

SERVICE CORPORATION INTERNATIONAL

Non-GAAP Financial Measures

October 27, 2021



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



(In millions, except diluted EPS)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021		2020		2021		2020	
	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS
Net income attributable to common stockholders, as reported	\$ 209.9	\$ 1.23	\$ 127.4	\$ 0.72	\$ 596.4	\$ 3.49	\$ 314.9	\$ 1.74
<u>Pre-tax reconciling items:</u>								
Gains on divestitures and impairment charges, net	(7.8)	(0.05)	(0.5)	—	(15.2)	(0.09)	(5.8)	(0.03)
Losses on early extinguishment of debt, net	—	—	18.3	0.10	5.2	0.03	18.4	0.10
Vendor waiver and release agreement cash receipts	(8.3)	(0.05)	—	—	(8.3)	(0.05)	—	—
<u>Tax reconciling items:</u>								
Tax effect from special items	3.9	0.03	(4.6)	(0.03)	4.9	0.03	(3.4)	(0.01)
Diluted earnings per share excluding special items (Adjusted EPS)	<u>\$ 197.7</u>	<u>\$ 1.16</u>	<u>\$ 140.6</u>	<u>\$ 0.79</u>	<u>\$ 583.0</u>	<u>\$ 3.41</u>	<u>\$ 324.1</u>	<u>\$ 1.80</u>
Diluted weighted average shares outstanding		170.0		178.1		171.1		180.5

Adjusted Cash Flow from Operations & Free Cash Flow



<i>(In millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net cash provided by operating activities	\$ 240.6	\$ 195.1	\$ 730.4	\$ 559.4
Vendor waiver and release agreement cash receipts	(8.3)		(8.3)	
Net cash provided by operating activities excluding special items <i>(Adjusted cash flow from operations)</i>	\$ 232.3	\$ 195.1	\$ 722.1	\$ 559.4
Capital improvements at existing operating locations	(39.9)	(20.6)	(100.1)	(63.8)
Development of cemetery property	(25.4)	(20.1)	(50.0)	(65.4)
Free cash flow	<u>\$ 167.0</u>	<u>\$ 154.4</u>	<u>\$ 572.0</u>	<u>\$ 430.2</u>
<i>Net cash used in investing activities</i>	\$ (72.1)	\$ (73.3)	\$ (180.7)	\$ (225.4)
<i>Net cash provided by (used in) financing activities</i>	\$ (192.1)	\$ (151.5)	\$ (368.6)	\$ (351.2)
Cash taxes included in Adjusted operating cash flow	\$ 66.8	\$ 95.2	\$ 168.8	\$ 96.9

Financial Outlook



In Millions, except Adjusted EPS

	2021			Outlook Commentary					
	Low	Midpoint	High	2022			2023		
				Low	Midpoint	High	Low	Midpoint	High
Net cash provided by operating activities <i>Adjusted cash flow from operations</i>	\$850	\$888	\$925						
Capital improvements at existing locations & Development of Cemetery Property	\$235	\$245	\$255						
Diluted earnings per share excluding special items <i>Adjusted EPS</i>	\$4.15	\$4.30	\$4.45	\$2.60	\$2.75	\$2.90	\$3.00	\$3.13	\$3.25
Cash taxes included in Adjusted cash flow from operations		\$260							

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 years ending December 31, 2021-2023, 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 years ending December 31, 2021-2023 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 years 2021-2023 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 SCI, that could cause actual results to differ materially from the potential results.