

# Quarterly Investor Call Transcript

**Security National Financial Corporation**

**Quarter:** Q2 2025

**Date & Time:** Friday, August 15<sup>th</sup> 1PM MDT

---

## 1. Welcome & Forward-Looking Statement

**Presenter:** HR Director Heather Street

“Good afternoon, everyone, and welcome to Security National Financial Corporation’s Second Quarter 2025 Earnings Call. We thank you for joining us today to review our financial and operational results for the period ended June 30, 2025.

Before we begin, I’d like to remind everyone that our remarks today will include forward-looking statements. These statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from those projected. Such risks include, but are not limited to, changes in economic conditions, interest rates, regulatory developments, competitive pressures, and other factors detailed in our filings with the Securities and Exchange Commission. We caution you not to place undue reliance on these forward-looking statements, which speak only as of today’s date. We undertake no obligation to publicly update or revise these statements to reflect future events or circumstances, except as required by law.

Our Second Quarter press release (issued August 14<sup>th</sup>, 2025) is posted on our company website. Please refer to our second quarter press release for SNFC CEO Scott Quist’s comments.

With that, I’d like to turn the call over to our Chief Financial Officer, Garrett Sill.

Garrett?”

## 2. SNFC Financials

**Presenter:** CFO Garrett S. Sill

“Thank you, Heather. I want to start by thanking those who are on this call. This is our 2nd consecutive earnings call, and we are still working out some of the formalities... so thank you again for joining us and thank you for your patience as we continue to improve these shareholder events.

Our press release was a little more comprehensive this quarter, so, I just want to hit a couple of highlights. Reviewing our Balance Sheet, our cash decreased \$60M as we increased our investment in bonds by \$25M, real estate activities by \$28M and mortgage loans by \$23M. These increases were offset by Federal Home Loan Bank advances and outside warehouse line utilization of about \$16M, which is seen in the increase in Bank Loans. Stockholder's Equity improved quarter over quarter, due to both good earnings and an improvement in the fair value of our bond portfolio.

Moving to the Income Statement, Q2 revenues increase over Q1, which resulted in Q2 net earnings also improving over Q1 net earnings. Expenses remain elevated in strategic areas as explained in the Q2 press release. Despite these increases, Q2 and YTD net earnings were good.

A lot has happened since our last call... on June 27th, SNFC was added to the Russell 2000 and then on June 30th, SNFC crossed the threshold for accelerated filing status. Although, we will remain a small reporting company, accelerated filing will have a significant impact on our financial audits and our SEC reporting requirements. Finally, the company distributed a 5% stock dividend on July 18th.

Accelerated filing status brings with it some significant changes to the Company. First, all financial reports filed after December 31, 2025, will need to be filed "sooner". Basically, our Form 10K will now be filed 75 days after yearend and all Forms 10Q will be filed 40 days following a quarter end. Secondly, and more importantly, our yearend audit will also include an audit and an opinion by Deloitte on the Company's internal controls.

The audit of our internal controls will come with a significant increase in audit fees and other "implementation expenses". To be a little more precise, the Company has good internal controls, however, accelerated filers are required to document their controls in a specific manner, and those controls must be tested both internally and externally. We have a good framework in place, and we are working towards compliance by yearend.

Finally, our progress with our adoption of ASU 2018-12, better known as Targeted Improvements to the Accounting for Long-Duration Contracts, or "LDTI" is on track to be implemented for yearend reporting. Our Q3 Form 10Q will disclose a "range" of impact when adopted at yearend.

In closing, Q2 and YTD Net Earnings were good for the Company. We are financially healthy as our balance sheet remains strong, with minimal debt and well-balanced investments that are poised for great future returns. We will have some significant "accounting headwinds" moving forward as we adapt to required changes, but we are confident that we will meet the challenge. Next, we will hear from Andrew Quist, President and Chief Executive Officer of SecurityNational Mortgage.

Thank you."

### **3. SecurityNational Mortgage**

**Presenter: SNMC CEO & President Andrew Quist**

“Good afternoon, fellow shareholders. As Garrett mentioned, I'm Andrew Quist, President and CEO of SecurityNational Mortgage Company.

In the second quarter of 2025, SecurityNational Mortgage Company had a net loss of \$1,670,000 compared to a gain of \$134,000 in the second quarter of 2024, a decrease of \$1.8 million. This is a disappointing result, and one we are working urgently to fix. The number one contributor to the worsening performance was a decrease in our origination volume.

In the second quarter of 2025, we originated \$617 million of loan volume compared to \$624 million in the second quarter of 2024, a 1.2% year-over-year decrease. This was our first year-over-year quarterly decrease since the first quarter of 2024. Mortgage market conditions in the United States worsened in the second quarter with Q2 pending home sales at their lowest level since 2012 at 1.4 million contracts signed. This had a significant impact on our results as we are a purchase-money-focused lender. Almost 90% of our originations in 2025 have been purchase mortgages. Our decrease in origination volume was a reversal from our outperformance in the first quarter.

Fannie Mae and Freddie Mac reported single-family originations in Q2 were up 3.5% year-over-year. Thus, from the data available, it appears we underperformed market conditions mainly as a result of our purchase focus as purchase volume was down 6% quarter over quarter at the GSEs. While we work to increase volumes back to the outperformance we experienced in quarter one we must, at the same time, continue to rationalize our expenses to lower volume levels. We're well on our way to doing that.

In summary, year-over-year decreasing origination volume significantly impacted Q2's results. It appears Security National's market outperformance in Q1 was reversed in Q2. The other factors impacting Q2's performance year-over-year were the same as I reported in Q1. Namely, current expected credit loss accruals increasing, and deferred compensation accruals increasing.

I'm confident with the loan officers and employee team we have at SecurityNational Mortgage we will return to the market outperformance we experienced earlier.

Thank you.”

### **5. Security National Life**

**Presenter: SNL CEO & President Adam Quist**

“Good afternoon and thank you all for joining us today.

My name is Adam Quist, and I serve as President and CEO of Security National Life Insurance Companies. Today, I'll be reporting on our Life Segments results for the second quarter ended June 30, 2025.

On a GAAP basis, our life segment generated earnings of approximately \$8.2 million in the second quarter 2025, compared to \$7.2 million in Q2 2024—for an increase of roughly \$1 million year-over-year. This improvement was primarily driven by stronger investment income, despite several notable headwinds.

As mentioned in our press release, premium collections for Q2 were essentially flat compared to the same period last year. While top-line premium growth remains a priority, I believe the equally important story—both for the second quarter and for the year as a whole—is our margin improvement.

The premium rate increases we implemented are achieving their intended effect and generating significantly stronger margins on new business. While these changes have created some disruption for our sales force and new sales activity, they represent a positive, ongoing trend that we believe is essential to our long-term profitability. I would also note that due to the multi-pay nature of the majority of our business, it will take time for the improved margins to be fully recognized in our financial statements.

The primary driver of our improved earnings this quarter was increased investment income, largely from gains realized through our home builder relationship investments. As discussed in our earnings release, we continue to invest significantly in residential land holdings and homebuilder relationships. While these investments may exert short-term pressure on earnings, we believe they will generate superior long-term returns.

We also faced several pressures offsetting our increased investment income:

- First, our Personnel Costs rose by approximately \$800,000 in Q2 compared to Q2 of the prior year, bringing the year-to-date increase to \$2 million. This reflects ongoing investments in our sales teams, improving our operational infrastructure, remaining marketplace competitive in our compensation rates, and long-term growth initiatives as previously outlined in Q1. Notably, the pace of our personnel cost increases moderated in Q2, relative to Q1 2025, highlighting our continued efforts to rationalize expenses while still supporting strategic growth priorities, which, by their very nature, do require investment.

- Next, death benefits were about \$1 million higher than in Q2 2024. We believe our mortality levels for the first half of 2025 to be an estimated 4% above trend, relative to both 2024 and 2019 pre-COVID levels. While short- and medium-term fluctuations are expected, we remain confident in our pricing assumptions and long-term experience outlook.

- Additionally, the increase in amortization of commission expenses (often called Deferred Acquisition Costs or DAC) observed in Q1 continued into Q2, bringing the year-

to-date increase to approximately \$1.5 million. Of note, upon the payment of a death benefit, any remaining unamortized DAC associated with that policy is then amortized. Additionally, the DAC assumptions are reviewed and updated periodically.

- Lastly, our Current Expected Credit Losses (or CECL) increased by approximately \$250,000 during the quarter, bringing the year-to-date increase to about \$1 million. As a reminder, CECL is driven by formula-based accounting standards, combined with generalized market assumptions, which may not reflect our actual long-term credit experience.

As we noted in the press release, in the past month, we executed leadership changes within our life sales organization. These changes are designed to accelerate new premium sales while preserving the improved profitability delivered by our pricing strategies. We believe this adjustment positions us well to meet our growth targets in the future.

In summary, I believe the second quarter was a strong quarter for our life segment, featuring more than \$1 million in earnings growth relative to Q2 2024, improved margins, and ongoing strategic investment. Despite elevated mortality and other headwinds, we delivered stronger profitability than in the same quarter last year.

We remain confident that our disciplined pricing, strategic investments, and operational improvements will continue to drive sustainable long-term success.

Thank you for your continued support. I look forward to updating you on our progress in the next quarter.”

## **6. Security National Funeral Homes and Cemeteries**

**Presenter: FH&C COO Steve Kehl**

“Good afternoon, everyone. I am Steve Kehl, the Chief Operating Officer of Security National Funeral Homes & Cemeteries.

First, I want to express my heartfelt appreciation to our funeral home, cemetery, grounds and operational support teams. Your unwavering dedication to service excellence and operational professionalism continues to be the cornerstone of our success. Even in the face of today’s challenging economic environment, your commitment inspires confidence and upholds the highest standards of care for the families we serve.

In Q2, we reported net earnings before tax of \$1.79 million, down from \$2.09 million last year, or 14.2%. Much of this decline rests within our operating earnings, but more

specifically derived from our cemetery operations. Our total revenue in Q2 was \$8.14 million, down from \$8.28 million, or 1.7%.

These results are not only a reminder of the challenges we're navigating, but they're also a catalyst. We continue to act with urgency to address today's pressures, while making the investments and implementing operational improvements that will strengthen our foundation and position us for long-term success.

In Q2, our funeral home earnings came in at \$387,000, down slightly from the \$394,000 in earnings from Q2 last year. Revenue, however, rose 1.2% to \$3.26 million. This was driven by a 3.3% increase in our funeral sales averages. In addition, we continued to see our sales mix move another 3.6% towards cremation as our total cremation rate in this Q2 was 52.8%. As Scott alluded to in the Q2 press release, we have realized a 6.1% increase in these cremation families that are choosing to have service associated with honoring their loved one's life.

We feel that this revenue growth reflects the success of our enhanced service offerings, particularly for cremation families, and the enhanced skillsets of our funeral directors in guiding families through meaningful choices. We have allotted much time to professional training within both the arrangement conference setting, as well as raising our professional standards of excellence with our funeral home teams.

In Q2, cemetery earnings were \$822,000, down from prior year quarter's \$1.43 million. Revenue declined 10% from \$4.81 million to \$4.33 million, with our preneed land sales lagging behind prior year's quarter, which included larger land sales that were absent in Q2 of 2025. Another contributing factor to the revenue decrease is from our interment volumes being down by 16.4%, or 65 interments. This is driven largely by the continued consumer shift toward cremation.

We have raised both the level of professionalism and our standards of excellence expectations within our cemetery sales team this year. This initiative has come at a short-term cost. Since January 2025, we have turned over 60% of our sales team. At the end of Q2, 52% of our cemetery sales team have joined us within the last six months. We have recruited heavily and that has brought us talented professionals with proper mindsets. We also remain committed to investing in and developing our cemeteries to offer a full range of both burial and cremation options that meet the evolving family needs as our team educates on the importance of having a final resting place to honor the life lived.

In Q2, our investment income totaled \$572,000, compared to \$270,000 in the same period last year. We continue to align with the Life Segment and invest in real estate activities that we feel will bring higher future yields. We realize that those returns come with time. We also remain committed to investing in our internal development projects involving cemetery garden expansions.

For the remainder of 2025, our focus is clear:

1. Talent Development – Building our teams’ skills, especially in communicating value in the cremation space.
2. Technology – Rolling out digital tools to improve our sales team efficiency and the customer aftercare experience.
3. Expense Management – Maintaining cost discipline to protect margins.
4. Sales Culture – Recruiting top talent and driving accountability across our operations.

We remain optimistic. Our operating model is strong, and our core businesses have room to grow. We recognize that reaching our desired destination of sustained growth will require more than simply repeating what we have done in the past.

Our deliberate and significant investments in people, technology, and customer service innovation, combined with disciplined cost control, will strengthen our competitive position and support performance gains in the quarters ahead.

Thank you for your time, your confidence, and your continued partnership.

I will now turn the time back over to Heather Street.”

## **7. Q&A Instructions + Live Q&A**

**Presenter: HR Director Heather Street**

“Before we conclude today’s call, we would like to open the floor for questions. As a reminder, to ask a question, please use the zoom platform to raise your hand to unmute, or you may submit questions through the zoom Q&A panel. Include your name and organization. We’ll take as many as time permits.”

### **First Question:**

“What specific steps are being taken to turn around the mortgage company losses?”

### **Response from SNMC CEO & President Andrew Quist:**

“Yeah, this is Andrew Quist again. The specific steps that are being taken are both expense reduction on the mortgage side and an increase in margins and so we are working on both the revenue and expense side of the equation. We have increased our margins in the second quarter going into the third quarter, which will certainly increase revenue in the third quarter on a comparative basis, and we continue to rationalize our expenses. The two areas that we saw the biggest expense increases year-over-year in the second quarter were what I mentioned, two that we don’t have operational control over, that being CECL, current expected credit losses and deferred compensation

accruals. Outside of that, we continue to work feverishly at reducing the operational expenses we can control.”

**Second Question:**

“Do you feel that the premium increases play a role in the life cycle?”

**Response from SNL CEO & President Adam Quist:**

“Yeah, good question. This is Adam Quist and I'll be answering that question. It certainly plays a role anytime you increase premiums. There is, in my opinion a mindset challenge that you have with your sales force and that is something that we're currently navigating. We are working on the mindset of our sales force, that we are a value proposition company, that we do not compete on price, we compete on value, and that because we compete on value our offerings are still a very compelling offering in the marketplace. I think we are making good progress on that and we are seeing some good headway with our sales force mindset and it's sales velocity.”

**Third Question:**

“What is the main cause of the \$4 million increase in personnel costs?”

**Response from SNL CEO & President Adam Quist:**

“Yeah, I can take that. There's a couple of things that cause it. I mean if you're looking for one main cause -- there are certain, there are natural increases that we have to make to keep competitive with market rate compensation. We find that retaining individuals, while you do have to increase to market rates, it is still cheaper than having to train someone and so that is one element of it. The other element of it would be strategic investments that we have made, and strategic hires that we have made that we believe will make us a stronger company going forward. Speaking specifically, I think that things such as generating a proprietary aftercare program and a proprietary CRM program for our sales force -- those things do cost money, and it does require a personnel investment, but we believe that investment will be returned in the future.”

**Fourth Question:**

“What other issues do you feel have created a drop in life sales?”

**Response from SNL CEO & President Adam Quist:**

“Well, I would note that our premium collections were flat, so I might question the use of the word drop there. But I think the main issue, if I were to summarize it, is our leadership and we've addressed that sales leadership, we've made changes there and we mentioned that in the press release and also in my comments today. I simply think that we did not have good sales leadership at the positions we needed to and combining that with a premium increase created some challenges for our field-level sales. But I

think we have addressed the leadership issues, and I think we are seeing some good returns from our sales force at the moment. Albeit we're still very early on in the process.”

**Fifth Question:**

“On the mortgage side, if we increase margin, don't we run the risk to be less competitive and have lower volume?”

**Response from SNMC CEO & President Andrew Quist:**

“This is Andrew Quist again. Certainly, that's a risk. Thank you for the question, Carlos. That is why we pay close attention to the market environment, and we can see through both our pricing engine, not specific competitors, but market conditions and through publicly traded results that our competitors in the market right now have been increasing margin as well. So, it's something that we have to monitor carefully and make sure that we don't increase more than what we're seeing the market increase. But yes, that is something that we certainly monitor, and we have to balance.”

**Sixth Question:**

“Can you speak to the overall investment exposure to real estate and your relationships with builders?”

**Response from CFO Garrett Sill:**

“So, this is Garrett Sill. I'll answer the first part of that question as far as investment exposure. It's something we look at when we look at our investments, I noted that we had increased our investment in real estate by about 28 million this year. In addition to the increase of \$28 million, we've balanced that with an increased investment in our bond portfolio as well by 25 million. We look at all our investments in buckets quarter over quarter and year over year. I don't think the percentage increase in real estate investment is significant given our balance sheet size, but it is something we review on a regular basis. Regarding our bond portfolio, we made a concerted effort beginning of the year. Actually, it started back in Q4 last year to increase our bond portfolio, which is a little more stable, albeit, it is subject to interest rates and market movements, but the income portion of that portfolio is fixed in nature and pretty steady, so we feel pretty good where we're at as far as ratios go with our investment in various assets. So, nothing too concerning regarding the increase in Q2 of our real estate investments. I'll let Jason Overbaugh answer little bit more on the builder side.”

**Response from SNL Vice President & Director Jason Overbaugh:**

“Thank you, Garrett. Yes, this is Jason Overbaugh, Vice President and Director with responsibilities for our builder relationships. I'll say two things about the relationships with builders we work with. We choose to only work with high-quality builders who have very strong track record of performance. Typically, these builders are working in the

production home models and would provide a very stable base of buyers for their homes. The other point I would make about these relationships is we stay very much in markets that we see as growing and expanding, where there's strong employment bases to be able to have the ultimate buyers to take out these homes. So, high-quality builders, stable markets are very much an important part of our strategy. I will say, maybe a third thing, we've acquired some very talented people that Adam didn't really give a nod to, or maybe the right phrase is recognize in the increase in compensation that bring twenty plus years of banking experience so that we are sure of our valuations and we are sure of our processes in protecting the investments that we're making in Security National. So high-quality builders, high-quality markets and then high-quality talent here at Security National ensuring the investments are handled properly.”

**Presenter: HR Director Heather Street**

“Thank you again for your questions and participation. We value the engagement and thoughtful input of our shareholders and analysts.”

## **8. Closing Remarks**

**Presenter: HR Director Heather Street**

“For more information about the meeting, our latest financial reports, or any other investor materials, we invite you to visit the Investor Relations section of our website at [www.securitynational.com](http://www.securitynational.com).

We appreciate your continued support of Security National Financial Corporation. This concludes our second quarter 2025 earnings call. We look forward to speaking with you again soon.

Thank you and have a great day.”