

August 25, 2017

Security National Financial Corporation Reports Financial Results for the Second Quarter of 2017

SALT LAKE CITY, Aug. 25, 2017 (GLOBE NEWSWIRE) -- Security National Financial Corporation (SNFC) (NASDAQ:SNFCA) announced financial results for the quarter ended June 30, 2017.

For the three months ended June 30, 2017, SNFC's pre-tax earnings from operations decreased 50% from \$7,986,000 in 2016 to \$3,994,000 in 2017, on an 8.6% decrease in revenues to \$73,172,000. After tax earnings also decreased 50.4% from \$5,017,000 in 2016 to \$2,486,000 in 2017.

Scott Quist, Chairman of the Board, President and Chief Executive Officer of the Company, commenting on both the recent financial statement restatements and current earnings, said:

"We acknowledge the hard work of our professional accountants and advisors in restating the company's financial results. I would urge the readers of those financial statements to read them in their entirety to understand the complexities and details regarding the changes.

"I find it helpful to view such things in the aggregate or from a broader time perspective. For the three years and one quarter which were restated, those being year-end 2014, 2015, 2016, and Q1 2017, total pre-tax income as originally filed was \$57,156,354. Total pre-tax income as restated is \$57,341,424, an increase of \$185,070 or one-third of 1%. To be clear, income did shift between periods. Please note that I used pre-tax income in this comparison. After-tax income actually decreased due to the recharacterization of a tax valuation allowance as a prior period adjustment which resulted in a higher effective tax rate.

"The retained earnings of the company as of Q1 2017 were restated upwards to \$134,681,016, for an increase of \$4,771,113, or 3.6% over the previously filed amount. The major driver in this retained earnings increase is the aforementioned tax valuation allowance reclassification/restatement as a prior period adjustment to periods prior to 2014. The tax valuation allowance had been disclosed in the notes to our financial statements for some years.

"For the year ended December 31, 2016, total assets and liabilities increased approximately \$98,000,000. Those increases are attributable to the recharacterization of preexisting warehouse financing agreements. Those agreements are, and continue to be, repurchase agreements whose terms have not changed. They had previously been disclosed in the notes as 'Off Balance Sheet Financings.' Mortgage banking accounting practices have evolved to suggest that those repurchase agreements now be characterized on our balance sheet as 'Loans Held for Sale' on the asset side, and as 'Bank Loans Payable' on the liability side.

"Moving on to Q2 2017, we would note that there were several trends we deem significant. On the Mortgage side we continue to see considerable softness in our markets. Our Q1 mortgage origination volume was down 5% and our Q2 volume was down 17%, for an aggregate Q2 year-to-date decrease of 12% over the prior year. It is difficult to say what our position is vis-à-vis our competitors, however, I would note that in a major bank's earnings release it showed a decline in volume of 22% and that another publicly reported mortgage company has shown volume decreases of as much as 48%. It would appear that even though our volumes are down, we may have picked up market share. Nevertheless, our goal has been, and continues to be, to increase in both volume and profitability.

"With regards to our Memorial operations we believe there to be a similar circumstance. Our interments are down 11% Q2 year-to-date and our mortuary case counts are down 8% Q2 year-to-date over the prior year. Anecdotally, through industry conversation we believe that the death rate for our markets was actually down more than what our volume numbers would suggest. Reinforcing that notion is the fact that our preneed related interments and mortuary cases actually declined more than our at-need related cases, which would suggest improvement in our at-need efforts. Thus, we believe that we may have also gained a little market share on our death care side for the markets we serve.

"Our insurance side had a 9% improvement in revenue and an 11.9% improvement in profitability. New first-year sales continue to increase year-over-year at a mid-teens rate, with which we are quite pleased. We continue to note that the investment climate remains difficult and that achieving the yields necessary to increase profitability remains challenging.

"We are working diligently to improve operations and to conform our sales to the environments within which we must work."

SNFC has three business segments. The following table shows the revenues and earnings before taxes for the three months ended June 30, 2017, as compared to 2016 for each of the segments:

	Revenues			Earnings before Taxes		
	2017	2016	%	2017	2016	%
Life Insurance	\$25,724,000	\$23,569,000	9.1%	\$2,818,000	\$2,542,000	10.9%
Cemeteries/Mortuaries	3,314,000	3,814,000	(13.1%)	336,000	760,000	(55.8%)
Mortgages	44,134,000	52,704,000	(16.3%)	840,000	4,684,000	(82.1%)
Total	<u>\$73,172,000</u>	<u>\$80,087,000</u>	(8.6%)	<u>\$3,994,000</u>	<u>\$7,986,000</u>	(50.0%)

For the six months ended June 30, 2017:

	Revenues			Earnings before Taxes		
	2017	2016	%	2017	2016	%
Life Insurance	\$ 51,882,000	\$ 45,645,000	13.7%	\$4,302,000	\$ 3,646,000	18.0%
Cemeteries/Mortuaries	6,919,000	7,144,000	(3.1%)	1,095,000	1,229,000	(10.9%)
Mortgages	85,200,000	96,755,000	(11.9%)	1,495,000	7,182,000	(79.2%)
Total	<u>\$144,001,000</u>	<u>\$149,544,000</u>	(3.7%)	<u>\$6,892,000</u>	<u>\$12,057,000</u>	(42.8%)

The net gain per common share was \$.16 for the three months ended June 30, 2017, compared to a net gain of \$.34 per share for the same period last year, as adjusted for the effect of annual stock dividends. Book value per common share was \$9.05 as of June 30, 2017, compared to \$8.83 as of December 31, 2016. The Company has two classes of common stock outstanding, Class A and Class C. As of June 30, 2017, there were 15,199,234 shares outstanding.

If there are any questions, please contact Mr. Scott M. Quist or Mr. Garrett S. Sill at:

Security National Financial Corporation

P.O. Box 57250

Salt Lake City, Utah 84157

Phone (801) 264-1060

Fax (801) 265-9882

 [Primary Logo](#)

Source: Security National Financial Corporation

News Provided by Acquire Media