

SERVICE CORPORATION INTERNATIONAL
Form 10-K
February 13, 2015
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
 1934
For the fiscal year ended December 31, 2014

OR
 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 74-1488375
(State or other jurisdiction of incorporation or organization) (I.R.S. employer identification no.)

1929 Allen Parkway 77019
Houston, Texas (Zip code)

(Address of principal executive offices)
Registrant's telephone number, including area code:
713-522-5141

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class | Name of Each Exchange on Which Registered |
|------------------------------|---|
| Common Stock (\$1 par value) | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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Non-accelerated filer (Do not check if a smaller reporting company) Smaller Reporting company
Indicate by check mark whether the registrant is a shell company (as defined in the Securities Exchange Act of 1934
Rule 12b-2). Yes No

The aggregate market value of the common stock held by non-affiliates of the registrant (assuming that the registrant's
only affiliates are its officers and directors) was \$4,221,605,973 based upon a closing market price of \$20.72 on
June 30, 2014 of a share of common stock as reported on the New York Stock Exchange.

The number of shares outstanding of the registrant's common stock as of February 11, 2015 was 202,902,489 (net of
treasury shares).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement in connection with its 2015 Annual Meeting of Stockholders (Part III).

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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 sold 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, also known as outer burial containers.

Cancellation — Termination of a preneed funeral or cemetery contract, which relieves us of the obligation to provide the goods and services included in the contract. Cancellations may be requested by the customer or be initiated by us for failure to comply with the contractual terms for payment. State or provincial laws govern the amount of refund, if any, owed to the customer.

Care Trust Corpus - The deposits and net realized capital gains and losses included in a perpetual care trust that cannot be withdrawn.

Cemetery Perpetual Care or Endowment Care Fund (ECF) — A trust fund established for the purpose of maintaining cemetery grounds and property into perpetuity, also referred to as a perpetual care trust. Capital gains within the perpetual care trusts are generally not distributable to us, so they are not included in our revenues. However, the capital gains increase the investable perpetual care trust assets and trust corpus, increasing the potential for higher ordinary investment income in the future. Where allowable by state, capital gains can be distributed to us and they are recognized as cemetery revenues in the period earned.

Cemetery Property — Developed lots, lawn crypts, mausoleum spaces, cremation niches, and cremation memorialization property available for sale as interment rights and undeveloped land we intend to develop.

Cemetery Property Revenue — Recognized sales of cemetery property interment rights when a minimum of 10% of the sales price has been collected and the property has been constructed and is available for interment.

Cemetery Merchandise and Services — Stone and bronze memorials, markers, merchandise installations, and burial openings and closings.

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

Cremation Memorialization — Products specifically designed to commemorate and honor the life of an individual that has been cremated. These products include funeral merchandise and cemetery property types that provide for the disposition of cremated remains such as benches, boulders, statues, ossuaries, and reefs. They also include memorial walls and books where the name of the individual is inscribed but the remains have been scattered or kept by the family.

Funeral Merchandise and Services — Professional services relating to funerals and cremations and funeral-related merchandise, including caskets, casket memorialization products, burial vaults, cremation receptacles, cremation memorialization products, and flowers.

Funeral Recognized Preneed Revenue — Funeral merchandise and travel protection sold on a preneed contract and delivered before a death has occurred.

Funeral Services Performed — The number of funeral services provided after the date of death, sometimes referred to as funeral volume.

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, in mausoleums, in cremation niches, or cremation memorialization property.

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, niche, or cremation memorialization property. Permanent burial markers are usually made of bronze or stone.

Maturity — When the underlying contracted merchandise is delivered or service is performed, 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.

Merchandise and Service Trust — A trust account established in accordance with state or provincial law into which we deposit the required percentage of customers' payments for preneed funeral or cemetery merchandise and services. The amounts deposited can be withdrawn only after we have completed our obligations under the preneed contract or the cancellation of the contract.

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Preneed — Purchase of cemetery property interment rights and funeral and cemetery merchandise and services prior to a death occurring.

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

Preneed Cemetery Production — Sales of preneed or atneed cemetery contracts. These earnings are recorded in Deferred preneed cemetery revenues until the merchandise is delivered, the service is performed, or when a minimum of 10% of the sales price has been collected and the property has been constructed and is available for interment.

Preneed Funeral Production — Sales of preneed funeral trust-funded and insurance-funded contracts. Preneed funeral trust-funded contracts are recorded in Deferred preneed funeral revenues until the merchandise is delivered or the service is performed. We do not reflect the unfulfilled preneed funeral insurance-funded contract amounts in our consolidated balance sheet. The proceeds of the life insurance policies or annuity contracts will be reflected in funeral revenues as these funerals are performed by us in the future.

Sales Average — Average revenue per funeral service performed, excluding the impact of funeral recognized preneed revenue, GA revenue, and certain other revenues.

Trust Fund Income — Recognized investment earnings from our merchandise and service and perpetual care trust investments.

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

Item 1. Business.

General

We are North America's largest provider of deathcare products and services, with a network of funeral homes and cemeteries unequalled in geographic scale and reach. At December 31, 2014, we operated 1,559 funeral service locations and 466 cemeteries (including 258 funeral service/cemetery combination locations) in North America, which are geographically diversified across 45 states, eight Canadian provinces, the District of Columbia, and Puerto Rico. Our funeral service and cemetery operations consist of funeral service locations, cemeteries, funeral service/cemetery combination locations, crematoria, and related businesses. We sell cemetery property and funeral and cemetery merchandise and services at the time of need and on a preneed basis.

History

We were incorporated in Texas in July of 1962. Our original business plan was based on efficiencies of scale, specifically reducing overhead costs by sharing resources such as preparation services, accounting, transportation, and personnel among funeral homes in a business "cluster." After proving the plan's effectiveness in Houston in the early 1960s, SCI set out to apply this operating strategy through the acquisition of deathcare businesses in other markets. It was the beginning of a three-decade period of expansion that would create a North American network of nearly 1,400 funeral homes and cemeteries by the end of 1992. Beginning in 1993, we expanded beyond North America, acquiring major deathcare companies in Australia, the United Kingdom, and France, plus smaller holdings in other European countries and South America. By the end of 1999, our global network numbered more than 4,500 funeral service locations, cemeteries, and crematories in more than 20 countries.

During the mid to late 1990s, acquisitions of deathcare facilities became extremely competitive, resulting in increased prices for acquisitions and substantially reduced returns on invested capital. In 1999, we significantly reduced our level of acquisition activity and over the next several years implemented various initiatives to pay down debt, increase cash flow, reduce overhead costs, and increase efficiency. We divested our international businesses and many North American funeral homes and cemeteries that were either underperforming or did not fit our long-term strategy. At the same time, we began to capitalize on the strength of our network by introducing to North America the first transcontinental brand of deathcare services and products — Dignity Memorial® (See www.dignitymemorial.com).

Information contained on our website is not part of this report.

In late 2006, having arrived at a position of significant financial strength and improved operating efficiency, we acquired the then second largest company in the North American deathcare industry, Alderwoods Group. In early 2010, we acquired the then fifth largest company in the North American deathcare industry, Keystone North America. In June of 2011, we acquired 70% of the outstanding shares of The Neptune Society, Inc. (Neptune), which is the nation's largest direct cremation organization. Subsequently, in 2013 and 2014, we acquired the remaining 30% of the outstanding shares of Neptune. In December 2013, we purchased Stewart Enterprises, Inc. (Stewart), the then second largest operator of funeral homes and cemeteries in North America.

Funeral and Cemetery Operations

At December 31, 2014, we have 1,559 funeral service locations and 466 cemeteries (including 258 funeral service/cemetery combination locations) covering 45 states, eight Canadian provinces, the District of Columbia, and Puerto Rico. See Note 16 in Part II, Item 8. Financial Statements and Supplementary Data, for financial information about our business segments and geographic areas.

Our funeral service and cemetery operations consist of funeral service locations, cemeteries, funeral service/cemetery combination locations, crematoria, and related businesses. We provide all professional services relating to funerals and cremations, including the use of funeral facilities and motor vehicles and preparation and embalming services. Funeral-related merchandise, including caskets, casket memorialization products, burial vaults, cremation receptacles, cremation memorialization products, flowers, and other ancillary products and services, is sold at funeral service locations. Our cemeteries provide cemetery property interment rights, including developed lots, lawn crypts, mausoleum spaces, cremation niches, and cremation memorialization property and sell cemetery-related merchandise and services, including stone and bronze memorials, markers, merchandise installations, flowers, and burial openings

and closings.

We also sell preneed cemetery property interment rights and funeral and cemetery merchandise and services whereby a customer contractually agrees to the terms of certain products and services to be delivered and performed in the future. We define these sales as preneed sales. As a result of such preneed sales, our backlog of unfulfilled preneed funeral and preneed cemetery contracts was \$9.3 billion and \$9.2 billion at December 31, 2014 and 2013, respectively.

Funeral service/cemetery combination locations are those businesses in which a funeral service location is physically located within or adjoining a cemetery that we own. Combination locations allow certain facility, personnel, and equipment costs to be

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shared between the funeral service location and cemetery. Such combination facilities typically can be more cost competitive and have higher gross margins than if the funeral and cemetery operations were operated separately. Combination locations also create synergies between funeral and cemetery preneed sales force personnel and give families added convenience to purchase both funeral and cemetery merchandise and services at a single location. We have the largest number of combination locations in North America. Fifty-five percent of our cemeteries are part of a combination location. Our combination operations include Rose Hills, the largest combination operation in the United States, performing over 4,500 funeral services and 7,800 cemetery interments per year.

In 2014 our operations in the United States and Canada were organized into 30 major markets, 50 metro markets, and 73 main street markets. Each market is led by a market manager or director with responsibility for funeral and/or cemetery operations and preneed sales. Within each market, the funeral homes and cemeteries share common resources such as personnel, preparation services, and vehicles. There are four market support centers in North America to assist market directors with financial, administrative, pricing, and human resource needs. These support centers are located in Houston, Miami, New York, and Los Angeles. The primary functions of the support centers are to help facilitate the execution of corporate strategies, coordinate communication between operations and the corporate offices, and serve as liaisons for the implementation of policies and procedures.

The following table at December 31, 2014 provides the number of our funeral homes and cemeteries by country, and by state, territory, or province:

| Country, State/Territory/Province | Number of Funeral Homes | Number of Cemeteries | Total |
|-----------------------------------|----------------------------|-------------------------|-------|
| United States | | | |
| Alabama | 38 | 14 | 52 |
| Arizona | 34 | 11 | 45 |
| Arkansas | 12 | 3 | 15 |
| California | 171 | 36 | 207 |
| Colorado | 25 | 11 | 36 |
| Connecticut | 19 | — | 19 |
| Delaware | — | 1 | 1 |
| District of Columbia | 1 | — | 1 |
| Florida | 132 | 60 | 192 |
| Georgia | 37 | 21 | 58 |
| Hawaii | 2 | 2 | 4 |
| Idaho | 6 | 1 | 7 |
| Illinois | 49 | 24 | 73 |
| Indiana | 41 | 9 | 50 |
| Iowa | 4 | 2 | 6 |
| Kansas | 9 | 5 | 14 |
| Kentucky | 15 | 5 | 20 |
| Louisiana | 27 | 9 | 36 |
| Maine | 11 | — | 11 |
| Maryland | 16 | 13 | 29 |
| Massachusetts | 26 | — | 26 |
| Michigan | 38 | — | 38 |
| Minnesota | 12 | 2 | 14 |
| Mississippi | 17 | 4 | 21 |
| Missouri | 26 | 9 | 35 |
| Nebraska | 4 | 2 | 6 |
| Nevada | 13 | 6 | 19 |
| New Hampshire | 6 | — | 6 |
| New Jersey | 21 | — | 21 |

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| | | | |
|----------------|----|----|----|
| New Mexico | 1 | — | 1 |
| New York | 87 | — | 87 |
| North Carolina | 59 | 17 | 76 |
| Ohio | 43 | 13 | 56 |
| Oklahoma | 14 | 7 | 21 |
| Oregon | 18 | 4 | 22 |
| Pennsylvania | 22 | 16 | 38 |
| Puerto Rico | 12 | 9 | 21 |

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| | | | |
|----------------------|-------|-----|-------|
| Rhode Island | 4 | — | 4 |
| South Carolina | 9 | 9 | 18 |
| Tennessee | 40 | 18 | 58 |
| Texas | 162 | 61 | 223 |
| Utah | 4 | 3 | 7 |
| Vermont | 4 | — | 4 |
| Virginia | 39 | 23 | 62 |
| Washington | 44 | 13 | 57 |
| West Virginia | 14 | 10 | 24 |
| Wisconsin | — | 3 | 3 |
| Canada | | | |
| Alberta | 9 | — | 9 |
| British Columbia | 37 | 7 | 44 |
| Manitoba | 4 | 3 | 7 |
| New Brunswick | 5 | — | 5 |
| Nova Scotia | 11 | — | 11 |
| Ontario | 46 | — | 46 |
| Quebec | 44 | — | 44 |
| Saskatchewan | 15 | — | 15 |
| Total ⁽¹⁾ | 1,559 | 466 | 2,025 |

(1) Includes businesses held for sale at December 31, 2014.

We believe we have satisfactory title to the properties owned and used in our business, subject to various liens, encumbrances, and easements that are incidental to ownership rights and uses and do not materially detract from the value of the property. We also lease a number of facilities that we use in our business under both capital and operating leases.

At December 31, 2014, we owned approximately 88% of the real estate and buildings used at our facilities, and the remainder of the facilities were leased. At December 31, 2014, our 466 cemeteries contained a total of approximately 33,270 acres, of which approximately 60% was developed.

A map of our locations in North America is presented below:

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Competition

Although there are several public companies that own funeral homes and cemeteries, the majority of deathcare businesses in North America are locally-owned, independent operations. We estimate that our funeral and cemetery market share in North America is approximately 16% based on estimated total industry revenues. The position of a single funeral home or cemetery in any community is a function of the name, reputation, and location of that funeral home or cemetery, although competitive pricing, professional service and attention, and well-maintained locations are also important.

We believe we have an unparalleled network of funeral service locations and cemeteries that offer high-quality products and services at prices that are competitive with local competing funeral homes, cemeteries, and retail locations. Within this network, the funeral service locations and cemeteries operate under various names as most operations were acquired as existing businesses. We have co-branded our funeral operations under the name Dignity Memorial®. We believe our transcontinental branding strategy gives us a strategic advantage and identity in the industry. While this branding process is intended to emphasize our seamless national network of funeral service locations and cemeteries, the original names associated with acquired operations, and their inherent goodwill and heritage, generally remain the same. For example, Geo. H. Lewis & Sons Funeral Directors is now Geo. H. Lewis & Sons Funeral Directors, a Dignity Memorial® provider.

Strategies for Growth

We believe we are well-positioned for long-term profitable growth. We are the largest company in the North American deathcare industry with unparalleled scale on both a national and local basis and are poised to benefit from the aging of America. The demographic landscape is driving our company strategy. According to the United States Census Bureau, the current number of Americans that are 60 and older is approximately 67 million. This number is expected to grow to more than 77 million by 2020, resulting in a growing number of people that will likely be interested in preneed options.

We have three core strategies designed to grow the company and enhance shareholder value:

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Grow revenues,
Leverage our scale, and
Deploy capital

Grow Revenues

Under our first core strategy of growing revenues, we have a three-pronged approach that is focused on the customer and consists of 1) remaining relevant to the customer, 2) growing preneed sales, and 3) managing our footprint.

Remaining Relevant to the Customer. Remaining relevant to our customer is key to generating revenue growth in a changing customer environment. We work to meet the varying needs of our customers to give them what they want. In our funeral segment, we focus on memorialization services that will be meaningful to the customer and their family members and friends. We continue to offer contemporary product and service offerings. We also focus on the ethnic traditions and customs important to our customers. Additionally, we emphasize the simplicity and convenience of our packaged offerings.

In our cemetery segment, we have created tiers within our cemetery product offerings to provide more choices for our customers. As with our funeral home segment, we also cater to the ethnic traditions and customs important to our customers. We continue to develop innovative products such as recurring floral placements and customized cemetery property offerings. We have also simplified the decision-making process.

Growing Our Preneed Sales. Our preneed sales program drives revenue growth now and into the future. Within our funeral segment, our preneed sales create brand awareness, grow future market share and diversify our revenue stream in a low-inflation environment. Due to our scale, our preneed sales program is not capital intensive and gives us a competitive advantage. Within our cemetery segment, we have a focus on increasing sales force productivity combined with tiered cemetery property offerings and pricing to drive current revenue growth. Our backlog of preneed funeral and cemetery revenues at the end of 2014 was approximately \$9.3 billion, which bodes well for future earnings and cash flow.

Managing Our Footprint. We will continue to manage our footprint with a customer-driven focus. Within our funeral segment, we continue to pursue strategic acquisitions and to build new funeral homes in areas that provide us with the potential for scale and areas with the highest return customer categories and market traits. Within our cemetery segment, we plan to pursue strategic acquisitions to create more opportunities to sell to Baby Boomers through our customer-driven strategy. We believe our unparalleled business footprint and geographic diversity uniquely positions us to benefit from the aging Baby Boomer population.

Leverage Our Unparalleled Scale

Our second core strategy is leveraging our unparalleled scale, which we are addressing with a three-pronged approach-1) develop our sales organization, 2) network optimization, and 3) use our scale with our preneed trust and insurance backlog. Our size and broad geographic network of businesses gives us a significant advantage in this industry.

Develop Our Sales Organization. Over the past several years, we have invested in the infrastructure and training of our sales organization. During 2015, we will focus on enhancing the productivity and effectiveness of the sales team and growing our sales counselor headcount. We believe that our scale allows us to expand our sales organization in a manner that our competitors cannot afford to replicate.

Network Optimization. We continue to drive operating discipline and leverage our scale through standardizing processes and capitalizing on new technologies. We regularly examine our purchasing spend to look for opportunities to consolidate our supplier base, modify processes and policies for more efficient purchasing and employ metrics to manage and improve supplier performance. Additionally, many of our accounting and administrative functions are outsourced to third-party providers, allowing for greater efficiency.

Use Our Scale with Our Preneed Trust and Insurance Backlog. With our \$9.3 billion backlog, we benefit from having access to premier financial partners in the industry. For our trust investments, we have access to preeminent money managers and lower fee structures, which we believe is a low risk structure that will provide us with higher returns and lower cost of administration over time. We also enjoy favorable terms with our insurance provider.

Deploy Capital

Our third core strategy is to maximize capital deployment opportunities. Our priority for capital deployment is 1) acquisitions and funeral location new builds, 2) dividends, 3) share repurchases, and 4) debt repurchases.

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Acquisitions and Funeral Location New Builds. As noted above, we plan to use our capital to manage our footprint by focusing on strategic acquisitions and building new funeral homes where the expected returns are attractive and exceed our weighted average cost of capital plus a risk premium.

Dividends. We expect to continue to return capital to our shareholders in the form of dividends, subject to the approval by our Board of Directors.

Share Repurchases. Absent opportunities for strategic acquisitions, we expect to continue to repurchase shares of our common stock using a value-weighted share repurchase strategy.

Debt Repurchases. We plan to actively manage our near-term liquidity profile and leverage targets through debt repurchases when market conditions are favorable to do so.

Associates

At December 31, 2014, we employed 15,442 individuals on a full-time basis and 8,220 individuals on a part-time basis. Of the full-time associates, 14,507 were employed in the funeral and cemetery operations and 935 were employed in corporate or other overhead activities and services. All eligible associates in the United States who so elect are covered by our group health and life insurance plans. Associates covered by a collective bargaining agreement are typically covered by union health plans and are not eligible to participate in our health insurance plan. At December 31, 2014 and 2013, there were 9,022 and 9,706 associates, respectively, who had elected to participate in our group health insurance plans. Eligible associates in the United States are covered by retirement plans of SCI or various subsidiaries, while international associates are covered by other SCI (or SCI subsidiary) defined or government-mandated benefit plans. Approximately 2.9% of our associates are represented by unions. Although labor disputes occur from time to time, relations with associates are generally considered favorable.

Regulation

Our funeral home operations are regulated by the Federal Trade Commission (the "FTC") under the FTC's Trade Regulation Rule on Funeral Industry Practices (the "Funeral Rule"), which went into effect in 1984. The Funeral Rule defines certain acts or practices as unfair or deceptive and contains certain requirements to prevent these acts or practices. The preventive measures require a funeral provider to give consumers accurate, itemized price information and various other disclosures about funeral goods and services and prohibit a funeral provider from: (1) misrepresenting legal, crematory, and cemetery requirements; (2) embalming for a fee without permission; (3) requiring the purchase of a casket for direct cremation; and (4) requiring consumers to buy certain funeral goods or services as a condition for furnishing other funeral goods or services.

Our operations are also subject to regulation, supervision, and licensing under numerous federal, state, and local laws and regulations as well as Canadian and provincial laws and regulations. For example, state laws impose licensing requirements for funeral homes and funeral directors and regulate preneed sales including our preneed trust activities. Our facilities are subject to environmental, health, and safety regulations. We take various measures in order to comply with the Funeral Rule and laws and regulations. For example, we have established and maintain policies, procedures, and practices; we engage in training of our personnel; and we carry out ongoing reviews of our compliance efforts. We believe that we are in substantial compliance with the Funeral Rule and all laws and regulations.

Federal, state, and local legislative bodies and regulatory agencies (including Canadian legislative bodies and agencies) frequently propose new laws and regulations, some of which could have a material effect on our operations and on the deathcare industry in general. We cannot accurately predict the outcome of any proposed legislation or regulation or the effect that any such legislation or regulation might have on us.

Other

Our corporate headquarters are located at 1929 Allen Parkway, Houston, Texas 77019. The property consists of approximately 120,000 square feet of office space and 185,000 square feet of parking space. We own and utilize an additional building located in Houston, Texas for corporate activities containing a total of approximately 38,000 square feet of office space. We also lease approximately 29,000 square feet of office space in Houston, Texas, which we utilize for corporate activities. We own a building in Jefferson, Louisiana with approximately 98,200 square feet of office space that we use, in part, for corporate activities.

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We make available free of charge, on or through our website, our annual, quarterly, and current reports and any amendments to those reports, as soon as reasonably practicable after electronically filing such reports with the Securities and Exchange Commission (SEC). Our website is <http://www.sci-corp.com> and our telephone number is (713) 522-5141. The SEC also maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding issuers that file electronically. The public may read and copy any materials we file with the SEC at the SEC's Public Reference

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Room at 100 F Street, N.E., Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

Each of our Board of Directors' standing committee charters, our Corporate Governance Guidelines, our Code of Ethics for Board Members, and our Code of Conduct for Officers and Employees are available, free of charge, through our website or, upon request, in print. We will post on our internet website all waivers to or amendments of our Code of Conduct for Officers and Employees, which are required to be disclosed by applicable law and rules of the New York Stock Exchange listing standards. Information contained on our website is not part of this report.

Item 1A. Risk Factors.

Cautionary Statement on Forward-Looking Statements

The statements in this Form 10-K that are not historical facts are forward-looking statements made in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995. These statements may be accompanied by words such as "believe", "estimate", "project", "expect", "anticipate", or "predict" that convey the uncertainty of future events or outcomes. These statements are based on assumptions that we believe are reasonable; however, many important factors could cause our actual consolidated results in the future to differ materially from the forward-looking statements made herein and in any other documents or oral presentations made by, or on behalf of, the Company. These factors are discussed below. We assume no obligation to publicly update or revise any forward-looking statements made herein or any other forward-looking statements made by the Company, whether as a result of new information, future events, or otherwise.

Our affiliated funeral and cemetery trust funds own investments in equity securities, fixed income securities, and mutual funds, which are affected by market conditions that are beyond our control.

In connection with our preneed funeral and preneed cemetery merchandise and service sales, most affiliated funeral and cemetery trust funds own investments in equity securities, fixed income securities, and mutual funds. The fair value of these investments, and our earnings and investment gains and losses on these securities and mutual funds are affected by financial market conditions that are beyond our control.

The following table summarizes our investment returns (realized and unrealized), excluding certain fees, on our trust funds for the years ended December 31:

| | 2014 | 2013 | 2012 | |
|--|------|--------|--------|---|
| Preneed funeral merchandise and service trust funds | 3.7 | % 16.6 | % 12.4 | % |
| Preneed cemetery merchandise and service trust funds | 3.4 | % 19.3 | % 13.4 | % |
| Perpetual care trust funds | 5.2 | % 7.6 | % 10.5 | % |

Generally, earnings or gains and losses on our trust investments are recognized and we withdraw cash when the underlying merchandise is delivered, service is performed, or upon contract cancellation; however, our cemetery perpetual care trusts recognize earnings, and in certain states capital gains and losses, and we withdraw cash when we incur qualifying cemetery maintenance costs.

If the investments in our trust funds experience significant declines in 2015 or subsequent years, there could be insufficient funds in the trusts to cover the costs of delivering merchandise and services or maintaining cemeteries in the future. We may be required to cover any such shortfall with cash flows from operations, which could have a material adverse effect on our financial condition, results of operations, or cash flow.