Q4 2020 Earnings Call

Company Participants

- Debbie Young Director, Investor Relations
- Eric D. Tanzberger, Senior Vice President, Chief Financial Officer
- Thomas L. Ryan, Chairman of the Board, Chief Executive Officer and President

Other Participants

- A.J. Rice
- Joanna Gajuk
- John Ransom
- Scott Schneeberger

Presentation

Operator

Good morning, and welcome to the Service Corporation International Fourth Quarter 2020 Earnings Conference Call. All participants will be in listen-only mode. (Operator Instructions). After today's presentation, there will be an opportunity to ask questions. (Operator Instructions). Please note, this event is being recorded.

I would now like to turn the conference over to SCI Management. Please go ahead.

Debbie Young Director

Thank you, Andrew. Good morning. This is Debbie Young, Director of Investor Relations for STI. Welcome today to our company's review of business results for the fourth quarter of 2020. Before the prepared remarks, let me remind you that we'll be making some forward-looking statements today.

Any comments made by our management team that state our plans, beliefs, expectations or projections for the future are forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such statements. These risks and uncertainties include, but are not limited to, those factors identified in our earnings release and in our filings with the SEC that are available on our website.

During this call, we will also discuss certain non-GAAP financial measures, a reconciliation of these non-GAAP measures to the appropriate GAAP measures is provided on our website under the Investors Webcast Events section, also in our earnings press release and 8-K that were issued yesterday.

With that out of the way, let me pass it on now to our Chairman and CEO, Tom Ryan.

Thomas L. Ryan {BIO 3505123 <GO>}

Thanks, Debbie. Hello, everyone and thank you for joining us on the call today. We hope you and your families are staying safe and healthy. This morning. I'll provide a little color on our business performance during the fourth quarter. Then I'll offer some commentary on our 2021 outlook with the understanding that they remain substantial uncertainty surrounding the effects of the COVID-19 pandemic, which could change guidance significantly.

However before I begin, I would like to say a few words about this past year. 2020 has certainly been one of the most uncertain and challenging periods that any of us can remember. As I reflect back on the last ten months, I can say with certainty that our results are a testament to our team's incredibly hard work into the resilience of our underlying business.

I'm extremely proud of our entire SCI team for going above and beyond the call of duty in 2020. In this difficult period, we stayed relentlessly focused on what we do best helping our client families gain closure and healing with the process of grieving, remembrance, and celebration. The health, safety, and well-being of our SCI family was a top priority. And not only were we able to avoid any layoffs, mandatory furloughs, or reductions in pay as a result of the impact of COVID-19. We were able to recognize the incredible efforts of our frontline associates with hero bonuses and provide special bonuses for every associate that does not participate in our annual incentive plan.

In 2020, our services were needed more than ever and I am proud that we were able to perform a significantly increased number of services without any disruptions to our business which highlights the power of our scale. One thing that became clear throughout 2020 is that our fundamental business has not changed. We did not see a wholesale shift in the consumer preferences and our cremation rate remains stable.

Although we were restricted in our ability to have large gatherings in 2020, we heard loud and clear from our consumers that they still have a desire to memorialize and to celebrate the lives of their loved ones. Virtual arrangements, live streaming of services, outdoor services, drive-thru visitation, radio transmitting graveside services and many more unique memorialization and celebration of life ideas are now a normal part of what we do. The success and acceleration of these enhanced service offerings have highlighted the importance of innovation in our industry. We will continue to invest in technologies that enhance how we interact with consumers digitally, providing a better customer experience (inaudible) the contact to the arrangement conference and beyond while also enhancing efficiencies in our operations.

As the year unfolded, actions we took and response to in-person meetings limitations yielded non customer-facing efficiencies. We more effectively utilize our labor force using virtual training, our customer relationship management system and other technology tools instead of current travel related cost. We drove down our lead cost per sale by accelerating the growth of digital leads and making significant improvements to our direct mail program to drive record growth. All of the many learnings from this year will make us a better company going forward. As a result we're positioned to enter the post pandemic world as a more agile and efficient company.

Now let's shift and provide you with some color about the core. We last spoke in late October our projections did not forecast a tremendous surge in COVID mortality that the U.S. Experienced in late November and December. Just to give you a little color on the cadence of the quarter our same store funeral volumes were up 7% in October, then grew to 13% in November and an unprecedented 31% in December, which is the highest monthly growth rate we experienced all year.

As a result of this surge late in the quarter, we finished the fourth quarter with adjusted earnings per share of $1.13 compared to $0.60 in the prior year, well above the range we provided to you in October. Both, Funeral and Cemetery segments had margined improvement of over 600 basis points driven by double-digit top-line percentage growth applied against a more efficient cost structure. We also benefited from a lower share count and a lower tax rate.

Let's take a look at Funeral Operations in the quarter. A little comparable funeral revenues were approximately $49 million or 10% during the quarter. Both Core and Non-funeral home channels perform very well and we're slightly offset by lower general agency revenues caused by a decline in insurance funded pre-need funeral sales production. Core revenues grew $53 million, driven by a 17% increase in the number of cases, partially offset by a 3.4% decline in the funeral sales average. The predominant reason for the increase in services performed was due to the direct impact to COVID-19 and to a lesser extent to an increase in non-COVID related deaths, such as heart disease, stroke, cancer, drug overdose and suicide, perhaps the consequence of a lack of access to healthcare during 2020.

Words cannot convey the level of my appreciation and respect I have for our frontline team. The tremendous care you provided record numbers of our client families during such a stressful time can only be described as heroic. Thank you. The decline in the funeral sales average of 3.4% was due to some local jurisdictions we're imposing restrictions on gatherings given the surge in deaths of November and December. This resulted in a decline in the number of cases with the service. The cremations makeshift was a moderate 120 basis points it had a minimal impact on the quarter over quarter funeral average decline.

Preneed funeral sales production for the quarter was down 1.6% versus the prior year, which is a significant improvement over results posted in earlier quarters this year. While we saw record growth in production from our digital and direct mail leads we continue to be hampered by a decline in pre planning seminars due to local restrictions and consumer reluctance on in-person gatherings in restaurants. From a profit perspective funeral gross profit increased $45 million and the gross profit percentage increased 640 basis points to 27.5%, realizing a 92% incremental margin our revenue growth.

Growth in our high incremental margin core business more than offset slight declines in our lower margin revenue streams. We also continue to benefit by the efficient management of labor hours with fewer and smaller services, as well as reductions and non-customer-facing costs and certain marketing and promotional expenses.

Now shifting to cemetery. Comparable cemetery revenue increased $64 million or 18% in the fourth quarter. At need cemetery revenue accounted for $25 million of the growth driven by more burials perform due to the effects of COVID-19. Recognize pre-need revenues accounted for $35 million of growth, mainly due to higher pre-need cemetery sales production during the quarter. Pre-need cemetery sales production grew $40 million or 16% in the fourth quarter driven by increased lead sources associated with the higher at-need services and burials performed.

The preponderance of the growth $25 million or about 60% was from a 12% increase in velocity with a number of contracts sold. Remaining growth was about $15 million, which primarily due to large sales activity. We continue to see a more productive and efficient salesforce with better utilization of our customer relationship management system and improved conversion rates from our direct mail and digital lead campaigns. Consumer reception to having a pre-planning planning discussion remains very high. I want to take a moment to recognize the tremendous efforts of our sales team.

For the full year 2020 they wrote more than 1 billion in Cemetery pre-need sales production, this is a new company record so hats off to the entire sales organization. Cemetery gross profits in the quarter grew by approximately $49 million and the gross profit percentage increased 680 basis points at 39%. Growth in revenues and strategic cost reductions combined to drive margins beyond normalized incremental levels.

For the full year 2020, we reported an adjusted earnings per share, up $2.91, a 53% increase over 2019 in a one-of-a-kind year. As we look ahead we acknowledge that there are many unknowns facing 2021. Obviously, the speed and efficacy of the vaccine rollout could have a significant impact on the spread of the virus, hospitalizations, and ultimately on the number of deaths. This combined with the willingness of the consumer to transact on a pre-need basis may have a material effect on our 2021 results.

There is no doubt that in 2020, we service desk that were pulled forward from a future year. While we know that the timing of the pull forward is impossible to accurately predict. We have developed models based on data from the IHME and the CDC, which incorporate historical trends in current COVID related deaths, by age group as well as by co-morbidity factors. In determining what future years are impacted by accelerating. By accelerated deaths and by how much. Based on all these assumptions, we believe adjusted earnings per share in 2021 will likely range between $2.50 and $2.90 per share. We have provided a wider than normal range based on the uncertainties surrounding the impact of COVID-19.

Let's take a deeper dive into our assumptions for the 2021 earnings per share guidance. We are modeling funeral volume to be down versus 2020, but mid-single-digit percentage is higher than the 2019 levels due to the expected impact on funeral volumes in the first few months of 2021 associated with COVID-19. We anticipate double-digit year-over-year percentage increases through March. Then while we expect to continue to impact from COVID-19 deaths, we predict comparable volumes to trim lower for the rest of the year as compared to the very active final nine months of 2020. We expect the funeral average to be down low single digit percentages in January and February and begin to see favorable trends as we compare back to early months of the COVID outbreak in 2020.

While we anticipate growth year-over-year we still believe we will struggle to get back to 2019 levels. As we believe many people will continue to be reluctant to gather in large groups. We expect pre-need, [ph] sales production to begin to rebound in the back half of the year and for the full year to grow in the mid to high single digit percentage range. Cemetery at need revenues should see significant year-over-year growth in the first quarter followed by comparable decline in the last three quarters as we face a significant hurdle from the 2020 results. For the year, we expect cemetery at need revenue to be down versus 2020 but still shows significant growth over 2019 pre-COVID levels.

Cemetery pre-need sales production grew unprecedented rate in the back half of 2020 and we believe that momentum will carry over into the first half of 2021. We expect double-digit percentage growth for the first four months of the year before confronting challenging year-over-year comparisons beginning in May. For the full-year, we anticipate pre-need cemetery sales production to be down in the mid-single digit percentage range versus 2020, but still be delivering solid growth as compared to our 2019 levels.

So in closing, in spite of experiencing the most challenging environment, our team continue to deliver. We rose to meet challenges never faced by our company before and year have been an extraordinary example of commitment, professionalism and agility. It's an honor to work with such great people and my sincere heartfelt thanks to the entire SCI family.

As we look ahead, I'm extremely optimistic about our future. While we do not anticipate the impact from COVID to completely go away, it is our belief that we should see a more muted effect on our results for 2022. Therefore, we expected decline in case volume and at-need cemetery revenues and therefore, on the associated earnings in cash flow from the pool forward effects of 2020 and 2021.

However, the knowledge that we gained from this awful COVID experience is anticipated to produce a more competitive and in profitable operating platform in the years to come. Therefore, we predict an impressive earnings per share growth for 2023 approaching $3 per share resulting from a combination of enhanced market share, a leaner infrastructure, leveraging technology, and a more efficient sales structure.

As the pull forward impact wanes, and the baby [ph]Boomers begin to enter their late 70s. We expect a further acceleration of earning growth. With our eyes on the longer term, we are continuing to invest in technology and new service offerings that allow us to remain relevant with our consumers, enhance our digital clients experience, and more efficiently and effectively serve our customers.

With that operator, I'll now turn it over to Eric.

Eric D. Tanzberger {BIO 1877182 <GO>}

Thanks, Tom and good morning, everybody. And like I've done many times over the past few quarters. I'm going to start by providing you with an update on the strength of our financial position that has supported us through these very volatile times. I will then move on to address our cash flow results during the fourth quarter as well as the full year of 2020 followed by our capital deployment activities for the year. And then I'll end by providing some details of our outlook for 2021.

But I think more importantly than any of that before we begin with that when we were reporting our 2019 earnings almost exactly a year ago today. I don't think any of us could have anticipated what we would be facing in 2020. During the year our frontline associates helped our communities deal with this rapidly moving virus with unparalleled poise in dignity. Particularly earlier on in the year when there was more speculation than there were facts available about coronavirus, but even to this day, our teams across our network are coming together and sacrificing their personal time, being away from home all to support their colleagues and their broader communities as well who are managing in current COVID hot spots.

So words cannot capture how thankful and proud I am of these 24,000 associates and how they have face the adversity of this pandemic with resolve and will continue to help our communities through to the end of this terrible virus. So please hear me say something this morning very clearly to all of our SCI associates. Thank you.

Now I'll shift to the financial update. So while we entered the pandemic anchored by our strong financial position, and a favorable debt profile, we continue to be very well-positioned with a significant amount of liquidity of roughly $670 million at the end of the year, consisting of approximately $230 million of cash on hand plus $440 million available on our long-term bank credit facility. On the higher EBITDA resulting from these strong Q4 results we're talking about today, our leveraged remains low at 3.19 times at the end of the year. And as we look beyond the impacts of this pandemic, we still intend to manage leverage in a range of 3.5 times to 4 times net debt-to-EBITDA.

So let's move on to cash flow, which has been resilient for us throughout 2020. Cash flow in the fourth quarter marked a much stronger than expected finish to the year supported by the earnings outperformance that Tom just mentioned. Associated with the surge of COVID related deaths particularly in late November and December.

We generated Operating Cash Flow of $245 million during the quarter represented an increase of $88 million or 56% over the prior year. This increase is primarily related to the growth in cash earnings in the quarter as well as the decrease in cash interest payments of about $28 million predominantly as a result of recent debt refinancing transactions.

Also remember, we continue to benefit from the deferral of payroll tax payments as allowed under the CARES Act, which benefited the quarter by about $30 million and for the full year by about $41 million. These positive inflows were partially offset by $25 million of higher cash tax payments on the higher a higher earnings as well as a net use of pretty working capital, which we have seen all year on the growth and Cemetery pre-need property sales sold on an installment basis. And as we step back and look at full year, we generated over $800 million in operating cash flow represented an increase of $170 million over the prior year.

So now let's talk about how we deployed this free cash flow. During the quarter, we had a very robust capital program deploy a nearly $325 million of capital to reinvest in and grow our businesses as well as return value to our shareholders. So regarding the breakdown, we invested 56 million in our businesses through maintenance and Cemetery development capital spend, which was about 2 million more than the in the prior year quarter, but in line with our expectations. Full-year spend was approximately $185 million, which represents a 9% decline from the prior year as we curtailed or deferred certain expenditures during the very early stages of the COVID-19 pandemic, which we expect to make up in 2021 as I'll address later in my remarks.

During the quarter, we deployed about $35 million towards acquisitions, which was a nice pickup in activity at the end of the year. For the full-year of 2020, we deployed just over $100 million in both acquisitions and growth CapEx for construction of new funeral homes. Then finally in the quarter, we returned nearly $225 million to shareholders in the form of dividends and share repurchases with our strong liquidity and cash flow as a backdrop, along with our favorable leverage profile, we took the opportunity to deploy a healthy amount of capital to share repurchases in 2020. In the fourth quarter, we bought back about 2% of our outstanding shares, bringing the full-year reduction in outstanding shares to about 6%.

Now let's shift to our outlook for 2021 and in terms of cash flow and capital deployment. Tom just gave you some color on the ever involve in pandemic, making it challenging to forecast with precision where our results will land in 2021, but based on the range of outcomes for adjusted EPS noted in our press release associated with the remaining duration and severity of COVID, we expect our adjusted cash flow from operations to range from 600 million to 700 million in 2021. There are a few items that I'd like to highlight when thinking about cash flow for mops in 2021. We will incurred three full quarters of what I consider regular payroll taxes about $40 million, which were able to defer in 2020 as allowed under the CARES Act.

Additionally, we will also be required to pay half or about $20 million of these deferred payroll taxes in the third quarter of 2021 and the remainder will be due in 2022. These two items then collectively create a $60 million impact to cash flow in 2021 when you compare to 2020 associated with payroll taxes. Federal cash tax payments and state tax payments together are also anticipated to be about million higher than 2020 at about $160 million in '21. This increase is mostly related to the timing of cash tax payments associated with our stronger than expected Q4, 2020 financial results that will be paid in early 2021. From an effective tax rate standpoint, we continued to model in the range of 24% to 25% in '21.

So moving on to some thoughts about capital deployment as we move forward. Our expectation for maintenance and cemetery development capital spending in '21 is $235 million to $255 million, which is about $40 million higher than our Pre-COVID level's spend as we perceived with certain projects deferred from last year. In addition to these recurring capital expenditures of $245 million at the midpoint, we expect to deploy 50 million to 100 million towards acquisitions and roughly 50 million to 60 million in new funeral home construction opportunities, which together drive low to mid-teen after tax internal rates of return well in excess of our cost of capital.

So with those remarks in closing, 2020 was by far the most difficult backdrop we've faced in a very long time. Fortunately, we went into it with a superior balance sheet and have stayed strong for the duration. Despite everything that has occurred, 2020 has been an extremely successful year for us while managing through many unforeseen and unexpected challenges. Again, none of this could be possible without the resolve, passion and dedication of our associates during this trying year, and I'd like to again thank each of you.

So with that operator that concludes our prepared remarks and I like to turn it back over to you. And we'll open the call up for questions.

Questions And Answers

Operator

(Question And Answer)

Thank you. (Operator Instructions) The first question comes from Joanna Gajuk of Bank of America. Please go ahead.

Q - Joanna Gajuk {BIO 16689444 <GO>}

Thank you very much for taking the question here. So a couple of things. So I guess first, I guess appreciate the comment on the 2023 EPS close to $3. So could you -- I guess in that context frame for us, how should we think about your views around your long-term growth targets because you kind of, it sound like maybe your thing is this target should be higher because previously you talked about 8% to 10%. So kind of can you frame those kind of metrics to us, it will be great.

A - Thomas L. Ryan {BIO 3505123 <GO>}

Sure, Joanna. I think historically as you know, we've given an 8% to 12% range. I think more recently, it's been a bit more challenging and we've tended to be more of the 8 to 10. And I think what COVID has taught us really are couple of things because I mentioned I think we're more powerful company coming out of this and I believe that.

First of all, I think we've had the ability to gain share going forward. We can look today as an example. If you look at the at-need services we're providing versus the preneed going atneed, which those numbers typically are pretty coordinated. We've seen a consistent increase in the number of true at-needs versus preneed going atneed. So it tells us that we're servicing more people than we typically would. I think a lot of that has to do with our scale and our ability to deliver services because unfortunately in many marketplaces, it's just so overwhelming that a lot of our competitors aren't able to take in people and because of our ability to scale people to, acquire refrigeration and things of that nature, our ability to have cemeteries, we can perform outdoor services. And again, we're taking advantage of that opportunity to have deeper relationships with our consumers.

The other thing that I think is pretty prevalent for us is our digital footprint, our website our digital leads program which feed both preneed and atneed funeral volume. So as we look forward, we think the goodwill that we've gained, the footprint that we have for outdoor services and cemeteries, the heritage that we captured by serving more customers during this time should afford us a better market share. And when you combine that with, the technology advancement that I think the company has achieved over this period. We're utilizing technology more in how we service families. It's allowed us to be more nimble and better at sharing resources of people and things. And from a sales perspective, I believe we now with our digital leads programs and effective direct mail programs we're finding a more effective and efficient way to produce sales. And as it goes on, I think it allows us to expand our span of control, the way that we think about it.

The days of traveling like we did before, particularly if you had a region that should be dramatically reduce as we look forward. Clearly, we need to get out and visit people but I think at the same time we'll have a more efficient, effective, and increase our span of control going forward. So that would push us towards in my opinion probably closer to the upper-end of our long-term range, Joanna.

Q - Joanna Gajuk {BIO 16689444 <GO>}

Okay. That makes sense. And on the -- the last point I guess in the last quarter you talked about 10 million to 12 million cost savings versus the pre-pandemic cost structure. So is it still the same range when you talked about a leaner cost structure or is there additional efficiencies you see going forward? Because I guess at the point you kind of indicated could be even more than that number. So any color I guess on that number will be great too.

A - Thomas L. Ryan {BIO 3505123 <GO>}

Yes, Joanna. I think those numbers are still very safe. They might be a little bigger than that now, but again, I think a lot of its going to determine how this shakes out and what sticks as it relates to preferences of the consumer. And also I think as we normalize whatever normalize it is into that cost structure, but I think it's safe to say that 10 to 12 is what we've identified, I think there's still a little bit more to be had as we go about in the post-pandemic world.

Q - Joanna Gajuk {BIO 16689444 <GO>}

Okay, that's helpful. I guess it's coming along with what you were saying. But so it gets you leave the door open for more which is good. And I guess -- excuse me, the last question so, you did spend some money on acquisitions, it seems this fourth quarter. So kind of how do you expect this to play going forward and how has the smaller competitors done during the pandemic? It sounds like, some people might have been pretty much overwhelmed, so and to your point about market share gains, are there also, assets actually acquired because, they might struggle, they might be feeling that, they are too small. So kind of any color on the acquisition of outlook would be great. Thank you.

A - Thomas L. Ryan {BIO 3505123 <GO>}

Sure, Joanna. We did have a nice fourth quarter of closings and as we look at the pipeline, it looks pretty active as we look out in the 2021 and 2022. So we feel very good about those opportunities. It's hard to say, I think it's -- I think a lot of things can impact the timing of people's decisions, I think going through something like this surely makes people think twice about, what they want to do with their lives. So I think it could have an impact on people but for the most part what we're seeing right now will we expect is a pretty robust, opportunity set as it relates to that. And I think as Eric mentioned we probably will continue to increase the amount we spend on new constructed funeral homes. We've also recently purchased land to construct new cemeteries in certain markets. So I think it'll be a hybrid approach through growing through acquisition and increasing our investment in new builds in these cemeteries.

Q - Joanna Gajuk {BIO 16689444 <GO>}

Great. Thank you. I'll go back to the queue. Thanks.

A - Thomas L. Ryan {BIO 3505123 <GO>}

Thank you.

Operator

The next question comes from A.J. Rice of Credit Suisse. Please go ahead.

Q - A.J. Rice

Thanks. Hi everybody. Maybe just to try to come at the comment about cost savings and so forth from a different perspective. When we returned to normal post the COVID environment, I guess, you know pre-COVID we'd always talks or sort of talked about funeral gross margins being in the 19% to 21% range and cemetery margins be in the 29% to 30% range. I wonder is that sort of where we land or is because of the cost adjustments and so forth, is it possible it might be higher than that?

A - Thomas L. Ryan {BIO 3505123 <GO>}

Yes, A.J. I think again it probably depends on working through all this pull-forward noise, right? It's going to be hard to predict because we don't know exactly which years this pull-forward occurred or how long the pandemic will continue to be an impact on the numbers of deaths. But I think as you get to normalize stage, it's our belief that we probably have the ability to raise those margins, you talked about another 100 to 200 basis points from the ranges that you talked about. So yes, we feel confident that both margins in funeral and margins in cemetery as we look out let's say to 2023, 2024 ought to be, 200 basis points or so better than the ones you quoted.

Q - A.J. Rice

Okay. And you mentioned a little setback in pricing in the fourth quarter, I know a lot of the challenges on the pricing returning had been and target California and Canada, did the increase in COVID activity across other parts of the country impact pricing there or was a pretty much still concerning those two markets?

A - Thomas L. Ryan {BIO 3505123 <GO>}

It really A.J. Had an effect in a lot of different markets, but California and Canada had a more pronounced effect because of `the government-regulated restrictions in certain other markets like Seattle, I think again, pretty limited. But even anytime you have an outbreak in a market, I think people have a reluctance to gather, people have a reluctance to have a big event. So we did see it kind of consistently when you see these big surges in COVID outbreak. So it really was getting a lot better all the way through October and then November, December when, we saw that impact occur. So right now we're still very, very busy as you can imagine and expect to continue to be in this first quarter and then I think you would see that average as the infections go down, the hospitalizations go down, you'll begin to see people spend a little bit more money, little bigger receptions and the like.

Q - A.J. Rice

And I guess last question in the background, we've sort of been tracking what's happening with the FTC in the funeral roll? Is there any update from your perspective into what's going on there with the new administration and all?

A - Eric D. Tanzberger {BIO 1877182 <GO>}

I'll take that A.J.. Good morning. There's really no update at this point in time. We know that with the changeover in the administration, there's going to be changeover in commissioners. Some of the commissioners have moved on to other positions, there are some resignations as well. So the framework itself in terms of the commissioner makeup will be different moving forward than what it was before, too early to tell what that means or where that's going. Certainly, there's a lot of things going on as we all know and our country that may lend itself to more important issues than the funeral, but we don't want to anticipate that the momentum is going to change one way or another at this point in time.

The good news is we've been very very consistent is, we continue to move forward with our strategy, regardless of an outcome from the Federal Trade Commission to put our best foot forward using our digital sites to put starting at prices and premium type enhanced products and service pricing out there. And in some cases even testing some GPLs out there as well that's not a change in our plan, that's something that I think we've been very very consistent with you over probably more than a year that that's what we're going to continue to do, for no other reason than that's what we think is in the best interests of our consumers and we're going to continue to meet those needs as we move forward.

Q - A.J. Rice

Okay, great. Thanks a lot.

Operator

The next question comes from Scott Schneeberger of Oppenheimer. Please go ahead.

Q - Scott Schneeberger {BIO 5302695 <GO>}

Thanks very much. Good morning, everyone and Eric and Tom. I like to echo you, thanks to your workforce, certainly doing a lot of hard and important work in duress condition. The first question I'd like to ask is on the cadence of -- the quarterly cadence in 2021. It sounds from your prepared remarks, like you're anticipating probably a lot of business activity in first quarter. But could you just give us a feel for how we should think about each of the quarters, maybe at an annual contribution or something similar? Thanks.

A - Thomas L. Ryan {BIO 3505123 <GO>}

Sure Scott. I think in my remarks, I tried to give it a bit of a monthly impact for you. But clearly it's really about comparing back to 2020 is the hard thing. I think we're seeing a surge that's continued from the last couple of months of 2020 in the early part of 2021. So like we said we'd expect double-digit percentage growth in funeral and cemetery really occurring throughout the first quarter and even into April.

As you get into the -- so the -- if you remember last year, the second quarter really was the tale of two things happening while we saw a big increase in case volume in late March and early April the average went down pretty dramatically and sales were dried up in April. We had a really difficult pre-cemetery sales going on there, but we really begin to rebound as you got out of the quarter. So the second quarter is not as big of a hump because of the challenges in the first part of it. And then as you get to the back half of the year, it's really I think a tough comparison because you're going to see case volumes being a tough comp atneed cemetery and prneed cemetery as well. So a big piece of this is going to be in the first quarter. I'd expect kind of comparison in the second quarter that'll be pretty normal. And then as you get in the back half for the year, I hope that this virus is more contained and again than we would expect a tough comp as you get to the back half of the year, but overall, it's going to be a very solid financial performance for the company.

Q - Scott Schneeberger {BIO 5302695 <GO>}

Thanks. In cemetery preneed I'm just curious and thank you for, it's difficult with consideration of pull forward and just 2021 alone forget about 22, 23 and 24 but thank you for your thoughts on those. But just curious specifically on cemetery preneed sales it's been quite elevated. How are you thinking about that multiyear run rate, what we should expect it kind of a cadence for that as well, you touched upon it, but curious to hear maybe a little bit more of the commentary on that. Thanks.

A - Thomas L. Ryan {BIO 3505123 <GO>}

Sure. Scott, I think I think like we said for 2021, we'd expect it to be slightly below the level that we performed in 2020 but again a healthy clip over 2019 and I think as we come out of that, we feel very good about it because couple of things happened. You're developing heritage as you sell into those cemeteries, and again thinking of family trees, you're connecting to more families more opportunities to kind of spread out within that influence that you have.

The other thing I think is we're doing a lot more outdoor services in our cemetery. So we're bringing a lot more people into the cemetery grounds gaining familiarities, seeing what we see. So I see a lot of positive things as it relates to that, as it relates to digital leads and our ability to convert those. And so the only thing that can be a bit of a drag is the fact that in this pull forward you'll have less people coming through the funeral homes, which again would limit the number of new contacts that you have. But I think with technology and with a more efficient sales force, with better leads and (inaudible) the goodwill that we've gained. We expect cemetery for us to return to levels where we can grow them again in the high single-digits percentage is going forward in a more normalized environment.

Q - Scott Schneeberger {BIO 5302695 <GO>}

Thanks, Tom. I'm going to sneak one more and it's going to be two separate parts. The first is if you can just provide a project update on Beacon serving cemetery. Just curious on where that stands. And then also I heard you say that you're going to be buying or have been buying some cemetery land, which I don't think is something you've been too active doing in the past. I'm curious, might we see -- I'm sure that's in areas of high activity. Might we see you do something like sell land as well in areas where kind of as an offset move and consideration of contribution if that were to happen? Thanks, Tom. I'll pass it on with that.

A - Eric D. Tanzberger {BIO 1877182 <GO>}

I'll take Beacon first, beacon is going well, believe it or not during the pandemic we've been able to continue to work diligently through all of our processes and get this -- get it rolled out particularly just so everybody remembers to our cemetery segment. It was previously rolled out to most of our funeral segment still have some issues around the pandemic or rolling out like in Canada and places like that. Cemetery we're probably about 90% there and we're really pleased with the progress that we've seen with that.

I think our expectations were to see a little bit of a favorable decrease in our discount rate as we did that as well as some favorable movement in average sale, I cautioned the way I would say this because I think we're seeing positive results. But at the same time and I don't know of a good analogy, but it's kind of like trying to measure the afternoon breeze during a hurricane. It's very difficult with the type of activity that we've had just the incredible growth that we had in our cemetery sales to kind of isolate everything and attributed to very specifically to Beacon. So I'd say that with that caveat, but you hear me say very clearly it continues to be finalized in rolled out. It continues to be working well and it's continuing to meet our long-term expectations in our opinion in terms of helping grow average sales of cemeteries as well as continuing to reduce discounts as well.

The next step for the funeral segment is probably it's probably moving on to our SCI direct brands and we'll continue to work on that during '21 and we're very excited about that as well.

Tom, you want to comment on the purchase of cemetery property then?

A - Thomas L. Ryan {BIO 3505123 <GO>}

Sure, Scott. The cemetery property we're talking about is generally in very high velocity markets for us. So it's places where we've got a big presence of sales and marketing and places where we felt like it was in the best long-term strategic interest for us to expand into different parts of larger cities. So it's a pretty isolated and there's really no land to sell I'd say to fund it. We just in all these cases, it's cemeteries that we're going to immediately begin to develop and expect to begin selling, but what some of these, there is an example, I'll give you one as, we did not have a big presence in Southwest Houston and a lot of the growth of Houston if they're familiar with it is going out West and is out South. And so we just felt it was prudent to position ourselves in that area where all this growth was. Now not all of it is the ideal age for us, but we've got to have that ready and I think it affords us an opportunity to manage the West side of Houston in a different way. But that's just an example and I thanks to you a lot of it, but it's important for us to do.

Q - Scott Schneeberger {BIO 5302695 <GO>}

Thanks for the color guys.

A - Thomas L. Ryan {BIO 3505123 <GO>}

Thanks, Scott.

Operator

The next questioner comes from -- the next question comes from John Ransom of Raymond James. Please go ahead.

Q - John Ransom {BIO 1535724 <GO>}

Hey, good morning, everybody. Just a couple cleanouts. What was the -- what was the year-end share count?

A - Eric D. Tanzberger {BIO 1877182 <GO>}

Year-end share count was right around 170 million.

Q - John Ransom {BIO 1535724 <GO>}

Okay, and as I think about share kind of first half versus second half maybe an earnings and EPS percentage first half of the second half in your guide would be helpful. And also what are you assuming that cap in terms of atneed funeral volume declined. And how do we think about the decremental margin from that comparison?

A - Eric D. Tanzberger {BIO 1877182 <GO>}

Yes, I think the way I think about is we looked at 2020 kind of played out John from a first half second half, basis, a lot of the first quarter obviously was pre COVID. But when you really look at the $2.92, you're looking I think of it as more as a general statement as one-third in the first half and two-thirds in the back half of the of the year. So the logic would tell you it would probably flip on us in a normal-type year. And so you're probably looking at somewhere in the ballpark of if you think of the center of the guidance be in $2.70, you're looking at something like two-thirds in the first-half of the year and one-third in the back-half of the year.

So the real question is that's pretty logical what I just said, does it give you too much insight, but it's very difficult to know when is the COVID pandemic is going to ease and when is the volume going to ease? We certainly are seeing that as we speak into January as you know and it's starting to trickle a little bit down in February. When you think of the components in the back half related to funeral volume, all-in, you can easily see something in the mid-teens, high-teens, maybe even down into the very low 20% type range. Again, it all depends on efficacy of vaccine, speed of vaccines where it's going but that is kind of what we are modeling right now as we speak.

Q - John Ransom {BIO 1535724 <GO>}

And if you had to guess I know you talked about this before but I mean, it's interesting I guess in a morbid way that if you look at the excess deaths in 2020 versus the COVID deaths, they're about the same, but as we know COVID-19 was 100% of the excess, so if you had to guess, in the excess deaths stats, what percent do you think truly are COVID versus, other things that we talked about depression suicide, lots of cancer screenings and whatnot?

A - Eric D. Tanzberger {BIO 1877182 <GO>}

Yes, I don't know how to venture a guess. Tom, you go ahead if you want to grab that.

A - Thomas L. Ryan {BIO 3505123 <GO>}

Yeah, I've looked at this, I'm just going off the CDC data and I would say John that about two-thirds of it COVID deaths, somewhere around that number, which leaves a third of what we'll call excess deaths, not directly related to the coronavirus causing death. But maybe the impact of what's happening with the lack of healthcare access, the lack of to drugs and things of that nature. So yeah, I think it's probably that and that was a little harder to model because it's what's the long-term impact on our mental health, on our physical health of ,going years without screenings or access to doctors or appropriate drug regimen. So, you got to kind of treat them a little bit differently.

Q - John Ransom {BIO 1535724 <GO>}

Sure. Thank you. That's it from me.

A - Thomas L. Ryan {BIO 3505123 <GO>}

Okay. Thanks, John.

Operator

It appears there are no more questions. Therefore this concludes our question-and-answer session. I would like to turn the conference back over to SCI management for any closing remarks.

A - Thomas L. Ryan {BIO 3505123 <GO>}

We want to thank everybody for being on the call today. Please stay safe. We look forward to speaking to you again at the end of the first quarter, which will be in the late April. So be careful. Talk to you soon.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.