

Service Corp.

Visitations at SCI's locations: Q1 is tracking down 4% y/y, better than Q4 avg

Maintain Rating: BUY | PO: 85.00 USD | Price: 75.11 USD

Visits declined 4% y/y so far in Q1; Rose Hill worse

As per Placer.ai, the average daily visitations at Service Corp.'s (SCI) locations increased 7% sequentially in February, better than the historical trends. So far in Q1, visits are down 4% y/y which is better than the -7% y/y decline in 4Q23. Visitations at the Rose Hills location are tracking worse than SCI's average, which could be due to unusually wet weather in Los Angeles in February – we will watch for a rebound in subsequent months. We maintain our Buy rating given the solid trends and strong cash flows.

Visits / day up 7% m/m in Feb, better than historical trend

The visitations per day increased 7% m/m in February 2024, better than -14% in Jan 2024 and in line with the +7% m/m growth in December 2023. The m/m growth in Feb. 2024 is better than the -2% m/m decrease in Feb. 2022 (Exhibit 8) and it is better than the +1.5% m/m average increase in 2017-2019.

So far in Q1 visits declined 4% y/y; flat vs 2019

Visitations in 1Q24 are tracking down -4% y/y, an improvement from -7% y/y in 4Q23. Compared to 2019, Q1 is tracking in line with 2019, better than -4% below in Q4.

Y/Y trends in CA better than SCI overall; 23% above 2019

Activity in California (CA), SCI's biggest state, is tracking better than SCI overall. So far in 1Q24, visitations have declined 3.5% y/y, better than the -3.8% decline for the entire portfolio – Exhibit 16. CA visits are tracking 23% above 2019 levels so far in Q1, helping offset Texas and Florida below 2019 (Exhibit 17). Arizona (4th largest) has been tracking much better than SCI overall. The 23% above 2019 in Q1 for CA is an improvement from 15% above in 4Q23.

Rose Hills tracking worse than CA and SCI overall

Visitations at Rose Hills declined 20% m/m in Feb 2024, following a m/m decline in Jan from the very strong December 2023. The avg daily visits so far in Q1 were 7k, down 11% Q/Q, worse than the Q/Q trends in CA and SCI overall. The Y/Y trends at Rose Hills (-11% y/y) were worse than California (-3.5% y/y), and worse than SCI's average (-3.8% y/y) – Exhibit 19. February 2024 was the fourth-wettest since 1878.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	3.79	3.47	3.64	4.02	4.40
GAAP EPS	3.53	3.53	3.64	4.02	4.40
EPS Change (YoY)	-17.1%	-8.4%	4.9%	10.4%	9.5%
Consensus EPS (Bloomberg)			3.65	4.03	4.48
DPS	1.02	1.12	1.22	1.28	1.34
Valuation (Dec)					
P/E	19.8x	21.6x	20.6x	18.7x	17.1x
GAAP P/E	21.3x	21.3x	20.6x	18.7x	17.1x
Dividend Yield	1.4%	1.5%	1.6%	1.7%	1.8%
EV / EBITDA*	12.3x	12.6x	12.1x	11.6x	11.0x
Free Cash Flow Yield*	4.1%	4.5%	4.6%	4.6%	5.0%

* For full definitions of *IQmethod*SM measures, see page 15.

12 March 2024

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Stock Data

Price	75.11 USD
Price Objective	85.00 USD
Date Established	6-Mar-2024
Investment Opinion	B-1-7
52-Week Range	52.89 USD - 75.97 USD
Mrkt Val (mn) / Shares Out (mn)	11,175 USD / 148.8
Free Float	96.4%
Average Daily Value (mn)	68.71 USD
BofA Ticker / Exchange	SCI / NYS
Bloomberg / Reuters	SCI US / SCIN
ROE (2024E)	32.4%
Net Dbt to Eqty (Dec-2023A)	269.6%
ESGMeter TM	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

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Timestamp: 12 March 2024 12:05AM EDT

iQprofileSM Service Corp.

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	5.0%	4.7%	4.7%	4.9%	5.1%
Return on Equity	33.9%	31.7%	32.4%	35.4%	38.4%
Operating Margin	23.9%	22.8%	23.3%	23.9%	24.6%
Free Cash Flow	456	507	512	514	562

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.4x	1.6x	1.6x	1.5x	1.5x
Asset Replacement Ratio	2.1x	1.9x	1.8x	1.8x	1.9x
Tax Rate	25.1%	24.1%	24.0%	24.0%	24.0%
Net Debt-to-Equity Ratio	248.0%	269.6%	268.6%	267.9%	264.9%
Interest Cover	5.7x	3.9x	3.7x	4.1x	4.5x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	4,109	4,100	4,156	4,281	4,411
% Change	-0.8%	-0.2%	1.4%	3.0%	3.0%
Gross Profit	1,442	1,403	1,448	1,509	1,572
% Change	-8.8%	-2.7%	3.2%	4.2%	4.2%
EBITDA	1,270	1,246	1,292	1,354	1,417
% Change	-12.0%	-1.9%	3.7%	4.7%	4.7%
Net Interest & Other Income	(226)	(226)	(258)	(249)	(241)
Net Income (Adjusted)	608	529	539	589	640
% Change	-21.9%	-12.9%	1.8%	9.3%	8.7%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	566	538	539	589	640
Depreciation & Amortization	175	191	200	200	200
Change in Working Capital	(60)	(196)	(35)	(80)	(80)
Deferred Taxation Charge	3	192	0	0	0
Other Adjustments, Net	141	145	174	175	175
Capital Expenditure	(370)	(362)	(367)	(370)	(374)
Free Cash Flow	456	507	512	514	562
% Change	-26.1%	11.2%	0.9%	0.5%	9.2%
Share / Issue Repurchase	(661)	(545)	(240)	(240)	(240)
Cost of Dividends Paid	(160)	(168)	(180)	(187)	(196)
Change in Debt	346	315	(17)	(12)	(51)

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	192	222	222	222	222
Trade Receivables	97	98	94	97	100
Other Current Assets	71	179	179	179	179
Property, Plant & Equipment	2,351	2,480	2,647	2,817	2,991
Other Non-Current Assets	12,356	13,377	13,377	13,377	13,377
Total Assets	15,066	16,355	16,518	16,691	16,868
Short-Term Debt	91	63	63	63	63
Other Current Liabilities	709	686	701	722	744
Long-Term Debt	4,251	4,649	4,633	4,621	4,570
Other Non-Current Liabilities	8,342	9,416	9,580	9,743	9,949
Total Liabilities	13,393	14,814	14,977	15,150	15,326
Total Equity	1,673	1,666	1,666	1,666	1,666
Total Equity & Liabilities	15,066	16,480	16,643	16,815	16,992

* For full definitions of iQmethodSM measures, see page 15.

Company Sector

Death Care

Company Description

SCI is the largest provider of death care services in the US. The company operates funeral service locations, cemeteries, and crematoria. Service Corp also sells prearranged funeral services in most service markets. The company has a 16% market share of the funeral and cemetery market in North America.

Investment Rationale

SCI is a long-term investment in the US aging demographics. While we wait for the aging wave to aid results in a more meaningful way, the company drives shareholder returns via continued share repo and increasing dividends while building a pipeline of revenue growth through pre-need sales. We believe the death care industry is relatively more resistant to a recession.

Stock Data

Average Daily Volume

914,820

Quarterly Earnings Estimates

	2023	2024
Q1	0.93A	0.85E
Q2	0.83A	0.89E
Q3	0.78A	0.85E
Q4	0.93A	1.05E

Visitations correlated with SCI's sales

In order to assess near term trends at SCI's locations, we analyzed foot traffic/visitations at over 1,000 SCI locations in the US based on data from Placer.ai. The platform provides mobile location data that is aggregated and extrapolated to provide insights to a geofenced location.

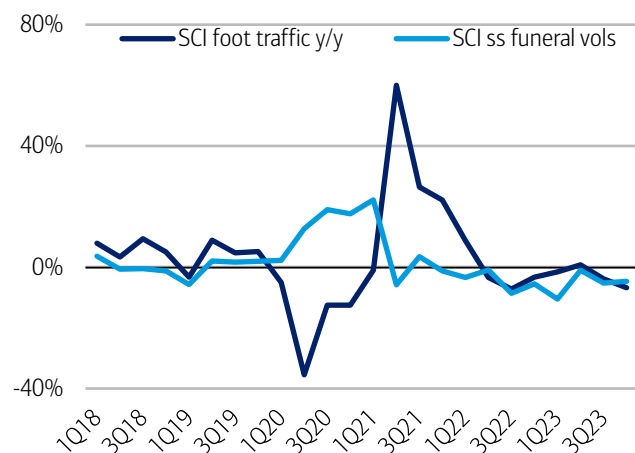
With the July 2023 data release, Placer.ai updated its methodology based on additional information which improved the ability to estimate visits from its panelists. With the Oct release, Placer added 10 more SCI locations, and another 10 with the Jan 2024 release. These changes resulted in data revisions compared to our prior reports.

We view foot traffic as an indicator for both the at-need and pre-need transactions. At-need services generate foot traffic which can also generate companion pre-need sales. In addition, pre-need sales process might involve a visit to the cemetery/funeral home before the contract is finalized. As such, the foot traffic/visitations at a location could be a leading indicator to pre-need transactions.

We found a strong correlation between the foot traffic at SCI's locations and SCI's comparable or same store (SS) funeral preneed sales y/y growth (91%). While the correlation with SS funeral volumes y/y growth is negative (-33%) for the entire period we studied, it is high (79% correlation) for the pre-pandemic period, 2018-2019. As a reminder, COVID disrupted the funeral services given the shelter-in-place orders and limitations on group gatherings in 2020 which limited foot traffic.

Exhibit 1: SCI SS funeral vols not as correlated with foot traffic

SCI same store funeral volumes vs foot traffic at SCI locations, % y/y change

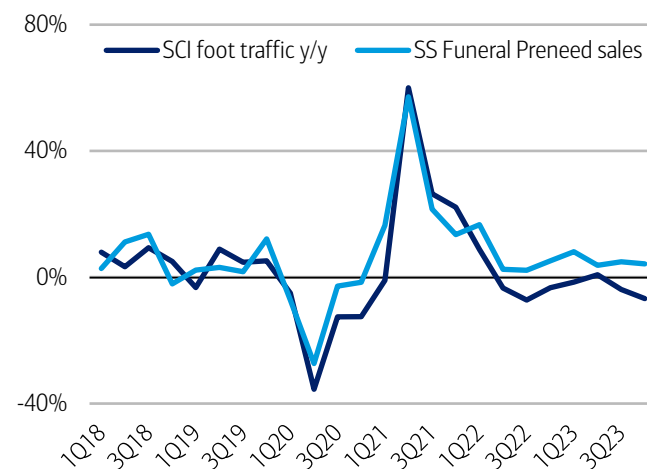


Source: SCI ss data from Company filings, Foot traffic data from Placer.ai

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Exhibit 2: SCI funeral preneed sales are highly correlated with foot traffic

SCI same store funeral pre-need sales vs foot traffic, % y/y change



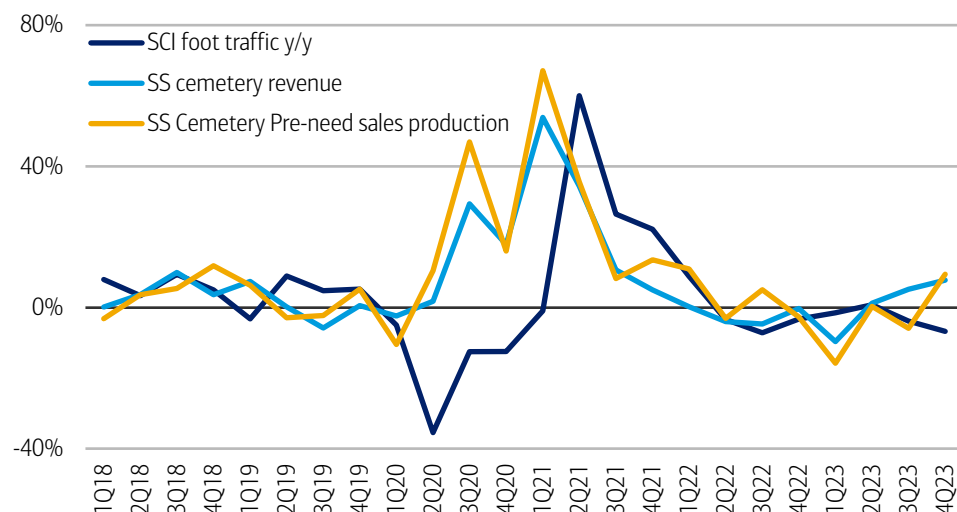
Source: SCI ss data from Company filings, Foot traffic data from Placer.ai

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Meanwhile, the foot traffic is less correlated with cemetery trends: 24% correlation with SS cemetery revenue y/y growth, and 14% correlation with SS cemetery pre-need sales production. Nevertheless, the foot traffic y/y changes were directionally consistent with the SS cemetery pre-need sales production in 9 of the last 11 consecutive quarters.

Exhibit 3: Foot traffic is loosely correlated with SCI cemetery revs and pre-need production

SCI ss cemetery revs vs foot traffic at SCI locations, % y/y change



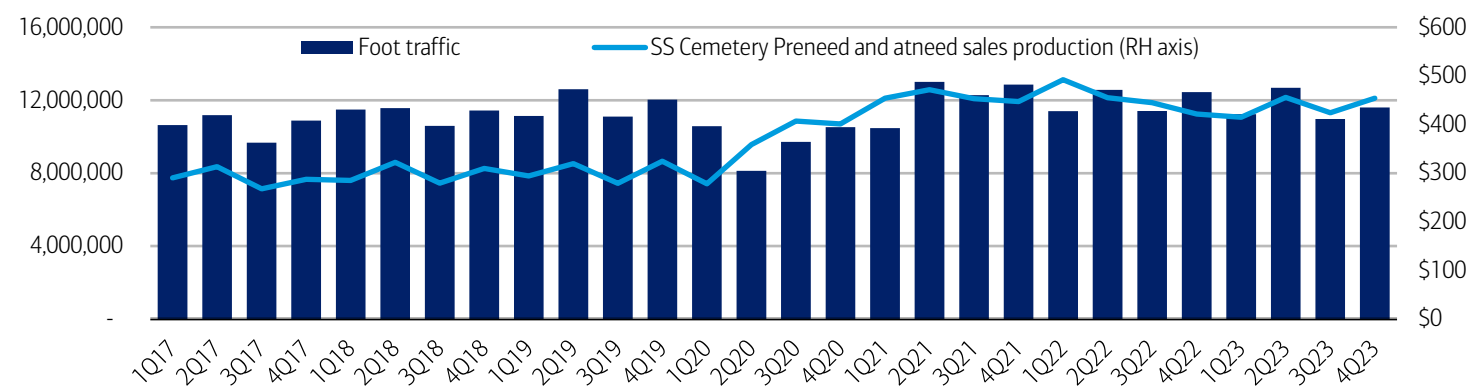
Source: Company filings, Placer.ai

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We found that the foot traffic data is relatively well correlated with the absolute amount of SCI cemetery at-need and preneed sales production dollars (38% correlation).

Exhibit 4: SCI cemetery atneed & preneed production is somewhat correlated to foot traffic

SCI same-store cemetery atneed & preneed production (\$m) vs foot traffic at SCI locations (count of visitors)



Source: Company filings, Placer.ai

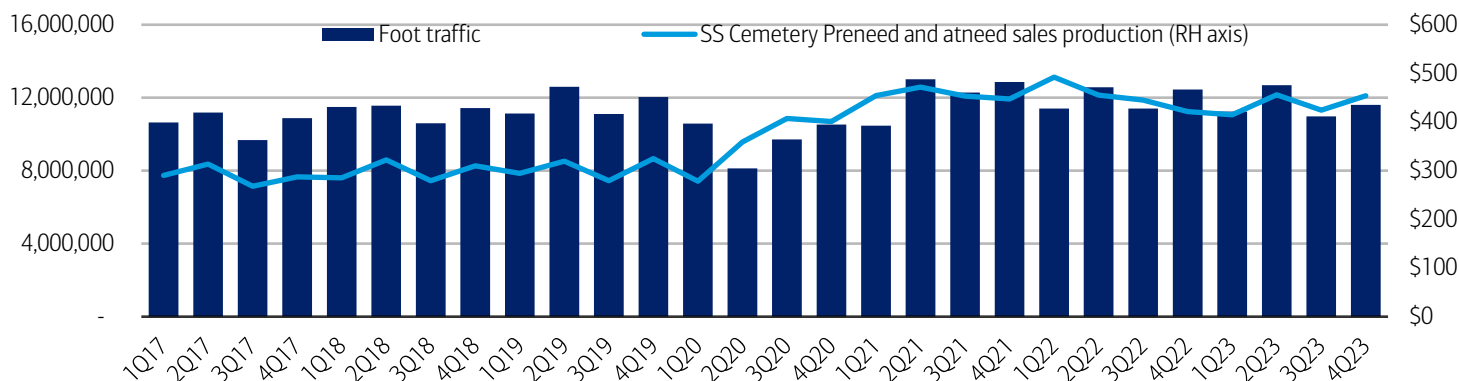
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Similarly, there's a small correlation with the pre-need cemetery production.

SCI saw slowing down pre-need cemetery sales production in 1H23. In 1Q23, it was negatively impacted by unfavorable weather conditions in its key markets (mostly California and specifically its biggest cemetery, Rose Hills). In 2Q23, the production was impacted by a slowdown in transactions for lower-priced properties. The foot traffic data implied that visitations declined in 3Q23 from 2Q23, and SCI reported pre-need sales production that was slightly worse than expected (-6% y/y).

Exhibit 5: SCI cemetery preneed production is moderately correlated to foot traffic

SCI same-store cemetery preneed production (\$m) vs foot traffic at SCI locations (count of visitors)



Source: Company filings, Placer.ai

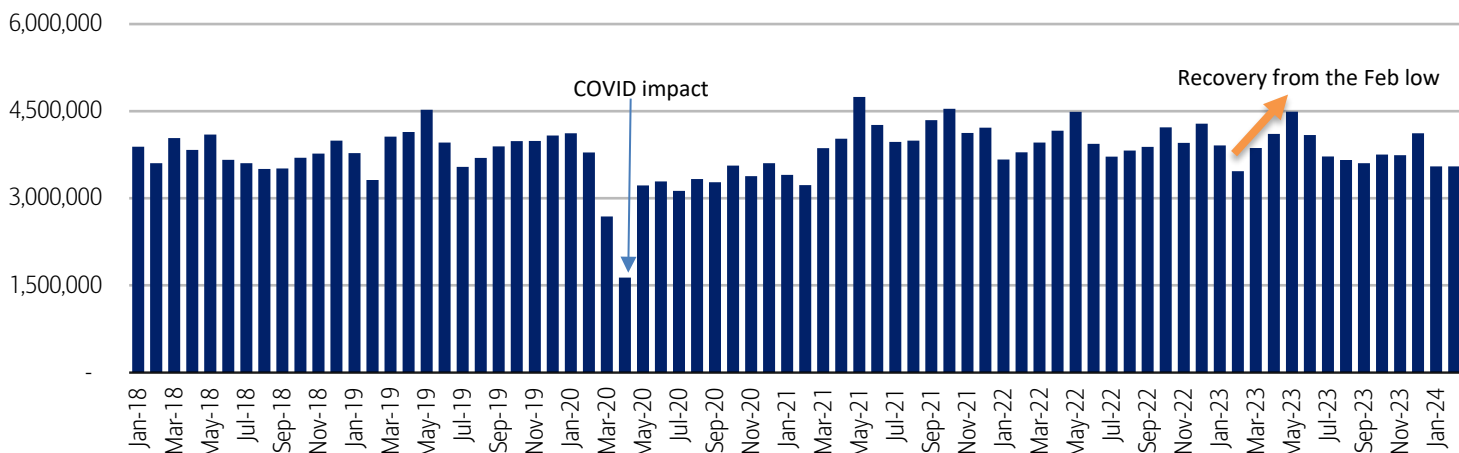
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Visitations were flat m/m in February 2024

Based on the latest Placer data, visitations in February 2024 were flat m/m, better than the historical -8% m/m decline in 2017-19 (ranging from -12% m/m in Feb 2019 to -5% m/m in Feb 2017). The +0% m/m in Feb 2024 follows a -14% m/m decline in January 2024.

Exhibit 6: Visitations stayed flat in February 2024 compared to January 2024

Monthly visitations at SCI locations



Source: Placer.ai

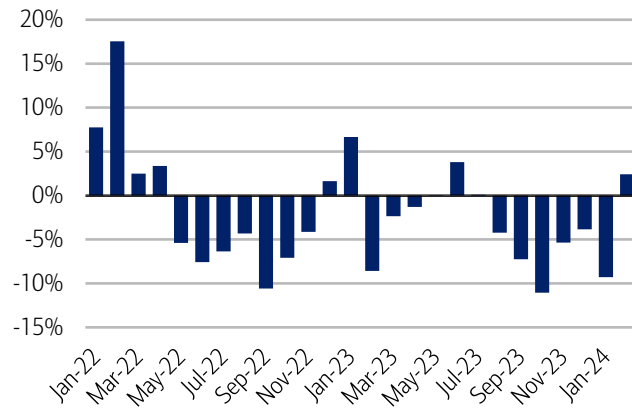
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Looking at the y/y trends, the foot traffic in February increased 2% y/y, an improvement from recent y/y trends (-9% y/y in January, -4% y/y in December and -5% y/y in November) – see Exhibit 7. Note that given the high mortality rates due to COVID in early 2022 (Jan-Feb 2022 foot traffic increased dramatically due to the Omicron spike), the y/y comps were negative in early 2023.

In order to compare the sequential growth, we also looked at visits per day which normalizes for the number of days in a month. The visitations per day in February 2024 increased 7% m/m, better than -14% in Jan 2024 and in line with the +7% m/m growth in December 2023. The m/m growth in Feb. 2024 is better than the -2% m/m decrease in Feb. 2022 (Exhibit 8) and it is better than the +1.5% m/m average increase in 2017-2019.

Exhibit 7: Visits grew 2% y/y in Feb, better than -9% y/y in Jan

SCI visitations by month, % y/y change

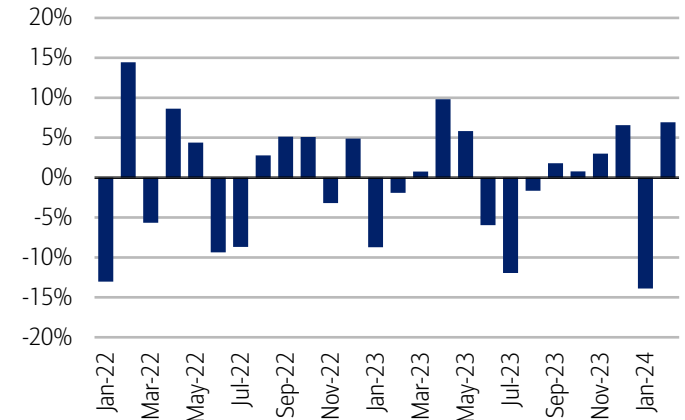


Source: Placer.ai

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Exhibit 8: Visitations per day grew 7% m/m in February

SCI visitations by month; Days adjusted m/m % change



Source: Placer.ai

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Pre-COVID, visitations in February declined from January

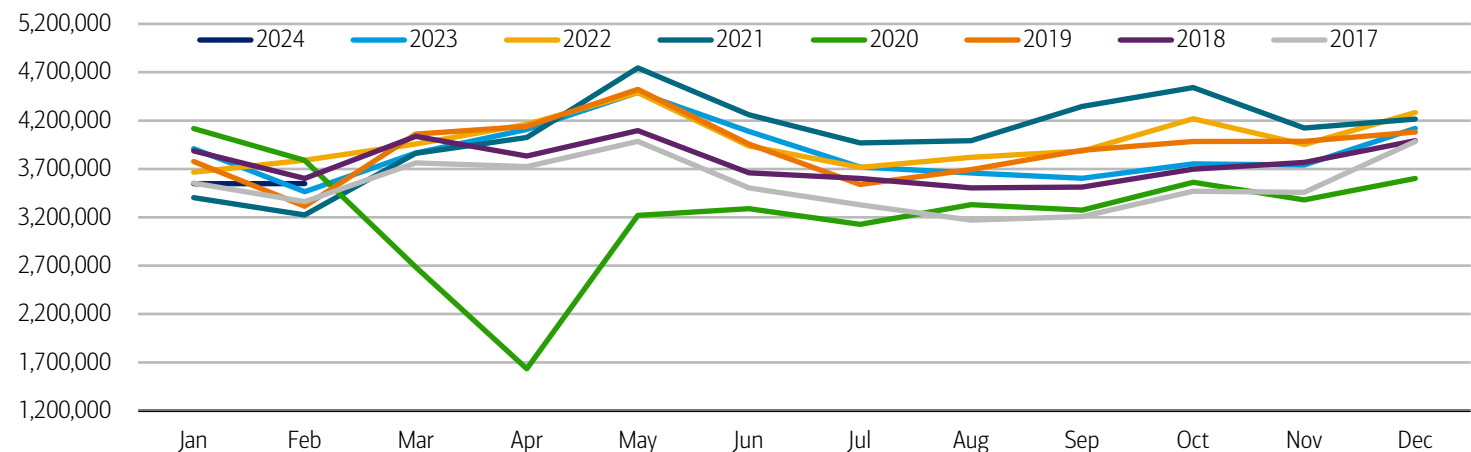
We observed seasonality in the foot traffic data: January typically declines from December and February is down from January (fewer days in the month), while March increases from February, followed by a continued growth in April. The month of May tends to be the highest visitation month, which makes sense given the weather patterns as well as the fact that this is the month that follows Ching Ming festival (early April) and includes Mother's Day holiday.

Meanwhile, summer months (June, July, and August) usually are the weakest which is followed by traffic picking up in September. Historically, visitations grew every month through Q4 with the strongest pick up in December (holidays).

Pre COVID, on average, visitations in February declined -8% from January, ranging from -12% m/m in Feb 2019 to -5% m/m in Feb 2017. In 2024, the foot traffic in February was flat m/m.

Exhibit 9: May tends to be the highest traffic month, followed by declines in June and July before starting to pick up in September/October

Foot traffic at SCI locations by month, 2017-2024 (though February 2024)



Source: Placer.ai

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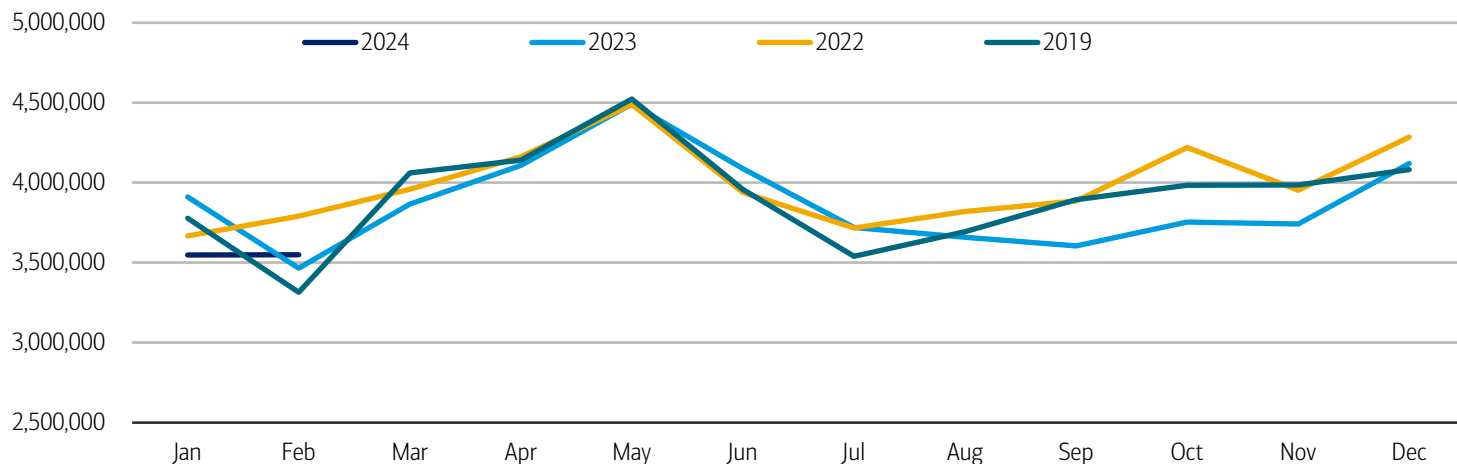
February 2024 traffic was 7% above 2019

In late 2023, the foot traffic was tracking below the 2019 levels. The activity in January 2024 was also below 2019. However, February 2024 was above 2019. We note that the

Feb-March 2023 foot traffic was impacted by unfavorable weather (rain and flooding in CA) that the company had flagged on its 1Q23 conference call

Exhibit 10: Foot traffic in 2023 was close to the 2019 levels; February was 7% above 2019

Foot traffic by month 2024 (though February 2024) vs 2023 and 2019



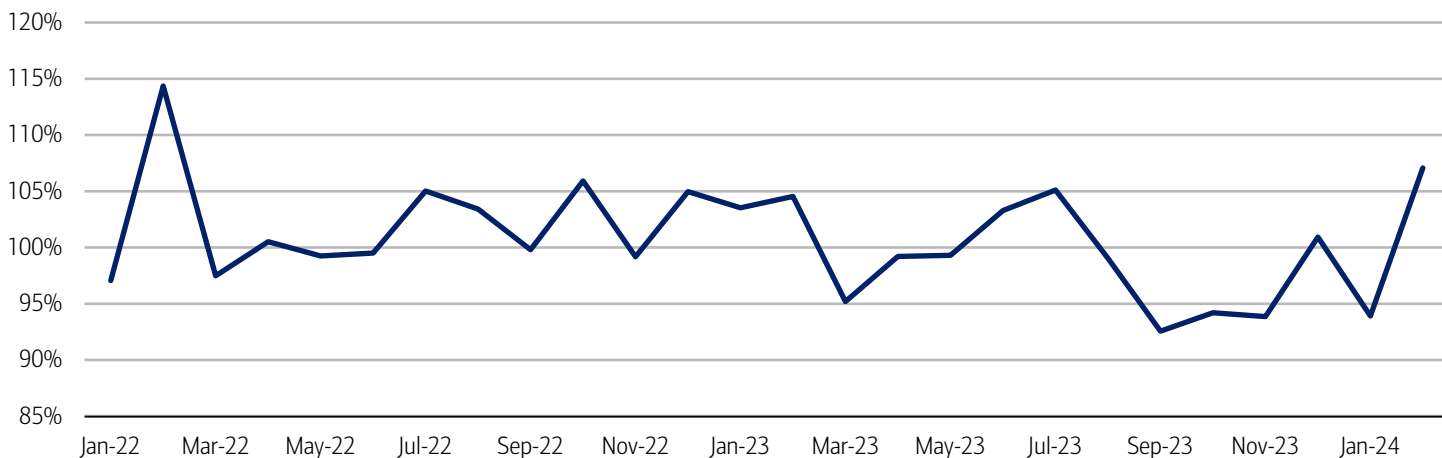
Source: Placer.ai

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As % of 2019 levels, Feb. 2024 visitations were better than the Q4 trends and were 107% of Feb. 2019 levels vs 96% average for 4Q23.

Exhibit 11: Visitations in February 2024 were 7% above the 2019 levels

Visitations to all SCI locations as % of 2019 levels, Jan 2022 – February 2024



Source: Placer.ai, BofA Global Research

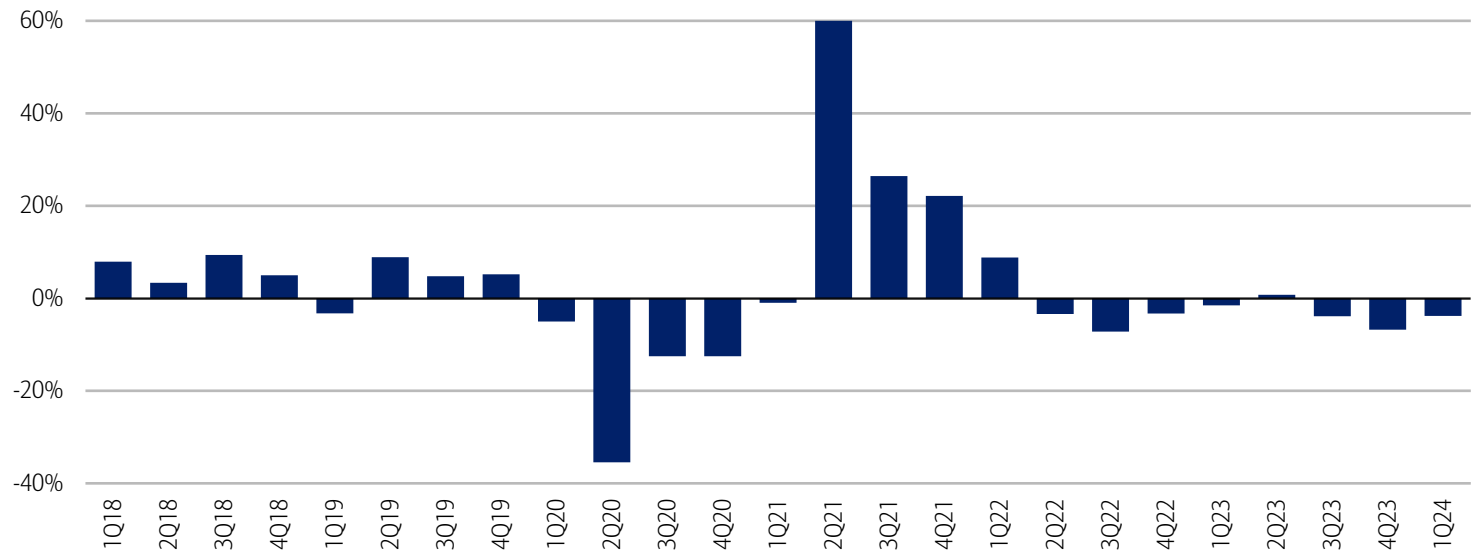
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Visitations so far in Q1 are tracking down 4% y/y

Based on the Jan-Feb 2024 data, visitations in 1Q24 are tracking down 3.8% y/y, an improvement from the -7% y/y decline in 4Q23. Compared to the 2019 levels, Q1 activity is tracking at parity with the 2019 levels.

Exhibit 12: Visitations so far in 1Q24 are tracking down 4% y/y

Foot traffic at SCI locations by quarter, y/y % change; 1Q18-1Q24 (though February 2024)



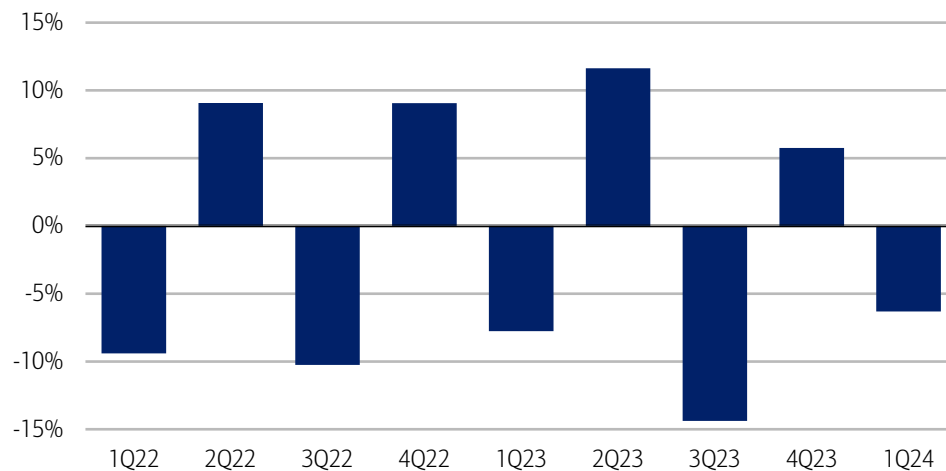
Source: Placer.ai

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Normalizing for the number of days in a period, the visitations in 1Q24 decreased 6% compared to the average visits per day in 4Q23. It follows a +6% Q/Q increase in 4Q23 vs 3Q23. The 1Q24 drop is better than the sequential decrease observed for the full quarter in 1Q23 (-8% Q/Q in 1Q23). It is worse than the average +1% Q/Q increase in Q1 in 2018-19.

Exhibit 13: In 1Q24, SCI visitations per day were 6% below the 4Q23 avg

Days adjusted Q/Q change in foot traffic at SCI locations, % change Q/Q (1Q24 through Feb 2024)



Source: Placer.ai

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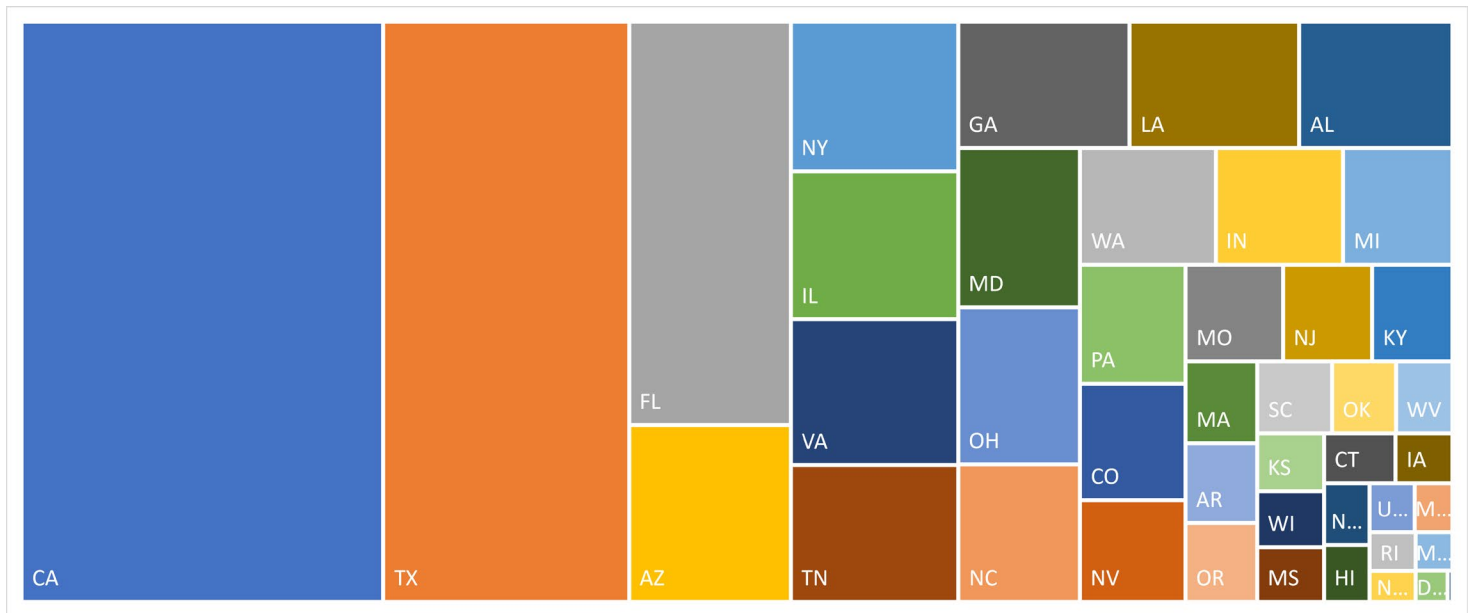
Trends in California better than SCI overall

Since the California (CA) market is the biggest state for SCI, we looked at the trends in the state.

California accounts for 1/4 of all visits

In our data set, CA accounts for 25% of the total number of visits at SCI locations given it is the largest state for SCI (10% of the company's locations) with bigger than average cemeteries.

Exhibit 14: SCI locations in CA account for about 1/4 of foot traffic in our dataset, followed by TX, FL, and AZ
% of SCI foot traffic by state, February 2024



Source: Placer.ai

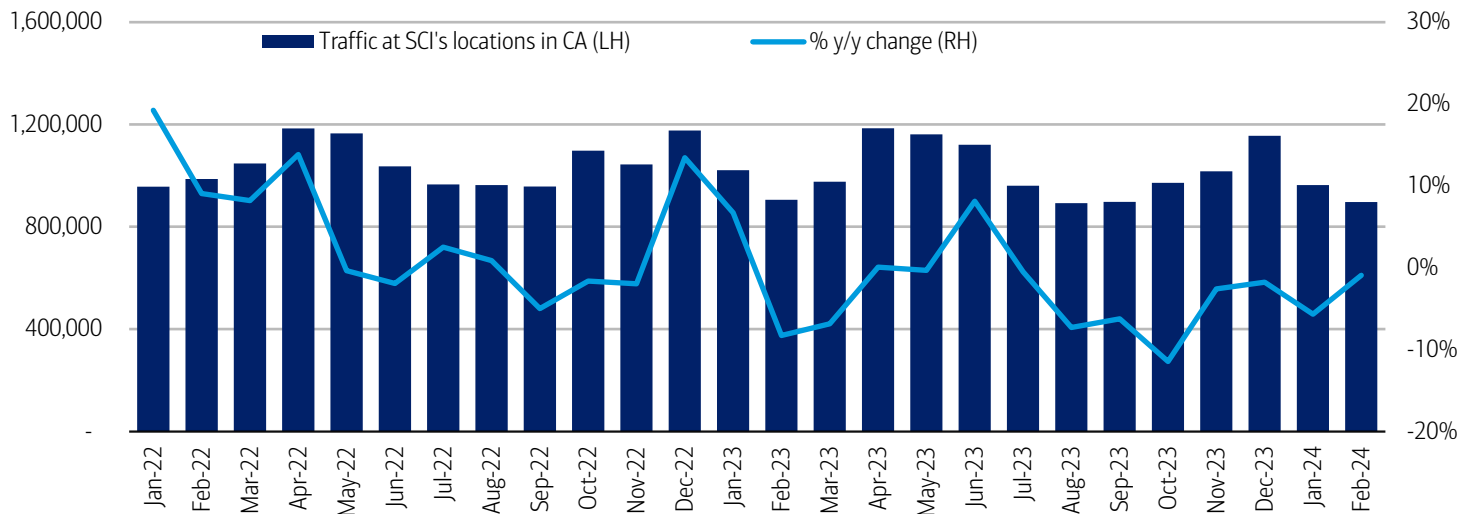
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Visits in Feb decreased m/m

The visitations in CA decreased 7% m/m in February. This is down 1% y/y, an improvement from -6% y/y in Jan 2024. This is worse than the trends observed in April-July 2023 when the visitations were flat to above 2022 levels.

Exhibit 15: Foot traffic in CA declined m/m in February 2024. It was down 1% y/y

Foot traffic at SCI locations in CA, monthly, absolute number vs % y/y change; 2022-2023



Source: Placer.ai

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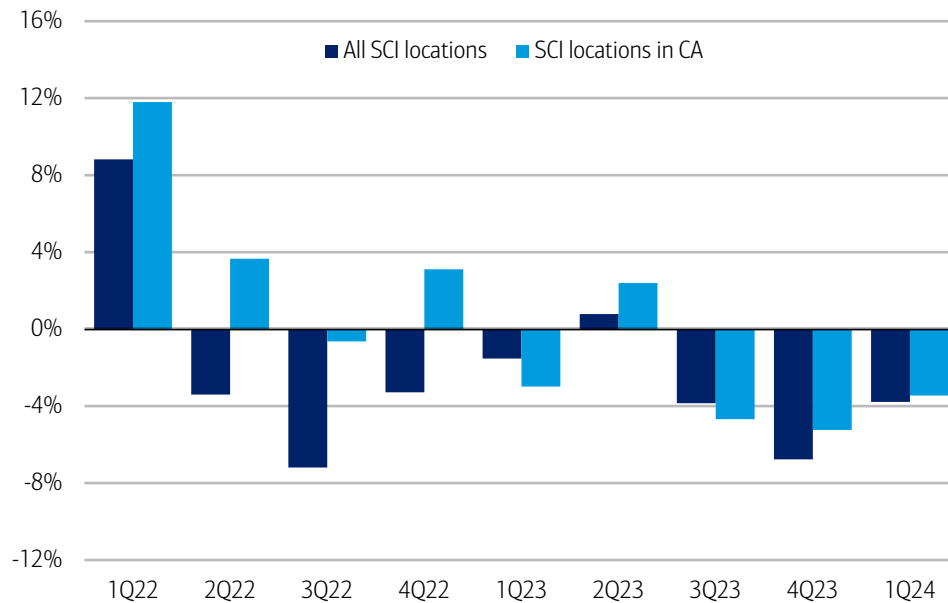
The Q1 y/y decline in CA is better than the decline for SCI overall

In 1Q24 through February, visitations at CA locations were better than the trends for all SCI's locations. So far in 1Q24, visits declined 3.5% y/y in CA, better than the 3.8% decline for all SCI's locations.



Exhibit 16: Visitations in CA declined less y/y than visits across all SCI's locations

Foot traffic at All SCI's locations vs CA locations, % y/y change, 1Q22-1Q24 (1Q24 through Feb 2024)



Source: Placer.ai

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CA visitations tracking 23% above 2019 levels so far in 1Q24

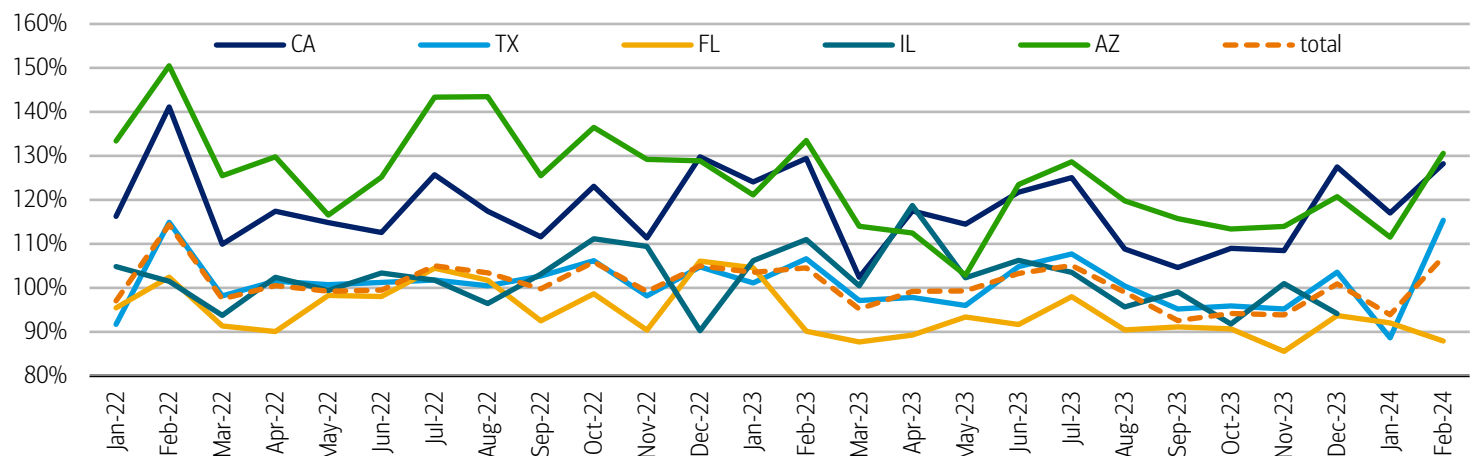
We also looked at the visitations compared to the 2019 levels. The CA locations stand out as being well above the 2019 levels compared to the trends for all SCI's states.

Texas (the second largest state for SCI) has been tracking close to the overall company total. Meanwhile, Florida (the third largest state) has been worse than the total portfolio. Of note, the trends in Arizona (4th largest state for SCI visitations) have much better than the company overall.

In February 2024, CA visitations were 128% of February 2019. The CA's strength largely offset the weaker FL trends. So far in Q1, trends in CA are better than those observed in 4Q23: 1Q24 is tracking 23% above 2019, better than the +15% vs 2019 as of 4Q23.

Exhibit 17: CA visitations as % of 2019 levels tracking better than the total for all SCI locations

SCI locations: Foot traffic as % of 2019 levels, Jan 2022-February 2024



Source: Placer.ai

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Trends at Rose Hills worse than average

Rose Hills Memorial Park & Mortuary is the biggest SCI location and the biggest cemetery in North America. At 1,400 acres, the cemetery is 19x the size of an average SCI cemetery (73 acres) and accounts for 4% of all cemetery land owned by the company. It is located outside of Los Angeles, California, and includes a funeral home, crematory, service venues, as well as several chapels. The Rose Hills location accounted for 5% all foot traffic in our data base.

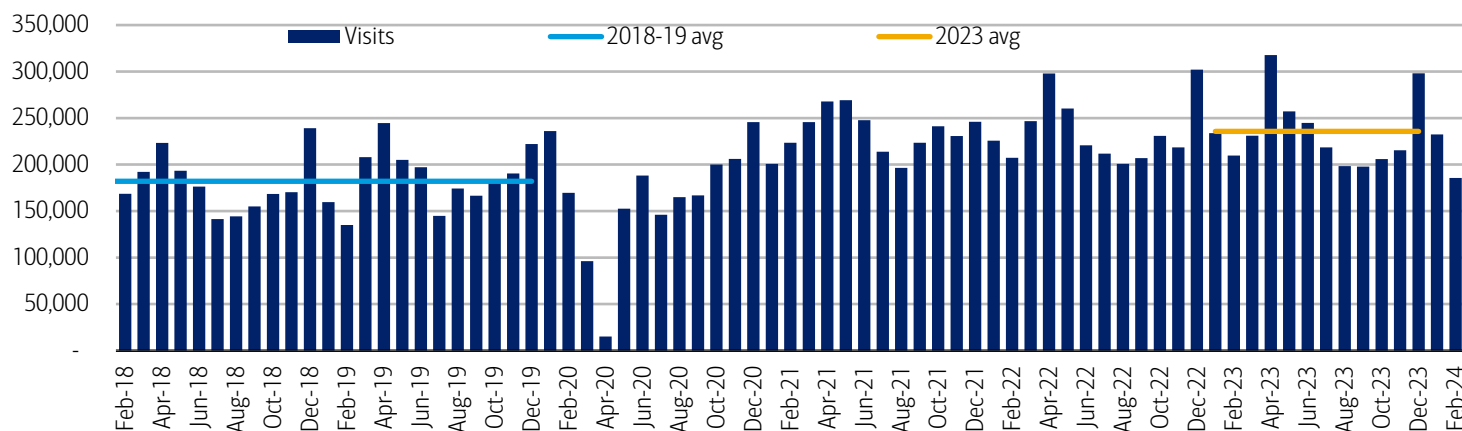
We track the activity at this location given its size and the impact it has had to SCI's results. In 1Q23, SCI said that the unusually heavy rains in CA impacted development and visitations at Rose Hills, which explained about ¼ of the worse than expected cemetery pre-need sales production in 1Q23 (about 250bps of the -10% y/y shortfall vs expectations). The company saw a decline in velocity (units sold) as the number of people visiting the cemeteries was impacted by weather during the typically busy season ahead of the Ching Ming festival in early April. In addition, the flooding delayed development of some of the large projects that were expected to be shown to potential customers and then sold during Q1. The development of those projects was delayed until later in 2023.

Based on the latest Placer data, visitations in February decreased 20% m/m, following a -22% m/m decline in January 2024. This came after a strong +38% m/m growth in December 2023. February visits were down 12% y/y but 2% above the 2018-19 average.

So far in 1Q24, the visits are tracking at 209k, 11% below the 2023 average. Some of that slowdown is due to the unusually wet weather in Los Angeles in February 2024.

Exhibit 18: Visitations at Rose Hills decreased 20% m/m in February, but Q1 is tracking 15% above pre-COVID levels

Foot traffic at Rose Hills, CA, location; monthly; 2018-2024



Source: Placer.ai

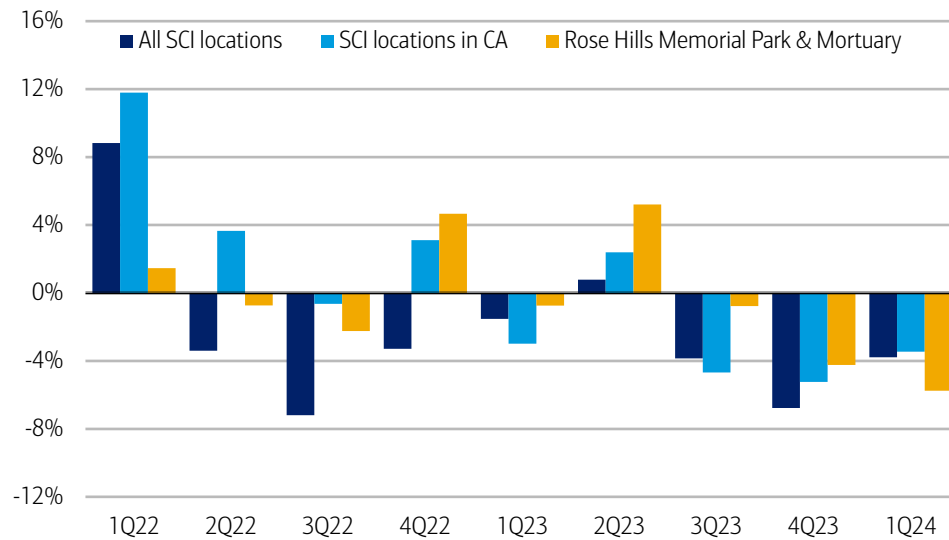
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Rose Hill y/y trends worse than CA and SCI's avg

So far in 1Q24, the visitation trends at the Rose Hills location (-6% y/y) are worse than the visitations in the entire state of California (down -3.5% y/y), and also worse than trends for all SCI's locations (-3.8% y/y). We view the activity at Rose Hills as an indication for trends among high-end consumers as the entry level property at this location is in the \$15k range.

Exhibit 19: Trends at Rose Hills are worse than the avg for California and all SCI locations

Foot traffic at Rose Hills vs CA and All locations; % y/y change, 1Q22-1Q24 (through Feb 2024)



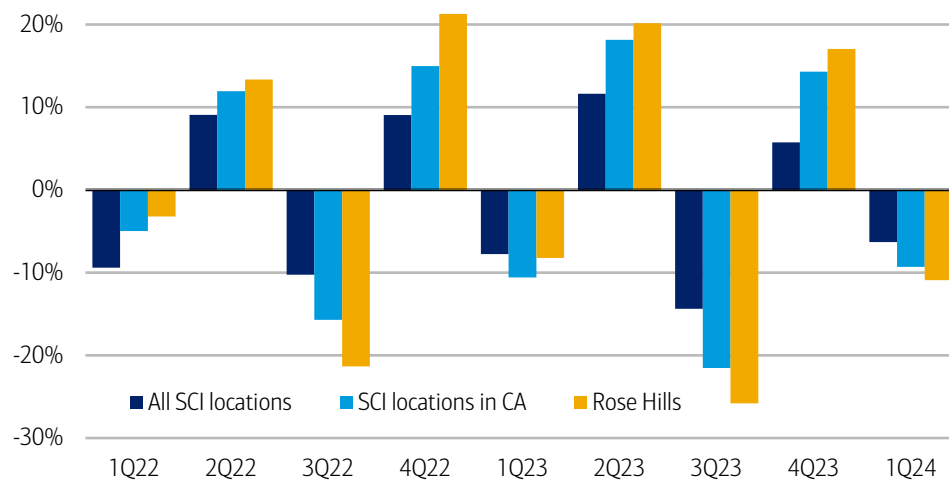
Source: Placer.ai

BofA GLOBAL RESEARCH

The average visits per day at Rose Hills are tracking at 7k so far in Q1, down 11% compared to the 4Q23 average. This is worse than the -6% Q/Q decline in all SCI locations and also worse than the -9% Q/Q decline at SCI's California locations.

Exhibit 20: Visits at Rose Hills declined 11% Q/Q in 1Q24, worse than in California, and -6% Q/Q for all SCI locations

Visitations at Rose Hills vs CA and All SCI's locations; Days adjusted % Q/Q change, 1Q22-1Q24 (through Feb. 2024)



Source: Placer.ai

BofA GLOBAL RESEARCH

Placer.ai methodology, data limitations

Placer.ai foot traffic data is based on aggregated and anonymized mobile phone location data for people who visit a facility for at least 5-15 minutes, depending on the operating system and signals. The data is adjusted for visits from employees (based on visit patterns). The platform provides mobile location data that is aggregated and extrapolated to provide insights to a geofenced location.

The Placer platform tracks activity only in the US while about 9% of all SCI locations (5% of annual SCI revenues) are in Canada and 1% in Puerto Rico. The data set we analyzed includes 1,274 locations operated by SCI, which represent about 85% of SCI's locations in the US, and as such, it does not have a perfect coverage of the company's locations. The Placer team reviewed a total of 1,377 US locations but some of them were not included due to a limited panel size at the location, or the standard limitations to location data applied e.g. they were part of multistory buildings, dense areas (e.g. SCI's premier funeral home in NYC is located in Manhattan), or inside a larger facility.

We also note that about 300 of SCI's funeral homes are co-located with a cemetery, and as such it is hard to distinguish the visitation to the cemetery vs funeral home.

Price objective basis & risk

Service Corp. (SCI)

Our price objective (PO) of \$85 is based on 13.3x 2024E EBITDA, a premium to the median multiple we use for the stocks in our coverage (10x) due to the demographic tailwinds, a better payor mix and margins, and lower than average leverage with growing dividends being a differentiating factor. It is a premium to the 5-year avg multiple for SCI of 12.4x as the headwind of the pull-forward effect diminishes going forward.

Risks to our PO are unexpected pressure to volumes, weaker pre-need sales and trust fund performance. In addition, there is risk around execution of acquisitions and share repurchases.

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I, Joanna Gajuk, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Facilities, Hospitals and Managed Healthcare Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Acadia Healthcare	ACHC	ACHC US	Kevin Fischbeck, CFA
	Addus HomeCare	ADUS	ADUS US	Joanna Gajuk
	Agilon Health	AGL	AGL US	Adam Ron
	Astrana Health Inc	ASTH	ASTH US	Adam Ron
	BrightSpring Health Services	BTSG	BTSG US	Joanna Gajuk
	Chemed Corporation	CHE	CHE US	Joanna Gajuk
	Elevance Health Inc	ELV	ELV US	Kevin Fischbeck, CFA
	Encompass Health	EHC	EHC US	Kevin Fischbeck, CFA
	HCA	HCA	HCA US	Kevin Fischbeck, CFA
	Humana Inc	HUM	HUM US	Kevin Fischbeck, CFA
	Option Care Health	OPCH	OPCH US	Joanna Gajuk
	Oscar Health	OSCR	OSCR US	Adam Ron
	Select Medical Corp.	SEM	SEM US	Kevin Fischbeck, CFA
	Service Corp.	SCI	SCI US	Joanna Gajuk
	Surgery Partners, Inc	SGRY	SGRY US	Kevin Fischbeck, CFA
	Tenet Healthcare	THC	THC US	Kevin Fischbeck, CFA
	The Cigna Group	CI	CI US	Kevin Fischbeck, CFA
	UnitedHealth Group	UNH	UNH US	Kevin Fischbeck, CFA
	Universal Health Services	UHS	UHS US	Kevin Fischbeck, CFA
	US Physical Therapy	USPH	USPH US	Joanna Gajuk
NEUTRAL				
	Alignment Healthcare	ALHC	ALHC US	Adam Ron
	AMN Healthcare	AMN	AMN US	Kevin Fischbeck, CFA
	Brookdale	BKD	BKD US	Joanna Gajuk
	Centene Corporation	CNC	CNC US	Kevin Fischbeck, CFA
	Molina Healthcare, Inc.	MOH	MOH US	Kevin Fischbeck, CFA
	Privia Health	PRVA	PRVA US	Adam Ron
UNDERPERFORM				
	AdaptHealth Corp.	AHCO	AHCO US	Joanna Gajuk
	Cross Country Healthcare	CCRN	CCRN US	Kevin Fischbeck, CFA
	DaVita Inc	DVA	DVA US	Kevin Fischbeck, CFA
	Enhabit Home Health & Hospice	EHAB	EHAB US	Joanna Gajuk
	Pediatrix Medical Group, Inc.	MD	MD US	Kevin Fischbeck, CFA

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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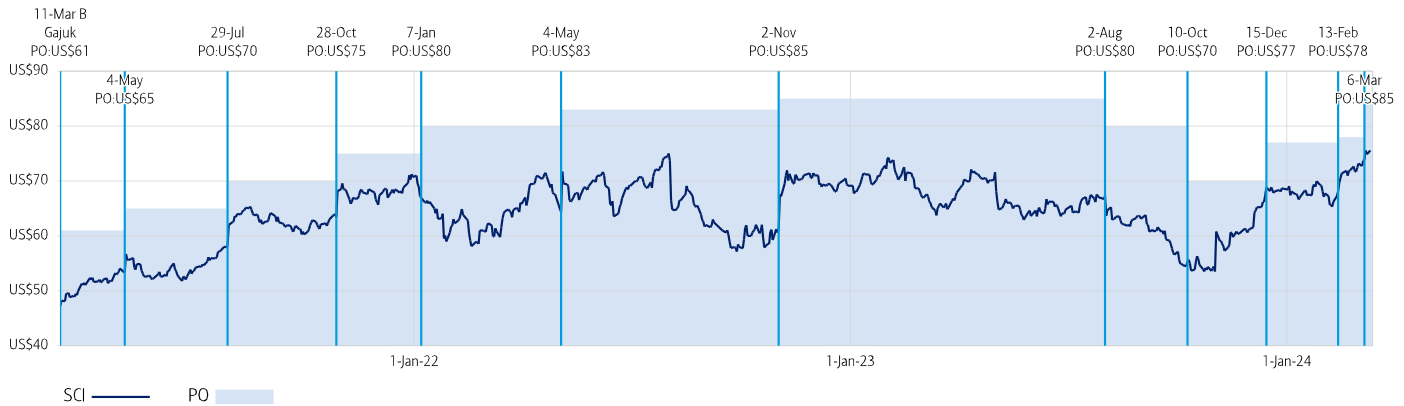
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Service Corp. (SCI) Price Chart



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Equity Investment Rating Distribution: Services Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	5	41.67%	Buy	3	60.00%
Hold	2	16.67%	Hold	1	50.00%
Sell	5	41.67%	Sell	2	40.00%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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