

# SECURITY NATIONAL FINANCIAL CORPORATION

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Investor Presentation | March 9, 2017

Security National



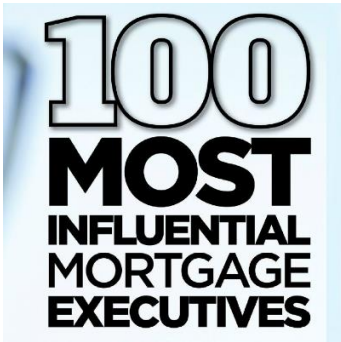
Security National Financial Corporation  
[www.SecurityNational.com](http://www.SecurityNational.com)



Top 20 Public Company  
in the State of Utah



**TOP**  
MORTGAGE  
CUSTOMER  
SATISFACTION



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

Third Quarter 2016	
Assets	\$838M
Liabilities	\$712M
Stockholders Equity	\$126M
Book Value Per Share	\$8.89
3Q 2016 YTD Revenue	\$233M
Earnings After Tax	\$12.4M
Earnings Per Share (Q3)	\$0.37
Earnings Per Share (YTD Q3)	\$0.89
Stock Price at 9/30/16	\$5.58

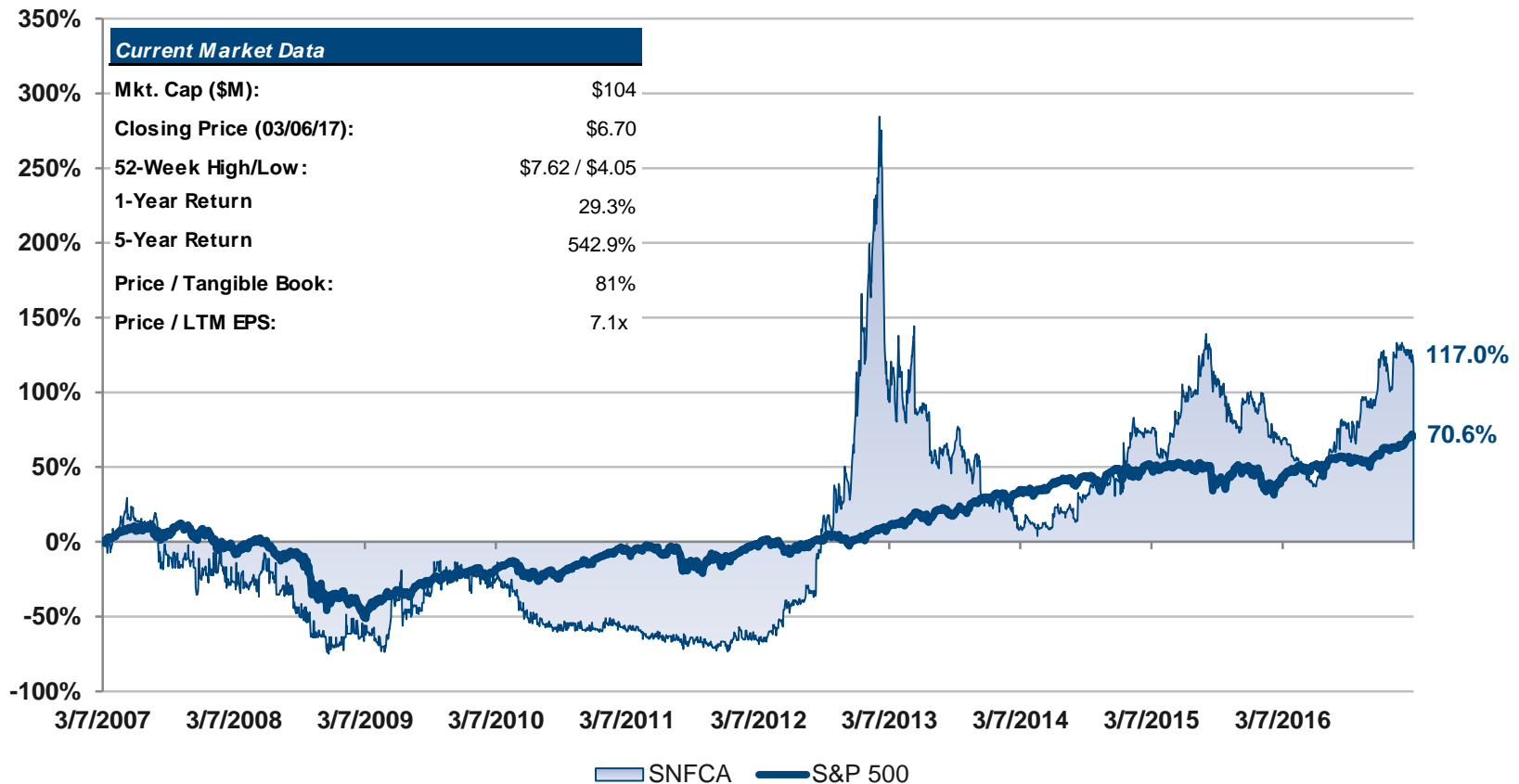
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# Security National Financial Corporation

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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	\$1.53	\$1,530.00
2002	1,276	\$1.20	\$1,531.20
2007	1,629	\$3.23	\$5,261.67
2012	2,079	\$1.07	\$2,224.53
2017	2,653	\$6.85	\$18,173.05

**13.20%**

Avg. Compound 10yr Return  
(Assumes Dividends Retained)

**13.17%**

Avg. Compound 20yr Return  
(Assumes Dividends Retained)

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# Security National Financial Corporation

## Key SNFCA Ratios

**12.12%**

Return on Equity  
(5 yr avg.)

**66%**

Price/Book Value  
(2016 Q3 YTD)

**\$1.03**

Earnings Per Share  
(Trailing Four Quarters)

**2.28%**

Return on Assets  
(5 yr avg.)

**72%**

Price/Tangible Book Value  
(2016 Q3 YTD)

**5.42x**

Price/Earnings  
(Trailing Four Quarters)

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# Security National Financial Corporation

## Equity Capital Structure

Equity Capital Structure			
Class A Common Stock	Par Value \$2.00	20,000,000	Authorized
		13,819,000	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
		1,902,222	Outstanding

\*As of November 14, 2016



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# Security National Financial Corporation

## 3<sup>rd</sup> Quarter YTD Comparison 2015 to 2016

	2015 Q3 YTD	% Change	2016 Q3 YTD
Total Revenues	\$216M	8.1%	\$233M
Total Benefits and Expenses	\$199M	8.0%	\$214M
Pre-Tax Earnings	\$17.0M	9.5%	\$18.6M
Income Tax expense	(\$6.4M)	(3.4%)	(\$6.2M)
Net earnings	\$10.6M	17.3%	\$12.4M
Earnings per share	\$0.78	14.1%	\$0.89
Assets	\$749M	11.8%	\$838M

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# Security National Financial Corporation

## Year End Comparison 2013 to 2015

	2013	2014	2015
Total Revenues	\$215M	\$227M	\$283M
Total Benefits and Expenses	\$206M	\$215M	\$263M
Pre-Tax Earnings	\$9.8M	\$12.5M	\$19.8M
Income Tax Expense	\$2.2M	\$4.7M	\$7.2M
After Tax Earnings	\$7.6M	\$7.8M	\$12.6M
Earnings Per Share	\$0.58	\$0.59	\$0.92
Assets	\$619M	\$671M	\$750M

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# Security National Financial Corporation

## Snapshot by Segment

	2013				2014				2015			
	Life Insurance	Cemetery & Mortuary	Mortgage Banking	Total	Life Insurance	Cemetery & Mortuary	Mortgage Banking	Total	Life Insurance	Cemetery & Mortuary	Mortgage Banking	Total
Total Revenues	\$76M	\$13.7M	\$134M	\$215M	\$87.9M	\$13.7M	\$133M	\$227M	\$94.5M	\$13.6M	\$184M	\$283M
Total Benefits and Expenses	\$73.1M	\$13.5M	\$128M	\$205M	\$79.4M	\$13M	\$130M	\$214M	\$86M	\$12.7M	\$173M	\$263M
Income Tax Benefit (Expense)	\$0.4M	-	-\$2.6M	-\$2.2M	-\$3.4M	-	-\$1.2M	-\$4.7M	-\$3.1M	-	-\$4M	-\$7.1M
Net Earnings (Loss)	\$3.2M	\$0.2M	\$4M	\$7.5M	\$5M	\$0.6M	\$2M	\$7.7M	\$5.3M	\$0.9M	\$6.3M	\$12M

\* Consolidated totals account for intersegment deductions

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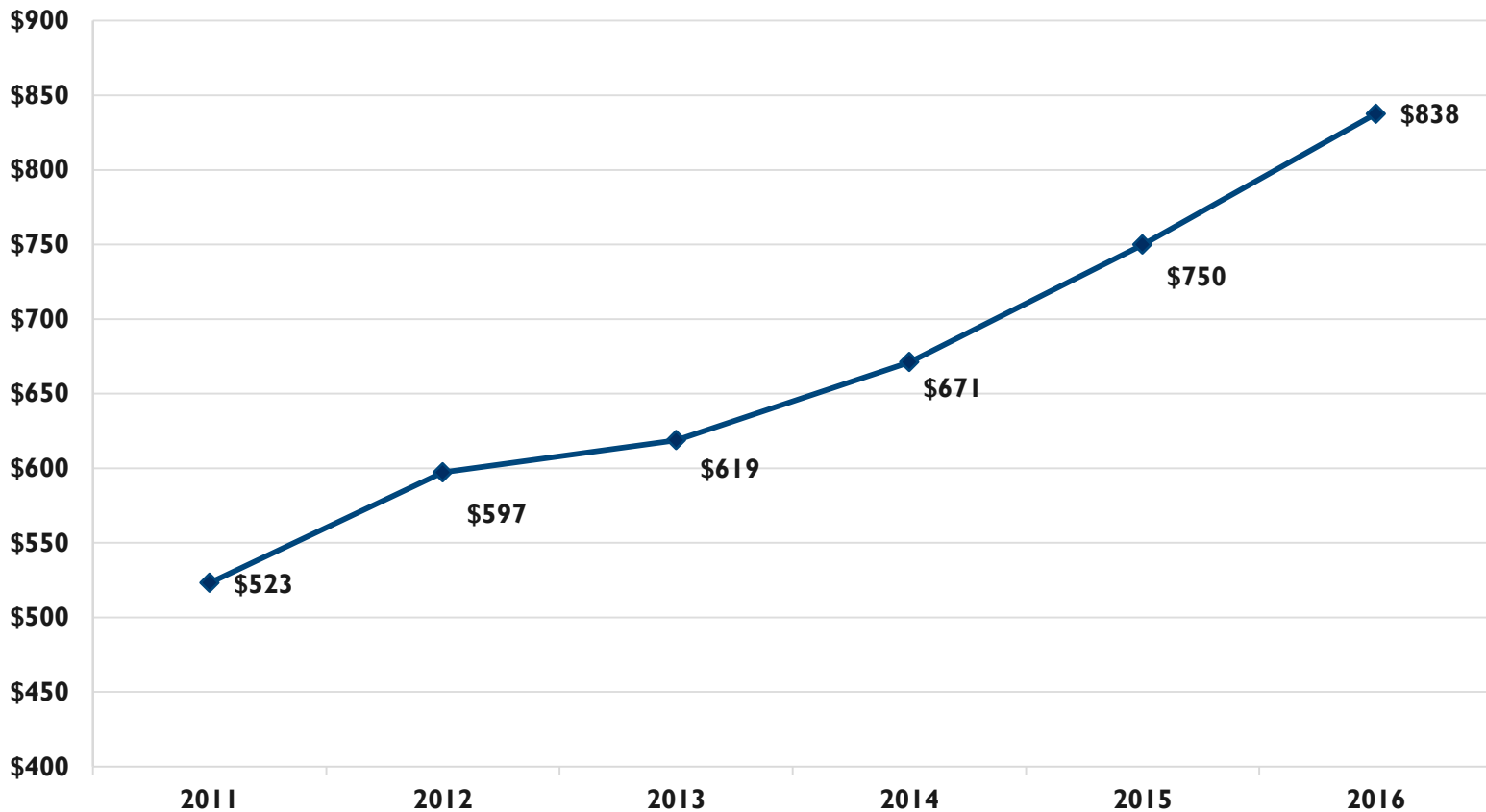


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# Security National Financial Corporation

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## Asset Growth



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*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.

# Life Insurance Segment Snapshot

## Life Insurance Segment Snapshot

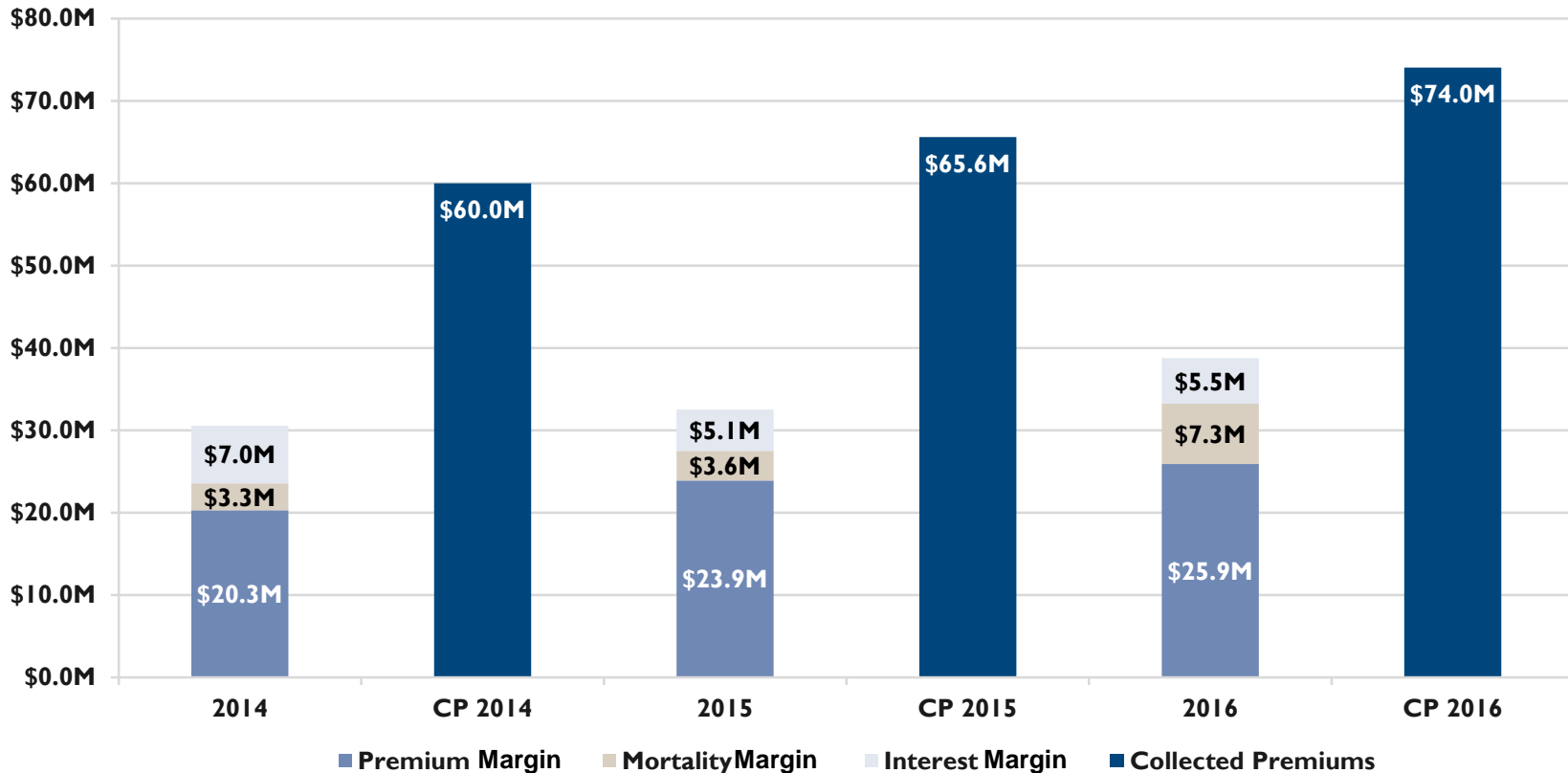
	2013	2014	2015	2016 Q3 YTD
Total Revenues	\$76.0M	\$87.9M	\$94.5M	\$80.4M
Total Benefits and Expenses	\$73.2M	\$79.4M	\$86.1M	\$74.7M
Pre-Tax Earnings	\$3.7M	\$8.5M	\$8.5M	\$5.7M
Pre-Tax Earnings Without Realized Gains	\$2.3M	\$7.3M	\$6.2M	\$5.7M
Income Tax Benefit (expense)	\$0.4M	(\$3.4M)	(\$3.1M)	(\$1.8M)
Net After Tax earnings	\$3.3M	\$5.0M	\$5.3M	\$3.8M
Assets	\$592M	\$652M	\$721M	\$800M

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# Security National Life Insurance Co.

## Collected Premium Margins (Statutory Basis)



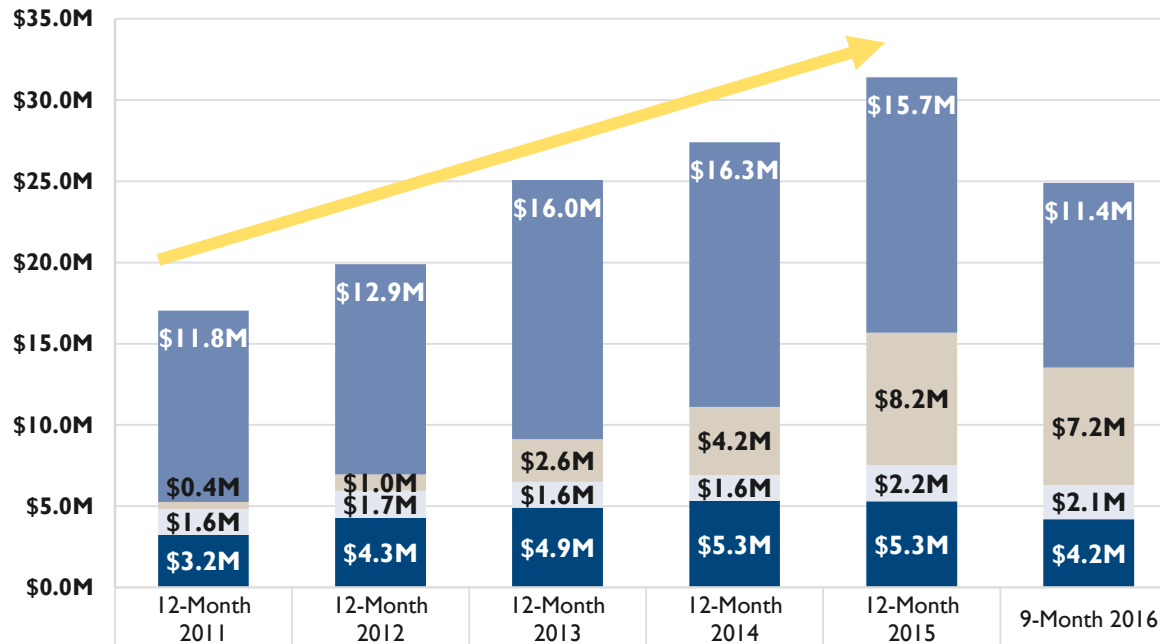
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# Building Our Salesforce

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



	12-Month 2011	12-Month 2012	12-Month 2013	12-Month 2014	12-Month 2015	9-Month 2016
■ Pre Need	\$11,787,479.0	\$12,939,765.0	\$15,956,017.0	\$16,279,909.0	\$15,709,493.0	\$11,382,830.0
■ Final Expense	\$440,155.00	\$1,006,957.00	\$2,627,012.00	\$4,192,708.00	\$8,163,722.00	\$7,220,600.00
■ Home Service	\$1,581,342.00	\$1,679,956.00	\$1,594,193.00	\$1,599,596.00	\$2,227,267.00	\$2,107,398.00
■ Annuities	\$3,240,922.00	\$4,269,485.00	\$4,906,196.00	\$5,321,392.00	\$5,299,115.00	\$4,197,684.00

**38**  
Number of States where Licensed

**>4,000**  
Sales Agents

**84%**  
Sales Growth 2011 vs. 2015

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

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# Security National Life Acquisitions

## Most Recent Acquisition



**FIRST GUARANTY**  
INSURANCE COMPANY

**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.

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## 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

	2013	2014	2015	2016 Q3 YTD
Total Revenues	\$1359M	\$133M	\$184M	\$153M
Total Benefits and Expenses	\$128M	\$130M	\$174M	\$141M
Income Tax Benefit (Expense)	(\$2.6M)	(\$1.3M)	(\$4.1M)	(\$4.4M)
Net Earnings (Loss)	\$4.1M	\$2.0M	\$6.4M	\$7.3M
Mortgage Servicing Rights	\$4.8M	\$7.8M	\$12.7M	\$17.4M

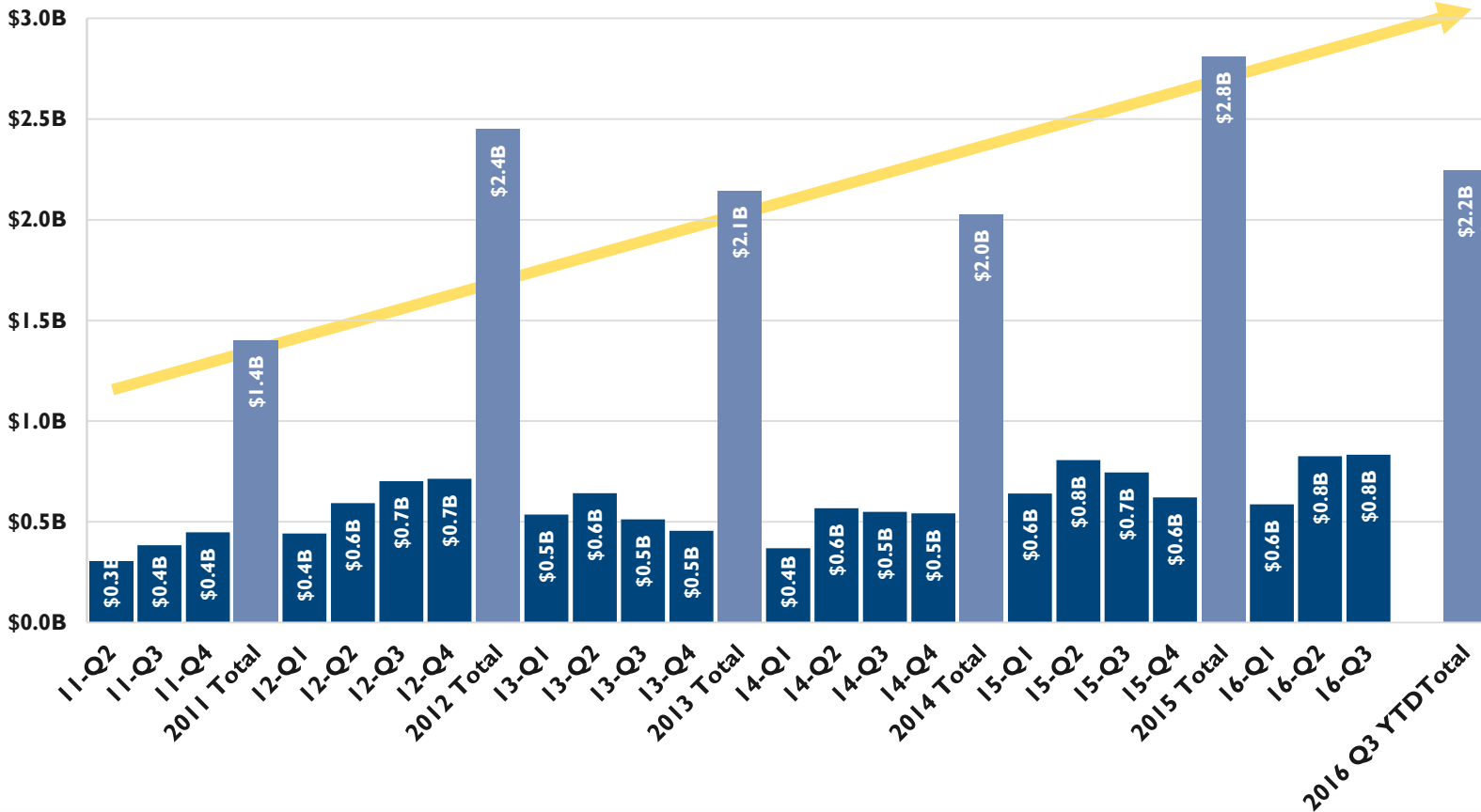
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# Security National Mortgage

## SNMC Funding Volume



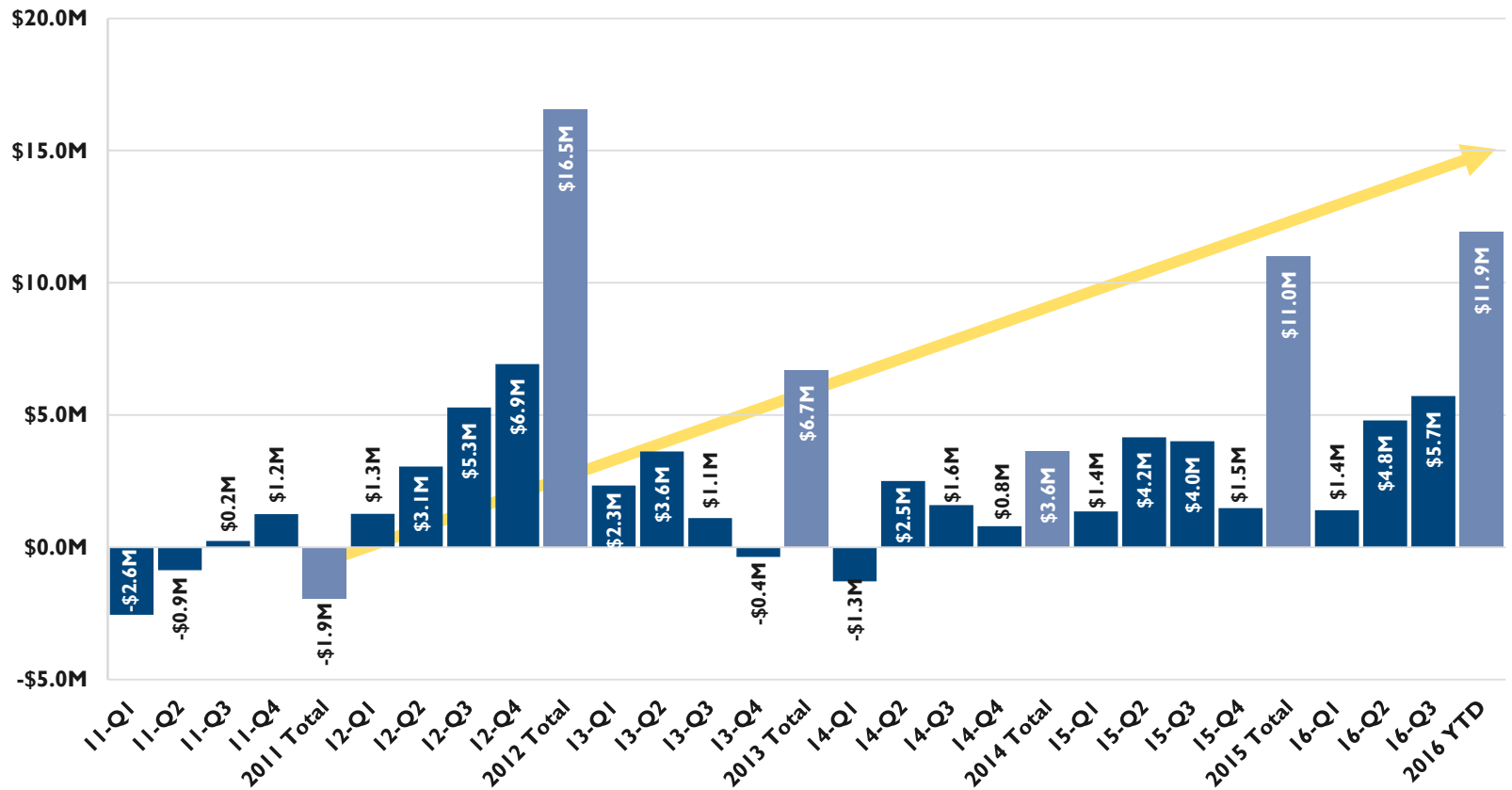
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# Security National Mortgage

## Pre-Tax Net Income - 2011-2016



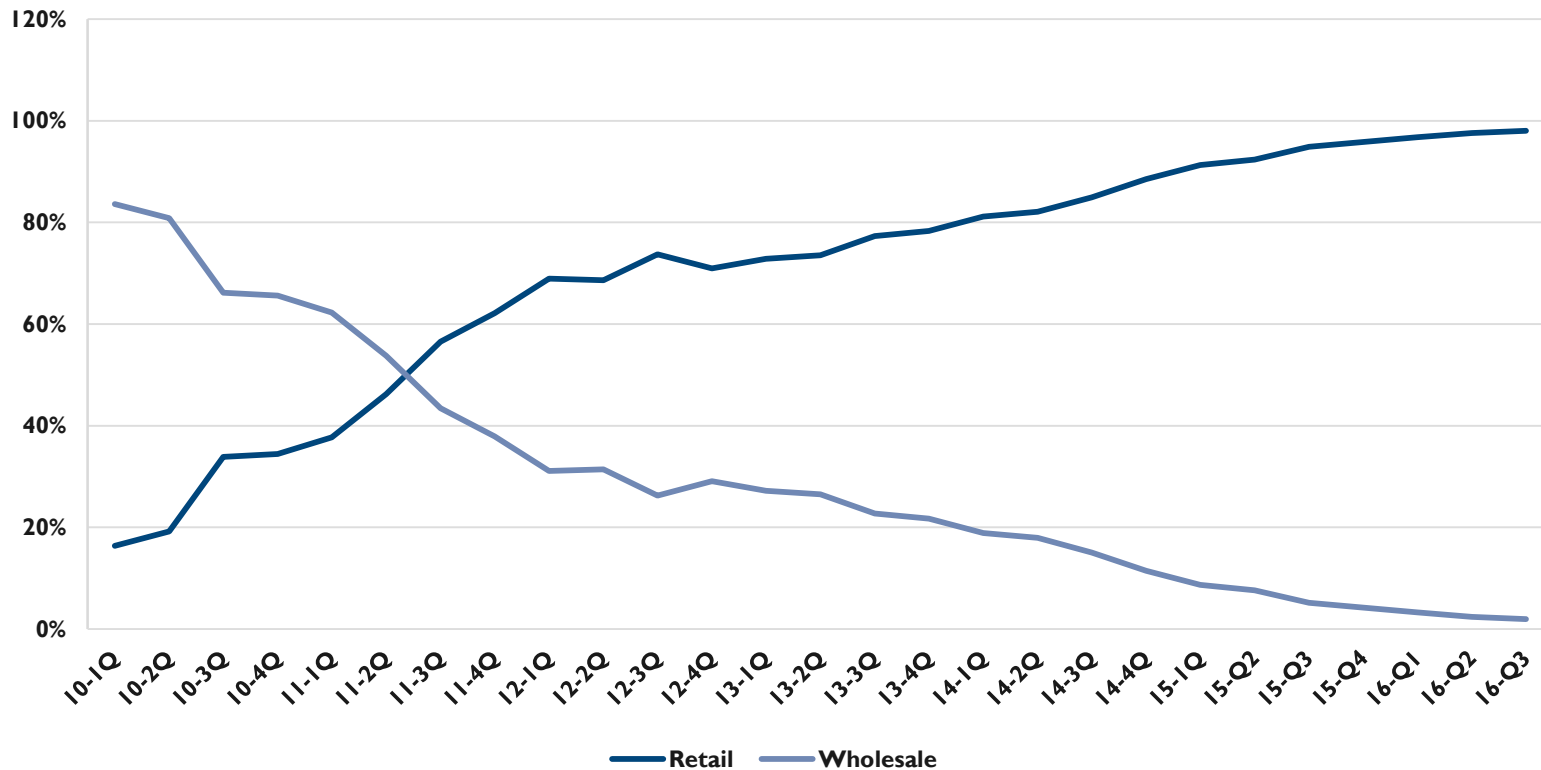
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# Security National Mortgage

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

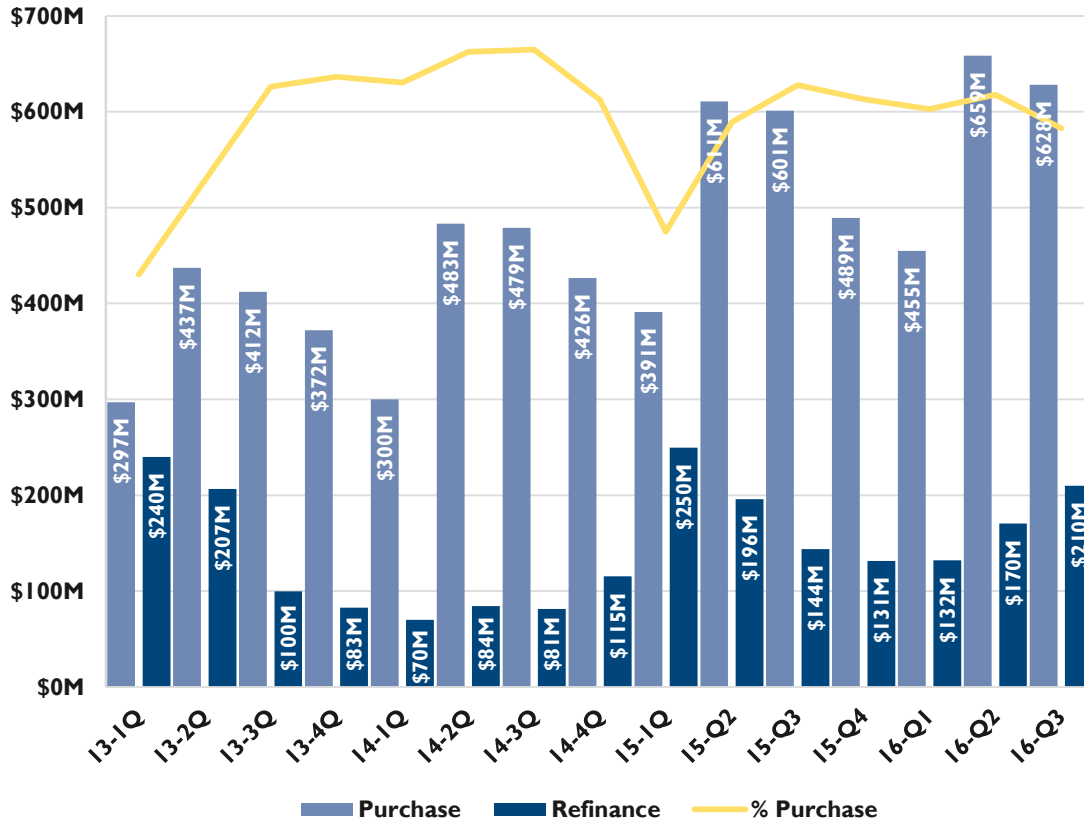









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# Security National Mortgage

## Purchase/Refinance Mix



Top States	Production %
 Utah	37.57%
 Texas	16.95%
 Nevada	11.38%
 Florida	10.54%
 Arizona	8.12%
 California	3.98%
 Washington	3.31%

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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 Q3 YTD	\$887M	\$2.5B	\$4.4M	\$1.6M

- 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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# 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 Q3 YTD
Total Revenues	\$13.7M	\$13.7M	\$13.6M	\$10.7M
Total Benefits and Expenses	\$13.5M	\$13.1M	\$12.7M	\$9.4M
Net Earnings	\$0.2M	\$0.7M	\$0.9M	\$1.3M

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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

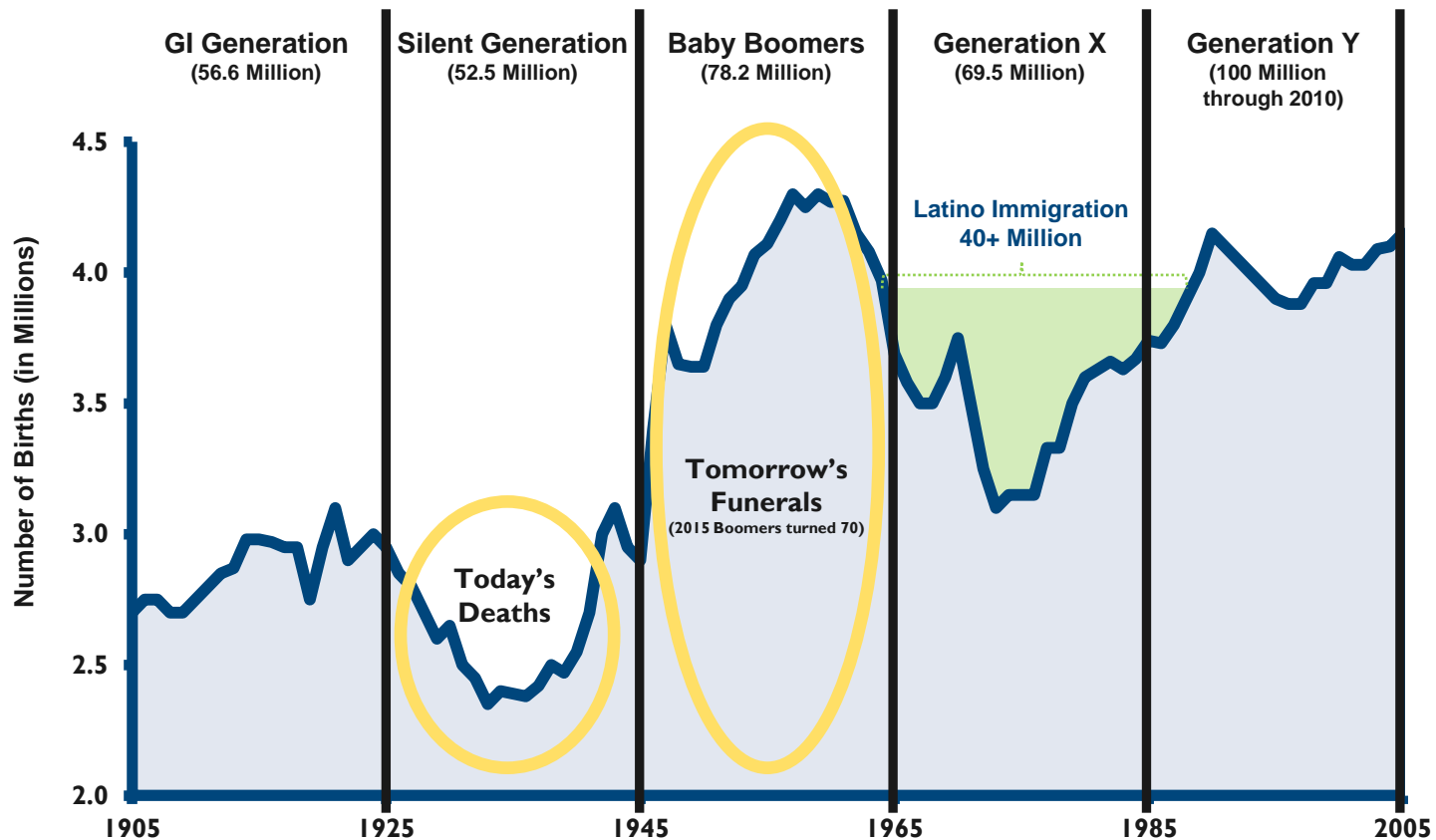
**65%**  
Profit Margin on  
merchandise

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# Security National Life Insurance Co.

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



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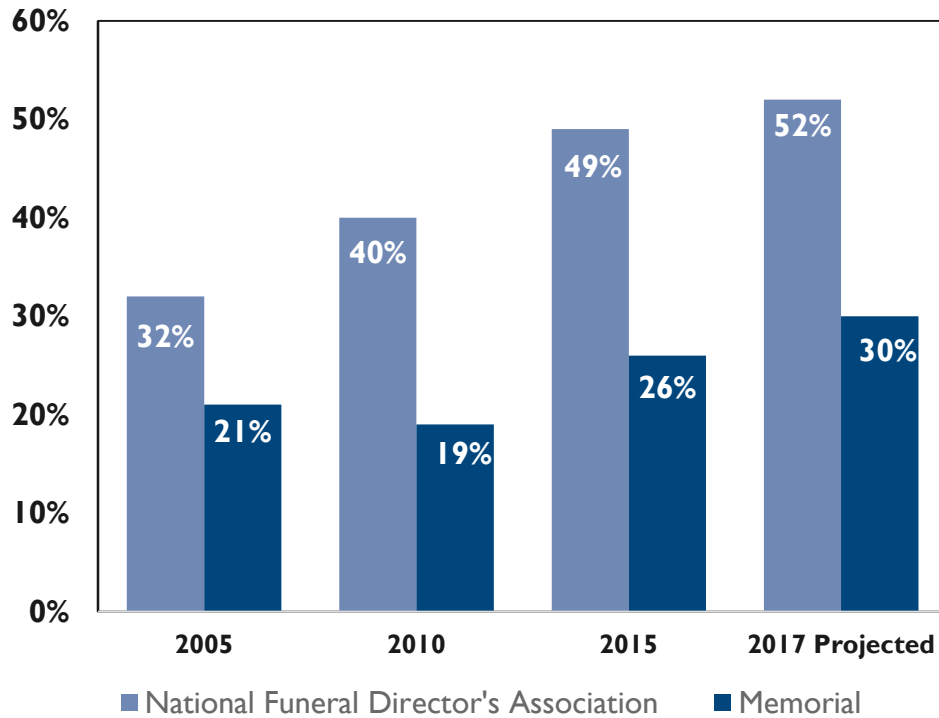




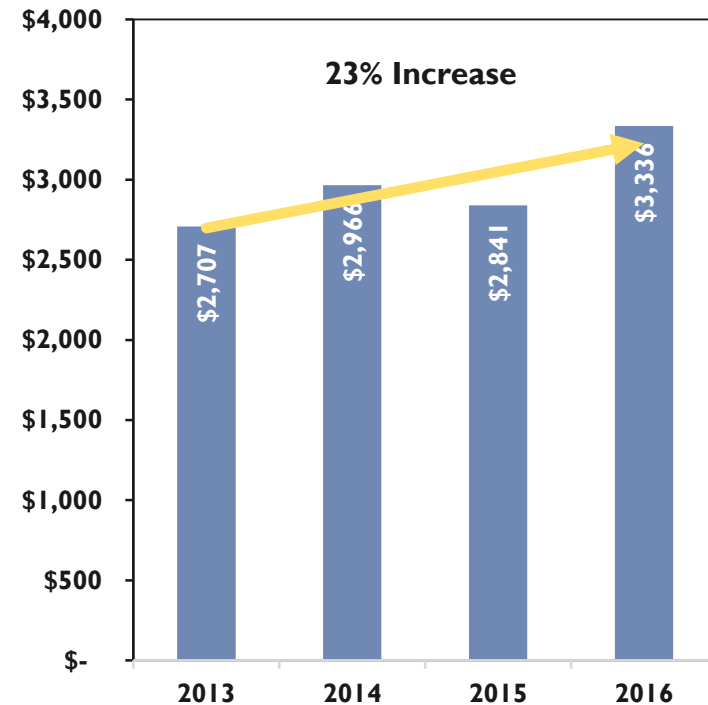
# Memorial Utah

## Cremation

### Cremation Trends



### Memorial Cremation Average

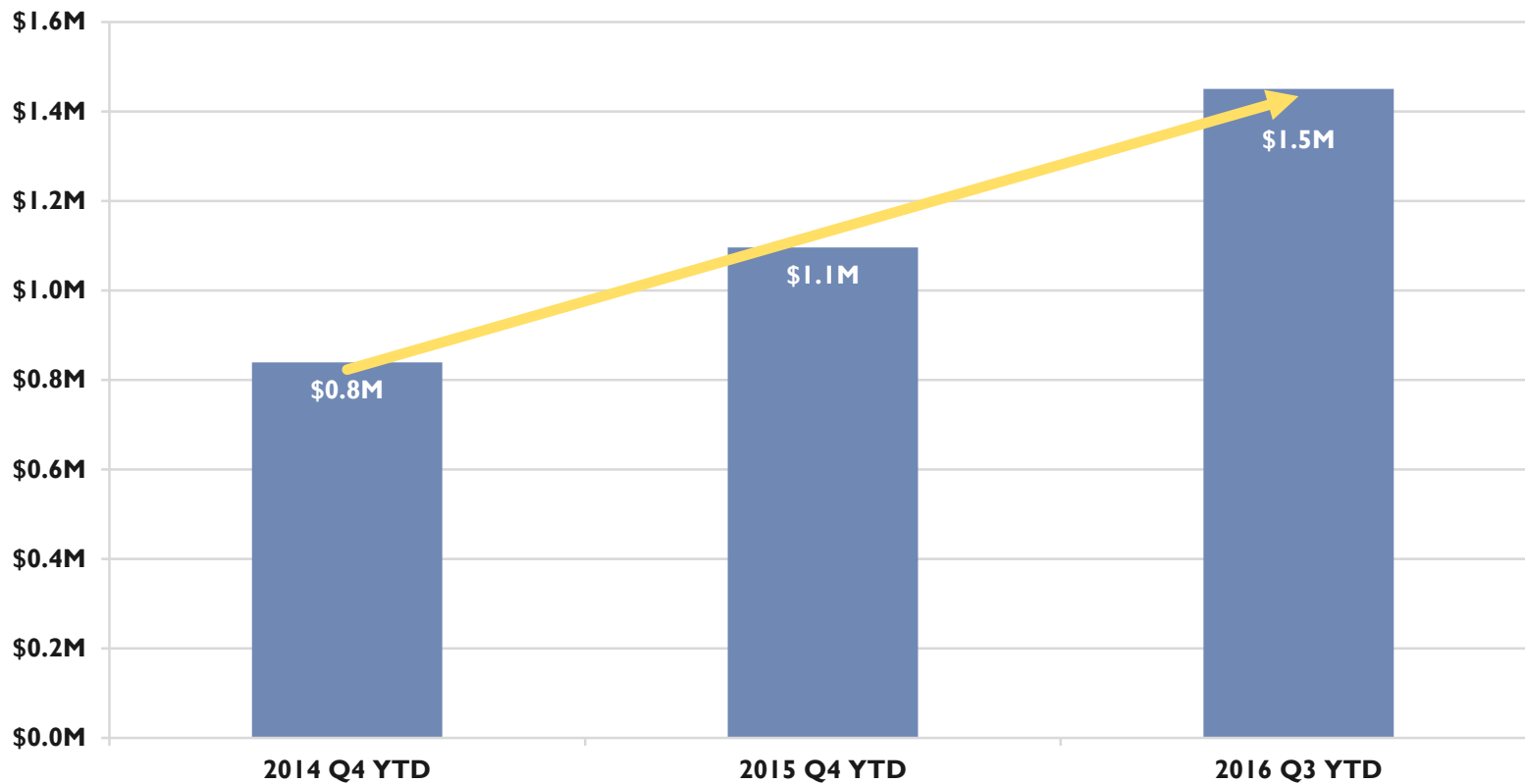


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# Memorial Utah

## Memorial Division YTD Net Income



*\*Excluding depreciation and realized gains*

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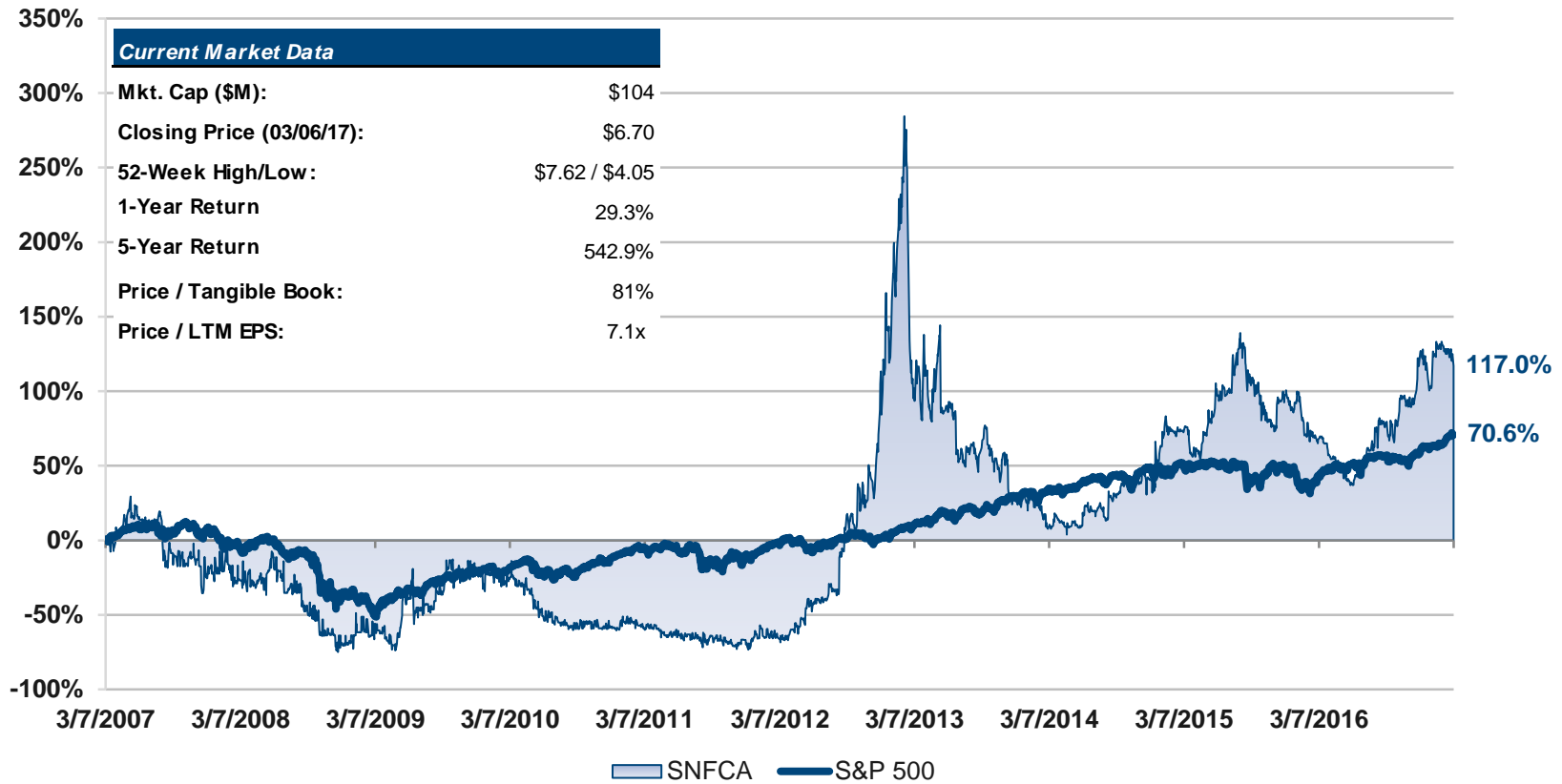


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## 10 Year Stock Price Trend vs. S&P 500





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