

# SECURITY NATIONAL FINANCIAL CORPORATION

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Investor Presentation | First Quarter 2017

Security National



Security National Financial Corporation  
[www.SecurityNational.com](http://www.SecurityNational.com)



Gephardt**Approved**



***“Excellence” is our motto.***

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# Security National Financial Corporation

## Business Segments



**Security National**  
*Life Insurance Company*



**MEMORIAL**  
MORTUARIES & CEMETERIES



**Security  
National**  
MORTGAGE®

Security National Financial Corporation operates in three main business segments:

1. **Life Insurance:** Five life insurance companies licensed in 38 states.
2. **Cemetery and Mortuary:** Nine mortuaries, six cemeteries, one management agreement operating in 3 states.
3. **Mortgage Banking:** Licensed in 45 states.

We have grown organically through increasing direct sales and through the acquisition of life insurance companies, funeral homes and cemeteries.

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# Security National Financial Corporation

## Financial Snapshot

First Quarter 2017	
Assets	\$867M
Liabilities	\$737M
Stockholders Equity	\$130M
Book Value Per Share	\$8.63
IQ 2017 YTD Revenue	\$69M
Earnings After Tax	\$1.4M
Earnings Per Share (Q1)	\$0.10
Stock Price at 3/31/17	\$6.80

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## 10 Year Stock Price Trend vs. S&P 500



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## Share Data

Year	Shares owned	Share Price	Stock Value
1997	1,000	\$1.92	\$1,920.00
2002	1,276	\$1.81	\$2,309.56
2007	1,629	\$4.79	\$7,802.91
2012	2,079	\$1.41	\$2,931.39
2017	2,653	\$6.80	\$17,918.00

As of April 1, 2017

**13.15%**

Avg. Compound 10yr Return  
(Assumes Dividends Retained)

**13.1%**

Avg. Compound 20yr Return  
(Assumes Dividends Retained)

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## Key SNFCA Ratios

**11.93%**

Return on Equity  
(5 yr avg.)

**78%**

Price/Book Value  
(2017 Q1)

**\$0.96**

Earnings Per Share  
(Trailing Four Quarters)

**2.02%**

Return on Assets  
(5 yr avg.)

**\$20.75**

Revenue per share  
(TTM)

**6.76x**

Price/Earnings  
(Trailing Four Quarters)

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## Equity Capital Structure

Equity Capital Structure			
Class A Common Stock	Par Value \$2.00	20,000,000	Authorized
		13,820,079	Outstanding
Class B Common Stock	Par Value \$1.00	5,000,000	Authorized
		0	Outstanding
Class C Common Stock (10 to 1 voting rights)	Par Value \$2.00	3,000,000	Authorized
		2,005,026	Outstanding

*\*As of May 11, 2017*



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# Security National Financial Corporation

## 1<sup>st</sup> Quarter Comparison 2016 to 2017

	2016 Q1	% Change	2017 Q1
Total Revenues	\$67M	3.1%	\$69M
Total Benefits and Expenses	\$63M	6.4%	\$67M
Pre-Tax Earnings	\$4.2M	-46%	\$2.2M
Income Tax expense	(\$1.6M)	49%	(\$800k)
Net earnings	\$2.6M	-44%	\$1.5M
Earnings per share	\$0.18	-44.4%	\$0.10
Assets	\$749M	11.8%	\$867M

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# Security National Financial Corporation

## Year End Comparison 2014 to 2016

	2014	2015	2016
Total Revenues	\$227M	\$285M	\$307M
Total Benefits and Expenses	\$214M	\$263M	\$286M
Pre-Tax Earnings	\$12.9M	\$21.2M	\$20.7M
Income Tax Expense	\$4.9M	\$7.7M	\$6.4M
After Tax Earnings	\$8.0M	\$13.5M	\$14.3M
Earnings Per Share	\$0.58	\$0.93	\$0.96
Assets	\$671M	\$750M	\$854M

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## Snapshot by Segment

	2014				2015				2016			
	Life Insurance	Cemetery and Mortuary	Mortgage Banking	Total	Life Insurance	Cemetery and Mortuary	Mortgage Banking	Total	Life Insurance	Cemetery and Mortuary	Mortgage Banking	Total
Total Revenues	\$87.9M	\$13.7M	\$134M	\$227M	\$94.5M	\$13.6M	\$185M	\$284M	\$103M	\$13.6M	\$199M	\$307M
Total Benefits and Expense	\$79.40	\$13.1M	\$130M	\$214M	\$86.0M	\$12.7M	\$174M	\$263M	\$95M	\$12.4M	\$187M	\$286M
Income Tax Benefit (Expense)	\$(3.4M)	-	\$(1.5M)	\$(4.9M)	\$(3.1M)	-	\$(4.6M)	\$(7.7M)	\$(1.9M)	-	\$(4.5M)	\$(6.5M)
Net Earnings	\$5.00	\$0.6M	\$2.3M	\$14.3M	\$5.3M	\$0.9M	\$7.2M	\$13.5M	\$5.8M	\$1.2M	\$7.3M	\$14.3M

\* Consolidated totals account for intersegment deductions

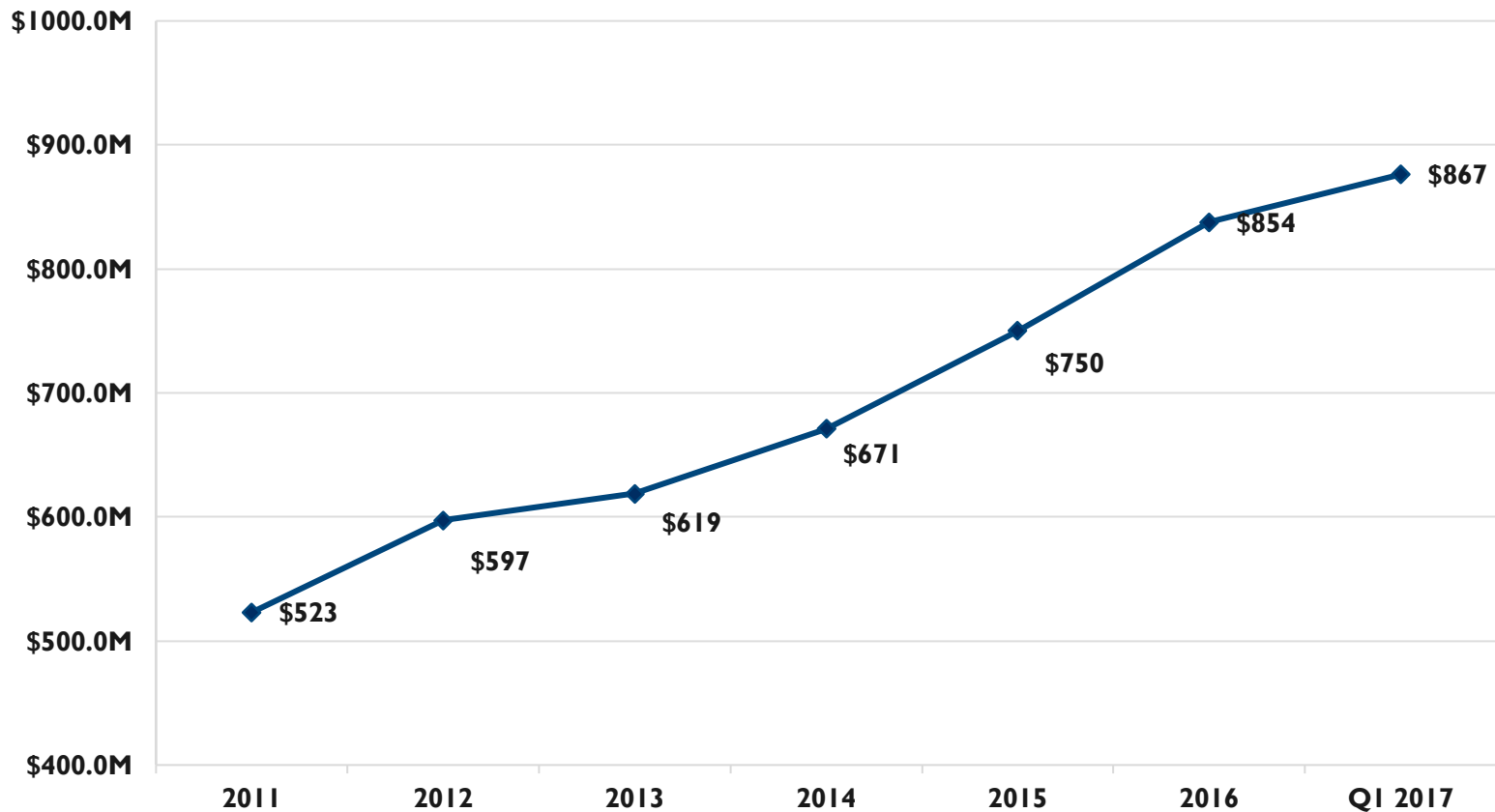


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## Asset Growth



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**Security National**  
*Life Insurance Company*

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# Security National Life

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## Products

Security National Life sells products designed to fund an individual's funeral costs. These policies are sold through three major channels.

- **Preneed** is a policy where a funeral home agrees to accept the policy in exchange for furnishing a given set of services. Therefore the price of the services is effectively locked in.
- **Final Expense** is a non-growth policy that pays a specified death benefit at death without any funeral home guarantee.
- **Home Service** is a product specifically designed for a lower socio-economic group where, similar to final expense, a specified benefit is paid at death but the premiums are collected weekly or monthly generally at the home by the agent.

## Annuities (Multi pay or Single Pay)

- Annuities are generally sold to people not qualifying for a life insurance product and have guaranteed interest rates currently at 1% per annum. The board of directors can approve rate increases at their discretion.

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# Life Insurance Segment Snapshot

## Life Insurance Segment Snapshot

	2014	2015	2016	2017 Q1
Total Revenues	\$87.9M	\$94.5M	\$102.7M	\$29.2M
Total Benefits and Expenses	\$79.4M	\$86.1M	\$95.0M	\$27.3M
Pre-Tax Earnings	\$8.5M	\$8.5M	\$7.7M	\$1.9M
Pre-Tax Earnings Without Realized Gains	\$7.3M	\$6.2M	\$8.0M	\$1.9M
Income Tax Benefit (expense)	(\$3.4M)	(\$3.1M)	(\$2.0M)	(\$0.9M)
Net After Tax earnings	\$5.0M	\$5.3M	\$5.7M	\$1.0M
Assets	\$652M	\$721M	\$821M	\$834M

\*Assets do not include Intercompany Eliminations.

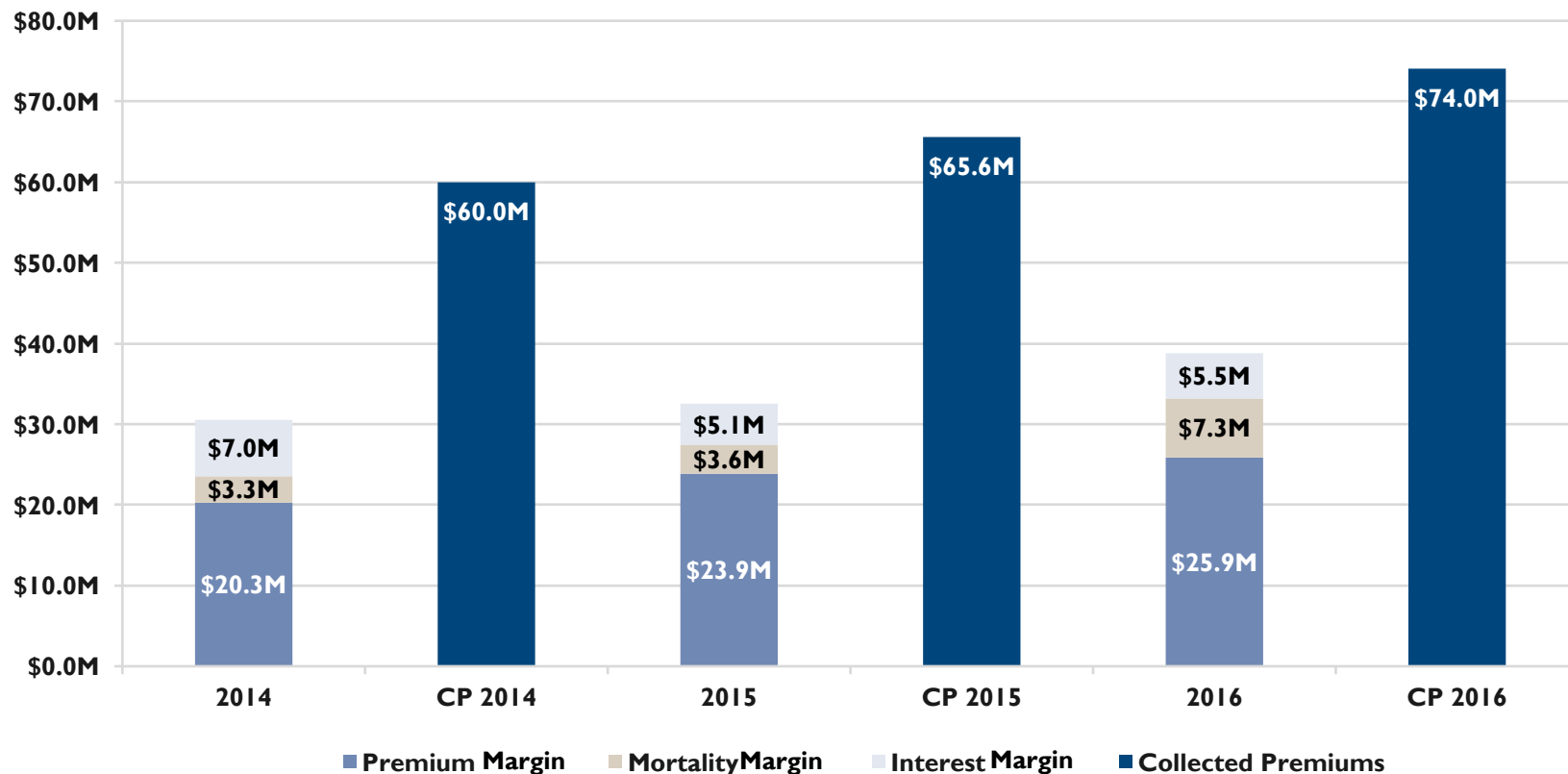


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# Security National Life Insurance Co.

## Collected Premium Margins (Statutory Basis)



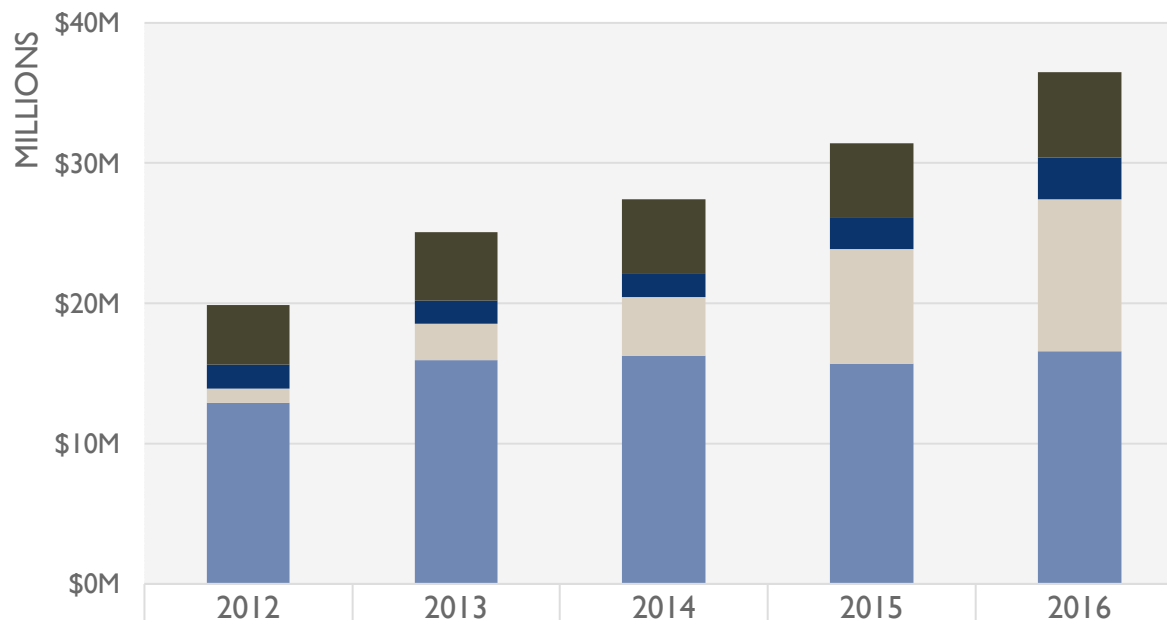
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# Building Our Salesforce

## First Year Insurance & Annuity Annualized Premium Sales 2011-2016



	2012	2013	2014	2015	2016
Annuities	\$4,269,485	\$4,906,196	\$5,321,392	\$5,299,115	\$6,076,030
Home Service	\$1,679,956	\$1,594,193	\$1,599,596	\$2,227,267	\$2,950,118
Final Expense	\$1,006,957	\$2,627,012	\$4,192,708	\$8,163,722	\$10,854,186
Pre need	\$12,939,765	\$15,956,017	\$16,279,909	\$15,709,493	\$16,588,874

**38**  
Number of States where  
Licensed

**>4,000**  
Sales Agents

**84%**  
Sales Growth 2011 vs. 2016

**20%**  
Avg. Sales Growth  
2011-2016

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# Security National Life Acquisitions

## Most Recent Acquisition



**Ashdown, AR**  
Headquarters

**\$55M**  
Assets

**\$1.6M**  
Annual Premium

**~\$6.8M**  
Purchase Price

**\$3.8M**  
Capital and Surplus

**~\$3.0M**  
Net Price

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# Security National Life Insurance Co.

## Enterprise Investment Philosophy/Strategy

Security National Life offers specialized financing sometimes in conjunction with Security National Mortgage. These products increase investment yield and offers Security National Mortgage loan officers additional products for their clients.

- **Security National Life Direct Loans-** 8.99% interest – 2-5 origination points – 65% LTV maximum, 5 year term. These are investment loans secured by residential real property. They cannot be used for primary residences but are attractive to investors.
- **Security National Construction lending-** The Company offers construction lending, generally in conjunction with a long term loan approval from SNMC. These loans have a 6% interest rate and 2 origination points – 80% LTV, 6 month term. SNL also offers Acquisition and Development loans to approved builders. Term and rate vary by situation – focus is on a generic residential product priced below 400K.
- **Security National Commercial Capital-** Commercial lending has been an ongoing investment activity. Security National Life offers bridge lending, SBA lending and various other sorts of commercial loans. Average yield without points is 6.74%
- **Mortgage Warehouse Lending**
- **Direct Real Estate Investments**

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# Security National Mortgage

## SNMC Growth

### SNMC Offices 2011

**\$1.4 Billion**  
LOAN VOLUME AND 8,072 UNITS

**240**  
LOAN OFFICERS

**70**  
OFFICES

**40**  
STATES

### SNMC Offices 2016

**\$3.1 Billion**  
LOAN VOLUME AND 16,028 UNITS

**678**  
LOAN OFFICERS

**140**  
OFFICES

**44**  
STATES

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# Mortgage Segment Snapshot

## Mortgage Segment Snapshot

	2014	2015	2016	2017 Q1
Total Revenues	\$134M	\$185M	\$199M	\$39.6M
Total Benefits and Expenses	\$130M	\$174M	\$187M	\$41M
Income Tax Benefit (Expense)	(\$1.5M)	(\$4.6M)	(\$4.5M)	\$58K
Net Earnings (Loss)	\$2.3M	\$7.2M	\$7.3M	(\$92K)
Mortgage Servicing Rights	\$7.8M	\$12.7M	\$17.4M	\$19.4M

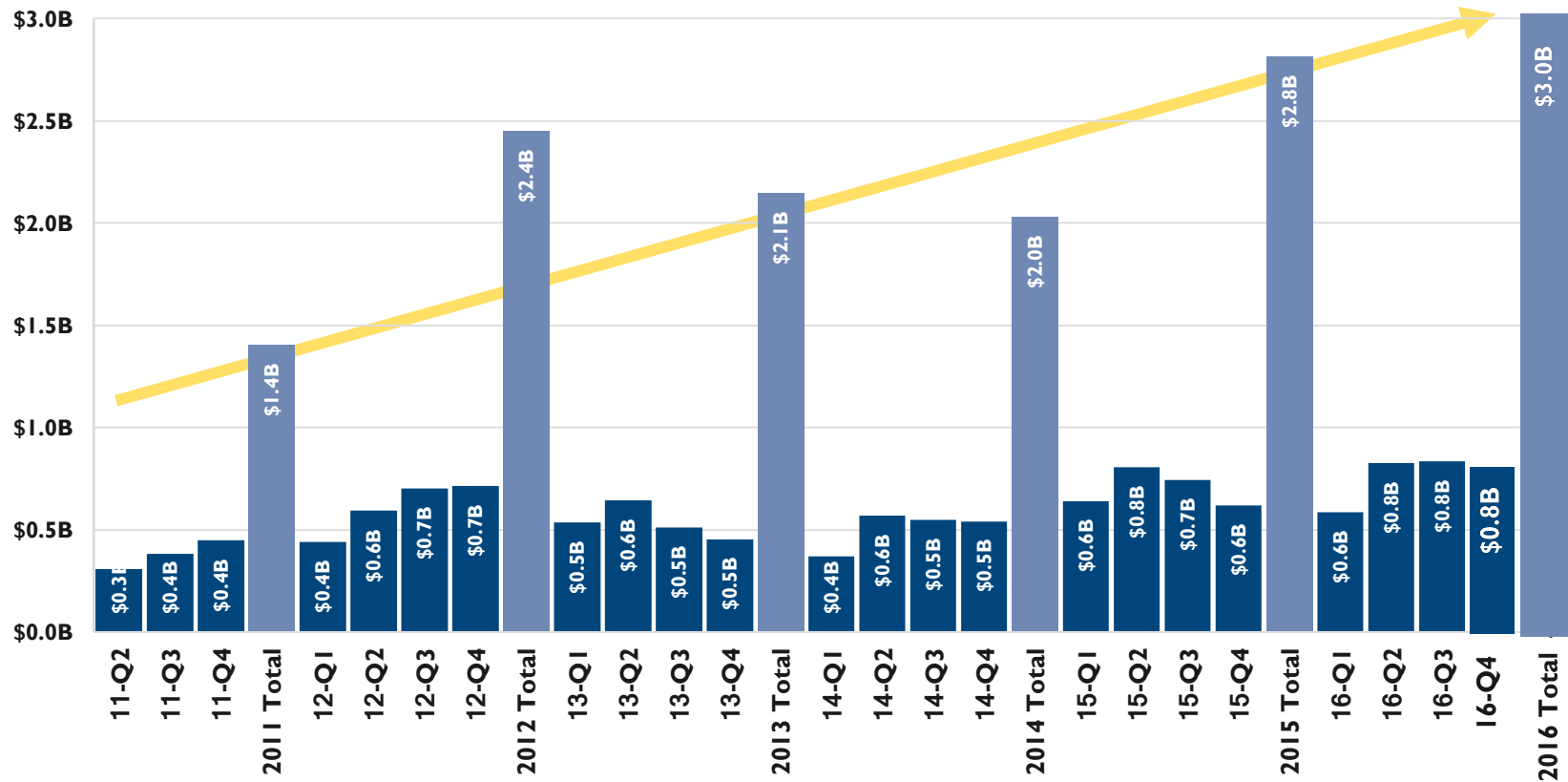
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# Security National Mortgage

## SNMC Funding Volume



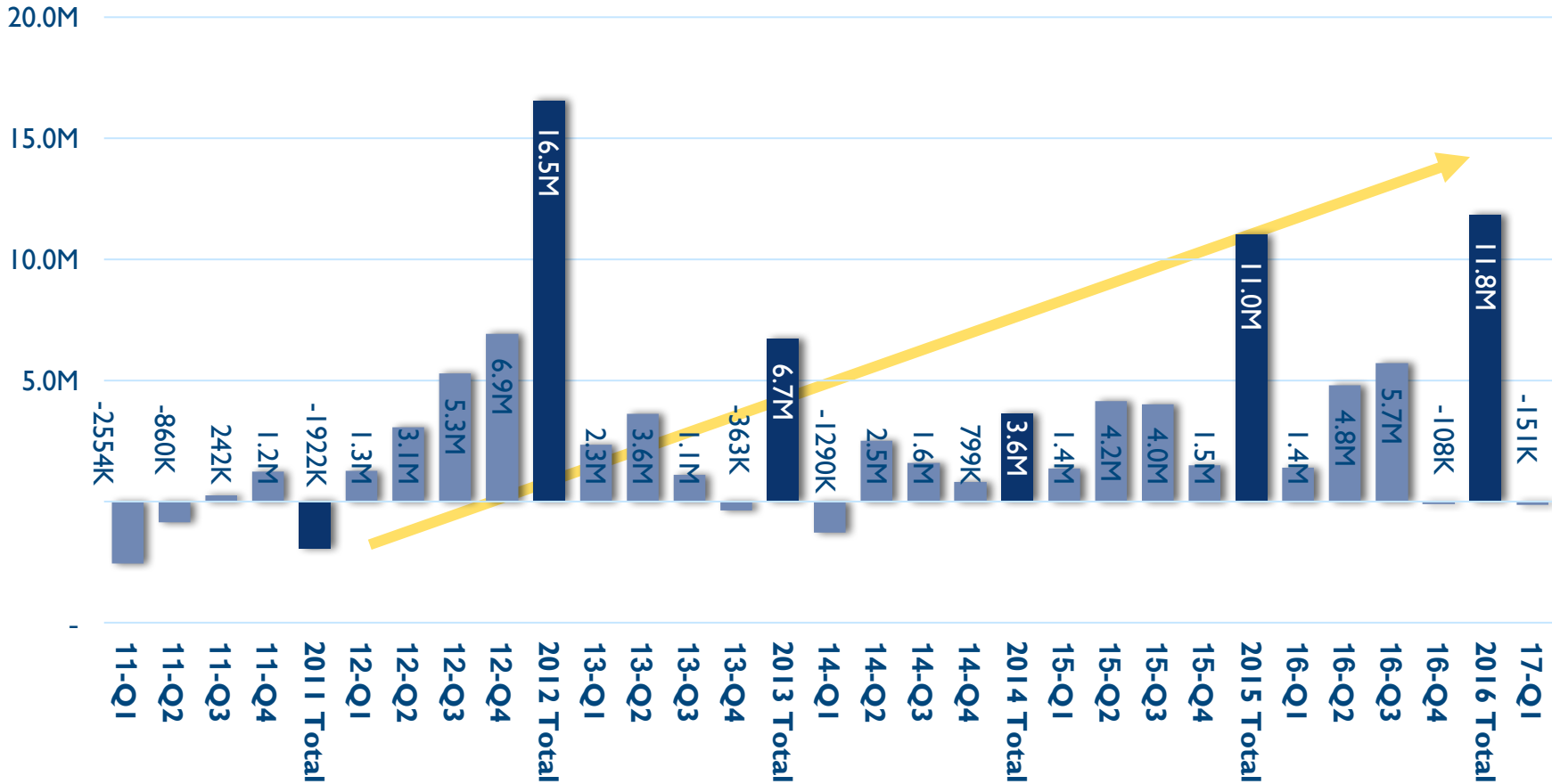
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# Security National Mortgage

## Pre-Tax Net Income - 2011-2016



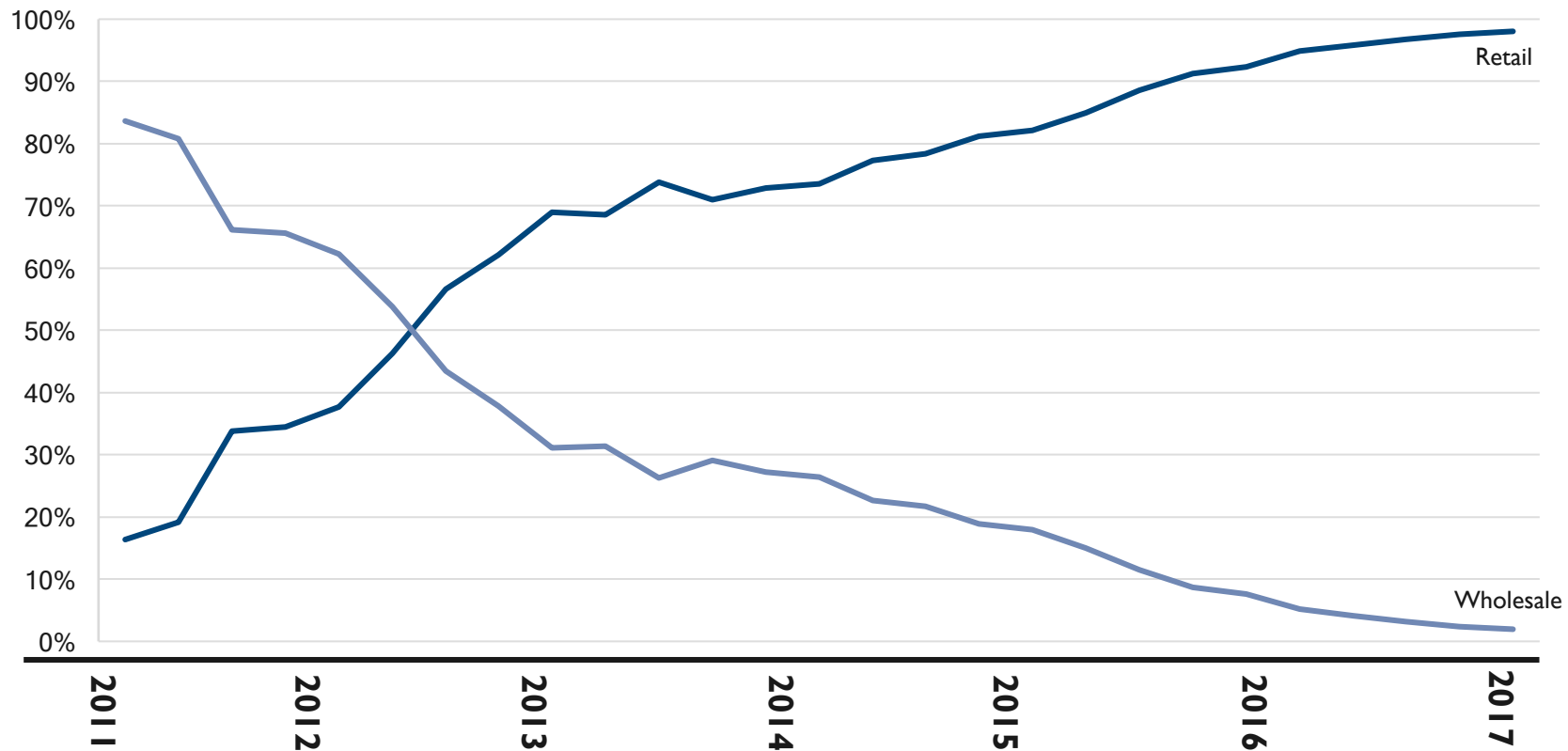
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# Security National Mortgage

## Switch from Wholesale to Retail – Retail/Wholesale Production Mix



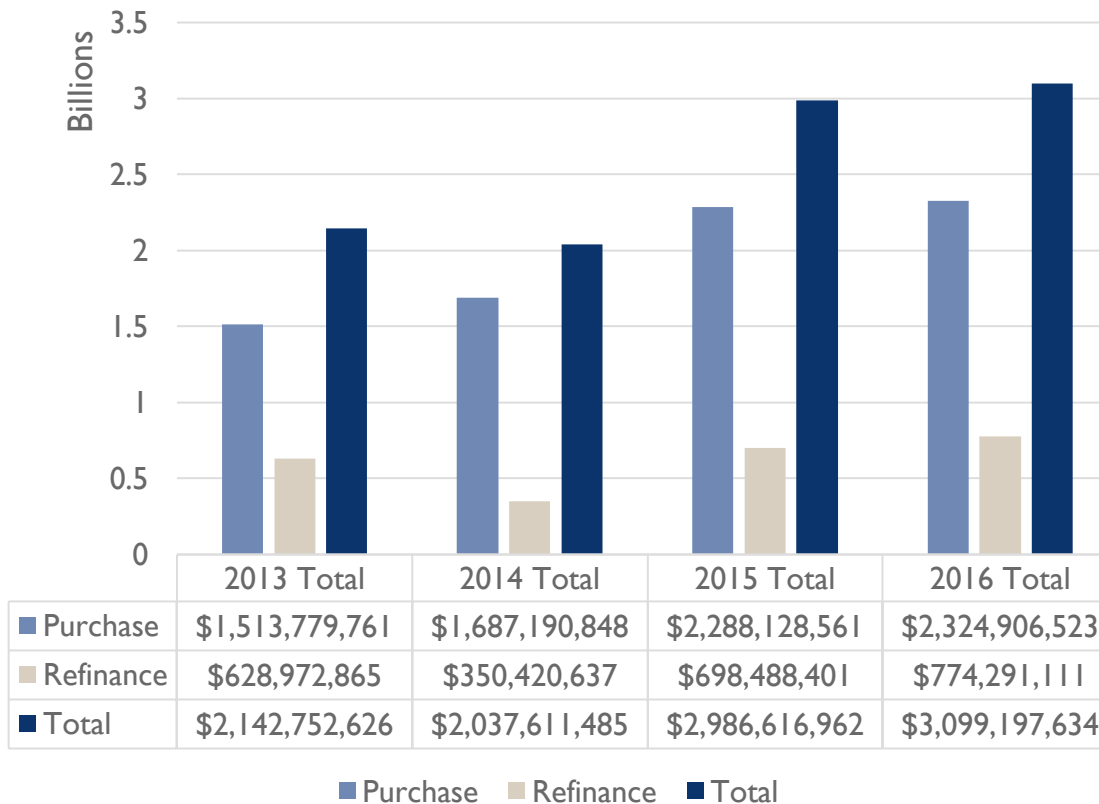
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# Security National Mortgage

## Purchase/Refinance Mix



Top States	Production %
Utah	34.06%
Texas	16.10%
Nevada	13.55%
Florida	12.33%
Arizona	8.54%
California	3.69%

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# Security National Mortgage

## SNMC Servicing

Year	Volume Retained	End of Year UPB	Servicing Revenue	Servicing Profit
2012	\$407M	\$452M	\$0.5M	\$.3M
2013	\$348M	\$805M	\$1.8M	\$1.1M
2014	\$439M	\$1.2B	\$2.6M	\$1.1M
2015	\$846M	\$1.8B	\$4.2M	\$1.7M
2016	\$1.1B	\$2.6B	\$5.8M	\$2.0M

- Security National Mortgage Company retains approximately **35% of all servicing rights** for loans originated
- We believe yield will be in **excess of 15%**
- We believe we have used **conservative values**

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# MEMORIAL

MORTUARIES & CEMETERIES

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# Cemetery and Mortuary

## Cemetery and Mortuary

### Utah



**Memorial Desert Mortuary**  
36 East 700 South  
Salt Lake City, UT 84111



**Memorial Holladay Cemetery**  
4900 South Memory Lane  
Holladay, UT 84117



**Memorial Holladay  
-Cottonwood Mortuary**  
4670 S Highland Dr.  
Holladay, UT 84117



**Memorial Lake Hills Mortuary  
and Cemetery**  
10055 South State Street  
Sandy, UT 84070



**Memorial Lakeview Mortuary  
and Cemetery**  
1640 East Lakeview Drive  
Bountiful, UT 84010



**Memorial Mountain View  
Mortuary, Cemetery  
and Pet Garden**  
3115 East 7800 South  
Cottonwood Heights,  
UT 84121



**Memorial Murray Mortuary**  
5850 South 900 East  
Murray, UT 84121



**Memorial Redwood Mortuary  
and Cemetery**  
6500 Redwood Road  
Taylorsville, UT 84123

### Affordable Funerals & Cremations

- Two Utah locations

### California

- One cemetery

### Oregon (Mgmt Agreement)

- One cemetery and one mortuary

# Cemetery/Mortuary Segment Snapshot

## Cemetery/Mortuary Segment Snapshot

	2013	2014	2015	2016
Total Revenues	\$13.7M	\$13.7M	\$13.6M	\$13.6M
Total Benefits and Expenses	\$13.5M	\$13.1M	\$12.7M	\$12.4M
Net Earnings	\$0.2M	\$0.7M	\$0.9M	\$1.2M

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# Memorial

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**~1,000 Plots**  
per acre

**\$1,800**  
Average sales price of a  
plot

**\$995**  
Basic Vault Sales Price

**\$1,095**  
Open and Close Price

**\$3.9M**  
Gross Revenue per acre

**70%**  
Contribution Margin on  
funeral services

**65%**  
Profit Margin on  
merchandise

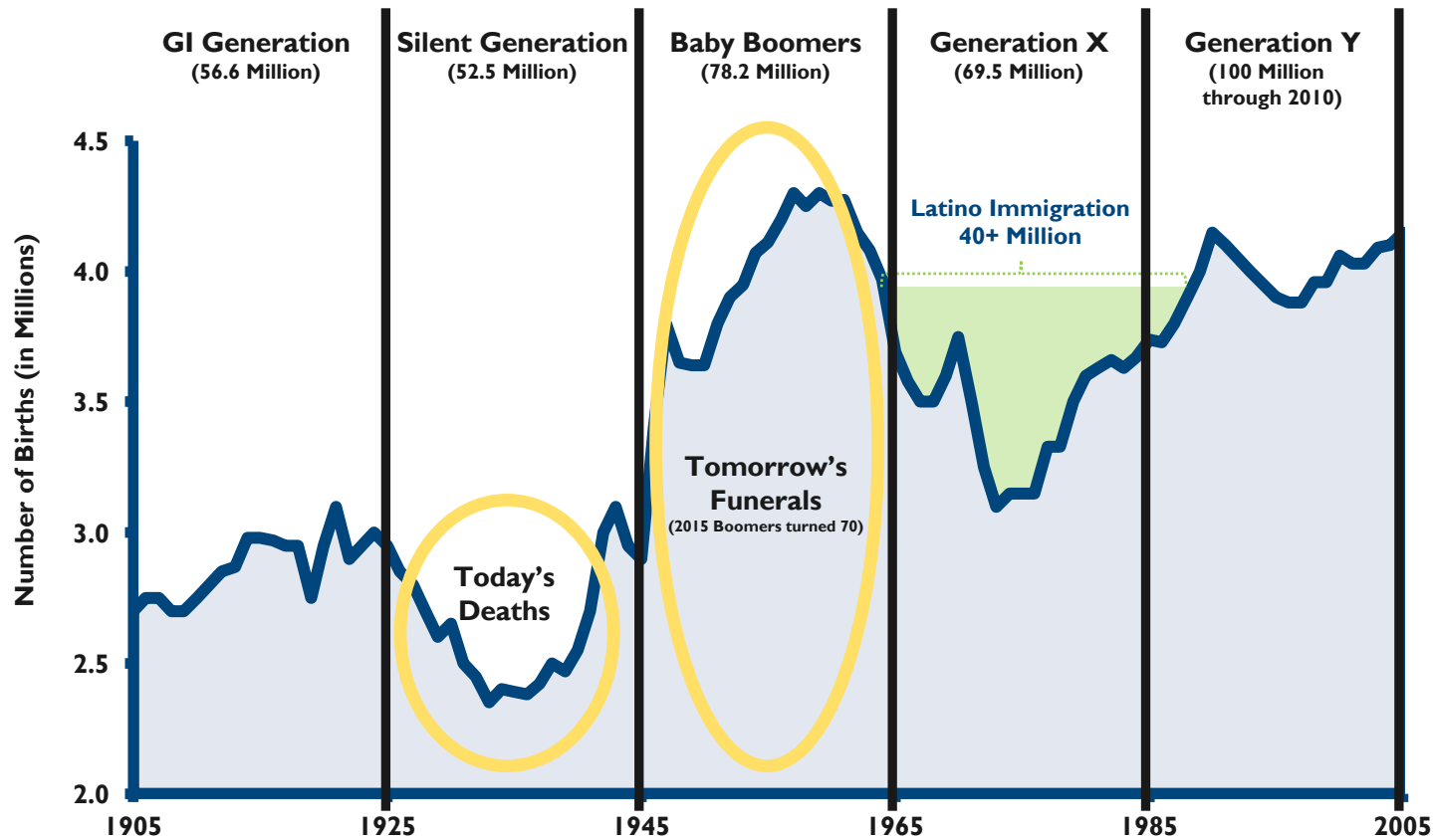
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# Security National Life Insurance Co.

## Demographics – US Live Births (1905-2005)



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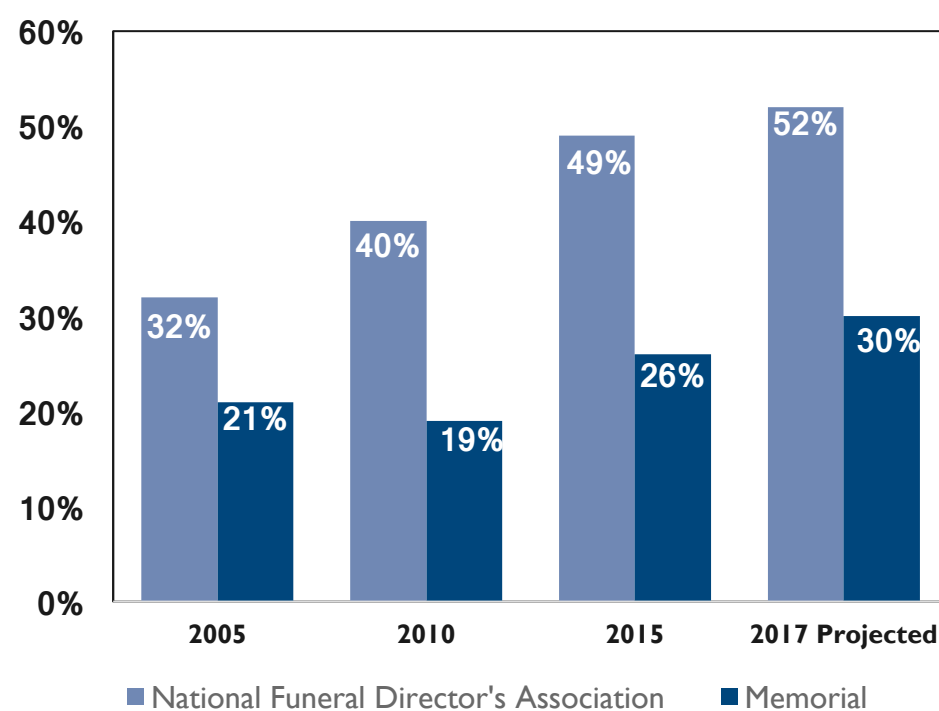


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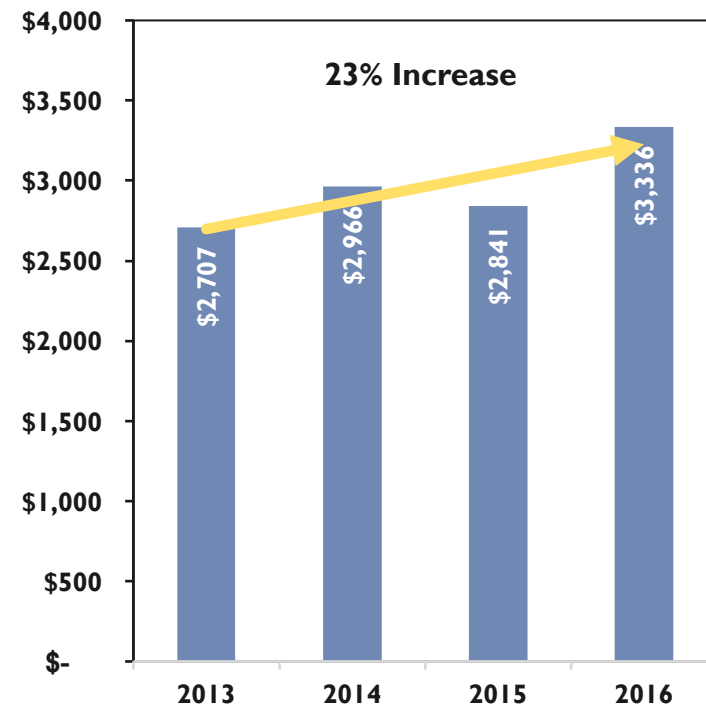
# Memorial Utah

## Cremation

Cremation Trends



Memorial Cremation Average



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