Quarterly Investor Call Transcript

Security National Financial Corporation
Quarter: Q2 2026
Date & Time: Thursday, August 13th 1PM MT

1. Welcome & Forward-Looking Statement

Presenter: VP HR Heather Street

"Good afternoon, everyone, and welcome to Security National Financial Corporation's Second Quarter 2026 Earnings Call. We thank you for joining us today to review our financial and operational results for the period ended June 30, 2026.

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.

With that, I'd like to turn the call over to our Chairman, President, and Chief Executive Officer, Scott Quist.

Scott?"

2. Welcome & Remarks

Presenter: CEO Scott Quist

"Thank you. Welcome everyone.

I am pleased to report that our second quarter earnings, after tax, increased 7.3% over 2025, and that our first half earnings increased 8.1%, after tax, over 2025. This improved profitability for both the quarter and the first half of the year illustrates the very solid operational and sales progress we have made in all of our business Segments. It is not lost on me that our top-line revenue decreased 6.3% for the quarter and 5% for the half.

We are working aggressively, and in my view successfully, to address those revenue issues. But our first goal was improved profitability, and we achieved that goal.

Our Mortgage Segment can be considered the “star” for the first half of 2026, delivering two very solid quarters of improved performance. The Mortgage Segment improved Q1 year-over-year profitability by $1.4MM and then followed that great performance in Q2 with a $1.6MM improvement, for a total $3.0MM profit improvement for the first half of 2026. Revenue did decrease 9% for the first half, which is never our goal, but that decrease highlights the tremendous operational improvements that were accomplished. Obviously, there is a nexus between revenue and profitability, but in this market if we must choose one or the other, meaning revenue growth or improved profitability, at this juncture I much prefer the improved profitability. I will say that is not always my preference. Well, I always do want to improve profitability. But sometimes it’s the time to grow revenue, and sometimes it's the time to grow profitability. A “shout out” is owed to the entire company for this improved performance. Suffice it to say that all aspects have been worked, worked again, and reworked over the last several years, including management structures, margins, marketing, commissions, products, pricing, back office, secondary operations, underwriting, and closing and funding, to achieve greater efficiencies. Much work remains to be done, but after all the hard work of our team it is gratifying to see this Segment profitable in Q2 and within striking distance of profitability for the year.

Our Cemetery and Mortuary Segment also delivered stellar results increasing revenue by 21% for the quarter and by 13% for the first half, with a corresponding profit improvement of 69% for the quarter and 29% for the first half. As is many times the case, there is much movement going on “under the hood” in achieving those impressive results. First, the overall backdrop. While it is difficult to precisely quantify at this time, I believe most would agree that the death rate in the United States dropped in 2026 to its lowest level in recent years. The improved mortality experienced in our Life Insurance Segment, decreased case counts in our funeral funding operations, and reviews of our publicly-traded peers all reinforce that conclusion. Thus, looking within this Segment at our mortuary-only results, while revenue did increase by some 3% for the first half, profitability actually decreased some 9%. We believe that we have generally increased our market share, but it has been a struggle because of this year’s declining death rate. However, demonstrating the benefit of diversified income streams, our cemetery-only results showed an 11% revenue improvement with a 17% profitability improvement, basically as the result of improved preneed cemetery sales. Our cemetery preneed sales results show that we are controlling that which we can control, which is leading to overall profit improvement. Many thanks to the considerable effort that has gone into rebuilding our preneed cemetery sales force. In addition to the improved preneed sales results, we had a $1MM favorable investment tailwind in the second quarter, which reversed the unfavorable investment results we experienced in the first quarter. All in, we achieved a nearly 23% Segment net profit margin in the first half, which in my view is admirable.

Our Life Insurance Segment also made very significant positive progress despite its top-line revenue decrease of 5.5% for the first half and a profitability decrease of 13%. I don’t believe those numbers are illustrative of the significant progress which has been accomplished in nearly all facets of our business. Regarding the revenue decrease there are two major components, which are premium revenue, the smaller component of the decrease, and investment income revenue. While there are numerous inputs into the reported premium amount, which makes generalizing somewhat hazardous, to me the premium revenue decline is primarily due to fewer single premium products being sold in 2026, which in my view is our least profitable product. Our modal-pay product sales have actually increased year-to-date, but those effects won't be realized in our financial statements for several periods. As I have noted in prior releases, we have been spending significant time and resources in improving our sales functions, which efforts in my view have been very successful even being measured at this very initial stage. Illustrative of that initial success, first-year premium sales are now up vs. 2025. We have much work to do, but we have built, and are building, excellent offerings for the marketplace, to include a much improved onboarding process for new sales personnel, ease of application for both the agent and the customer, quicker real time underwriting decisions, better lead generation and management, more predictable commission and advance structures, and better quality measuring metrics, all resulting in significant first-year traction.

The larger factor in this Segment's revenue decline, and probably also the larger factor in its profitability decline, is its investment income. Specifically, we had lower builder profit splits in 2026 vis a vis 2025, and also decreased interest income. We have made specific strategic decisions to increase our landholdings, which in my view will lead to greater profits in the future, albeit at the cost of current profitability since we recognize no profit on land until it is either sold or a home on it has started construction. Many of our landholdings have a 12 to 24 month, or longer, time horizon, so increasing landholdings does suppress both revenue and profit in the current period, in favor of greater profitability in the future. Regarding the decrease in interest income, this result reflects the impact of loan payoffs, increased rate competition, and lower loan origination volumes during Q1. Construction-related loan originations, however, rebounded strongly during Q2. Utah new-home starts were down significantly in 2025 (which trend appears to be continuing in 2026), which led to decreased construction loans. Primarily due to lower loan production our cash position has increased by some $61MM since Dec 31, 2025, which does earn "bank interest" but at a rate below that of our lending activities. Despite those declines, I don't believe we have ever had better processes or more talented and capable people in responsible positions than we do today. In summary, I believe we have improved capacity, more talented people, greater wherewithal, and better sales offerings in both product and processes, than we have ever had.

In a nutshell, when viewed as a whole, SNFC increased profitability in the quarter by 7.3%, and for the first half by 8.1%, despite a decline in revenue. Many thanks to our hard-working teams for achieving those impressive operational results."

3. SNFC Financials

Presenter: CFO Garrett S. Sill

"Thank you, Scott. Good afternoon and thank you for joining us today. My name is Garrett Sill, and I am the Chief Financial Officer of Security National Financial Corporation.

This was a good quarter for the Company, and I too want to thank all our employees for their efforts and dedication in making Security National a great company. In addition to what Scott shared, I want to highlight a few additional items regarding our consolidated financial statements. First, on our Balance Sheet, Total Assets grew to $1.61B as of June 30, 2026, an increase of $47.5MM, or 3.0%, compared to yearend. We also saw a 60.0%, increase in cash and cash equivalents, while our combined investment portfolio decreased $13.0MM, or 1.2%, to just over $1B, as we continue to look for opportunities to deploy the elevated cash balances we discussed on our last call. Total Liabilities increased $24.8MM, or 2.2%, to $1.18 billion. Stockholders' Equity increased $22.7MM, or 5.5%, to $433.0MM, and as a result, our Debt-to-Equity ratio improved to 2.72 times, from 2.81 times at year end, reflecting continued strengthening of our capital position.

Moving to our Statement of Earnings, Net Earnings for the second quarter were approximately $9.0MM, an increase of nearly $2.0MM, or 28.3%, compared to Net Earnings of $7.0MM in the first quarter of 2026. On a year-over-year basis, Net Earnings for the six months ended June 30, 2026, increased 8.1% compared to the same period in 2025, which Scott addressed in his remarks. I'd also note that combined commissions and personnel expense, our two largest cost categories, decreased $4.8MM, or 13.5%, for the quarter, and $8.0MM, or 11.8%, year-to-date, compared to the same periods in 2025, reflecting continued efficiency efforts across our Segments. As a reminder, all 2025 figures referenced today have been revised to reflect our adoption of LDTI, so these quarter-over-quarter and year-over-year comparisons are being made on a consistent basis.

Speaking of LDTI, I'd like to draw your attention to our Statement of Comprehensive Income, which showed a notable divergence between our quarterly and year-to-date results this quarter. For the six months ended June 30, 2026, Comprehensive Income totaled $22.4MM, an increase of 86.6% compared to $12.0MM for the same period last year. This year-to-date improvement was driven primarily by the interest rate remeasurement of our future policy benefits under LDTI, which swung from a $10.2MM charge to Other Comprehensive Income in the first half of 2025 to a $12.9MM benefit in the first half of 2026 — a favorable swing of approximately $23MM tied to discount rate movements.

I would note, however, that on a stand-alone quarterly basis, Comprehensive Income for the second quarter of 2026 was $7.3MM, down 18.2% from $8.9MM in the second quarter of 2025. So, while our year-to-date comprehensive income trend is strongly positive, the quarterly trend moved in the opposite direction this quarter — a good reminder of how sensitive this measure is to discount rate movements from period to period, and why we continue to encourage you to review both the quarterly and year-to-date Statement of Comprehensive Income.

Turning to credit quality, our fixed maturity securities portfolio remains high quality, with 98.4% rated investment grade as of June 30, 2026, essentially unchanged from 98.5% at year end. Only 1.6% of our total bond portfolio, or approximately $6.0MM, was held in non-investment-grade categories, consistent with year end. On the mortgage loan side, loans more than 90 days past due increased to $15.8MM as of June 30, 2026, from

$6.5MM at yearend. Our allowance for credit losses on the mortgage portfolio remains appropriately reserved and we are monitoring this trend closely.

In closing, the second quarter of 2026 was a good quarter for the Company as we again saw growth in Total Assets, Stockholders' Equity and Net Earnings, both sequentially and year-over-year. Regarding our internal controls over financial reporting, we continue to test, improve and remediate where needed. As has been noted, we continue to focus on growing the top line, while also improving overall profitability.

Next, we will hear from Andrew Quist, President and Chief Executive Officer of SecurityNational Mortgage. Thank you."

4. SecurityNational Mortgage

Presenter: SNMC CEO & President Andrew Quist

"Thank you, Garrett, and good afternoon fellow shareholders. I'm Andrew Quist, President and CEO of SecurityNational Mortgage Company.

In the second quarter of 2026, SecurityNational Mortgage Company had a pre-tax net income of $71,000, compared to a pre-tax net loss of $1,671,000 in the second quarter of 2025. This was a year-over-year increase of $1,742,000, or 104% from last year's results. While the net income result is modest, I was particularly proud of our first profitable quarter since Q3 of 2025. Furthermore, the over $3 million improvement year-to-date is noteworthy. This is evidence that the tireless work and effort our employees put in reshaping SecurityNational Mortgage Company over the past several years is paying off.

Continuing our recent trend, this improvement in net income and profitability came on reduced year-over-year origination volumes. In the second quarter of 2026, we originated $548 million of loan volume, compared to $617 million in the second quarter of 2025, an 11% year-over-year decrease. On a sequential quarter basis, origination volumes were up 12%. Based on the Mortgage Bankers Association's reported total industry origination volumes for the second quarter, SNMC's market share increased to 10 basis points, up from 9 basis points in Q1. The sequential quarter increase in origination volume outpaced the overall industry origination volume increase as indicated by our increased market share, while the year-over-year decline continues to be impacted by the company separating from a large group of loan originators in the third quarter of last year. While this separation has negatively impacted origination volumes, it's contributed significantly to our profitability.

As interest rates grew steadily through much of the second quarter, SNMC's purchase transaction volume remained strong. While refinance volume and refinance percentage of overall volume declined from multi-year highs in Q1, both refinance volume and refinance percentage of overall volume were up over Q2 in 2025 (17% refinance percentage in Q2 2026 versus 14% refinance percentage in Q2 2025). I believe this shows tangible proof that our increased focus on repeat borrowers over the past 9 months has been effective. In 2026, our percentage of borrowers who are repeat borrowers is higher than it's been in the past 3 plus years. This percentage should continue to increase as we strengthen our skill set in serving past borrowers of SNMC with their future lending needs, whatever they may be. A corollary of this activity is offering our past borrowers home equity lines of credit, helping them tap the historic equity in today's housing market. We averaged one HELOC transaction a day in the second quarter, up from virtually zero, as recently as the fourth quarter in 2025.

In summary, in the second quarter of 2026, SecurityNational had pre-tax net income of $71,000, despite lower origination volumes year-over-year. This was the first profitable quarter for SNMC since Q3 of 2025. I believe a quick survey of other publicly traded retail independent mortgage banks' second quarter results will further demonstrate the strength of our profitable quarter. I'd like to conclude by thanking our loan officers and employees for their wonderful work improving SecurityNational in this challenging environment. The progress is exciting, and I couldn't be more proud.

Thank you. I'll now turn the time over to Adam Quist."

5. Security National Life

Presenter: SNL CEO & President Adam Quist

"Thank you, Andrew, and congratulations on the profitable quarter and improvement. As Andrew mentioned, my name is Adam Quist, and I'm the President and CEO of the Security National Life Insurance Companies. My remarks today will focus on how our Life Companies have performed year-to-date, with some additional context on the second quarter itself.

For the six months ended June 30, 2026, our Life Segment generated total revenues of approximately $98.4 million, compared to $104.0 million a year ago, a decrease of about 5%. Net earnings before taxes were $16.1 million, compared to $18.6 million, a decrease of approximately 13%. For the second quarter alone, revenues were approximately $49.5 million versus $53.4 million, and net earnings before taxes were $8.5 million versus $10.6 million.

Those are real decreases, and decreases are not our goal. But in my opinion, when evaluating our company's performance, it is worth retaining the context that 2025 was our best operational year in our company's history, and year to date, 2026 is our second-best operating year in our company's history. I believe our team is executing well, making deliberate choices, and building toward a stronger future.

I want to discuss the main factors driving those top line numbers. As Scott mentioned, the pressure on our top line this year is concentrated in two identifiable places, namely a decrease in single premiums and lower net investment income primarily associated with home builder profit share.

Let me start with the smaller of the two factors: premiums. For the six months, insurance premiums and other considerations were approximately $57.6 million, compared to $60.0 million a year ago, a decrease of about 4%. In the second quarter, premiums were $28.7 million versus $30.2 million, a decrease of roughly 5%.

The largest single factor of the year-to-date decline is our single-premium business. Single premium is our least profitable product, and as we have discussed before, we are currently emphasizing growing our modal pay sales, which we believe is the business that builds more durable value over time.

Our renewal premium base — the truest measure of the health of our in-force book — grew year-to-date, up about 1.5% on our individual whole life block. This means our existing policyholders are staying with us, persistency remains solid, and the foundation of our business is strong.

Looking at our year-to-date new sales results, our first-year modal-pay premium production, or in other words, the multi-pay new business we are writing this year, is now running ahead of where it was at this point last year. It is important to keep in mind, however, that because modal premiums feather into our financial statements gradually over time as the policy holders make their monthly premium payments, it will take time for this increase in modal pay sales to show up in our reported premium revenues. But this increase reflects the early-stage success of the sales leadership changes we made and the investments in our distribution platforms we have been making over the past two years.

Now let me turn to the largest factor effecting both our revenue and net income: our net investment income. For the six months, net investment income was $33.4 million, compared to $38.6 million, a decrease of about $5.2 million or 14%. In the second quarter, it was $15.7 million versus $20.0 million, down roughly 21%.

There are two distinct pieces here, and I want to separate them clearly because they behave differently.

The largest single factor is a decline in home builder profit share income, which, on a net basis, was down about $2.8 million year-to-date and $2.5 million in the second quarter alone.

The second factor is interest and fee income associated with our residential construction lending, which was down about $1 million on the quarter and about $1.1 million year to date.

However, I should point out that construction loan origination activity picked up meaningfully during the second quarter after a slower start to the year, which we view as an encouraging sign heading into the second half, even though it has not yet fully worked its way through to outstanding balances and reported interest income.

We have deliberately grown our investment in land and residential subdivision development, to approximately ~$122 million as of June 30, up from ~$98 million at year-end. That capital is not yet generating reported investment income under GAAP, since that only happens once a lot is sold or a construction loan is originated, but we view it as a leading indicator of future builder profit-sharing income. We believe this capital is deployed in projects that will result in greater profitability in future periods, even if it is not showing up in our current numbers.

Gains on our equities and other assets were $3.7 million year-to-date, compared to $1.2 million a year ago, an approximate $2.5 million increase, which [were] driven mainly by a $1.9 million increase in unrealized gains in our equity portfolio relative to 2025. These are market-driven and can move in either direction, but they have partially offset the headwinds I just described in our builder profit share income and speak to the quality of the portfolio we hold and the benefits of a diversified investment strategy. We also saw a year-over-year increase in realized gains on real estate of about $850,000, as a result of construction starts or lot sales.

Turning to expenses, I am pleased with the discipline our team continues to show. Total selling, general and administrative expenses for the Segment were down about 3.3% year-to-date, to $25.9 million from $26.8 million, and down 3.4% in the second quarter alone.

Personnel expense increased modestly, up about 2.8% year-to-date and 3.2% in the second quarter. That increase is intentional. It reflects our continued investment in sales leadership talent, the same investment that is driving the modal-pay sales trend I mentioned earlier. I am encouraged that our overall expense base is stable even as we continue to invest in the people and systems that will grow this business.

Policyholder benefits and claims were also lower, down about 4% year-to-date and roughly 5% in the second quarter, reflecting continued favorable claims experience. That is a credit to our underwriting and claims teams and reflects mortality and surrender experience that remains close to pre-covid trends. All told, total benefits and expenses for the Segment were down about 3.7% year-to-date.

In closing, year-to-date, our revenue and earnings are lower because we shifted deliberately away from our least-profitable premium product, and saw a sharp, though partially offset, decline in builder profit-sharing income.

I believe our company's foundation is strong. Our team is making deliberate decisions, exercising discipline, strengthening our sales force, and making investments that position ourselves for better performance in the future.

While I recognize that our year-to-date numbers are down from 2025, we are still experiencing our second-best operational year in company history, a testament to the great work of our team. I remain confident in the direction of our Life Companies and in the team executing our strategy. I look forward to sharing our continued progress with you on future calls. Thank you for your continued support.

I will now turn the time over to Steve Kehl to discuss our Funeral Home and Cemetery Division."

6. Security National Funeral Homes and Cemeteries

Presenter: FH&C COO Steve Kehl

"Thank you, Adam.

Good afternoon, everyone. I'm Steve Kehl, Chief Operating Officer of Security National Funeral Homes and Cemeteries. Today, I'll walk you through our second-quarter results, as Scott has touched on several first half comparisons in his remarks.

For the second quarter, earnings before tax increased 69.5%, to $3.0 million, from $1.8 million a year ago. Revenue increased 20.7%, to $9.8 million, from $8.1 million.

I want to be clear at the outset about what is driving what. That growth in earnings before tax came from investments.

Excluding investment results, revenue increased 5.5% in the second quarter, from $7.4 million to $7.8 million, and operating earnings before tax decreased 4.8%, to $963,000, from just over $1.0 million.

Our operating businesses grew revenue and improved on several key indicators. At the same time, we absorbed deliberate investments in talent and technology. Those investments carry cost today, and they are intended to support growth and efficiency going forward.

In funeral homes, revenue increased 7.4%, to $3.5 million from $3.3 million, while earnings before tax decreased 3.2%, to $375,000.

Earnings before tax declined because costs outpaced revenue: total operating costs increased 8.8% against revenue growth of 7.4%.

I want to be direct about that cost increase. It was led by compensation, and that was a decision, not a surprise. We have invested in talent in this Segment, and that investment is already showing up in our customer service experience feedback.

Three metrics matter most to us in this Segment, and all three moved in the right direction. Families served increased 1.1%. Average revenue per call increased $323, or 6.2%, to $5,549. And the share of cremation families choosing a memorial or funeral service rose to 41.9%, from 41.6%.

That last measure is the one we are pushing hardest on, because we know a cremation with a service is a better experience for the family and a better economic outcome for us. However, even at 41.9%, we have room to improve.

The work from here is to leverage what we have already invested in: our people, our training, and our technology, across a growing revenue base, and to convert that into stronger margins as we continue to navigate a headwind of declining death rates.

In cemeteries, revenue increased 4%, to $4.3 million from $4.1 million, while earnings before tax decreased 5.8%, to $588,000.

Earnings before tax declined because costs outpaced revenue: cost of goods sold increased 3.1% and operating expenses 6.7%, against revenue growth of 4%.

The main driver within the revenue growth was from our net preneed land sales increasing 6.1%, to $2.34 million. Within the quarter, we continued to focus on our prospecting metrics, community seminars, and providing events within our memorial parks.

Interment activity within our memorial parks was also positive. Placements increased 5.1%, to 348. Within that figure, I want to note that traditional interments increased 12.1%, to 268; so, we saw increases in both interment volume and a richer mix.

Our priorities in cemeteries are consistent: build family relationships, generate steady preneed production, sharpen sales execution, recruit talent, maintain our properties well, and keep adding capacity through garden developments.

Investment revenue increased 169.5%, to $2.0 million, from $758,000 a year ago. The increase was driven primarily by higher unrealized gains in our portfolio.

We are pleased with that contribution, and we are clear-eyed about it. Unrealized gains can move in either direction. That is why we evaluate our operating businesses separately from short-term changes in investment valuations, and why I have separated the two for you today.

Stepping back: this quarter showed both progress and opportunity. Reported earnings benefited significantly from investment performance, while operating profitability came in slightly below the prior year. Underneath that, families served, revenue per call, cremation-with-service, cemetery preneed land production, and interment activity all improved.

Our job now is to control what we can control and convert those operating improvements into earnings growth.

I want to thank our funeral home, cemetery, grounds, and operational support teams. The results I just described are their work. It is an honor to work alongside such talented professionals.

We are realistic about what lies ahead, encouraged by the underlying business, and confident that consistent execution creates long-term value for our shareholders.

Thank you for your time and your continued confidence.

I'll now turn the time back over to Heather Street, our Vice President of Human Resources."

7. Q&A Instructions + Live Q&A

Presenter: VP HR 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."

There were no questions asked on this earnings call.

Presenter: VP HR Heather Street

"As we've come to the end of our time, we'll note the end of our Q&A and as we have no more questions, we'll note the end of our Q&A.

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

8. Closing Remarks

Presenter: VP HR 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.

We appreciate your continued support of Security National Financial Corporation. This concludes our second quarter 2026 earnings call. We look forward to speaking with you again soon.

Thank you and have a great day.”