SCI 2022 INVESTOR DAY
MAY 5, 2022

Debbie Young
Director of Investor Relations
Good morning. I think we're going to go ahead and get started. I'm Debbie Young. I'm the director of investor relations for SCI. On behalf of the entire SCI management team that's here in the room with us today, I'd like to welcome you to our 2022 Investor Day. Thank you to those of you as well who are joining us on the webcast.

Before we begin, just a little light housekeeping. Our presentation today will contain forward looking statements and I would refer you to slide two for our Safe Harbor language. We've got a lot of great content for you today. It's our hope you will leave here with a better understanding and a better appreciation of the exciting growth potential of SCI.

And to kick things off, we'd like to show you a brief one-minute video that really serves as a tribute and a thank you to all of our SCI Associates. As you can imagine, the last two years have been very challenging, particularly for our front-line associates. However, they have persevered with dignity, with grace, and with an unwavering dedication to helping families during difficult times.

It's the essence of who we are.

[VIDEO]

And now, to begin our day, I'd like to bring up Tom Ryan, our chairman and CEO.

Thomas L. Ryan
Chairman of the Board, Chief Executive Officer and President
Good morning, everybody, and welcome to our 2022 Investor Day. We could not be more excited to have you all here. It's been, seems like it's been forever. Particularly for those in the room. It's great to see the faces and re-engage with old friends. And we appreciate you taking the time to come out here and spend this day with us.

So, as I start here, what I want to do first is before we get to the exciting new stuff is sometimes, we got to look in the rearview mirror to understand where we've been. And so, then we can talk about the exciting places that we're going. So, I'm going to start you on slide five. And for those of you I don't know very well, I've been doing this a long time, as you can probably tell by looking at me and been around the industry quite a while.

And there's very few people that I could say have been doing this longer. But AJ Rice actually beats me in not only the industry but the SCI story. So, if anybody wants a real history, talk to AJ. But in the early 2000s, this company was really kind of dealing, reeling from a situation we were trying to get ourselves out of.

We're still in a lot of businesses, deleveraging the company, trying to create an operating platform. So, a lot of busy things going on. And then around 2005, it was time to take the company and grow it forward. And if you look at this slide in front of you today, since 2005, this has been our simple strategy, right?

And it was grow revenues, leverage our scale against a very high fixed cost business. Then we're going to generate significant amounts cash and we're going to deploy our capital very wisely to the highest and best use. That's been it. So, over the last 10-15 month time period, we focused on growing our revenues predominantly our historical success has been around cemetery revenues and we've grown those pretty well.

When you think about leveraging scale. Most of the benefits we've seen historically have come from the cost side. So, supply chain management, it's focusing on leveraging our technology to make our back office more efficient. It's utilizing tools to make our staffing metrics in the field more efficient and more cost productive and then generating all that cash against it, because we're going to, we're going to invest it wisely.

Well, since starting in 2006 we did the Alderwoods transaction was a $1 billion dollar deal. In 2013, we did Stewart and that was $1 billion dollar deal. And along the way we've done a lot of great local market deals. Again, investing in our growth and generating that cash. The good news is we generated so much cash we could be shareholder friendly too. So, we've given it back to you through share repurchases.

We initiated a dividend and have grown that over time. So, as you think about this slide, I want you to understand this strategy is not going to change. It's the same. We're going to talk to you about today about what we think are the significant opportunities to take what we've done in the past. And they're going to be even greater to layer that in against the demographics and other things that will begin to happen.

So, on slide six, you know, in order to be really successful, you've got to execute and do different things. But being flexible, having financial flexibility, I think is the key. And why is that? Because we can be opportunistic when the uncertainty sets in, right? There's a lot of reasons. Things are uncertain So our way of being financially flexible, you can look at this slide.

We're going to manage the debt maturities of the company in a safe way. If you look at the runway in front of before our first fixed debt 2027, we've got a lot of runway here. So, if things happen along the way, we can manage our way out of it. Liquidity is important, we maintain significant liquidity through our cash balances and in our in our bank credit facility as well.

And then finally, we've got these debt covenants we deal with. So, we've got to have enough cushion to get through the difficult times. And that allows us to be flexible because we know one thing, having been around a long time, there's going to be business cycles, there's going to be recessions, sometimes there's going to be wars. And if I had told you this, you wouldn't believe me.

There might be a pandemic. And we went through that. But what happens is we can play offense when there's fear in the air. And I think that's important if you really want to capture differential value. So as an example, in 2009, we bought Palm Mortuaries in Las Vegas one of the best deals we ever did. And in 2009, nobody could do a deal because of the financial crisis.

We could just two years ago when the market reacted to the pandemic, our stock dropped below $40. What did we do? We bought back our shares because there was an opportunity to capture value. So again, having that opportunistic, that flexibility is important. We have liquidity of over $1 billion. Our net debt to ebitda ratio is 2.6 times, and our strategy, we'll let that migrate back to 3.5x as we continue to grow the company through acquisitions, as we continue to buy back shares opportunistically. So here on Slide seven, internally, we talk about making equity sweat.

And this is a good example. As you can see, since 2005, we've bought back more than half the company. Since the pandemic started, we've spent $1.3 billion buying back our shares, we believe opportunistically. Along the way part of the strategy too was we wanted a dividend and in 2005 we initiated dividend for $0.10 a share annually and today it's a dollar. That's a 17% compounded growth rate on our dividend. And our strategy was we're going to grow the dividend with the growth of the company so that's why you've seen a 17% increase. Our strategy has always been a payout ratio of 30 to 40%. And I would tell you again to set expectations, none of this is going to change. You're not going to hear us talk about this anymore because I think you understand our belief in this.

So now, as you know, you can look at the chart here, in the last ten years we've returned total shareholder return of almost 700%. Very proud of that. It's almost double the S&P 500 it's more than double the S&P midcap 400 and more than doubled the Russell 2000. We're very proud and quite honestly who cares anymore right? You're worried about the future, but I think it's important to understand and we've had a compounded return of about 23% over the last ten years but I think it's a Japanese proverb I'm not sure where it came from. You know vision without action is a daydream, and action without vision is a nightmare.

And the reason I say that is that all the great plans in the world, if you can't execute, you're dead. And so, I want to acknowledge my 24,000 teammates who literally made this happen. And that's why we've had the returns we've had. We've got such a great company, we've got a great culture, great leadership. I'm excited for you to meet the teams that we're going to put in front of you today.

So, with that, you know, this is a current topic. I've always said the primary focus of management is shareholder returns, and that will always be there, I hope to say. I know that it's not as ESG friendly, but I think our belief has always been you have to take care of the other stakeholders. If you want long term success, you can't have great long term returns without taking care of the others.

So, we've always been focused on taking care of our employees, our customers, our communities, for that matter, our planet, right. We want to be responsible citizens. If you look, we have our inaugural sustainability report that we put out on the website in March is a fabulous document. Ally did a great job. Thank you, Ally, for your leadership on that.

And we're excited to continue to communicate the things that we do for other stakeholders. It's so very important, I think, to the long-term success of the company. And we're glad we're out there communicating those things, and it's a topic that we're proud of our accomplishments. So now the key takeaways that I want you to remember from our business, you know, we've always told you that we think we can consistently grow 8 to 12% earnings per share.

We still believe that we've actually outperformed that over time. But the concept of the 8 to 12 was to tell you we believe 9 times out of 10 there's always going to be exceptions, recessions, things that can happen but we can, you know, with high assurety tell you that we can do that. We generate significant cash flow. We historically have done, you know, for our industry, we've been very innovative.

We've got to stay relevant from the customers eyes. We're going to talk about some things, and you saw some things on your tour yesterday. The exciting new technology that we're introducing into the company. And then I think long term you've got the power of Preneed. We got $14 billion backlog. So, as you think about the opportunities for SCI, think of the power of the platform, the competitive advantages we're going to talk about, and then think about demographics layering in over that. And that's when you can get excited about the growth opportunities and take it to levels that you wouldn't have imagined.

So, to wrap it up for me, here's today's agenda. You see the speakers. We're going to start off with Jay and Steve and Eric really talking about the segments where we've been, how we got through COVID. Eric's going to help you understand what we think is our new base to grow off of.

And then the really exciting part of this shows up, and that's the growth driver section. You can see we have four things we want to talk to you about and that are going to create excitement for you to understand what the growth opportunities for SCI are. Eric's going to wrap it up with helping you quantify it but as excited I am about the content, and it's going to be great. I'm even more excited for you to meet our team. We have so many talented people that make people like Eric and I and Aaron look smart, which isn't necessarily true. At least two out of three, that's probably me, and I just, I'm really excited for you guys to see them in action and understand the concept.

So, without further ado, I'm going to turn it over to my good friend, the best chief operating officer you could have Mr. Jay Waring.

Sumner J. Waring
Chief Operating Officer, Sr. Vice President
Thank you, Tom. Good morning. This morning we'll cover an overview of our industry and overview of our company and our strong execution of our earnings growth framework.

So, slide 13 is an overview of our industry in both the US and in Canada that we'll refer to as North America in today's presentation. We operate and we compete in a $22 billion revenue industry. The data is not perfect, but we estimate there are about 22,000 funeral homes and there are about 5,500 cemeteries. One of our strengths is our scale.

We are much larger than the other consolidated competitors. We are the only company with the unique position of having North American scale. Another strength is our opportunity for future growth with our acquisitions and with our new builds. Our industry is still highly fragmented, as 80% of the funeral homes are still independently owned. So, we have a lot of opportunity to grow through acquisition.

We'll also build new funeral homes in markets where we see either a competitive void or no financially attractive funeral home to buy on slide 14, another strength is our size and our reach. We have over 1900 locations and 300 of these are high margin funeral and cemetery combination properties or combos. We have 24,000 associates highlighting this very people centric nature of our profession.

And while these numbers were impacted by COVID, last year we generated $4.1 billion of revenue, we served over 750,000 customers and we sold $2.4 billion in preneed. Our preneed sales are half funeral and half cemetery and are equally funded between our trusts and our third-party insurance contracts, both contributing to our $14 billion backlog that Tom referenced earlier. So, given our competitive landscape and given our strengths, how do we best compete?

Well, as you'll see in today's presentation, our size and our scale give us a tremendous competitive advantage and really allow us to play to our strengths. We have a leading national and many leading local brands. We have a fabulous marketing and sales program. We are well positioned in many growing markets, and we can really leverage our size and our scale.

We have the scale to differentially invest in technology, as we saw on our tour yesterday, driving our efficiency and driving our productivity. We have the scale to grow our preneed backlog and we have the scale to leverage our buying power. We find that our operating model helps us support better consistency, better customer satisfaction, and better quality, all giving us a great foundation for our future growth.

Slide 16 is a high-level comparison of our funeral and our cemetery segments. Funerals, our larger segment, as more of a retail high touch service. Families use our services when a death is occurred, and generally our customer relationship is more time sensitive over a three day to five-day period, our revenue recognition occurs at the time of death. When we sell a preneed funeral, both the revenue and the cash flow are deferred until that funeral service is performed. As we look to our future, we know that the demographic tailwinds and the atneed volume impact will give us incremental revenues and high margin growth.

Our cemetery segment is more of a tiered real estate sales model. It also has some merchandise and some service components. Our customer relationship is less time sensitive, but can also last decades. Cemetery barriers to entry are extremely high because a cemetery requires a lot of capital, requires a lot of land, and requires a lot of permits. Unlike preneed funeral, preneed property sales can be recognized with both the sale and the delivery, which grows our revenues and grows our cash flow. In looking ahead again, the demographic tailwinds, the atneed cemetery sales, and the delivery of merchandise and service revenue out of our preneed backlog will also give us incremental revenues and high margin growth.

So, as we look to our future and we look to a normalized for COVID 2023 and beyond, we'll continue to consistently put our earnings per share in the range of 8 to 12%. We believe, 5%-7% will come from our comparable business growth and with our very strong free cash flow, we can add another 3 to 5% through investing in more growth opportunities and returning cash to our shareholders.

Finally, slide 18 highlights our historical performance. We've been able to grow our earnings per share from $0.28 back in 2005 to $4.57 in 2021. So why are we so confident about our future growth? We're confident because there were two times in our recent history when we really accelerated our revenue growth. The first time was 2013 to 2017, accelerated by our growth with the Stewart acquisition, Stewart had over 100 cemeteries, but their available inventory was more industry standard with not a lot of diversity of products. Over a number of years we provided our capital, we implemented our tiered cemetery inventory strategy, and we applied our sales and marketing strategy, our sales processes, and our sales compensation plans, all driving our revenues and profits.

The second time was 2020-2021 accelerated by COVID. Both our funeral and our cemetery revenues were elevated, allowing us to deliver extraordinary earnings per share growth. In both of these cases, our strong incremental revenue growth generated highly incremental profits.

Therefore, we're confident that as the Baby Boomer impact arrives, we will execute and we will again deliver earnings per share above our historical range. Now, Steve Tidwell, our senior vice president of sales and marketing, will present our funeral and our cemetery segments.

Steven A. Tidwell
Senior Vice President, Sales and Marketing
So, thank you, Jay. Good morning, everyone. You know, it's certainly our pleasure to continue sharing with you our excitement, our enthusiasm and our passion for the continued growth and development of SCI. So, for my part this morning, I'd like to provide you with a bit of a deeper dive into our historical funeral and cemetery segments, the drivers behind that, and then walk you through some high-level expectations for the remaining quarters of 2022, and certainly beyond.

So let's just begin here on Slide 21. Now Jay had mentioned this a bit earlier in his presentation, but there are really four key business characteristics of the funeral business. You know, the funeral segment has much more of a service focus. So, for example, the careers of Jay Waring and myself began in this business nearly 40 years ago as licensed funeral directors. Yet today, the characteristics of a funeral director are still very much the same - someone who identifies as a caring, empathetic and compassionate individual. In fact, many people believe that a career in funeral service is a calling to help someone, their families and friends through some of the most difficult times in their lives. Now, the funeral segment has moderate barriers to entry, and we're generally relying on a death occurring to have revenue recognition.

Now during 2021, which again was impacted by COVID, our funeral segment served about a half a million atneed and preneed customers. We recognized about $2.3 billion in revenue, and we grew our funeral backlog to just about $10 billion - or four and a half times our current year revenues.

Turning to slide 22, as you see here, the past two years have been certainly significant for both SCI and the industry in general. And we served an additional 44,000 families in 2020, and then another 60,000 in 2021 when compared to our normalized pre-COVID volume of around 315K, 316K. So this chart reflects our forecast of the modest pull-forward of deaths in 2020 and 2021 from future years.

A little later in this presentation, my colleague Elizabeth Nash will describe in more detail the views, our views on the impact of demographics and certainly COVID as we look beyond 2023. So, as you can see, we expect the remainder of 2022 and 2023 to be transitional periods because we believe that the near-term impact of COVID will soon be behind us later this year and certainly into 2023. Now our current expectation for volume in 2022 and 2023 is to be somewhat higher than our pre-pandemic level of 2019, stabilizing next year in 2023 before returning to a flat to up 2% of steady growth year after year beginning in 2024 and beyond.

So, let's take a look at sales average here on slide 23. Now this slide splits our total average as you can see in the bars between our core funeral home channel, which is the Orange Line, and SCI Direct, which is the light blue line.

You may recall that SCI direct is our non-funeral home business that caters predominantly to a price-sensitive cremation customer. Now during 2020, our core sales average was temporarily impacted by some of the social distancing restrictions that we encountered early on in the pandemic. And that was because we had limited ability to host gatherings, have visitation services, catered receptions and other high touch services.

Now, as those restrictions begin to lift, you can see that we've not only met, but we've exceeded the pre-pandemic average sale by approximately $200 a case. As we look forward, we would expect our sales average to continue to grow in the low single digit percentage range, supported by things like inflationary price adjustments, incremental products and service offerings, as well as the strength of our backlog at maturity all of which you can see identified here in the blue box on the left side of the screen.

Now slide 24 provides a snapshot of SCI Direct Business. So, you may recall that SCI Direct, our channel where we predominantly serve customers who do not want a traditional funeral experience, many of them are price sensitive and they're interested in a simple cremation experience. Now, for the most part, SCI Direct is a preneed model because a lesser percentage of people come to us on an atneed basis. Now, a portion of that preneed contract is delivered at the time of sale, such as the urn or the urn kit.

Now, SCI Direct has shown some strong historical growth, and after that brief pullback in 2020 due to the same social distancing restrictions that we dealt with in core, revenues and production came back very strong last year in 2021. So, as we look forward, we would expect SCI Direct revenues and preneed production to grow in the mid to high single digit percent range, generating significant growth in revenues and profits for years to come.

So, let's look at funeral revenues and margins. When you pull all the components together, which we've done here on slide 23, it reflects just how powerful the funeral business can be with incremental throughput, as we clearly demonstrated during the last two years. Now our 19% and 20% margins grew to 24% in 2020, and then on to 27% in 2021 because we were able to significantly leverage our fixed cost structure while at the same time not encountering any material capacity problems. So, in 2021 we were able to significantly leverage our fixed cost structure and we had no, you know, no material issues in the additional capacity.

So, in 2024 and beyond we expect to grow revenues at a rate of 1% to 3% with margins in the high teens to low 20% range. Now as we've mentioned before, the timing of the baby boomer impact will one day generate additional revenues and growth and higher gross margin percentages.

So, slide 26 here illustrates that with increased throughput, our model drives increased dollars of profit per funeral. Now I'd like to demonstrate how we think about growing funeral gross profit in dollars and not just percentages. So there's really two ways, gross profit for funeral can be a little bit misleading for these two reasons. Our preneed funeral sales program, that's where we offset our incurred selling cost in comp with the GA revenue in commissions that we receive from the insurance company. And so, when you compare those two, it's essentially a wash between revenues and profits. Ancillary offerings is the second one. That's things like catering, flowers and a few others which contribute a roughly 40 to 45% gross margin. But when you compare that to the incremental traditional funeral service, which contributes around 70 to 80%. Now while both of these instances may dilute gross profit percentage, they enhance our dollar profit for a funeral. As the effects of the pandemic begin to wane, we would expect to experience a similar dynamic when volumes slowly rise as we continue to serve more and more of the Baby Boomer segment. My point is this, we're continuing to closely monitor gross dollars profit for funeral service because the way we see it, an incremental dollar of profit contribution is accretive even if it dilutes our gross profit percentage.

So, to wrap up the funeral segment, let's talk about our Preneed funeral sales program. One of my two favorite topics. So, as you can see in the bar graph on Slide 27, we really do feel that our Preneed sales strategy differentiates us from our competitors. Now, our focus here has been and will continue to be driving long term market share, and we're doing so in a cash flow friendly manner, which I just demonstrated between GA revenues offset by the associated selling cost.

So as you can see, pre-need funeral production was down a bit in 2020 as we experienced some of those same temporary volume pressures due to the difficulties of getting in front of customers to conduct things like group seminars and other multi-person events. In addition to that, our funeral specific lead sources were impacted because many of our customers were understandably diligent to have limited or no outside contact except with their immediate family. However, an important point is that we quickly overcame this challenge in 2021 and we saw a recovery of over 25% in our pre-need funeral sales program. Now we continue to remain strong coming into 2022.

In fact, you may have seen that yesterday we posted a quarter over quarter increase of almost 17% in the first quarter. We believe that full year 2022 could be as high as 7 to 8%. And as we look forward beyond this year, we would expect growth in Preneed funeral sales to be more in our historical ranges of 3% to 5% on a compounded basis.

So, let's shift our focus to the cemetery segment. As you can see here on Slide 29 last year, our cemetery segment served about 250,000 customers on both a preneed and an atneed basis. And we generated revenues of about 1.8 billion and we ended with about $4 billion in our backlog of cemetery merchandise and services, which we will deliver at time of need.

Now around 300 or so or 60% of our cemeteries have a funeral home on site, we refer to these properties as our combo locations. That's where we can serve the total needs of the customer. Now we really do believe that our combos have the ability to drive differential growth in both revenues and profits simply by offering the customer this single connected experience.

Now our cemetery segment tilts towards selling property first, and there are higher barriers to entry, as Jay had mentioned. Now, one other difference I'd like to highlight when you compare the cemetery segment to our funeral segment is that our Preneed Cemetery property sales can generally be recognized at time of sale because we've conveyed interment rights on that purchase property to the customer.

My second favorite topic, maybe this is my first, cemetery preneed sales outline on Slide 30. While I don't want to steal the thunder of my colleagues who will be here shortly to present their portion of this presentation, if I have one important message, I want to leave with you - It's the message around Preneed Cemetery sales. Now, one of our greatest learnings through the pandemic relates to our preneed sales and marketing efforts.

Now historically, we've been successful in growing Preneed cemetery production comfortably in the mid-single digit percent range. And during the pandemic, we saw this compounded growth jump to around 20% per year as you can see here on Slide 30. Now, on this tremendous momentum, we believe that we can continue growing preneed production in the low single digit percent range in 2022 and then again maintain that level in 2023.

Moving forward into 2024, we expect to continue preneed cemetery growing in the mid-single digit percentage range. But remember it's on a much higher and a new base. Now we're excited about these learnings and certainly later on in this presentation, Jamie Pierce, Gerry Heard and Mike Johnson, will dive further into what's driving our confidence for achieving these mid-single digit growth rates and how we believe we can even grow higher rates of growth in the future.

Shifting to cemetery atneed sales outlined here on Slide 31. Now, historically, we've not spent a lot of time discussing cemetery atneed, but frankly, this is an area of our business that's performed really, really well over the past few years. In fact, it grew over 20% on a compounded basis between 2019 and 2021. Now we recognize that a good portion of this growth relates to the volume of COVID. But we also saw something else happen, and that's a very healthy increase in average sale, and we believe that's driven by our relevant and contemporary cemetery inventory offerings. By the way, our counselors continue to sell those at a very high rate. Now, Mike Johnson, our VP of Revenue Management, is going to discuss in greater detail, details about our cemetery inventory a little later in this presentation.

So, looking to 2022, we expect atneed cemetery revenue to decline in the low to mid-single digit percent range, primarily due to the pullback in volumes similar to what we are forecasting in funeral. But we believe growth in the sales average is certainly going to help buffer that decline. Now looking forward we expect 2023 to be generally flat to 2022. In 2024 and beyond, we believe that we can continue growing cemetery atneed production between 2% and 4% a year.

So, bringing cemetery all together here on slide 23 you can see that during the pandemic similar to funeral our cemetery segment also benefited from high incremental margins from the increased revenue throughput. Now as the box on the right side of this slide indicates, we expect 2022 revenue to increase over 2021 in the low single digit percent range, and again in 2023 getting back to our expected mid-single digit growth in 2024 and beyond. We believe this will help to grow our cemetery margins around 50 to 80 basis points a year.
So, this concludes my High-Level Overview of the SCI Funeral Cemetery segments. Let me just close by saying this and that is that our entire management team is truly energized, we're downright excited about the future, as we continue to leverage the learnings from the pandemic, as we continue to find ways to leverage our scale. Both of these we believe will continue to help us drive differential growth not just now but into the future. And with that, I'd like to welcome Eric

Tanzberger, our CFO, to discuss our new earnings base for growth and some greater detail. Thank you.

Eric D. Tanzberger
Senior Vice President, Chief Financial Officer

Good morning. Thanks for joining us. It's great to be here with a full room of not only the SCI team, but investors, shareholders and analysts as well. And I know there's a lot that are also listening to us on the webcast, so welcome to you as well. This last section that I'm going to do really kind of wraps up, if you think of Tom's agenda, kind of the background and overview of our company and where we've been. But then we're going to shift to forward looking and shift to a lot of exciting things in terms of growth initiatives over much of the meat of the rest of the presentation.

You know, when you look back on some of the earlier slides, and the track record, it's pretty impressive. You know, for the last 17 years, really since 2005, since we began our platform for growth, we've really been able to deliver very consistently the 8 to 12% earnings per share bottom line growth. Now, obviously the COVID pandemic interrupted that tremendously.

And unfortunately for our country and globally around the world, our industry was affected. Our company specifically performed about 110,000 COVID type funeral events during the past couple of years, which produced a tremendous amount of cash flows and earnings above our normal expectations. And one other thing that I'm going to talk to you about in this section is that some of that is COVID related and not sustainable.

And think of that as non-recurring, but some of that is sustainable as well. And we're going to kind of get into that in a second. You know, this created learnings like we gained knowledge around sales and marketing effectiveness. So, you're going to hear about that this morning. We leverage technology to gain efficiency.

Key thing you're going to hear the rest of the morning about technology. And of course, you've seen us accelerate share repurchases opportunistically as Tom mentioned, this creates that higher earnings base for some of these sustainable earnings that we'll talk to you about. And then after I walk you through this, then we're going to shift to the 4 areas that Tom really alluded to in terms of our future and what we think can differentially grow above and beyond what we've already discussed.

So, on Slide 34, what you have here is just a mathematical equation. The one actual number is on the far left which is a $1.90 per share for 2019. Then you simply take the midpoint of the 8 to 12%, the 10%, and extrapolate that out and compound it accordingly and what you'll see in 2022 is $2.53.

So that's kind of our expectations, as you would have thought, pre-pandemic for the company. The industry and frankly the world is being interrupted by the pandemic. Now what you're seeing here in the Navy blue is the COVID impact and wow, substantial. Look at 2021, It's pretty much doubled the original pre-pandemic expectations based on that 10% CAGR from the 2019 $1.90 per share - - very significant, you know, effect on us.

And focus a little bit on 2022 as well you're going to see it's broken up there you know there's $0.97 between the $2.53 expectation and the current $3.50 guidance that we talked about yesterday we raised our guidance in our press release in our earnings call. This is where we prepared to split it between the Navy blue $0.32 which we think is primarily COVID related and non-recurring, but there's also this $0.65 which we believe relates to the learnings that I just mentioned and therefore we believe are sustainable and are creating a new base for us to then grow 8 to 12% moving forward.

So, if you add that $0.65 to the $2.53, as you can see on the slide in the center of 34, you're going to see this $3.18 of the sum of the two of those. That's key for now to walk you through it. But also later in the presentation, when I come back up and really talk about the true future of potentially differentially growing above our 8% to 12%. You can see it now from that $3.18 the green portion is really just an illustration taking the midpoint.

So, call it 10% of what we're used to seeing and really growing it from this new base of $3.18. And again, we're not trying to give guidance here today. You know we give very near-term guidance but you know the consistency of our model and you know the consistency of our execution and what you're seeing here is mathematically the 10% which leads to 2023 of around $3.50 and of almost $4.25 earnings per share as you go out to 2025.

So great consistent story that will continue, but off of the new base of the learnings. So, let's talk about this a little bit more specifically to kind of help you understand it. You see the difference between the $3.50 and the $2.53, you see the $0.32 in navy it's the non-recurring portion of the COVID that I've described to you, and there's the $0.65 which we think is sustainable.

These are the types of learnings that you've heard us talk about now over the last couple of quarters. 75% of it is sales and marketing productivity. You're going to hear a good amount of this as well. It's talking about quantity of leads, the quality of leads using technology leveraging technology in a lot of places for those leads that ultimately get to close rates as well.

And the Preneed cemetery and pre-arranged funeral environment and then as well, you know, just generally raising the game by utilizing the technology of the Preneed sales ourselves and going into, you know, the CRM system. And I have to tell you, you know, my opinion or our opinion is, you know, we're in the early stages of this as well.

There's a lot of opportunity to continue this type of growth. And soon you're going to hear from Jamie Pierce, our chief marketing officer. You're going to hear from Gerry Heard, our vice president of sales. And they're going to dive a little bit deeper into this and give you some more comfort in terms of how much more powerful this really is for us.

Secondly, about 15% is the accelerated share repurchase program. Tom mentioned this, that was very opportunistic. You know, we invested about, you know, $1 billion over the last couple of years, incremental in our share repurchase program. And that's obviously having a nice, sustainable effect as you think about the growth parameters going forward.
And then lastly on this, about 10% of the 65 cents, let's call it, you know, is really cost efficiencies coming from the learnings that we had during the pandemic is talking about centrally managing the company and being able to lower travel costs. A lot of the marketing lead generation cost learnings you know, as I mentioned, training. And then the other thing that really occurred as well during the pandemic is a lot of managing labor learnings that are going to end up being very powerful and are going to be part of this whole 65 cents, which is again ten percent of it related to the cost efficiencies.

So, with that, let's kind of shift to the next section of this presentation and we're going to really talk about my colleagues are going to come up and talk about a lot of detail four areas of growth that are very important to us.

When you think of the future, you know you have the new base of $3.18 we believe we can grow off of that and the 8 to 12% parameters that you're used to seeing from us. But these four key pillars are four areas and the initiatives around them and the strategy around them, we believe could allow us to differentially grow above the 8% to 12%.

And you see them here on slide 36. The demographic tailwinds, the marketing sales and cemetery inventory impact, the enhanced growth capital opportunities and as well as the Preneed backlog, which again I just say is one of the best assets we have in terms of a $14 billion backlog of future revenues where we know client families are going to come to our funeral homes and cemeteries.

So now the rest of this part of this presentation is going to be about these four pillars and the strategies behind them. And we're very excited. I'll come back up after this part of the presentation, and I'm going to walk you through another illustration that's going to lead you to say this is the power of this earnings model.

When we implement items and ultimately come to fruition from these four key pillars and allow us to differentially grow above the 8 to 12% that you're used to seeing us perform and execute on. So, with that, we'll start with Elizabeth Nash, our senior vice president of Operations Services and she's going to start with the first pillar, which is demographic tailwinds.

Elisabeth G. Nash
Senior Vice President, Operations Services

Thank you, Eric, and good morning. As you've heard in earlier parts of our presentation so far, when we have incremental volume and services, we are able to capture significant margins, which is why demographic tailwinds is our first key driver in today's presentation.

So, as you all know, demographics is something that we have talked a lot about for a long time. However, the pandemic and other secondary health factors caused by the pandemic have certainly impacted mortality predictions. So today I'm going to walk you through what we believe about the near-term impact of COVID and more importantly, how the demographic tailwinds will impact both segments of our business.

Let's start first with Slide 38 and the discussion about the 75 and older population, which reflects the approximate age range of the atneed decedents that we care for. This particular age cohort is expected to grow by 93% or almost 22 million people over the next 20 years. We believe, of course, that this will be impactful for our industry and for our company. You can see in the chart on the left there are six states that by themselves are expected to increase their 75 and older population by 9 million people.

And we have a very strong footprint in these states, as evidenced by the fact that 53% of our current funeral volume comes from these largest growth states. It's also worth noting that in five of those six states we have a large number of cemeteries. Now that strong footprint of funeral homes and cemeteries didn't just happen. We have been anticipating and planning for this growth and have invested in those states so that we are ready when that population growth occurs. So, we believe this alignment of our footprint, along with the expected increase in population of this age group, positions us very well to capture share in both our funeral and cemetery segments.

Now, I'd like to walk you through some additional data points, looking beyond just the 75 and older population. Slide 39 provides a 40 year look at the age 55 and older population. The reason this is relevant is because this is the age group that aligns with our customer base. First, we generally see consumers engage with our Preneed cemetery business around their mid-fifties, early sixties, as represented by the gray bars on the chart. Then in their mid-sixties to early seventies is when we typically engage with customers who are electing to preplan their funeral services represented by the green bars. And finally, as I mentioned a moment ago, the average age of decedent's is 75 and older, represented by the blue bars.

So, the baby boomers will certainly have a meaningful near-term impact on our business. In 2020 there were 71 million baby boomers over the age of 65 and by the year 2030 all baby boomers or about one in five Americans will be 65 and older. And looking longer term our industry will also be positively impacted by the aging Gen X and later generations.

So, on the next few slides we'll cover COVID and its impact on our business. Unfortunately, what Slide 40 shows is that our country lost about a million people to COVID since January of 2020, or about 13% of all US deaths during that time period. This has no doubt impacted near term mortality predictions. What's interesting, though, is as the pandemic progressed our views on the pull forward impact have changed. As you can see in what could be considered the first and second waves of the pandemic about 42% of all Covid deaths were below age 75, which is generally in line with what we see in our business in a non-pandemic year. However, once vaccines were distributed and variants evolved, the deaths began to skew to younger ages, with 62% of COVID deaths occurring in people under age 75.

So, this shift to deaths at younger ages has affected our thinking about the short term pull forward impact on our business. Slide 41 addresses this pull forward. So, to walk you through the pull forward I'm going to anchor to 2019 as a more normal year. As Steve mentioned earlier, we performed an incremental 110,000 funeral services from early 2020 through the first quarter of 2022 over a normalized 2019. As the COVID deaths began to shift to younger ages, again our view on the pull forward impact also evolved, although it's certainly very difficult to predict. We believe the majority of these deaths will be pulled forward from this year and next year.

We believe that about a third will be a pull forward from 2022 and 2023, then quickly diminishing to 4% or less of our pre-COVID volume, with the remainder spreading over a longer horizon. So, the key takeaway here is that we believe the pull forward will not have a material impact on any one specific year.

Unfortunately, though, there is an indirect effect from the pandemic that is impacting mortality, excluding the impact of COVID. The CDC is now reporting a number of deaths above normal baseline levels. These quote unquote excess deaths may have resulted from a combination of delayed medical care and overwhelmed health care systems during the last couple of years. A few of the observations are highlighted on this slide 42, including an increase in deaths from heart disease and diabetes, as well as an increase in obesity and mental health issues. So, while we don't have enough data to specifically model what the impacts and duration of these excess deaths may be, we certainly do expect an elevated level over the coming years as a result of this lapse in overall societal health.

So, all of these various demographic changes we have discussed will definitely have an impact, and particularly as you think about the aging of America, we believe it will fit very nicely into our Preneed sales program, which is of course a key part of our long-term growth strategy. Over the last several years, we have invested differentially in our marketing and sales resources in order to drive a very high-quality funeral backlog. Right now, our backlog is almost four and a half times our current funeral revenues clearly outperforming the independents as well as the other consolidators. As Slide 43 shows, the percentage of funeral services coming out of our backlog has increased from 35% in 2010 to 40% in 2021. Now keep in mind the average lifecycle of these contracts is about 10 to 12 years.

We believe this percentage will continue to grow in the coming years as a result of our successful sales strategies over the last decade. As the team will describe in more detail in a few minutes, our sophisticated marketing and sales approaches are not only getting us in front of a more receptive and proactive consumer, but it's also allowing us to close sales more effectively at what we believe are lower at need cannibalization rates. As a result, the key message here is that we believe we have the opportunity to grow our future volume market share.

So, to wrap up my comments on demographic tailwinds on Slide 44, there are three things to keep in mind. First, we have a national network that's differentially represented in states with the largest growth in that age 75 and older population. As the baby boomers age, they will impact the number of customers that we serve in both our funeral and cemetery segments.

Second, COVID's pull forward effect is not as severe as we would have expected, as unfortunately it affected a significant share of younger people, and the lingering impact on our health from COVID will likely result in additional deaths. Finally, not only do we believe that our Preneed backlog will result in increased market share, but the contracts in our backlog have a more robust revenue dynamic than what we are seeing on the atneed front of our business today - and Aaron will discuss that in more detail in just a minute.

So, considering everything that I've discussed, it is relatively easy to see and imagine a 200-basis point improvement in funeral revenue growth when demographics and the incremental market share from our preneed backlog inevitably impacts our business.

And on the cemetery side, we should see a smaller but still meaningful impact as cemetery atneed and cemetery Preneed merchandise and services backlogs are also impacted positively by the demographics. So now I'd like to pass you to Jamie Pierce our chief marketing officer, and she's going to kick off a discussion about our marketing, sales and cemetery inventory strategies.

Jamie Pierce
Vice President, Chief Marketing Officer
Thank you, Elizabeth. And good morning, everyone. I'm now incredibly excited to walk you through the second key growth driver of our long-term growth framework, and that's our marketing sales and cemetery inventory initiatives that we believe have the power to drive increased sales production and cemetery revenue as you heard Eric talk about earlier.

When you think about how the marketing, sales and cemetery teams work together, it's really a coordinated effort between all of these teams. So, I'm going to kick off this section by walking you through some of the major changes that we've made from a marketing perspective over the last four years that's not just driving an increase in the quantity of our marketing leads, but also driving an increase of the quality of those leads.

I'm then going to hand it over to my partner in all of this, Gerry Heard, our vice president of sales, who's going to walk you through how we're taking the increase in quantity of leads and turning those into increased sales production because of the incredible technology and sales processes that they've put into place that's driving that increased production.

And then finally, Mike Johnson, our VP of Revenue Management, is going to walk you through some of the phenomenal cemetery inventory that they've developed to really meet the changing and diverse needs of our consumers. So, let's kick it off with marketing. Before we dive in, I thought it'd be helpful to give you a high-level overview of the two types of leads that exist within SCI.

The first is what we call our core leads, and these are, in essence, what many would describe as our bread and butter, because historically these always made up the vast majority of our total leads. And these are anything from walk-ins. So, consumers who are aware or loyal to one of our strong local brands, as well as a relationship that we've developed from an atneed situation, or we serve the family through one of the most difficult times and then help them preplan their own funeral arrangements

The second type of leads is what we call marketing leads, and these are proactive outreach efforts through a variety of different mediums, everything from direct mail to our website as well as what we call educational seminars. So, this is where we host someone or consumer in a restaurant or other event venue and really give them an overview of pre-planning.

Historically, our marketing leads made up a very small portion of our total leads, but as you'll see in the coming slides, they make up a growing, and material part of our total sales production. And what's also exciting is that these leads are truly accretive to the core leads that you see here on the left, meaning that we're really going after what I would describe more as a passive consumer and really bringing them into market to preplan.

So, I'm going to walk you through some of the major changes that we've made to our marketing program, starting with our digital leads. Our digital transformation really began back in 2018 when we relaunched our DignityMemorial.com websites. Before that time, we really didn't see our website as core to preneed production, nor was it really core to our customer experience. But in 2018 we invested heavily in our people as well as our platforms to really drive our overall website presence.

And you can see the amazing impact that this has had over the last few years going from 97 million visits to our website in a single year to more than double that to almost 200 million sessions in 2021. And we're continuing to grow at a double-digit pace but it's not just about driving visits to our website it's also how do we take this increased number of visits and turn those into leads. We've made a number of changes and enhancements to our website over the last few years to really drive increased conversion rate on our website, with the largest change happening in early 2020.

When we relaunched all the pre-planning pages on our website, this had an overnight double-digit impact to our digital lead production. But it's not just that one change that is having the overall impact. As a marketing team, we're constantly looking at how do we improve conversion rate across the website with additional releases month after month and year after year. You can see the incredible impact that it's had driving digital lead production from $31 million in 2018 to $120 million in digital lead production in 2021 which represents almost a 60% annual compounded growth rate in our digital lead production.

Now let's shift to direct mail. This is another program that we completely relaunched in 2019. Prior to this time our direct mail program was heavily decentralized with markets and locations really deciding who and when to mail. In 2019 we really centralized this program and moved it from something that had pretty simple or basic level targeting using only age, income and proximity to a location to target prospects, and really created an advanced data model utilizing over 200 different variables, everything from demographic variables to behavioral variables and even our own first party data to target prospects that were not only going to convert to a lead but also going to convert to a sale.

And you can see that the results have been staggering. We've been able to grow what was a very small program of just $10 million in annual production and have grown this to $55 million in production in 2021, which represents almost an 80% annual compounded growth rate in this channel. And the exciting thing is we're continuing to make optimizations to this direct mail program with our data model, with our most recent release happening in Q2 of this year.

And we're seeing incredibly encouraging results from this change. So you can see on slide 52, this really represents a summary of the major changes that we've made to our marketing programs over the last four years. I know some of you may be thinking that a lot of this must be driven from COVID and the increases that we're seeing. And while we certainly have benefited from consumers being more aware than they ever have about pre-planning, I think what you'll see here is the changes that we've made from a marketing perspective began well before COVID and have measurable and sustainable impacts well into our future.

From a digital standpoint, our transformation has been truly incredible. Going from a static website back in 2018 to one where we're releasing hundreds of enhancements on an annual basis. From a direct mail standpoint, as I mentioned, going from a very decentralized program to one that we're now leveraging our scale and data to target individual prospects.

And then I haven't really touched on our seminar program. Again, this is one where we host consumers in a restaurant or other venue and really give them an overview of pre-planning. This is a program that we leverage what we learned in our direct mail program and applied the learnings and creating a data model to target prospects for a seminar program.

We launched this in early 2022, so this year, and we're seeing out of the gate seminar sales up 60% from the changes to this new data model. So, you may be asking what does this all mean in terms of total production. We've been able to grow marketing generated lead production from $120 million in 2018 to $255 million in 2021, and the other exciting thing is we've been able to grow this kind of production with 5% less spend than 2018.

So, think about that. More than double the production for marketing generated leads at 5% less cost than what we were spending on these lead generating programs in 2018. It's truly incredible. So, the other question you may be asking is well are you cannibalizing the production from your core leads by the growth that you're seeing in your marketing generated leads and the simple answer is no.

We've been able to grow our core lead production at a 9% annual compounded growth rate on top of an almost 30% annual compounded growth rate for marketing generated leads. It's a truly powerful combination. So, we couldn't be more excited about what we've been doing from a marketing perspective and what is yet to come that we believe we can generate sustainable growth well into our future.

But as I mentioned earlier, marketing is only one piece of the puzzle. I'm now super excited to hand it off to our VP of Sales, Gerry Hurd, who's going to talk about how we're taking the increased leads that you see here and turning those into sales production. Thank you.

Gerry D. Heard
Vice President, Sales

Good morning, everyone. I don't know how you could not be excited about that. I've been in sales with SCI for more than 40 years and I can tell you that I'm more proud than I've ever been about the processes and the improvements that we made. But more than that, I'm excited about the future and I'd like to take a few minutes and kind of explain why.

One of the biggest opportunities in sales is taking your best opportunities and matching them with your best sales reps. And although that may sound easy with us having 3,600 sales associates, it's very difficult. But today one of the material changes we've made is we're matching the quality of the lead with the quality of the sales rep, and it's producing a tremendous outcome.

Now historically we've struggled with this and frankly it's prevalent throughout the industry. Most organizations spend the majority of their time looking for prospects. As Jamie just outlined, we believe we can provide leads at a quality and quantity unsurpassed historically in the industry. Today our model now focuses on the quality of our team and the customer experience. So improving these processes, we have a smaller, leaner, much more efficient and highly trained sales team.

We're managing expense much more prudently. We're seeing some things that we're very excited about. Attainment rates in counselor's goals are at historic highs. We're seeing turnover being reduced. And the real benefit of this comes from the magnifying effect over time as counselors become more stable and learn and do better.

So, as mentioned, the most beneficial change is coming to sales have been through leveraging technology. The way to think about this is we're talking about lead flows, lead management, and improve training. So, we've spent a lot of time optimizing our CRM, and today it's much more predictable and robust than it's ever been helping counselors manage daily activities. Today, on a recurring annual basis, we're managing 1.4 million new customer records, we're completing over 14 million sales activities, and we have conversion rates at all-time highs.

We're beginning now to work on what we're calling our Agile Transformation or our intelligence sales process. And this process includes serving up monthly action plans for our sales associates, which allow them to make goals and keep them on pace on a daily basis on what they need to do to reach their goals and to be highly successful. We also are serving up what we're calling our likelihood to close models. These are being accented with machine learning, and artificial intelligence. These processes are taking much of the guesswork out of what needs to be done on a daily basis for our teams to be successful.

Let's take a little bit deeper dive into Salesforce which we rolled out in 2014. So, the best way to think about this was when we began using Salesforce it was an out of the box software, and the first goal was to give up paper and to begin to get all of our leads, data and information in Salesforce. So it became a repository for us. While that was occurring and while we were changing the culture of our sales team from this very manual process to this automated process, we began building repeatable processes within Salesforce that could help drive us forward. Those processes have been built, and what the outcome is, is that our leadership now has data that's available that they can make decisions with.

So, these data decisions are driving us to higher performance and eliminating a lot of arduous tasks. In the old days, leadership would have to travel to markets to identify what was wrong. They may have to go through extensive data mining to figure out what's happening. And again, today, in real time, we use machine learning and artificial intelligence to serve this information up so that we can make important decisions quickly on how to be as effective as we can with the opportunities that are presented.

On Slide 59, technology is also playing an important part with onboarding our new associates. So again, we've assembled quite an extensive amount of data and we've built dashboards that are red, yellow, and green for all of the associates that are provided towards leadership. So now leadership can see deficiencies within these key areas, which offers them the opportunity to serve up very specific training as opposed to using a one size fits all.

Now, during COVID, we were able to really master the art of training and growing people remotely out of necessity. But nonetheless, we've done a remarkable job with that. So as opposed to bringing sales counselors, sales managers out of the field and into formal training classes for days, sometimes even for weeks, we're able to serve these up remotely with much higher outcomes.

And we're spending 65% less in terms of cost plus the associated time of people not being out of the field to be able to learn. One of the other benefits is we're able to provide very strategic bursts of training based upon upcoming appointments and leads so that counselors are absolutely prepared when they're meeting with customers.

So this next slide, if you look at the left-hand side, I kind of view as our scorecard. In 2018 our close rates were about 30%. Now keep in mind our close rate is the relationship between appointments and sales. So, in 2018 at 30% and now at about 45%. That's a 50% increase in this time period. What this tells us is that our counselors are absolutely writing more contracts and closing more sales with the opportunities that are being presented.

On the right-hand side of the slide, you'll see that we are doing more with less. We've grown production by over half a billion dollars all the while reducing counselor counts by 550. We reduced the amount of support roles and sales managers and all of these things are possible because of the improvements that my colleagues and I have been discussing and processes and the way that we've been operating.

So, in aggregate, we're extremely proud to have grown production on a 10% CAGR from 2017 through 2021. This is truly great execution by our team. We expect Preneed funeral and cemetery to grow in the mid-single digit percent range in 2023 and beyond. And as you can see on the right-hand side of the slide, the growth is more skewed towards cemetery which offers near-term earnings and cash flow benefits.

Now Steve mentioned earlier that based on our strong first quarter results, we expect Preneed cemetery sales to grow in the mid-single digit range for the balance of 2022. Now all of this growth wouldn't be possible without the third piece of this and that is the cemetery inventory and products that our customers desire. And so, with that, I'd like to turn it over to Mike Johnson to come up and explain what he and his team are accomplishing for us.

Michael Johnson
Vice President, Revenue Management
Thank you, Gerry. We are very fortunate to have Gerry and Jamie leading our incredible sales and marketing teams. Just incredible over the last few years.

So, I'm here to walk you through a sampling of our cemetery property initiatives that are currently in place and delivering strong growth in velocity, sales average and revenue. So, let's get started on Slide 63. Looking at property averages and our inventory investment trends now, a key to our cemetery sales strategy is the increased investment in the development of new and unique inventory offerings for our customers.

Our tiering strategies ensure that we have an offering for a variety of consumer preferences in both the burial and cremation segment. And you can see on this slide the impact that it's having on sales averages. Now, we've been particularly successful in moving a segment of our customer base from entry level options such as basic lot gardens and simple cremation niches, to more customized estate gardens and glass niche columbariums, which provide more personalized memorialization. In recent years, we increased our investment to meet the demand associated with COVID deaths.

In addition to the lead generation and conversion efforts of our sales and marketing teams, Now, as we looked at 2022, now we've guided you to a spend of $120 million, which is higher due to the continued strength of our preneed cemetery sales. And the need to develop more of this tiered inventory, which gives our customers more to select from in the future. The increased investment in high quality and unique inventory sets us apart from our local and our regional competitors, and it positions us to continue to grow our market share in the Cemetery segment.

So, we now would like to show you a brief video which highlights this incredible cemetery inventory that is available to the customers we serve. And this is something we're very proud of.

[VIDEO]

Incredible, isn't it? It gives me a real sense of pride to see what we've been able to develop for our customers. Now because of our tiering strategies that I described in the earlier slide, and those of you who took the tour at Memorial Oaks, we've experienced an increase in demand for premium cemetery property. And as you can see on Slide 65, we offer a wide array of quality and custom inventory types.

And this type of inventory typically starts at a price point above $40,000 per contract. Now, the hedge and bench estates provide a semi-private interment option with natural beauty and unique granite colors for memorialization. While our gated estates and private mausoleums offer a more private setting, and additional options to customize a one-of-a-kind final resting place. Now, as we've invested in this type of high-end inventory, the consumer has shown increased interest, and they see value at this level of quality. And you can see it's generated a 15% compounded growth rate in recent years.

Now we're committed to meeting the needs of our customers and by aligning our development efforts with various cultural preferences and unique demographics with growth potential. We've generated differential revenue growth and higher customer satisfaction and loyalty in these communities. These customers have the highest repeat visitation rates in our cemeteries. And annual festivals such as Dia de los Muertos and Ching Ming bring families back to remember and celebrate their loved ones.

The picture on the left is a feature of Our Lady of Guadalupe in a lawn crypt development designed for the Hispanic customer, and we have this type of development across our network, from California to Texas to Florida, where the Hispanic population is high. The picture on the right is a beautiful estate garden with a large cremation niche columbarium with feng shui principles designed to maximize positive natural energy and protection for the loved ones in our care. The open areas that provide optimal sunlight, water features, and vibrant plant life, ensure these developments provide a beautiful setting and peace of mind for the relatives who return on a regular basis to visit their loved ones.

As many of you know, we continue to experience a growing trend toward cremation, and this is something that we've really increased our focus for revenue growth, and we're expanding our cremation inventory across the network. Today, the cremation consumer is becoming more aware of opportunities for inurnment within our cemeteries through digital lead channels and direct mail, but also improve sales processes such as our park tours and in-person seminars.

Now, the increased investment in the more progressive products that you see on the slide, such as glass niches, family, columbarium and estate gardens provide more options for personalization. And this ensures we're positioned very well to increase our share in this high growth customer base.

And as you can see on Slide 67, we've experienced strong sales production growth in recent years, both before COVID and throughout the pandemic. And we expect this growth to continue as we introduce new development strategies and marketing strategies.

So we get the question quite frequently whether or not we have enough cemetery inventory to continue to grow cemetery sales. And frankly, the answer is yes, we have tremendous capacity. Broadly speaking, you can see that between our development but unsold inventory and our undeveloped acreage, we have about 12,000 acres of available life.

Looking at Slide 68, you also see that we sell about 110 acres per year. So, taking the 12,000 of undeveloped acreage and 110 acres that we sell per year, this gives us an estimate of just over a hundred years of available life throughout our network. We do recognize there are a handful of cemeteries where we have more limited life, and in these situations, we have plenty of approaches to maximizing that life, such as purchasing adjacent land for inventory development, building multi-story mausoleums and cremation gardens. Or we can expand through acquisition.

So bringing it all together for Jamie, Gerry and myself on Slide 69, we believe our current and our evolving marketing, sales and cemetery development efforts position us very well for continued cemetery and funeral production growth. Now, while we've made great strides in driving cemetery revenue growth to date, we believe we're in the early stages of leveraging technology to generate substantially more quality sales leads.

Additionally, as we roll out our intelligence sales processes, we should enhance the close rates of our existing counselors and with more quality leads, be able to onboard and train new ones. From a cemetery inventory perspective, we will continue to invest in high quality inventory and focus on our ethnic opportunities and the cremation customer with more leads and a growing sales force.

This will ensure that we have an abundance of relevant inventory for years to come. It really isn't a stretch to take our mid-single digit growth expectations in our base case and increase those to high single digits in the near future. And with that, I would like to welcome John Faulk, our senior vice president of Revenue Business Development, and he's going to address our growth capital initiatives.

John Faulk
Senior Vice President, Revenue and Business Development

Thank you Mike. Our first two growth pillars have focused on organic growth. And now I'm going to talk about how can we use our capital to grow our footprint, and then we can take those strategies that we talked about around sales and marketing, utilize them into new locations. So, for the purposes of the morning, we classify growth capital into three buckets.

So, the first is acquisitions, which is obviously the purchase of existing funeral and cemetery operations. Second one, our new builds where we will go in construct a new location to be added to our footprint. And the third one and I'd like to take credit for this name, Miscellaneous Growth, but that's a smaller bucket where we're not actually adding to our footprint, but we're utilizing our capital in ways that can have positive returns for our shareholders.

And I'll give a few examples of those. Now, over the past five years, we've utilized just over $770 million of growth capital. And as you can see, roughly 80% of that is in the acquisition and new build buckets that I mentioned with the balance of 20% in miscellaneous growth. And you can see it fluctuates from year to year a bit, tends to average just over $150 million.

But that fluctuation is really driven by the acquisition bucket and not necessarily how many acquisitions we do, but the relative size of opportunities that come our way. So, let's talk about acquisitions. We feel that acquisitions are our best use of capital as a company. They have great IRRs. And if you come back to Tom's strategy that served us so well that he mentioned in the beginning, it's deploying capital to grow our revenue and leverage our scale.

We do very well in the local market. We can take advantage of our local leadership, our local infrastructure. And then at a national level, the great departments at our home office just 30 miles south of here can be leveraged as well as our purchasing power as a company with vendors. Now, historically, we've had a target of $50 to $100 million for acquisitions, and you can see that in each of the last five years we've exceeded the low end of that range. In fact, in two of them we've exceeded the high range. In that time, we've added 127 locations to our footprint.

We're very excited this morning to say we're raising that target from $50 to $100, up to $75 to $125 million. And there's a few reasons why we're doing that. I think first off, Jay mentioned in his presentation, there's still 80% of our industry and profession that's fragmented by largely family held businesses. And as we've looked at the baby boomer generation of owners, more and more we're finding that these family businesses are choosing a path other than passing it down to the next generation for any number of reasons. And if you add to that the experience of operating a family-owned business in our profession during the pandemic, it's been extremely challenging. And we think the combination of these is going to create a differential opportunity for acquisitions in the next five to ten years. And we feel like we're very well positioned to take advantage of that opportunity.

To that point, what you see here is a highlight of our acquisition activity in 2021. We purchased 32 locations across seven states, and that's roughly $40 million of revenue that we added to the company. Schoedinger Funeral Service 12 locations in Columbus, Miller Jones in Southern California and Riverside County, Skyline Memorial Park, which is a cemetery just south of Chicago. And Wapner funeral directors four locations also in Ohio.

And I'll highlight Schoedinger just for a bit. This was a business we had an existing relationship with for some time, and the owners there were six generation owners in the family business, still wanted to continue to work, but because of some of the factors I mentioned earlier their next generation was not interested in succession planning. They decided the time was right and they had spoken to some of the people that we had partnered with, liked what they heard and when they decided to make a move, they made one phone call and that was to our company. And we're very humbled and proud of that. But we think we're best positioned again to take advantage of this opportunity.

I want to shift gears from acquisitions to new builds. And the way we think about new builds is that it's very complementary to our acquisition program. So, all things being equal, if there's an existing business with an interest in selling, we're going to pursue acquisitions over new builds. But sometimes there are factors where new builds are going to make more sense for us.

It's an increasing focus for the company over the last five years, and definitely so over the next five to ten. You can see in 2017, we spent just $12 million. The four years after that we've averaged over $45 million, and we've been able to add 51 new locations to our footprint, with another 14 that are in process where we have a site identified and we're either in permitting or in construction with an opening happening soon.

Now they still have returns in the low to mid-teen IRRs similar to acquisitions, and let me talk about where we're going to look for these new building sites. The first one are going to be growing suburbs in urban areas where we operate that have a high mix of our target customer. And I'll walk through some examples on the next few pages.

But we've looked at areas and we decide we want to be there. And if there's not someone already operating, we're going to go pursue a new build. The second example is creating combo locations. So, this is where we have a standalone cemetery and we have an existing base of customers. We have land that we already own, and we can construct a funeral home on that property and take advantage of the customer base that's running through there.

Now we've done a number of those, but we're constantly looking at whether we can do more. And the good example is Skyline, the acquisition that I mentioned just south of Chicago from last year. We're in the process of opening a funeral home on that property. It's going to create a very lucrative combination for us in the future.

And then finally, while not a large number, we've opportunistically rebuilt on some of our combo locations you might say, why would you rebuild a cemetery or excuse me, a funeral home on a cemetery when we already have one. And when you look at our footprint, a large number of our cemeteries originated in very rural areas. And then the cities have grown out to them.

And so, a funeral home that might have made sense 40 or 50 years ago as that community has grown, we find we can have a very great return on our investment by building a new contemporary facility. And I think it's a little bit hard to get your mind wrapped around new builds without examples. So, let's move north about four-hour drive to Dallas, Texas.

I'll talk through a few examples. No matter what list you look at in this day and age, Dallas is going to be in the top one, two or three in terms of growth in our country. It's a booming market. We have a great footprint there, serving over 5000 funeral customers and over 3800 cemetery customers. And you see two circles on the map to the right.

The first ones at the north I'm going to talk about. And those two dots are two projects. The second one is just south of downtown, and that's another project we're going to talk through. So, the North Corridor, Stonebriar Funeral Home in Frisco, Texas. Again, we didn't have any presence in this north corridor and we started looking in Frisco in 2010.

It was named the fastest growth city in the United States by the census bureau. And the first thing that popped in our head was Let's go buy a business in Frisco. And as we looked, there wasn't a funeral provider in Frisco, and the numbers were just through the roof in terms of growth. So, we said, all right, well, let's find a site. They built this beautiful facility. You see Stonebriar, which opened in 2013 and very proud to say we had a goal of 225 families there at maturity. That funeral home is already exceeded that goal and it's still growing. So great job to our Dallas associates.

The second example I'll shift to the bottom left and that's that bubble that I mentioned just south of downtown Dallas. Now Laurel Land Funeral Home, Laurel Land combo is the largest cemetery in Dallas. It was a Stewart property that we purchased in 2013. Now I'm going to get a little nerdy with statistics, but when we looked at Dallas the average combination location was serving 85% at the funeral home of the cemetery volume. So, if the cemetery was doing a thousand burials, the funeral home was serving 850 funeral customers.

At Laurel Land our largest cemetery which was serving 1500 families. That ratio was 34%. We said we're losing out on 750 calls and when we dug into it, it was a facility that was really holding us back. We invested in the beautiful facility you see on the bottom left, which opened in early 2019 and that 34% ratio that I mentioned has grown to 43% last year. It's gone up every year. They're now serving 650 families and we're very confident that number is going to be over a thousand in the near future. So great investment for the company and for our customers.

Shift to the bottom right go back to the north, which I mentioned, growth corridor. Stonebriar had done so well. We said, Let's buy a cemetery in this area. We looked again and what we found is, goodness, there's not a cemetery that we feel can meet the needs of the consumer in that area. So, we found a 55-acre tract in Prosper, Texas. Proud to say we recently closed on that have permitting and entitlements to create a cemetery and funeral combination facility there just six miles north of Stonebriar. There's over a half million people within ten miles of this site.

And we're very excited about what the future holds here. Now this is Dallas. We've done similar type formulas in Houston. There's a lot of other markets we're looking at. But the new build program, again, complimentary to acquisitions and we think we'll always be a smaller spend, but it's a great way to grow our footprint in high growth, great demographic areas.

Now, miscellaneous growth, not a large portion, but the thing that I love about our company is we will not shy away from using our capital in ways that can exceed our cost of capital. Great return for our shareholders. It's about $20 million a year and this can be one or two facilities out of our 1500. Steve said we don't have capacity issues, but occasionally we will expand the footprint of one of our funeral homes, but they tend to be cost based.

So, we have about 60 operating leases of traditional funeral homes. If we can buy that real estate and get out of that lease at a return above our cost of capital, we're going to do it every day. Additionally, a fun project we've done that made sense both for the company, for the environment and ESG was building solar panel arrays in Southern California and this came to us - we were studying the tax incentives available, the cost of power in Southern California. We actually have constructed carport, solar arrays over our parking lots, which have great returns again, but are great for the environment and great for our ESG goals.

Now, the final point I will make, and I'm shifting gears a little bit from growth capital is on maintenance capital. And as I think about maintenance capital, I think a lot of people think about maintenance capital as well. It's roofs, its air conditioners, and we certainly do our fair share of those. But we also use a lot of our maintenance capital to change the look and feel of our facilities.

So, I'm not going to go through each of these. But these are six pictures of facilities that if you looked at them 10 or 12 years ago, they would have looked like older funeral homes you would imagine, pews, church type setting, maybe a little bit dark. Maintenance capital has created these amazing conversions where if a traditional family wants to have a traditional service, we can accommodate that. But these rooms can also accommodate catered receptions, more lively events. And we're going to keep doing that in what we believe is the finest footprint in our profession.

So in closing, very passionate about growth capital. It's going to be enhanced over the next five to ten years. And think about acquisitions, raising our target to $75 to $125 million. If we can continue at that pace over the next ten years, we're going to add $300 to $400 million of revenue to the company. And again, we think the opportunity is right with owners seeking succession planning that we can capitalize on that.

New builds - We've already planted the seeds for 51 plus 14 locations. At ten new builds a year over the next ten years, that's 150 fresh new locations in areas with thriving demographics. That's $150 million plus in revenue. So we're going to keep pursuing these acquisitions. We have very talented professionals in our construction, real estate and M&A teams just south of here in Houston. And we feel like the future is very bright here. So with that, I would like to welcome Aaron Foley, our vice president and treasurer, who's going to talk about the strength of our backlog.

Aaron G. Foley
Vice President, Treasurer
Thank you, John, and good morning, everyone. It's good to see everyone today. I'm now going to bring it home with our fourth and final growth pillar that we've got to discuss with you this morning. And it's really a kind of source from what our, my colleagues, Gerry and Jamie have talked about in the tireless work that their teams have been doing to really drive Preneed production and really grow our Preneed backlog, which is something we're really excited to kind of give you a little more perspective on today.

As you can see on Slide 83, we've really grown this backlog pretty tremendously over the last five years. We've grown from 10.7 billion in 2017 to just shy of 14 billion in 2021. This represents about three times our current period revenue and provides a tremendous amount of support and stability to both our earnings and our cash flow. As you can see, our backlog is supported by about half preneed funeral insurance policies, which is predominantly with CUNA Mutual Group and the other half by funeral and cemetery trust funds on both the funeral and cemetery side.

One thing I would like to point out about this backlog is we've discussed a lot about Preneed property production because we are providing that property at the time of sale that is not included in our backlog here. The backlog that we're showing here generally has about a 10-to-14-year life from the time of sale and at maturity, that's when we're provided with really the earnings and cash flow from that sale.

Our trust assets are broadly diversified across 20 to 25 professional money managers, across 60% equities, about 25% fixed income, 10% into alternative and commodity assets with the balance in cash to accommodate for the movement in contracts. These trust funds are monitored very closely by a subcommittee of our board, the independent trustees who are actually managing these assets as well as both an internal and external registered investment advisor.

Now delving into funeral which is the preponderance of our $14 billion backlog at $10 billion as of year-end. As Steve mentioned earlier, this reflects about four and a half times our current period funeral revenues. And I'd like to talk to you a little bit about the strength of this program and the power that it's having on our funeral averages. Now, the schedule, as you see on the left-hand side of this slide, what it's trying to show here at the bottom, as really an index over the last several years is the walk-in average that we're seeing each year.

The green line at the top, which is the maturities out of that backlog that's providing tremendous support to our sales average. And as you can see, in 2021, that average was about 9% higher than what our walk-in averages were and provided us with earnings and cash flow at that maturity. And keep in mind, these sales were done 10 to 14 years ago.

On the bottom side, you can see really what's going into the backlog today. And in the orange bars at the bottom of the slide there. What's going into the backlog as you can see in 2021 was about 4 or 5% higher than what we were selling on and the atneed basis. Now this differential along with the growth in the trust funds, trust returns, as well as the insurance accretion as well is going to go to drive differential growth in our revenues and profitability as we look into the future when we do deliver the products and services.

On the cemetery side, this reflects the remaining $4 billion of backlog that we've been discussing with you. Again, this reflects the products that we're selling on the cemetery side, which is generally the markers and then the services that we're providing as well, which is the opening and closing of cemetery lots. In 2021, this $4 billion of backlog represented about six times our preneed and at any cemetery merchandise and services revenue.

To orient you to this table on this slide because there are definitely a lot of numbers here. The Orange line at the top reflects the preneed services and merchandise cemetery production that we've done over the past several years. And on the bottom, it's showing the recognition of the principle in the trust earnings over this same time period. There are two things I'd really like to highlight for you on this slide. As you can see during the pandemic years, the production has really gapped out from the recognition that we've had during these years.

What we're really excited about for this gap here is that this reflects future earnings and cash flow that will be coming to us as we look forward over the next several years. Another thing I'd like to point out is the green bar in the very middle that reflects the cemetery trust fund income. And as you can see over the past several years, that has also grown pretty nicely and we expect that to be a source of strength for us going forward as well.

So bringing this section all together, as you can see, we're servicing high-quality and more profitable contracts as they're maturing out of the backlog. We are also refilling the backlog with the same high-quality preneed contracts in both funeral and cemetery as more and more of these high-quality contracts come out of the backlog into the future, along with increasing cumulative trust earnings, we should see a larger impact in future year revenues, expanding the profitability as compared to recent history.

We also believe that our cemetery backlog being about six times our cemetery atneed and preneed merchandise revenue is not as well understood and will drive differential growth into the future as well. Particularly as you think about the surge in production during the pandemic years, combined with the power of the financial market returns that we've been able to see compounded into those trust funds, as well as the baby boomer increasing our backlog recognition that Elizabeth referred to earlier in the presentation.

So, as you can see, we're excited about this backlog that we've been building and look forward to great things to come from it in the future as well. Now, I'd like to welcome Eric Tanzberger back onto the stage to bring all we've been discussing together, addressing the power of SCI's business model. Thank you.

Eric D. Tanzberger
Senior Vice President, Chief Financial Officer
Thank you. I'm back. I'm going to really try to wrap up this portion of the presentation and kind of pull it all together in terms of the four pillars of growth that, again, we think will differentiate ourselves from the type of performance which again is tremendous performance and consistent performance. But even better, as we move forward, and I'll recap that in just a second.

You know, the other thing I'm going to do today in this section is really show you try to quantify the power of SCI in the illustration. You know, we talk about these initiatives that are going to grow us differentially. What does that look like? What does it look like when you start thinking about models and performance and expectations and results?

I think you're going to be excited to see that illustration. And then last thing I want to do this morning, as you would expect from us being the largest in the industry by far and with 25,000 associates that are touching a good amount of those client families every day is talk about what's going on with the consumer a little bit. You know, talk about the trends that we're seeing as we move forward. And we'll have a little video of that as we move later in the presentation.

So let me recap the four pillars. This again is what we believe are the key to the future to not only consistently deliver the 8 to 12% that you've been accustomed to from this management team in this company in all of our SCI team members. But to go differentially above that, you know, the first one is really stating the obvious, and that could potentially be one of the most powerful, and that's demographics. Elizabeth did a great job giving you a lot of statistics and walking through a lot of the details, but it's inevitable that there's a tailwind in this industry and we’ll be a significant part of that and we'll benefit from that.

It's easy to see how the aging population in North America is going to positively affect our company. And it's also hopefully easy to see from this presentation today how you can see the ability of us to differentially capture more market share as well. Whether it's through the backlog that Aaron mentioned or all of the technology that we're differentiating ourselves and increasing the gap between us and our competition and a lot of that in the future, as you saw, will be customer-facing technology.

Jamie, Gerry, and Mike did a great job walking you through a lot of that, a lot of the enhancements and utilizing the type of technology in our CRM systems and how we really manage our salesforce, how we manage the leads to get better leads, better close rates. I hope you saw that in their presentation. And as Gerry said, you can't do it without the best inventory in the business.

There's no doubt if you're visiting our cemeteries, we have the best inventory in the business. And Michael Johnson did a great job walking you through a lot of those unique tiering opportunities that we have that are even getting more concentrated in ethnicity offerings as well. And of course, the cremation offering, you saw that today and some of his presentation where you see the cremation consumer really starting to increase usage in our cemeteries.

Third, John did a great job this morning on really the non-organic part of the formula of the 8 to 12%. And it's not just acquisitions. There's a lot of opportunities when you look at these new build opportunities to continue our growth in key markets where aging populations are and that aging population is just going to help us grow into the future.

And then lastly, Aaron's presentation on the backlog. And as I really stated when I was up here on stage before, this is just a tremendous asset. I mean, this is a $14 billion asset of future revenues that's not only contractual in nature. So, we feel very strongly about coming our way, but it's even getting better. I mean, what's going into the backlog is getting better in some of the statistics that he showed you.

Then you have the ability to have investment earnings and have market type returns coming through and continuing to compound and grow that backlog. And then there are some unique things that you may not have seen or really notice. I mean, there's a $4 billion backlog in the cemetery segment of future merchandise and services that are going to affect atneed cemetery, you know, sometime in the future.

It's just, it's unprecedented and you can't duplicate that asset in this industry. And it's very, very exciting. So, these four pillars will be the differential growth for our company as we move forward. So, with that, let's talk about it. Let's talk about a mathematical illustration of this. Let's start with our funeral segment, which is on Slide 89.

To the left of this is what the guidance is today. This is what the track record is. You know, you're used to seeing our top line growth being in the very low single digits, 1% to 3% and generally a very consistent 19% to 20% margin business. Well, let's talk about now in this illustration 200 basis points of incremental revenues to our funeral segment.

Now you're saying 3 to 5% or approaching mid-single digit percentage growth rates on the top line in this segment. And from that and as you've seen before including in the COVID pandemic you're going to see margin expansion. And we've proven that as we put more throughput into this high fixed operating cost model without adding a lot of additional costs and capital associated with that. And that's going to put you into the low twenties in terms of our margin.

Next, let's take that same example on slide 90 and talk about the cemetery segment. This can come from a lot of things, as I've described to you, but ultimately in the left-hand corner of this and the green is the base case that's what you're used to seeing again, a little bit more of a growth parameter and cemetery, as we all know, because the baby boomers are starting to affect and have affected it for several years in terms of Preneed cemetery property sales.

That's the consumer that we first touch when those consumers are in their call it low to mid-sixties in terms of ages and a mid 30% type operating margin for this particular segment. Again, let's talk about 200 basis points more coming from one combination of those four pillars in terms of growing cemetery revenue growth. What you're going to see then is on the right-hand part of Slide 90, you're going to see the potential growth.

Now you're seeing mid to high single digit percentage revenue growth of the cemetery segment and you're seeing margin go from the mid-thirties to the high thirties. So, this is really showing you the power of our company. And again, there's one thing I want to mention as well, I'm not really telling you or we're not really prescribing where this 200 basis points is coming from and notice that it could be any combination.

Of course, the demographics is a large tailwind coming our way, but there's a lot of other initiatives utilizing technology, our backlog, non-organic, etc, that could even grow these two segments in terms of top line above and beyond the 200 basis points. So, this is just an illustration of just starting there with 200 basis points.

So, let's put both of these slides in terms of funeral and cemetery together. So, on slide 91, the first thing is you should recognize this was slide 34 earlier in the presentation, and this really showed you the incremental $0.65 of learnings that got us to this base that we're very comfortable with of $3.18 per share, of which at a minimum we believe we can grow 8% to 12% above that $3.18.

But now look at this slide, now you're really starting to see the power of this 200-basis points revenue growth and this illustration and again, this isn't meant to be guidance, you know, we give guidance in the very near term, but it's really meant to show you the power of the earnings model as we move forward. What you're seeing here in the blue off of $3.50 of 2023, which we already described to you is the effect - the bottom line effect of what I just showed you on the previous two slides. 200 basis points growth and funeral revenues, 200 basis points growth in cemetery revenues, margin expansion in both of those segments. And then what you get is the upper right-hand corner here of Slide 91, and that's where you're seeing growth in earnings go from that 8 to 12% to really the high teens and maybe even approaching the low twenties as well.

That shows you how powerful this is. And again, just to reiterate, this is just the 200 basis points. Some combination of demographics and the other three pillars could essentially grow our top line growth a little bit more than 200 basis points as well. But this is the power of this company. This is the power of the growth model that's why we're here today and are so excited to visit with you this morning, whether you're here in the room or on the webcast.

We appreciate your time and joining us for our company to consistently and you go back to, you know, I use the word consistency. You go back to one of Tom's earlier slides. It's the same strategy that we've had since 2005 in terms of growing revenue, leveraging our scale and investing in capital opportunities. So not only had that consistency of the strategy, we have a very consistent management team as well.

The additions that we've had lately and our management team has just made us better. They've just introduced new concepts; they've introduced technology and they're going to make us even better going forward as well. And before we finish this this morning, the other thing that I have to make clear is that none of this, none of this happens again without our 25,000 associates and their leadership, the field leadership, that is 100% on board with this strategy and 100% aligned with us, and are just as excited as we are to continue this journey.

And when I look at this growth that's potentially, you're talking 19 - 20% growth, 18 to 22, whatever it's going to end up being in this illustration, I really look at this and say, wow, the consistency that this company has been able to deliver, the consistency of the strategy, the consistency of the management team, the consistency of the 8 to 12% and yet this could end up being high teens and low twenties with what's left to come with the initiatives and strategies we have with our four pillars of growth.

I just can't help but to say for all of us it just feels like the best is yet to come. And with that I really appreciate you joining us this morning. I appreciate you joining us in the room here in Houston. The SCI team, the investors, the shareholders, the analysts, as well as on the webcast as well.

But before we move on, I'm going to ask Tom to come up for our Q&A session. I do want to do one more thing that I described to you before. You should expect this of our company being the largest and the best in this industry that we're going to have the most insight into the future.

We're going to have the most insight into the consumer's desires, the wants and the needs. And what I'm going to do now is show you a video that's going to emphasize some of that, emphasize the desires and wants of more unique celebrations, simplicity, innovation, as well as utilizing customer facing contemporary technology well into the future. We are investing in this.

We're investing time and money. You've seen us invest before and we will continue to invest to make the experience simpler and better for the consumer. So, with that, let's go ahead and watch this last video.

[VIDEO]

So really what you should have got out of that, in my opinion, is just where the trends are going. And if you really paid attention you're talking about innovation, you're talking about customer facing technology. You saw a lot of that in the phones that you saw in the video. That's really a customer interacting with us in the future. You know, to use an old hockey expression, as we were rehearsing this, you really have to skate where the puck is going. And that's really what we're doing and that's what you should expect from the biggest and best of this industry and from this consistent management team.

Think, get out of that video terms like innovation, customer facing technology, simplifying, all the things that we hear more than anybody, what the customer wants, what the desires are and what their needs are. We will be there. We will be there first. We will invest time, we will invest capital, and we will be there to meet the changing consumer in an ever-changing world, and particularly in our industry. I guarantee you we will be the best at it for sure.

So, with that, I'll go ahead and wrap it up. This is a slide on Slide 94 that you've already really seen. This is the key takeaways that Tom had already mentioned again, just to wrap it up, one and two key takeaways, something is very consistent. We have a strong, growing, sustainable business model and have consistently been able to produce 8 to 12% growth.

Number 3, what I just described to you, we continue to invest in technology, we continue to innovate. The best is yet to come. We'll continue to do that. And when I think of it in the future, the customer interaction is just going to continue to get better.

Number 4 the Preneed backlog. And I've already said this, been up here in this segment already, just the power of it, just the power of the $14 billion we believe will increase market share and increase revenues over a period of time.

And then lastly, number 5, not only do we have the growth of eight to 12% that you've seen us do and perform over a long period of time, some combination including demographics.

So, these four growth pillars and all the hard work innovation strategy capital that we'll put behind them, we believe will allow us to differentially grow above that level, above the eight to 12% level. As I just showed you in the previous few slides as it relates that illustration that drove us all the way to the high teens from a compounded earnings per share growth, the best is yet to come.

So, thank you for joining us. Thank you for joining us here in the room. And thank you for joining us in the webcast. And at this point in time, as I say on our earnings call, Tom, this concludes our prepared remarks. And I'm going to ask Tom to come on up at this point in time and we'll go ahead and take a question-and-answer session.

I've been told from Debbie that the first question that we are going to take is from A.J. Rice. A.J., go ahead. Thanks.

A.J. Rice
Credit Suisse

On the one hand, you guys have been investing now for a long time in the preneed funeral area. One aspect of that is the potential to move share over time. It's, you know, the average contracts of ten or 12 years. So that's a very long term investment. Do you yet have enough information to say, hey, this is really moving a share for us? And then I guess shorter term, there's also the COVID dynamic, how you performed in COVID versus maybe some of the peers. Do you feel like that was a place where you maybe gain some share that will persist?

Thomas L. Ryan
Chairman of the Board, Chief Executive Officer and President
Sure, A.J. I guess the first part of your question, I think we've been gaining market share slowly but surely over the years. But what I'm most acutely excited about and you saw in Jamie's presentation most of the leads historically that we were generating were coming out of our funeral homes over those core leads.

And so, a core leads get a high probability of being cannibalized. And you've seen Aaron's slide we’re 109% of the atneed revenue. So, we'll still preneed you and we'll make more money. But where you really get the power is the incremental call to your point. And so, I think with what Jamie talked about in the marketing leads and how we're touching people that weren't going to prearrange or may not even have a relationship with our funeral home - that's a truly powerful incremental volume.

But I can't say that we've seen anything distinct. If you look at, you know, other competitors, I don't think we've seen different numbers yet. So, it tells me that a lot of what we sold 12 years ago probably was cannibalized.

I do think to your point on the on the pandemic, you know we've always watched the preneed going atneed versus the atneed and the interesting difference is that we used to see the preneed going atneed you know growing a little bit better than our atneed which told us there's a little bit of market share gain.

And now we've seen that the inverse happened with COVID coming. We saw a lot more atneed cases relative to the preneed going at need which again in our minds leads you towards we're touching more customers. We got incremental customers we would not have achieved.

A.J. Rice

Okay. Maybe one other one, obviously you talked about the demographics and that was some great data and you're assuming a pickup in growth. I think the first baby boomer hits 80 in 2026. I assume it's not the 2025, no impact 2026. There's a big uptick. It'll be a bell curve of some sort. Right. Can you comment I mean, can we look at what's happened with Preneed cemetery sales. Where you moved to the mid-Single digits and say Hey, that's in front of us on the funeral side? Or how do you guys think about that demographic dynamics specifically?

Thomas L. Ryan
Chairman of the Board, Chief Executive Officer and President
No doubt. I mean, there's different triggers, right? And, you know, one thing you'll see, we said 75 is the typical age. But if you really look at the data, if you live past 65 years old, the average date of death or age of deaths can be about 82.

So to use your example. There's one school of thought that says that real impact comes, begins to really show itself probably in 2028. Now having said that, that's just the baby boomer impact. And if you go back and look at the demographics of the silent generation and what really occurred and for those of you, this is a real demographic nerd thing, right?

So, if you go back to the Great Depression, you know, people stopped having babies for a while because they couldn't feed them. And that began in 1929 and it lasted for some period of time. But if you look at the birth rate and then you think about immigration there was a, it began to tick up before the baby boomer impact.

So, I think our thoughts A.J. are we're probably entering into that last piece of the silent generation and in how that is going to begin to tick up. And then as you get to the back half of this decade you should really begin to see on atneed basis the impact on the funeral side. And then I think the thing Aaron was trying to point out is we keep talking about the funeral side.

You're going to get some atneed cemetery. And then remember that $4 billion backlog that Aaron's talking about in merchandise and services for a cemetery - that's huge. Now, the one frustrating thing I have and this is just gets to data in the optionality that we have on the cemetery side, Aaron, has a great slide that says Preneed going atneed's 109% of atneed walk in today.

That number would be huge if we could show it to you on the cemetery side. The reason we can't is it's a mixture of vases, you know vaults, markers. It's such a wide variety of things that you really can't tie everything to, let's say, a typical sale. But we've been getting 10% comp out of returns in that trust fund.

Remember the funeral slide? 70% of that is an insurance contract with a 1% growth. So that growths achieved with 30% of it being trust contributed 1% growth in insurance contracts. The cemetery is going to be big. And that's why I think Elizabeth's analogy to say hey watch that merchandise and service trust fund. When that starts to come out the other end, it's big.

One thing I'll say while we're waiting for the next question, I just want to say I hope you enjoyed the presentation, the content of it. What I'm most proud of and I hope you guys take away as good as the content was. And in clarity, I think you saw the depth of talent in our management team. And I couldn't be more proud of my teammates, some of which you got to see on stage and many of which are here and some back in the Home Office. But we've got an incredible team, an incredible company, great culture and, you know, 25,000 strong that I'm just so proud of. So, with that next question, Scott sorry.

Scott Schneeberger
Oppenheimer

Thanks, Tom. I appreciate it. Great job today. Very good outline of the future for you. I'd like to focus on Eric's first part the slide 32, 33, 34, 35 area, the 65 cents of bridge in 2022 the accelerated share repurchases that's obvious but 10% of income coming from cost efficiency and then 75% sales and marketing productivity and cemetery so it sounds like that's the really big driver here.

The question in all of this is - Could you elaborate a little bit more on those cost efficiencies and then the carryover of this cemetery productivity from 2022 to 2023 and beyond. Can you sustain that high level? Thanks.

Thomas L. Ryan
Chairman of the Board, Chief Executive Officer and President
Sure. So first we'll go to the cost efficiencies, the smaller one. So, on that, you know, we touched upon a couple of those ideas and one of them touched into Jamie's area remember she talked about we're getting all this, you know, double the production with less spend on how we're getting leads. And so one is, you know, the way that we're going out the digital leads, particularly on the organic, it's really cheap to get them to our website.

And so those are very cost-effective leads. We've really driven down the cost as it relates of the direct mail, the seminar programs in not only driving down the cost, as she mentioned, the two-hundred characteristics that we can utilize now to better identify, you know, higher likelihood of sales. So, we've driven down on the on the preneed, you know, I'd say selling costs and marketing costs and then as you think about travel and Gerry touched upon, we used to travel 75% of the time as a sales management team and now we're traveling 25% of the time because we're using technology in the customer relationship management.

So less pulling people out of the field to come do training. We can do training over Zoom and we can do training with faxes. I'm sitting across each other looking at data that comes out of our customer relationship management model. So those are two examples. Then you think about the streamlining of the funeral staff. We had a metric. Jay, correct me if I'm wrong, we used to be 23 funerals per FTE, was a metric where we're utilizing staffing, you know, how much staff does it take to do a funeral?

Well, we've always been trying to push improvements on that. And as you'd expect, COVID changes everything right? I can't get a signature, you know, look at our processes and what are the things that we can eliminate that allow us to be more efficient. Some obvious ones you to understand DocuSign and things like that that we can use. So, we're cutting down on time that may have been traveling over here or moving over there. And today I think we're operating at you know, 26, 27 funerals per FTE. So, there's just a lot of learnings that probably, you know, quite honestly could have been out there, but COVID forced us.

And then once we got there, you know, we became believers and we said we're going to sustain this type of, you know, improvement and put that into the platform because we're not going back to the old way of doing things. Now, on the, the big one, which is, as you saw, basically the cemetery sales velocity you know, the things that are a great example for you to see.

And part of it was COVID and part of it was the technology being in place. And I apologize for those that are on the call, but the people that got to do the tours yesterday, you got to see Beacon and you got to see the old way that we sold. You know, I think Jay said that the average time for a sale might have taken 5 hours if you got the sale.

And now we're doing a sale in one hour with the Beacon tablets and those tablets have pretty standardized functions where we can't mess up the inputs. You know, we don't have to go back and get signatures. We've got kind of standardized discounts that people can do. And so, we're seeing a reduction in the number of discounts. So, we've got kind of all these base earnings, you know, Eric's talking about from just Beacon and now take some of the things that Gerry is talking about and in matching up sales counselors to be more effective and have higher close rates.

So, all those things we're saying those shouldn't go backwards. You know, Gerry's almost 45 - 46% close rate. We don't think we're going back to 38%. You know, Jamie's leads that she's showing us, not only are those great leads going to stay, but they're going to grow at those rates and continue to grow. And then as we move forward, as you think about the sales force and the growth, we're going to let the size of the sales force be dictated by the leads that we need to follow up.

But we're going to have very, very effective salespeople. Our lower turnover rates. You saw some of the cemetery property at the high end. You know, the other thing that we don't talk about much, COVID slowed down our ability to grow gardens. You know, we look at our spend in 2020, we didn't spend as much money on cemetery and inventory development.

Why you couldn't get people to go out there. Everybody forgets now, you know, there was no vaccine you know work crews were shutting down. And so, to Michael's point, you know, we're back in the game and there's a lot of projects out there. You saw the big $35 million deferral in the first quarter of preneed cemetery sales that's sitting out there waiting to be recognized when we finish that construction.

So, there's just a lot of efficiencies we've built in through the sales force. The leads process that we believe as we study this are sustainable.

And so, as you think about cemetery sales, of course, you're going to lose a little bit of COVID. But I think what we're trying to say is you're going to lose a tiny bit of COVID on the preneed cemetery side and you're going to make it up, you're going to grow off that new base. I mean, it's very similar to what Eric showing you. 65 and 32. We're pretty confident the 65 exists to afford us the opportunity to grow from there.

Scott Schneeberger
Great thanks, you're going to do well. One quick follow up on the acquisition spend that was $50 to $100 annually. You've raised that today. $75 to $125 I think that makes a lot of sense. And I think it's first time I've seen the opportunity there you have 800 million to a billion of targets and then the commentary that it can get, it can deliver three to 400 million of revenue over time.

So that seems to be a powerful growth engine as well. Just curious about that big billion dollar pool of targets, more on the cemetery side or more on the funeral side? And what are the sizes? Are there some big lumpy ones or is this really just going to be a lot of talking volume? Thanks.

Thomas L. Ryan
Chairman of the Board, Chief Executive Officer and President
So, I would say the preponderance of that is going to be on the funeral side. As you think about, you know, we showed the location, I think it's 22,000 funeral homes and 5,000 cemeteries. And if you look at, you know, our size and the ones that we own, there are some great cemeteries still to be had, but, you know, not as many opportunities probably as you've have on the funeral side.

So that's going to skew the mix. And what John's done and his team and Jay as well is we've really developed relationships over the last 10, 15 years and we made a point, we made that list and we know the businesses that we want to own. And so, we've reached out either from here or on a local basis to begin to develop those relationships. So that list actually exists and in a real business that that we would one day be interested in.

And so, we're trying to make sure we've got the type of relationship that John discussed with when we looked at Schoedinger, you know, over many periods of time and develop and trust and them getting feedback from our former acquisitions. You know, Jay uses the line every time he and John go into a meeting and says, here's a list of the last five people we bought feel free to call and ask him any questions.

Did we do what we said we were going to do? Did we do capital improvements? Did we take care of the employees? And so I think what you find by over time, you know, establishing that trust is that, you know, sure, people want that. You know, they want to make a lot of money.

But their next biggest concerns are, what about the reputation and my family's business and what about my employees? And I think we can win those two arguments every time. And the only one we could ever lose is the money. And if we lose the money, it's because it wasn't worth it. So that's why I think we feel, with high degree of confidence, we can go out there as more of these businesses open up.

Let's see. You said who is the lowest funeral versus cemetery and what was the last part? Yeah, oh, yeah. Very lumpy, I think. Again, if you remember when we talked about the way we view markets, we like, you know, customers that like to spend and scale opportunities. That's our bread and butter, right? That's where we can really shine.

If we can get a hold of a cemetery. You go back to the Stewart acquisition; you go back to the Palm acquisition in Las Vegas. You know, we're not smarter than everybody else, but we see more than anybody else. And so, we can go into a market to understand what is the ethnic opportunity to sell. You know, we went into Las Vegas.

Las Vegas was a very I'd say, Caucasian centric business when we bought it. And it was a fabulous one. But we had a lot of experience in dealing with the Chinese community, you know, in dealing with Hispanic community, and deal with the black community that we can go in and look and say, hey, you're missing these opportunities just because you don't really see them or you don't know how to approach them.

Well, we've had to approach them 25 different ways and we can bring in experts and understand how to adapt to that customer. So, if you went into our Palm locations today, Jay, I mean, it's a totally different world. And so, we've just opened up new markets for an already existing great business. So, there's a few of those still out there we'd love to get hold of.

And, and I tell you, there's some really nice regional businesses that I think will come up, you know, for transactions in the next few years. And we want to be first and foremost there's not another Stewart, unfortunately, those don't exist at those levels of size. But there's a lot of great businesses to continue to interact with and hopefully grow and be a part of our business.

Debbie Young
Director of Investor Relations
On behalf of Joanna Gajuk
Bank of America

Great. A couple of our sales sides could not be with us today, but I have some questions from them that I'd like to ask on their behalf. This one's from Joanna Gajuk, Bank of America. And it's going back to the 8 to 12% growth framework. Historically, it was about half organic and half capital deployment. And you know, you see in the presentation that shifted just what drove that? What are the main drivers?

Thomas L. Ryan
Chairman of the Board, Chief Executive Officer and President

Sure. So that one of the main drivers was really, you know, the presentation you saw between Jamie, Gerry and Michael. You know, I think we believe the you know, we keep getting better at the sales model. And so, as you think about our existing businesses and our ability to kind of step on the gas, particularly on the property side of the equation, you know, combine that with the trust fund run off that Aaron talked about, those are just bigger assets that are going to begin to impact the business.

They've always impacted it, but they're about to impact it in a bigger way. And then underlying all of that, you know, John touched upon a topic that's that we probably haven't talked enough about. But these new builds, you know, the nice thing, the IRRs aren't very different between a new build in an acquisition, but the cash flows are dramatically different.

You know, day one, we're making a lot of cash flow out of an acquisition. And it probably takes us to to year six to really, you know, flow cash flow out of a new business. But think about the growth curve of that new build. John touched upon a couple of them, and we did a new build on a combination facility that was doing 400 calls, we think it's going to do a thousand well out of the gate. You know, that big investment, it's hard to pay it back, but you can't ever capture it. In an acquisition. The type of j-curve, when you think about what's going on with the new build acquisition, well, John told you that we planted these 51 plus 14 in the last five years.

If I do that right that 65 John, 65 locations that probably aren't making money yet or a lot of them aren't and they're about to turn so if you think about it, that's on a comparable basis that'll be a comparable funeral home. So, there's a lot of things that are kind of I think setting us up for more growth when you think about the eight to 12. And then on the flip side of that, you know, when we buy back a share at 70 bucks, it's not quite as effective it was and we were buying it back at 15 and so your dollar doesn't go as far when you think about that piece of it getting bigger, it's harder the acquisitions to move the needle. So it's just a natural I'd say shift but, but overall we're very comfortable with the 8 to 12.

Debbie Young
Right I'll just ask one more on Johanna's behalf and that has to do with Gerry's slide about our sales force, how the numbers of people have declined and in other industries, you know, they're not really seeing that. What's driving that? What are we doing to keep our turnover low?

Thomas L. Ryan
Chairman of the Board, Chief Executive Officer and President
OK, so and again, I think for those of you here, one of the answers is Beacon. But we had a unique thing happen and I think the industry itself was always driven off of if we can on board and train people. And I'd say a lot of our sales management's time was hiring, training, you know, going out and making sure that they've got the presentation right.

And so, there's always been a pretty high turnover in this industry. And with our investments in technology, which I'm going to start off with because I think without that, what I'm about to say couldn't have come true. We started investing in technology with customer relationship management system back in 2014. Salesforce, took a while to kind of get it up and running, you know, then you think about the Beacon product that we showed you yesterday it takes an hour to close and it's very simple and I'm not filling out a bunch of paperwork and my driving around and trying to get signatures when something was wrong on a relative basis.

So, my productivity as a salesperson has gone way up and with the better leads and the technology that Jamie and her team are driving into the business, we have a lot more visibility as to what's happening in the business. So, what happened with COVID, if you remember, we went in and said we didn't know what was going to happen in April of 20, and we had a large number of salespeople and we still we're kind of built on the model of manpower, manpower.

Well all of a sudden, we had no seminars. Seminars were a big part of what we did, where you could meet with people. So, Gerry and Steve and the leadership team kind of sat down and said, you know, what are we going to do? We don't have enough leads to feed the system. And what we said is, you know, we're going to take our most productive counselors and we're going to give them the leads and let them work those leads.

And then in the midst of all that, you probably lost four or five hundred, six hundred people that weren't getting the leads and couldn't make a living, and they found another way to go make aliving. And what we said is, you know, we've got these leads. Well, then Jamie and team turn up the leads and now all of a sudden we have more leads and they're better leads.

We didn't know we were going to do this right. COVID kind of forced us into action. And I think with that we started matching leads to the right people, the rates went up on close rate. We figured out there's a lot of productivity to be had by taking great leads and putting them with great people and then using the technology to train as needed.

Stop traveling so much. Stay out and sell. And lo and behold, wow, you know, we're much more productive as a sales force. So, it was a culmination of a lot of things that made us better. And so, I think what we're saying now is we're going to lead with productivity. We're going to lead with great leads. We're going to make sure our people are trained.

Now, why do people stay? They're staying, and I think those of you on the tour, if you get to sell on Memorial Oaks Cemetery and you saw some of those private estates, by the lake, it's a million and three sale. There's not a lot of places you can go turn around and sell a piece of land that size for a million and three. And so, I think having great inventory, having technology like Beacon, that makes me more efficient.

And if I'm a younger person, I insist upon having a Beacon. And I don't really want to go to the competitor where they got books and carrying them around because I'm used to technology, not me. Of course, someone might be much younger. That would be I think that's what gives us the retention opportunity, quite honestly, is that we've got best product contemporary systems, we've got leads that are very, very effective, and we can match with their talents and we can train you based upon your individual needs versus, you know, everybody trained the same way. Anything I leave out, Steve, Gerry?

Matt Grainger
Lord Abbett
You talked upfront about the resiliency of the business across some of the sort of broader macro dynamics that are outside of your control, the business cycles and recessions. Can you just talk about how you reflected that near term economic uncertainty into the baseline view of 23 that that you kind of talked about today and in a recessionary environment, what consumer behavioral changes would you expect to see? What do you think is less likely to change?

Thomas L. Ryan
Chairman of the Board, Chief Executive Officer and President
When we when we've been through recessions in the past, you know, when it just talking about recession for a minute, what we found is the resiliency of the funeral side is pretty strong. Its people don't skimp on funerals. It's an emotional purchase they don't quibble over price. And people are going to, you know, unfortunately continue to pass away.

So, we found that the funeral side of the business is pretty stable, pretty predictable. Cemetery is going to have a little more volatility in it. And I said this yesterday, I think on the tour when you saw some of the spectacular, you know, cemetery inventory properties that are out there, the correlation and this is probably my view more than anybody who knows what they're talking about, the correlation between high and cemetery and housing is amazing to me.

If you go around and say, where's the best cemetery inventory in the country is going to be where housing prices are the highest. And so, you've got the money to spend on a high-level product. So, you tend to see the real you know, it's really ringing the bell in those markets where you've got high correlated home prices and people feel confident.
So, if home prices are going up, I would tell you that we're high propensity to be able to sell to

the high-end customer. If the stock market is up, everybody feels really good in their buying. And what happens if you look back at 2009 as my one glaring example of a tough time, we started to see cemetery high and cemetery sales fall off in the fall of 2008 and it was really bad in the first three months of 2009.

The shocking thing was in April of 2009, which tells me that if those of you who are old enough to remember the world didn't end, the market bottomed it still was terrible. Our cemetery sales were up 10% in April. So, what it taught me is, on a very short-term basis, cemetery can be very reactive to recessions. The good news is it's kind of the first thing that people go back to.

You know, the last thing is probably to the high definition, big screen TV, right? But I'm going to take care of business I'm going to take care of my family. I'm going to take care of, you know, my funeral arrangements, insurance, whatever is going to happen. So I'd say our experience is that and on the inflationary side, I would tell you relative to other industries, this business does really well.

We are very labor intensive. We should have, I think, inflationary pressures. But history tells us we're pretty good at passing those inflationary costs along to the consumer and kind of protecting the earning stream.

A.J. Rice

The strength you're seeing in the premium cemetery sales as you drill down and look at that do you think that's something that's sustainable or do you think it's sort of the ebb and flow? Is it a function of inventory you've developed or what’s, what's behind that issue as you guys think about it?

Thomas L. Ryan
Chairman of the Board, Chief Executive Officer and President

Great question, A.J. So, I think it's, you know, one of the big misnomers, and I think it goes back to the history of cemeteries and where they've been owned, which you probably would appreciate now as you walk that cemetery, is the capital intensity of the things that you want to do. So when you think about a cemetery and its ability to survive, there's a lot of maintenance.

So, the only way to really be successful, as Gerry taught me, is you have to have preneed sales, you have to have a great sales and marketing program. And if you don't have any capital, then your salespeople are out there selling vanilla versus vanilla, you know, which flavor to you all vanilla. How about another vanilla?

And so, our philosophy really was what if we built, you know, vanilla, chocolate and strawberry and test that oh, well, people like, you know, chocolate & strawberry, too. And now we're getting to, you know, in a lot of these places, you've got Baskin Robbins 31 flavors and what you find as you have more of those offerings, people will come in and buy it.

I mean, a great example would be because I think we used this 15 years ago when we were trying to do some of this stuff was if Bill Gates walked into the cemetery today because back then he was the richest guy, Elon Musk now but if Bill Gates walked into our cemetery today what will we show him? And somebody said, well, I've got a $40,000 estate bench right here.

That's what we give Bill Gates. So, you think Bill Gates you know, and what would happen if Bill Gates walked in? He'd say, is that the best you got? I'll take it. And I think philosophically, what we said is if we're not willing to go build something that spectacular and then build off of that different opportunity for customers to buy what would happen.

And I think we found is they buy it, they buy the top, they buy the middle of everything you want because that's what they really want. It just wasn't available. And I think what we keep finding that gives me, you know, you keep thinking, oh, we figured it out. And then we don't, I mean Michael walked everybody around yesterday.

You know, everybody said cremation customers won't buy in the cemetery. They don't want any of that stuff. You guys saw some pretty, you know, impressive cremation inventory properties that we set out and built. We built one at Memorial Oaks. It opened a year ago. 55% sold. We're almost out of it. We didn't build enough of it. So I'd say we're still learning that we're probably not being aggressive enough.

And so that's what I think gives us the confidence to say we got the cash, we're going to build it. We're going to go into the markets where we think it's justified and the people want it. You can't do that kind of stuff in every market in the United States. But we have the demographic detail to understand where that's going to sell and what are the relative price points that people get excited about.

A.J. Rice
And I know yesterday on the earnings call, you talked about you've got some hedges on the inflation side with respect to your cost for the funeral caskets, etc. When you think about the development opportunities, is there anything about that, that is changing the profile of the returns because of any inflationary pressures or not really?

Thomas L. Ryan
Chairman of the Board, Chief Executive Officer and President
Really not in any material way. I mean, I think, MJ, you'd say we've seen slight increases, but again, because of the volume that we buy, I think AJ, I mean, I'm sorry, MJ Michael showed you an example yesterday we took a high-end custom-built mausoleum and, and it's, it's a spec, right?

We just put it out there in the concept was we want to show people what's possible and then you can sell around it. And one day somebody is going to come in and buy the spec property well in that example, you know, not too long ago we would have said, let's buy that one spec and put it in Houston and you'd be paying full cost for it.

We go to our vendors and say What if we did that 50 times and put it in 50 of our cemeteries? What kind of costs can we get? And I don't know, MJ what do we get? Half price I mean, I think being big affords you the ability to say we can manage some of that cost because people really want to tap into our 500 cemeteries or 1500 funeral homes.

And that gives us again a competitive advantage to say we can manage around some of this. I think our big issue is not price, it's just like Jay was talking about. It's getting our hands on things. The supply chain problem is real and it shows up in some weird spots but for the most part, we manage our costs relatively well to other industries and surely within our competitive space.

A.J. Rice
Maybe one last one. You're below your target leverage at this point, 2.6 times versus three to three and a half. How quick do you think you'll see that? Go back to that, you said you could step up on buybacks. You got some acquisition and development opportunities. What's sort of the

glide path to get back to three to three and a half?

Thomas L. Ryan
Chairman of the Board, Chief Executive Officer and President
So, there's three things that will factor in. And I think it's you know, one is the pull forward of COVID you know, I do think you're getting into some quarters where it's going to be a tough comparison, right? So, you're rolling 12 months is going to slightly decrease. At the same time, it's probably how quickly can we pull in some of these acquisitions.

And we've got a lot of great discussions. So, if John were to find two or three big ones, you know, that's going to push us up there quickly. And then the relative price of our stock, you know, if it's a bargain, we're going to back up the truck. If it's reasonable, we're going to nibble at it.

So that's why I think it's hard to predict the timing. I'd say an aggressive timing would be the end of this year. A less aggressive timing would probably be, you know, the back half of 2023 depending on how much shares you buy back, how many deals come in, that's probably the biggest factors. But somewhere in there we're going to get back to there.

That's the appropriate amount of leverage you have on this business. But for us to say, let's go spend $500 million on $70 SCI stock all at once, I'd say I'll wait for the recession and I'll buy it, you know, whatever the market gives me. And then the same thing on the acquisitions.

Debbie Young
Director of Investor Relations
In light of time, we'll probably wrap it up. I don't think there's any further questions.

Thomas L. Ryan
Chairman of the Board, Chief Executive Officer and President
Anybody?

Again, thank you guys so much. It's fabulous to see you all. Thank you for everybody being on the call. And most importantly for us, thanks to our 24, 25 thousand, I don’t even know how many people we have anymore teammates. Thanks, everybody. Have a great week.