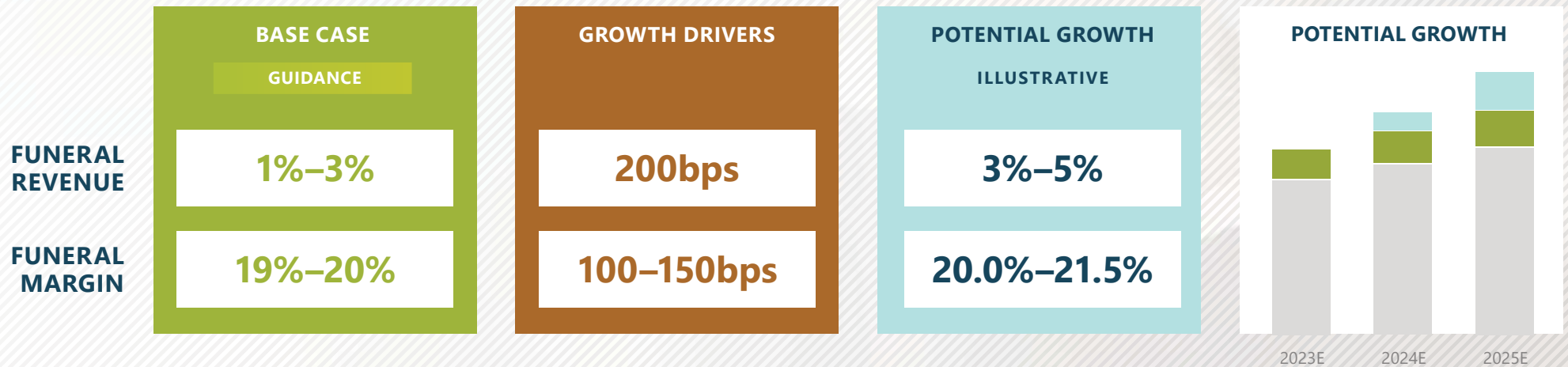
**Enhanced  
Growth Capital  
Opportunities**



**Preneed  
Backlog  
Impact**

## FUNERAL SEGMENT

# Demographic tailwinds, preneed backlog strength and average growth could drive accelerated growth

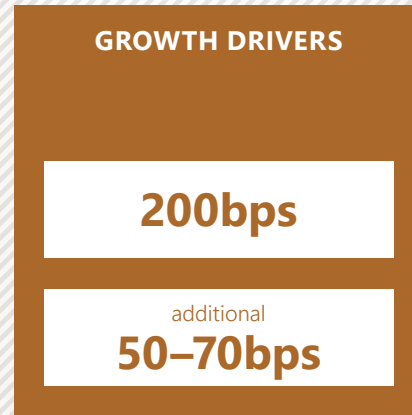


## CEMETERY SEGMENT

Marketing, sales and cemetery inventory initiatives, along with favorable demographics, could drive increases in revenues

CEMETERY  
REVENUE

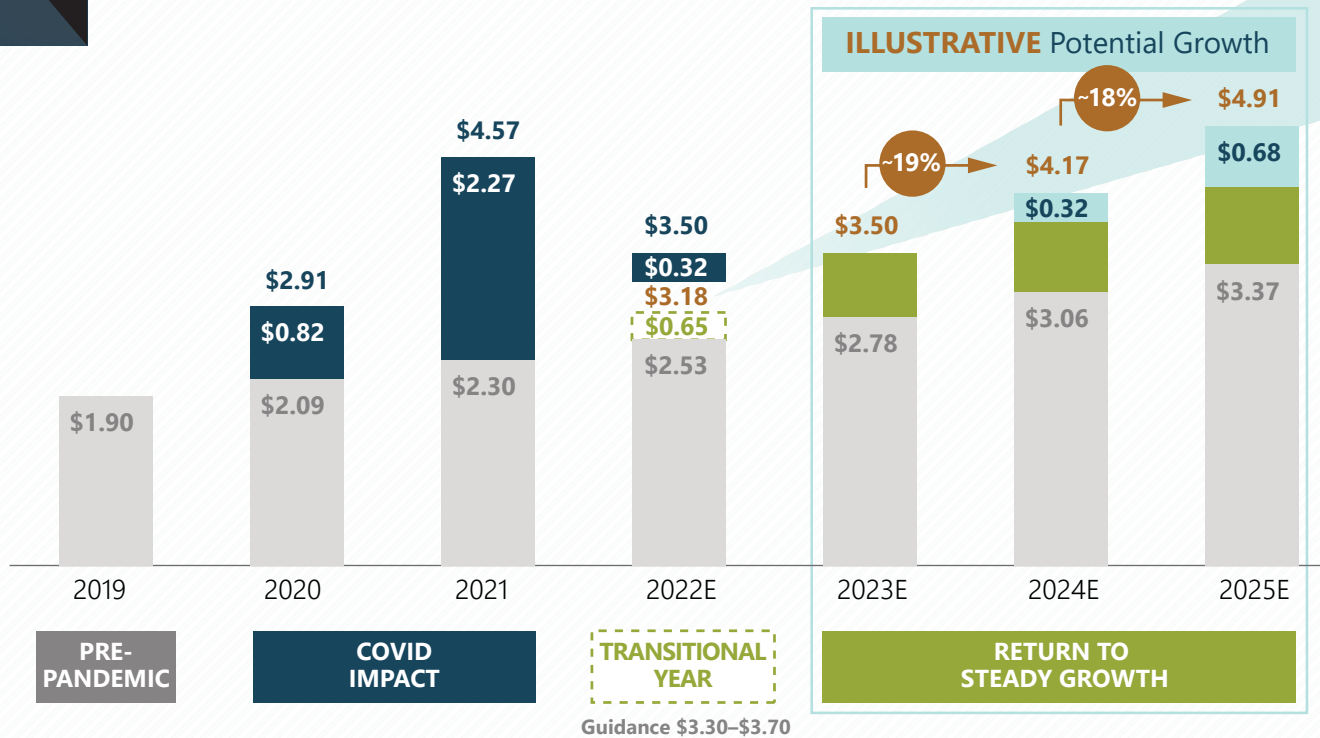
CEMETERY  
MARGIN





# Growth Drivers could increase our earnings growth to high-teen percentages or low 20's

## ADJUSTED EARNINGS PER SHARE



**ILLUSTRATIVE** Potential Growth over Post-COVID base on demographic tailwinds and exceptional execution on initiatives

**ILLUSTRATIVE** 10% CAGR off of higher 2022 Post-COVID base of \$3.18 (incorporating learnings, efficiencies and higher capital deployment)

### Estimated COVID Impact

Incremental COVID learnings and efficiencies to 2022 Base

Pre-COVID 10% Earnings CAGR off of 2019 base of \$1.90

Adjusted earnings per share is a non-GAAP financial measure. Please see appendix for a reconciliation to the appropriate GAAP measure and for other disclosures.



# SCI continues to evolve to stay relevant in a changing landscape

CUSTOMER TRENDS ARE AT THE CORE OF OUR INNOVATION STRATEGIES

**Consumer  
desire for more  
celebratory  
environments**



**Elevated  
experiences  
for simple  
cremation**

**Seamless experiences  
powered by technology**



**Looking Forward**



# Investor Day 2022 Key Takeaways

1

Strong business model with a sustainable growth platform

2

Significant and consistent cash flow continues to grow the company and enhance shareholder value

3

Industry leaders in innovation and technology

4

Preneed model and backlog strength differentiates us

5

Potential for incremental growth is much greater in the coming years, as we are poised to benefit from demographic tailwinds



**Q & A**



# APPENDIX





# Definitions: 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 excluding special items, 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.



# Adjusted EPS – 2013 to 2021

(In millions, except Diluted EPS)

	12 Months Ended December 31,																	
	2021		2020		2019		2018		2017		2016		2015		2014		2013	
	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS
Net income attributable to common stockholders, as reported	\$ 802.9	\$ 4.72	\$ 515.9	\$ 2.88	\$ 369.6	\$ 1.99	\$ 447.2	\$ 2.39	\$ 546.7	\$ 2.84	\$ 177.0	\$ 0.90	\$ 233.8	\$ 1.14	\$ 172.5	\$ 0.81	\$ 147.3	\$ 0.68
<u>Pre-tax reconciling items:</u>																		
(Gains) losses on divestitures and impairment charges, net	(25.2)	(0.15)	(7.0)	(0.03)	(32.9)	(0.18)	(15.9)	(0.09)	(7.0)	(0.04)	26.8	0.14	(6.0)	(0.02)	(113.5)	(0.53)	5.9	0.03
(Gains) losses on early extinguishment of debt	5.2	0.03	18.4	0.10	16.6	0.09	10.1	0.05	0.3	—	22.5	0.11	6.9	0.03	29.7	0.14	(0.5)	—
Acquisition, integration costs, and system transition costs	—	—	—	—	—	—	—	—	—	—	17.5	0.09	6.8	0.03	55.0	0.25	55.6	0.26
Legal/contractual settlement, net of insurance recoveries	(8.3)	(0.05)	—	—	6.4	0.03	—	—	24.3	0.13	5.6	0.03	—	—	12.3	0.06	11.7	0.05
<u>Tax reconciling items:</u>																		
Tax effect from special items	7.3	0.04	(2.6)	(0.02)	4.1	0.02	1.6	0.01	(5.7)	(0.03)	(17.2)	(0.09)	(2.3)	(0.01)	77.8	0.37	(26.0)	(0.12)
Change in certain tax reserves and other	(4.0)	(0.02)	(3.0)	(0.02)	(10.9)	(0.05)	(107.8)	(0.57)	(260.1)	(1.35)	20.9	0.11	3.0	0.01	3.2	0.01	4.9	0.02
Earnings and diluted earnings per share excluding special items (Adjusted EPS)	\$ 777.9	\$ 4.57	\$ 521.7	\$ 2.91	\$ 352.9	\$ 1.90	\$ 335.2	\$ 1.79	\$ 298.5	\$ 1.55	\$ 253.1	\$ 1.29	\$ 242.2	\$ 1.18	\$ 237.0	\$ 1.11	\$ 198.9	\$ 0.92
Diluted weighted average shares outstanding (in thousands)		170,114		178,990		185,523		186,972		192,246		196,042		204,450		214,200		216,014

The 2018 change in certain tax reserves and others is primarily impacted by the reduction in uncertain tax reserves due to the expiration of statutes of limitations for the Internal Revenue Service to assess tax on tax years prior to 2015. On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the "Tax Act." As a result of the Tax Act, we realized a net tax benefit for the remeasurement of deferred tax assets and liabilities, partially offset by a transition tax on certain unrepatriated earnings of our foreign subsidiaries. 2017 is also impacted by the settlement of IRS tax audits related to tax years 1999-2005. Please see Part II, Item 8. Financial Statements, Note 5 in our 2018 Form 10-K filing for further details.



# Adjusted EPS – 2005 to 2012

(In millions, except Diluted EPS)

	12 Months Ended December 31,															
	2012		2011		2010		2009		2008		2007		2006		2005	
	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS
Net income (loss) attributable to common stockholders, as reported	\$ 153.8	\$ 0.70	\$ 146.0	\$ 0.62	\$ 126.4	\$ 0.50	\$ 123.1	\$ 0.49	\$ 97.1	\$ 0.37	\$ 247.7	\$ 0.85	\$ 56.5	\$ 0.19	\$ (127.9)	\$ (0.42)
<u>Pre-tax reconciling items:</u>																
(Gains) losses on divestitures and impairment charges, net	1.6	0.01	1.8	0.01	2.2	0.01	1.8	0.01	36.0	0.15	(6.0)	(0.02)	50.1	0.17	30.3	0.10
(Gains) Losses on early extinguishment of debt	14.4	0.07	2.2	0.01	5.9	0.02	(2.1)	(0.01)	—	—	8.7	0.03	10.7	0.04	9.3	0.03
Acquisition, integration costs, and system transition costs	5.9	0.02	1.4	0.01	9.4	0.04	8.2	0.03	0.7	—	16.4	0.06	8.2	0.02	—	—
Legal/contractual settlement, net of insurance recoveries									—	—	6.5	0.02			(10.3)	(0.03)
Income from French equity investment/DISCO									0.4	—	(121.8)	(0.42)	(3.9)	(0.01)	(4.5)	(0.01)
Cumulative effect of accounting change															187.5	0.61
<u>Tax reconciling items:</u>																
Change in certain tax reserves and other	0.6	—	2.6	0.01	5.1	0.02	(2.0)	(0.01)	—	—	—	—	—	—	—	—
Earnings and diluted earnings per share excluding special items (Adjusted EPS)	\$ 176.3	\$ 0.80	\$ 154.0	\$ 0.66	\$ 149.0	\$ 0.59	\$ 129.0	\$ 0.51	\$ 134.2	\$ 0.52	\$ 151.5	\$ 0.52	\$ 121.6	\$ 0.41	\$ 84.4	\$ 0.28
Diluted weighted average shares outstanding (in thousands)	219,066		236,669		250,602		252,484		260,983		290,444		297,371		306,745	





# Adjusted cash flow from operations and free cash flow

(In millions)

	12 Months Ended December 31,				
	2021	2020	2019	2018	2017
Net cash provided by operating activities	\$ 920.6	\$ 804.4	\$ 628.8	\$ 615.8	\$ 503.4
Contractual/Legal settlements, net of insurance recoveries	(8.3)	-	6.4	-	17.8
IRS tax settlement (receipt) payment	-	-	-	(5.6)	34.2
Net cash provided by operating activities excluding special items <i>(Adjusted cash flow from operations)</i>	\$ 912.3	\$ 804.4	\$ 635.2	\$ 610.2	\$ 555.4
Capital improvements at existing locations	(164.8)	(96.8)	(126.5)	(124.8)	(117.6)
Development of cemetery property	(95.4)	(88.8)	(77.8)	(78.7)	(79.0)
Free cash flow	\$ 652.1	\$ 618.8	\$ 430.9	\$ 406.7	\$ 358.8
Net cash used in investing activities	\$ (414.9)	\$ (318.4)	\$ (278.5)	\$ (414.6)	\$ (242.9)
Net cash used in financing activities	\$ (465.6)	\$ (492.8)	\$ (319.1)	\$ (329.2)	\$ (136.4)

# Financial outlook

(In millions, except Adjusted EPS)

	2022 GUIDANCE		
	Low	Midpoint	High
Net cash provided by operating activities <i>Adjusted cash flow from operations</i>	\$750	\$775	\$800
Capital improvements at existing locations & Development of Cemetery Property	\$270	\$280	\$290
Diluted earnings per share excluding special items <i>Adjusted EPS</i>	\$3.30	\$3.50	\$3.70
Cash taxes included in Adjusted cash flow from operations	Approximately \$180 at the midpoint of Adj EPS guidance		

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, 2022, 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.

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, 2022, 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 year 2022 reflects management's current views and estimates regarding the impact on results from the Covid 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 SCL, that could cause actual results to differ materially from the potential results.

