

BUY
\$81.43
+71%
exit
\$140

SERVICE CORPORATION INTERNATIONAL | NYSE:SCI

>25% TSR, Traditional biz > Rule of 40, 0.3 Beta

Service Corporation International (SCI) is the dominant deathcare industry provider in North America, commanding 16% market share of \$22bn sector revenue (80% independents, 5% other large consolidators). Over the years, SCI has managed to build a full value chain of funeral homes & cemeteries, with current future revenue backlog of \$16.6bn and 12,000 acres of cemetery inventory. Its strong brand name reinforced its economic moat while continuous staff training & targeted marketing ensures sustainable takeup rates on new & innovative products (new and higher margin verticals in cremation & cemetery).

SCI's mgt maximizes shareholder value (SHV) via (i) recurrent dividend yield 1.8% [payout 30-40%], (ii) sharebuy-back circa \$600mil (or 5.2%), (iii) annual FCF generation of \$1bn (8.7% yield) and (iv) maintaining medium term growth rate of 10% for base-case total shareholder return (TSR) of 25.7%.

SCI low beta of 0.30¹ makes it ideal for portfolio allocation. Its appetite for value-accretive acquisitions, \$181.2 mil (2024) to acquire 26 funeral service locations and 6 cemeteries, with (estimated) >30% ROI, reinforced mgt's SHV creation.

On the innovation front, we expect SCI to expand eco-friendly aquamation technology (present in 24 of 28 legal states) and cremation aided reef memorial. While still in embryonic stage, both substantially higher margin verticals are likely to be well received for widespread adoption vs traditional (low margin) cremation. SCI's ability to leverage its strategic positioning for aging population & rising mortality translates to sustainable ROAEs above 30% with risk on the upside (acquisitions & Global Atlantic partnership). 6Σ estimate **intrinsic value at \$140**, equivalent of consumer staples exit yield at 15%.

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Mkt cap: \$11.4 bn [\$81.43 3Nov25]

Intrinsic Value: \$141

10 day advt: 1.04m

United States

Consumer Staple

Funeral, cemetery & cremation services

6Σ Forecast	12/23	12/24	12/25F	12/26F
Revenue \$mil	4,100	4,186	4,458	4,733
Consensus Rev\$m			4,300	4,450
EBIT \$mil	944	928	1,003	1,094
Net Income \$mil	538	519	550	636
EPS (\$)	3.53	3.53	3.92	4.70
EPS fd (\$)	3.53	3.53	3.88	4.66
Consensus EPS (\$)			3.83	4.22
P/E (x)	23.7	23.7	21.5	17.6
PEG (x)			2.17	0.81
Rule 40 (%)	21.6	22.5	32.3	40.9
ROAE (%)	33.4	32.2	33.3	37.6
Div Yield (%)	1.34	1.44	1.44	1.76
Intrinsic Value				140
% upside				71%

Source: 6Σ est

Industry Valuation	PE	Div Yield	BETA ^{1,2}	Mkt Cap
[CNBC 5yr beta]	2025F	25F(%)		\$mil
SCI	21.5	1.76	0.30	11,466
CSV [0.92]	13.2	1.02	0.46	692
MATW [1.29]	na	4.27		721
SNFCA [0.87]	9.10	nil	0.93	210
Avg ex SCI	11.15	nm	0.81	579
San Hold ² 9628JP	6.49	0.13	0.57	196
Tear Corp ² 2485JP	9.27	0.14	0.28	73
				AUM\$bn
XLP ^{2,3} ETF	20.2	na	0.62	16.4
VDC ^{2,3} ETF	23.8	na	0.67	8.5
S&P 500	22.8	2.51	1.00	688

1: YTD calculated beta to S&P, 2: Factset, 3: fund prospectus



Ratios & Valuations

Dec-yr end	2023	2024	2025F	2026F
Revenue	4,100	4,186	4,458	4,733
Cost of goods sold	(3,008)	(3,096)	(3,290)	(3,465)
Gross profit	1,092	1,091	1,168	1,268
SG&A	(157)	(139)	(153)	(168)
Charges, net	10	(24)	(12)	(6)
EBIT	944	928	1,003	1,094
Interest expense	(239)	(258)	(264)	(246)
Others	4	6		
Pretax Profit	709	675	739	848
Tax	(171)	(157)	(188)	(212)
tax rate(%)	24.1%	23.2%	25.5%	25.0%
Net Profit	538	519	550	636

EPS (basic) \$	3.57	3.57	3.92	4.78
EPS (FD) \$	3.53	3.53	3.88	4.74
Consensus EPS			3.83	4.22
	6Σ/Consensus		1.4%	12.3%
DPS \$	1.12	1.2	1.20	1.43
payout (%)	31%	34%	30%	30%
Wt avg sh o/s (basic) mil	150.6	145.3	140.3	133.1
Wt avg sh o/s (fd) mil	152.4	146.8	141.7	134.3
Share buy-back \$mil	550	250	400	600

Growth & Margins (%)

YoY (%)	24/23	25F/24	26F/25F
Total Revenue growth	2.11	6.49	6.17
EPS growth	0.00	9.87	21.84
DPS growth	7.1	0.0	19.5
Gross margin	26.1	26.2	26.8
EBIT margin	22.2	22.6	23.7

Source: Company data, 6Σ estimates

Income Statement \$mil

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Share buy-back \$mil	550	250	400	600

Balance Sheet \$mil

Dec yr-end (\$mil)	2023	2024	2025F	2026F
Cash & ST investments	222	219	290	368
Accounts receivable	220	98	118	124
Inventory	34	33	38	42
Other current assets	23	27	45	51
Total current assets	498	377	491	585
Net PP&E	4,552	4,761	4,969	5,129
Net intangibles	2,462	2,593	2,653	2,783
Net Investments	6,617	7,323	8,201	10,662
Other LT assets	2,226	2,326	2,261	2,592
Total non-current assets	15,857	17,002	18,084	21,750
Total Assets	16,355	17,379	18,575	22,335
Accounts payable	305	338	608	766
ST debt & current lease	108	122	80	110
Provisions staff & others	336	264	356	481
Total current liabilities	749	724	1,045	1,358
LT debt & lease	4,695	4,797	5,025	5,445
Deferred Tax liabilities	638	649	669	702
Deferred liabilities	6,576	7,142	8,092	9,342
Others	2,156	2,389	1,032	2,418
Total Non-Current Liabilities	14,065	14,977	15,862	19,264
Equity	1,541	1,679	1,661	1,706
Total Liabilities & Equity	16,355	17,379	18,567	22,328
BVPS	10.2	11.6	11.8	12.6

CashFlow \$mil

Dec yr-end (\$mil)	2023	2024	2025F	2026F
CF operating	538	519	582	635
Net change working capit	528	384	321	267
Others	(196)	42	50	65
CF from operations	869	945	952	967
Capital Expenditure	(362)	(389)	(389)	(447)
Acquisitions / (Divestiture)	(47)	(157)	(200)	(250)
Others	(61)	(75)	(75)	(86)
CF from investing	(469)	(621)	(664)	(784)
Dividends paid	(168)	(174)	(168)	(191)
Share issue/(repurchased)	(545)	(254)	(400)	(575)
Debt issuance	349	104	350	500
Others	(18)	4		
CF from Financing	(381)	(320)	(218)	(266)
Net CF	19	4	70	(83)
Free CF	869	945	952	967
FCF per share (basic) \$	5.77	6.50	6.79	7.26
Beg Cash	205	225	221	291
FX impact	2	(8)	-	-
Ending Cash	225	221	291	209

Top shareholders

#	Beneficial Owner	Total Shares	Est % o/s
1	The Vanguard Group	12,659,309	8.60%
2	BlackRock Inc.	11,635,097	7.90%
3	State Street Corporation	6,591,688	4.50%
4	FMR LLC (Fidelity)	5,201,838	3.50%
5	Wellington Mgt Gp	4,236,741	2.90%
Sub-total top 10 insti holders		56,394,123	40.0%

Source: BBG, as of 30-Jun-2025

EXECUTIVE SUMMARY

Service Corporation International (SCI) is a well-run deathcare service provider in North America. The North American deathcare industry Total Addressable Market (TAM) circa \$22bn (80% independents, 5% other large consolidators) saw 2024 annual mortality of 3.27mil (of which US 3.1mil, Canada 0.17mil). Over the years, SCI through organic and acquisition growth, has managed to build a full value chain of funeral homes & cemeteries, with **current future revenue backlog of \$16.6bn and 12,000 acres of cemetery inventory.** Its strong brand name reinforced its economic moat while continuous staff training & targeted marketing ensures sustainable take-up rates on new & innovative products (new and higher margin verticals in cremation & cemetery).

Strategic positioning allows SCI to capture significantly larger revenues circa 20+% of deathcare industry vs its physical network of 16% market share. Its top 10 locations by state (1,077 properties) have exposure to 157.8mil of US population (46% of 340mil) with mortality of 1.4mil or 45.6% of 3.1mil nation-wide (see fig 2-4 and 2-5). The aging of the Baby Boomer generation is creating a sustained demographic tailwind (2.5-3% aging population fig 2-3) i.e +65 population by 2035, coupled with organic mortality growing at +1.78%, the implied deathcare industry is projected to grow at **+5.34% CAGR over the next decade.** SCI has further fortified a significant future growth niche with its new partnership with Global Atlantic, wholly owned subsidiary of KKR (preneed sales strategy section 2-3-3).

SCI's strategy to capture the opportunity and drive shareholder value is driven by its stated disciplined pillars in (a) Driving Profitable Revenue Growth [optimizing sales force, preneed strategy that currently boast of backlog of >5yrs], (b) Leveraging Scale for Operational Excellence [balance sheet warchest to acquire in down markets] (c) Prudently Allocating Capital to High-Return Investments [margin expansion against industry contraction fig 2-29].

SCI's mgt maximizes shareholder value via (i) recurrent dividend yield 1.8% [payout 30-40%], (ii) sharebuy-back circa \$600mil (or 5.2%), (iii) annual FCF generation of \$1bn (8.7% yield) and (iv) maintaining medium term growth rate of 10% for base-case total shareholder return (TSR) of 25.7%.

For medium term investors, an **exit yield of 15%** implies estimated exit level/**intrinsic value of \$140** per share or potential 71% upside (section 5+2). SCI offers direct institutional exposure to a growing \$20+bn industry, in a highly fragmented market dominated by private owners.

SCI's low market beta 0.30 (section 5-3) and low correlation with wider investment market, makes it ideal candidate for reducing portfolio volatility.

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