Service Corporation International (SCI)

Updated May 18th, 2025 by Felix Martinez

Key Metrics

Current Price:	$79	**5 Year Annual Expected Total Return:**	5.9%	**Market Cap:**	$11.1B
Fair Value Price:	$77	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	09/15/25
% Fair Value:	103%	**5 Year Valuation Multiple Estimate:**	-0.6%	**Dividend Payment Date:**	09/30/25
Dividend Yield:	1.6%	**5 Year Price Target**	$98	**Years Of Dividend Growth:**	15
Dividend Risk Score:	C	**Sector:** Industrials		**Rating:**	Hold

Overview & Current Events

Service Corp International is a personal services company that provides funeral and cemetery services and products from its locations throughout the United States and Canada. The company segments its operations into funeral service and cemetery business functions. The company provides all professional services, facilities, vehicles, and merchandise related to funerals and cremations at its funeral service locations. Cemetery locations provide customers with cemetery property, memorial markers, and graveyard services. The company derives much of its revenue from its funeral locations, while the cemetery division also generates a meaningful amount of the company's total income. The company trades under the ticker symbol SCI with a market capitalization of $11.1 billion and total revenue of $3.8 billion in 2024. The company currently has fifteen consecutive years of dividend growth.

On July 30th, 2025, the company reported its second quarter financial results. The company reported solid second-quarter 2025 results. Revenue rose 3% year-over-year to $1.07 billion, exceeding expectations by $13.9 million, while adjusted earnings per share increased 11% to $0.88, beating estimates by $0.03. GAAP EPS came in at $0.86, up from $0.81 in the prior-year quarter. Growth was driven by higher funeral revenue, with comparable total funeral sales up 3.1%, and by a 5.3% increase in cemetery preneed sales production, which will support future revenue as property is developed. Gross profit improved 5% to $271 million, aided by higher average revenue per funeral and cost discipline.

The company's operating cash flow declined to $166.5 million from $196.9 million in the prior-year period, primarily due to an $84 million increase in cash taxes paid. However, when excluding higher taxes and special items, operating cash flow grew more than 14%, reflecting improved profitability and favorable working capital dynamics. CEO Tom Ryan highlighted margin expansion in the funeral segment, noting a 14.8% increase in comparable funeral gross profit, as well as strong cemetery preneed demand that strengthens SCI's backlog for future growth.

Looking ahead, management reaffirmed its 2025 adjusted EPS guidance of $3.70 to $4.00, consistent with its long-term framework of 8% to 12% annual growth. At the same time, SCI raised its full-year operating cash flow guidance to a range of $880 million to $940 million, up from prior expectations, supported by lower projected cash taxes and stronger working capital performance. With its extensive network of 1,985 funeral service locations and cemeteries, SCI remains focused on leveraging its scale, maintaining cost discipline, and investing in cemetery development and digital initiatives to sustain shareholder value creation over the long term.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.18	$1.29	$1.55	$1.79	$1.90	$2.91	$4.57	$3.80	$3.47	$3.53	***$3.85***	***$4.91***
DPS	$0.44	$0.51	$0.58	$0.68	$0.72	$0.78	$0.88	$1.02	$1.12	$1.20	***$1.28***	***$1.71***
Shares[1]	204.0	196.0	192.0	187.0	186.0	179.0	170.0	160.0	150.0	146.8	***145.0***	***140.0***

Earnings have been growing significantly over the past ten years. For example, earnings have had a CAGR of 12.9% over the past ten years. Over the past five years, the company's earnings growth was 5.8%. Revenue growth has been 9.10%

[1] Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

over the past three years. However, because of the fast growth in 2021, we expect the company to grow earnings at a CAGR of 5% for the next five years.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	22.1	22.0	24.1	22.2	24.3	16.9	15.5	18.2	19.7	22.6	***20.6***	***20.00***
Avg. Yld.	1.7%	1.8%	1.6%	1.7%	1.6%	1.6%	1.2%	1.5%	1.6%	1.5%	***1.6%***	***1.7%***

The company looks overvalued at the current price point. Over the past ten years, the company has averaged a PE of 20.8x. We think that a PE of 20x is fair. At the current price, the company now sports a PE of 20.6x. The current dividend yield of 1.6% is in line with its ten-year average of 1.6%. Thus, the company looks fairly valued based on dividend yield.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	37%	40%	37%	38%	38%	27%	19%	27%	32%	34%	***33%***	***35%***

Service Corporation International's competitive advantage is that it is the most prominent funeral home/cemetery operator in North America. This benefits the company because it can operate more efficiently. This also allows the company to take advantage of the funeral home/cemetery market. The top three companies have only 15% of the total market share in the funeral home/cemetery market. Thus, this leaves plenty of room for industry consolidation, which Service Corporation should be able to take advantage of.

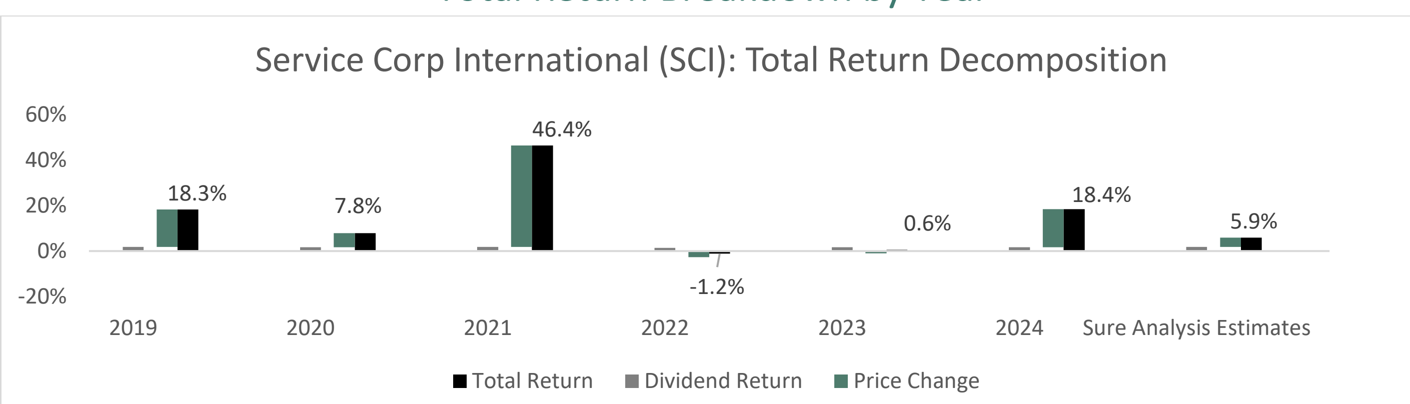
During the Great Recession, the company did well. Earnings were flat in 2008 and only decreased by (2)% in 2009. However, the company stock price did take a significant price decrease of (75.4)% in those years. During the COVID-19 pandemic, the company did very well. Earnings grew 53% in 2020 and 57% in 2021. Thus, the company is very resilient to a recession.

The company balance sheet looks well enough. The company has an S&P credit rating of BB+, which is not an investment grade. Also, the company currently has a debt-to-equity ratio of 3.2x, which is a little on the high side. However, interest coverage is satisfactory at 3.8x.

Final Thoughts & Recommendation

Service Corp International is a company that goes under the radar for most investors. The company is a solid business that should continue to do well over the long term. We expect the company to generate a 5.9% total return CAGR over the next five years. This will mostly come from earnings growth. Thus, we rate the stock as a hold at the current price.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	2,986	3,031	3,095	3,190	3,231	3,512	4,143	4,109	4,100	4186
Gross Profit	675	677	723	760	761	977	1,304	1,155	1,092	1091
Gross Margin	22.6%	22.3%	23.4%	23.8%	23.5%	27.8%	31.5%	28.1%	26.6%	26.1%
SG&A Exp.	131	137	159	146	127	141	138	237	157	139
D&A Exp.	235	245	249	248	247	258	277	288	311	328
Operating Profit	544	540	564	615	634	836	1,166	917	934	952
Operating Margin	18.2%	17.8%	18.2%	19.3%	19.6%	23.8%	28.1%	22.3%	22.8%	22.7%
Net Profit	234	177	547	447	370	516	803	565	537	519
Net Margin	7.8%	5.8%	17.7%	14.0%	11.4%	14.7%	19.4%	13.8%	13.1%	12.4%
Free Cash Flow	321	296	289	366	389	582	617	456	507	556
Income Tax	135	149	(147)	(6)	95	146	242	190	171	157

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	11,676	12,038	12,865	12,693	13,677	14,515	15,691	15,066	16,360	17380
Cash & Equivalents	135	195	330	199	186	231	269	192	222	219
Accounts Receivable	66	65	61	55	60	93	106	97	98	94
Inventories	28	26	25	25	25	24	26	32	34	33
Goodwill & Int. Ass.	2,166	2,167	2,180	2,298	2,295	2,321	2,387	2,427	2,462	2593
Total Liabilities	10,487	10,943	11,455	11,051	11,854	12,763	13,782	13,393	14,810	15700
Accounts Payable	140	156	174	173	174	186	204	178	203	203
Long-Term Debt	3,146	3,308	3,500	3,618	3,600	3,775	4,005	4,381	4,749	4865
Shareholder's Equity	1,185	1,093	1,409	1,642	1,823	1,753	1,909	1,673	1,541	1678
D/E Ratio	2.66	3.03	2.48	2.20	1.97	2.15	2.10	2.62	3.08	2.90

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	2.0%	1.5%	4.4%	3.5%	2.8%	3.7%	5.3%	3.7%	3.4%	3.1%
Return on Equity	18.3%	15.5%	43.7%	29.3%	21.3%	28.9%	43.9%	31.6%	33.4%	32.2%
ROIC	5.3%	4.1%	11.7%	8.8%	6.9%	9.4%	14.0%	9.4%	8.7%	8.1%
Shares Out.	204	196	192	187	186	179	170	160	152	147
Revenue/Share	14.61	15.46	16.10	17.06	17.41	19.62	24.36	25.66	26.91	28.52
FCF/Share	1.57	1.51	1.50	1.96	2.10	3.25	3.63	2.85	3.33	3.79

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.