

SERVICE CORPORATION INTERNATIONAL

Form 10-Q

April 26, 2012

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

R QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended March 31, 2012

or

O TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-6402-1

SERVICE CORPORATION INTERNATIONAL

(Exact name of registrant as specified in its charter)

Texas

(State or other jurisdiction of incorporation or
organization)

74-1488375

(I. R. S. employer identification number)

1929 Allen Parkway, Houston, Texas

(Address of principal executive offices)

77019

(Zip code)

713-522-5141

(Registrant's telephone number, including area code)

None

(Former name, former address, or former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting
company

(Do not check if smaller reporting
company)

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).

YES NO

The number of shares outstanding of the registrant's common stock as of April 24, 2012 was 217,098,386 (net of treasury shares).

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GLOSSARY

The following terms are common to the deathcare industry, are used throughout this report, and have the following meanings:

Atneed — Funeral and cemetery arrangements after a death has occurred.

Burial Vaults — A reinforced container intended to inhibit the subsidence of the earth and house the casket after it is placed in the ground.

Cemetery Perpetual Care or Endowment Care Fund — A trust fund established for the purpose of maintaining cemetery grounds and property into perpetuity.

Cremation — The reduction of human remains to bone fragments by intense heat.

General Agency (GA) Revenues — Commissions we receive from third-party life insurance companies for life insurance policies or annuities sold to preneed customers for the purpose of funding preneed funeral arrangements. The commission rate paid is determined based on the product type sold, the length of payment terms, and the age of the insured/annuitant.

Interment — The burial or final placement of human remains in the ground.

Lawn Crypt — An underground outer burial receptacle constructed of concrete and reinforced steel, which is usually pre-installed in predetermined designated areas.

Marker — A method of identifying a deceased person in a particular burial space, crypt, or niche. Permanent burial markers are usually made of bronze, granite, or stone.

Maturity — When the underlying contracted service is performed or merchandise is delivered, typically at death. This is the point at which preneed contracts are converted to atneed contracts (note — delivery of certain merchandise and services can occur prior to death).

Mausoleum — An above ground structure that is designed to house caskets and cremation urns.

Preneed — Purchase of products and services prior to a death occurring.

Preneed Backlog — Future revenues from unfulfilled preneed funeral and cemetery contractual arrangements.

Production — Sales of preneed funeral and preneed or atneed cemetery contracts.

As used herein, “SCI”, “Company”, “we”, “our”, and “us” refer to Service Corporation International and companies owned directly or indirectly by Service Corporation International, unless the context requires otherwise.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SERVICE CORPORATION INTERNATIONAL
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

	Three Months Ended	
	March 31,	
	2012	2011
	(In thousands, except per share amounts)	
Revenues	\$602,506	\$579,699
Costs and expenses	(474,939) (453,253
Gross profits	127,567	126,446
General and administrative expenses	(25,959) (28,833
Losses on divestitures and impairment charges, net	(490) (420
Operating income	101,118	97,193
Interest expense	(33,588) (33,559
Losses on early extinguishment of debt, net	—	(314
Other income, net	3,905	674
Income before income taxes	71,435	63,994
Provision for income taxes	(23,120) (24,065
Net income	48,315	39,929
Net income attributable to noncontrolling interests	(290) (1,165
Net income attributable to common stockholders	\$48,025	\$38,764
Basic earnings per share:		
Net income attributable to common stockholders	\$0.22	\$0.16
Basic weighted average number of shares	220,132	239,772
Diluted earnings per share:		
Net income attributable to common stockholders	\$0.22	\$0.16
Diluted weighted average number of shares	223,212	242,052
Dividends declared per share	\$0.05	\$0.05

(See notes to unaudited condensed consolidated financial statements)

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SERVICE CORPORATION INTERNATIONAL
 CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 (UNAUDITED)

	Three Months Ended March 31,	
	2012	2011
	(In thousands)	
Net income	\$48,315	\$39,929
Other comprehensive income:		
Foreign currency translation adjustments	5,745	11,508
Total comprehensive income	54,060	51,437
Total comprehensive income (loss) attributable to noncontrolling interests	(275)	(1,171)
Total comprehensive income attributable to common stockholders	\$53,785	\$50,266

(See notes to unaudited condensed consolidated financial statements)

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CONDENSED CONSOLIDATED BALANCE SHEET
(UNAUDITED)

	March 31, 2012	December 31, 2011
	(In thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 113,831	\$ 128,569
Receivables, net	96,376	103,892
Deferred tax assets	38,073	44,316
Inventories, net	25,438	25,513
Other	24,400	25,803
Total current assets	298,118	328,093
Preneed funeral receivables, net and trust investments	1,516,968	1,478,865
Preneed cemetery receivables, net and trust investments	1,712,976	1,595,940
Cemetery property, at cost	1,496,439	1,497,703
Property and equipment, net	1,619,157	1,618,361
Goodwill	1,358,182	1,361,493
Deferred charges and other assets	423,504	430,851
Cemetery perpetual care trust investments	1,050,081	1,016,506
Total assets	\$9,475,425	\$9,327,812
LIABILITIES & EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$347,823	\$358,904
Current maturities of long-term debt	28,415	23,554
Income taxes	13,544	3,150
Total current liabilities	389,782	