Q1 2021 Earnings Call

Company Participants

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

Other Participants

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

Presentation

Operator

Good day, ladies and gentlemen, and welcome to the Service Corporation International First Quarter 2021 Earnings Conference Call. All participants will be in a 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 the SCI Management. Please go ahead.

Debbie Young {BIO 16531204 <GO>}

Thank you. Good morning. This is Debbie Young, Director of Investor Relations for SCI. Welcome to our company's review of business results for the first quarter of 2021. Before we jump into the prepared remarks from Tom and Eric, 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 and Events section, and also in our earnings press release and 8-K that were issued yesterday.

With that out of the way, I'll now pass it on 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'd hope you and your families are staying safe and healthy these days. It's hard to believe that it's been a little over a year since the onset of the pandemic. And we are thankful that our Associates in our communities are beginning to experience some relief from the overwhelming effects of COVID-19.

Before I begin, I want to once again, express my heartfelt thanks and appreciation to my SCI family. It is your courage and commitment that positioned us for the results we posted this quarter. You have continued to stay relentlessly focused on what we do best. Helping our client's families, gain closure and healing through the process of grieving, remembrance, and celebration. I want to assure you that your health, safety, and well-being continues to be a top priority for us.

Now the quarter, this morning I'm going to begin my remarks with a high-level overview of the quarter, followed by a more detailed analysis of our Funeral and Cemetery results. And finally, (technical difficulty) our guidance and outlook for this year.

For the first quarter, we generated adjusted earnings per share of $1.32 compared to $0.43 in the prior year for an extraordinary increase of more than 200%. This strong earnings per share growth was driven by two factors. Significant funeral volume increases, which we anticipated based upon December volume increases of 31%, and a substantial increase in cemetery property sales, particularly pre-need cemetery property sales, which exceeded our expectations and significantly enhance our earnings per share results for the first quarter of 2021.

At a high level, both the funeral and cemetery segments in the quarter and margin improvement of over 1,000 basis points, driven by double-digit top-line percentage growth, coupled with a more efficient cost structure. We also benefited from a lower share count and lower interest expense, which was more than offset by a higher adjusted tax rate.

Let's take a look at the funeral results for the quarter. Total comparable funeral revenues through a $109 million for almost 22% over the same period last year. These favorable results were driven by our core funeral businesses as well as SCI direct. Core funeral revenues grew $95 million due to a 22% increase in the number of core funeral services performed and a 0.5% improvement in the core funeral sales average.

In the first three months of the year, we continue to see a meaningful increase in the number of services performed due to COVID-19. With January and February, showing very strong year-over-year growth and then tapering off somewhat in March as comparisons to the prior year became more challenging and as the effects of the vaccine rollout began to impact this year.

For over a year now, our frontline team has been serving record numbers of client families, and continue to do so with compassion, commitment, professionalism, and agility. We were very pleased with the core funeral sales average growth of 0.5% in the quarter. This was achieved despite a modest 20 basis point increase in the core cremation mix, which is well below our typical annual expectation of 100 to 150 basis points.

In March, the funeral average rose an impressive 8%, when compared to the prior year, and more than offset the more difficult pre-pandemic comps in January and February. Additionally, when you look at the core average in absolute dollars in the month of March, it is pretty much in line with pre-COVID level. I believe this is a testament to the value our families continue to place on remembrance and celebration, which is very encouraging to us.

As restrictions or (inaudible) in both our client families and their guest's comfort levels about larger gatherings improved due in part to the vaccine rollout, we should expect that improvement to continue. Preneed funeral sales production for the first quarter, doing impressive $35.3 million, or 16%, which exceeded our expectations, both our core funeral homes and SCI direct business posted strong increases after a challenging 2020. The growth predominately came in the month of March, and we did have an easier comp in the back after March. But we also saw significant growth and leads from digital and direct mail, increase location traffic due to higher atneed services to performed, and from the gradual return of in-person seminars.

From a profit perspective, funeral gross profit increased $85 million, and the gross profit percentage increased more than 1000 basis points to 31%. Realizing a 78% incremental margin on our revenue growth. We continue to benefit from growth in our higher incremental margin core business, coupled with the efficiencies that have favorably impacted our cost structure.

Now shifting the cemetery. Like I referenced earlier in the quarterly overview, we experienced significant growth in cemetery revenues in the back half of 2020 in anticipated carrying momentum into the first quarter of 2021, but our cemetery performance this quarter even exceeded out of the expectations. Comparable cemetery revenue increased almost a $161 million, or 54% in the first quarter. In terms of breakdown, atneeds cemetery revenue accounted for $40 million or above 25% growth, driven by more in terms performed due in part to the effects of COVID-19.

In recognized preneed revenues accounted for about a $120 million or the remaining 75% of the revenue growth, due to higher than expected preneed cemetery sales production during the quarter. Preneed cemetery sales production during outstanding $130 million, or 67% in the first quarter. The majority of this growth were about $85 million, was driven by an increase in core velocity, where the number of preneed contract sold. The remaining growth of about $45 million was about evenly split between increases in large sales activities, as well as a higher quality core average sales.

Consumer reception and demand for our products and services remain very strong. We saw significant leap growth this quarter, which was the combination of higher traffic from our atneed services and acceleration of leads from multiple lead channels, including digital and traditional lead sources as well as a record impact in certain markets from the Chingming holiday, that drove elevated preneed cemetery sales from our Asian communities.

We also continue to see a more productive and efficient salesforce, with better utilization of our customer relationship management system and improved conversion rates from our lead campaign. Cemetery gross profits in the quarter, grew by approximately $111 million, and the gross profit percentage increase more than 1,500 basis points to nearly 41% realizing a 69% incremental margin.

Now speak to our revised outlook and provide a little color. Back in February, we called if we issued adjusted earnings per share guidance of $2.50 and $2.90 per share. We have qualified this guidance and provide a wider range and we have historical. As we feel that was difficult to predict the timing and the efficacy of the vaccine rollout (technical difficulty) funeral volumes comparison rest of the year, resulting in down mid-single-digit percentages for the entire 2021. In a favorable remaining nine months of funeral sales average, resulting in the return to 2019 pricing levels, showing low-to-mid-single digit percentage growth over 2020 averages.

However, based upon our preneed cemetery sales production for the first four months of the year, we are increasing our guidance for the year from a decline in the mid-single digits to finish the year in a range of flat to potentially low-single-digit percentage growth. Primarily, from this preneed cemetery sales production guidance increase, we are adjusting our annual earnings per share guidance to $2.70 to $3.00 Thereby, raising our midpoint by $0.15.

As we noted in our guidance from last quarter, we still expect future periods of earnings per share in cash flow results to be negatively impacted temporarily by the pull forward a funeral case volumes and atneeds cemetery sales into 2020 in early 2021. Still, efficiencies we have gained by improving processes and leveraging technology have allowed us to produce a more competitive and profitable operating platform. This combined with the capital structure improvement we've made over the last 15 months, are expected to allow us to produce earnings per share, compounded annual growth returns in the low or even potentially mid-teen percentage range for 2022 and 2023. Of a pre-COVID 2019 earnings per share base of $1.90, even while absorbing these temporary go-forward effects.

From there, we anticipate that we will begin to see the impact of baby boomers enter their late 70s, and realize the benefits of our investments in technology to stay relevant with the next generation of consumers. These investments will enhance our ability to drive market share, to improve both the physical and digital customer experience, and in a more effective and efficient manner.

In closing, I just want to say what an honor it is to work with such a great team, and then I am proud to call my SCI family. Your selfless dedication to our families and communities is so appreciated, especially in times like these. My heartfelt thanks to each of you.

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

Eric D. Tanzberger {BIO 1877182 <GO>}

Thanks, Tom, and good morning, everybody. We are so proud of all 24,000 of our colleagues that have managed to the challenges of the past year and a half. I am particularly thankful for our frontline field associates who have been there compassionately helping families and their greatest time of need and stepping up to support our communities through these very challenging times.

Looking forward, I remain hopeful as it appears we finally might be emerging from the worst of this pandemic and soon be able to return to a more normal future. So with that most important things said this morning, I would now like to shift to the business in hand and began to walk you through our cash flow results and capital deployment for the quarter, and then briefly touch upon our revised full year cash flow guidance, financial position update, and capital deployment future plans.

So, we generated operating cash flow of nearly $300 million during the quarter, representing an impressive increase of a $118 million, or 65% over the prior year. Strong preneed cemetery sales increased number of funeral services performed as well as increased atneeds cemetery internment volume led to the robust growth in operating earnings, which translated to strong operating cash flow results. Cash flow is also affected by cash interest that increased $10 million predominantly as a result of timing of payments, related to the recent debt refinancing transactions, somewhat offset by lower rates on our floating rate debt. Cash tax is also increased $12 million in correlation with the higher earnings.

Finally, we experienced a net use of working capital in the quarter, resulting from the tremendous growth in cemetery preneed property sales. Well, this drove our earnings, these sales are mostly paid for on an installment basis, which means the cash will be collected over time, including positively impacting cash for the remainder of this year. We also experienced a timing difference of cash related to an additional payroll that was funded this quarter when compared to the first quarter of last year.

So now, let us discuss our capital deployment of approximately $270 million during the quarter, covering reinvestment into our businesses, followed by growth capital, opportunistically reduce in debt balances, and finally returning capital to our shareholders. So again, we invested $34 million into our businesses through $24 million of maintenance capital, and almost $10 million of cemetery development capital spend. Our cemetery development capital was almost $15 million lower than the prior year quarter, and it was lower than our expectations, primarily due to extended cold weather and certain areas of the country that delayed several of our cemetery development projects.

From a growth capital perspective, we invested about $9 million on growth capital towards the new build and expansion of several funeral homes. This new build should provide us with great low double-digit percentage return going forward and expand our footprint into desirable markets. We also deployed almost $6 million towards real estate purchases. We now extend a small amount of acquisition capital during the quarter, which we believe is just tiny, as we continue to be confident in our targeted deployment range for acquisitions for the full year of $50 million to $100 million.

We also paid down our credit facility by a net amount of $80 million during the quarter, as cash flow generation during the quarter as I've said was very robust. Finally, we deployed over a $140 million of capital to shareholders, through dividends and share repurchases. Dividend payments in the first quarter of total of about $36 million or $0.21 per share.

So let's shifting to a few comments on our outlook in our financial position. Earlier Tom as you heard, highlighted the earnings strength of our business with a strong start to this year, driving the need for us to adjust our guidance that for the first quarter. Our cash flow outlook has similarly changed. So we are adjusting our cash flow guidance up from $600 million to $700 million to revised guidance range of $650 million to $725 million. This represents an increase of about $40 million at the midpoint of our guidance. Higher cash earnings, as well as some positive workings capital expectations that I just mentioned, are expected to be somewhat offset by higher cash taxes.

In all net note, we're now expected a $180 million of cash taxes in 2021, or an additional $20 million over the $160 million we guided to in February, driven by the increase in earnings. We also continue to expect as full year normalize effective tax rate between 24% and 25%. So therefore our expectations and guidance do not contain any federal statutory tax rate changes at this time. Our expectations for maintenance in cemetery development capital spending in 2021 remain unchanged at $235 million to $255 million.

Additionally, we continue planning for the deployment of $52 million to $100 million towards acquisitions and around $50 million in new funeral homes construction projects. Supporting these capital deployment expectations is our strong balance sheet. We continue to be very well-positioned with a significant amount of liquidity of roughly $765 million at the end of the quarter. Consisting of approximately $245 million of cash on hand, plus just over $520 million available on our long-term bank credit facility.

On the continued growth in EBITDA, our leverage at the end of the quarter fell below 3x to 2.61x. This leverage level was somewhat less than our expectations as EBITDA came in stronger than expected during the first quarter. This calculation now reflects a full four quarters of strong pandemic impacts to our EBITDA. So as we look beyond the impacts of this pandemic, we expect to settle into our targeted leverage range of 3.5x to 4x.

So in closing, we're off to a great start to 2021. Our teams across the company continued to deliver great [ph] to our client families and communities we serve in this challenging environment. We began 2021 on a very firm [ph] reporting even stronger earnings in cash flow results than initially expected. I'm pleased that we are able to increase our 2021 guidance and looking forward, I'm also impressed with how much we have learned and adapted during this trying time as an organization. We've also become a much stronger organization and while there are some expected headwinds in the near future. As we look forward to '22 and 23, I expect our improved foundation will continue to add even more value going forward than we initially expected.

Finally, we're most honored to be able to help our client families and our communities, during their most difficult phase in these very unusual times. And deliver peace of mind to those who wish to develop plans for their future.

So with that operator, that concludes our prepared remarks. I'd now like to turn it back over to you for questions.

Questions And Answers

Operator

(Question And Answer)

Thank you very much, sir. (Operator Instructions) (Operator Instructions) Our first question is from A.J. Rice of Credit Suisse, please go ahead.

Q - A.J. Rice

Thanks. Hi everyone. I appreciate the comments that Tom made about his updated thoughts on the longer term outlook '22 and '23. I'd be curious if there's any way that you could flush out maybe some of the underpinnings and your assumptions that give you the confidence that those numbers are achievable even as we look that far out?

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

Sure, A.J., thanks a lot for that question. It is awfully difficult I think right now to try to decipher what a normalized earnings per share might be in 2023 considering all the dramatic swings in earnings of late and could be in the future from the impact of COVID. So let me try to explain why I am so excited about the future outlook for our company.

For years, you heard us talk about our long term earnings per share growth framework of 8% to 12%. I think if we go back in use 2019 as a base in order to make some assumptions around growth, this has the effect of removing the noise around COVID. And for me, it provides a lot of clarity about where we could be as a company in a few years which I believe could potentially be above our 8% to 12% range.

On the funeral side, A.J., based upon our based projections the impact of the pull-forward will likely have us performing above say the same number of funeral services in 2023 as we did in 2019. Now those are assumptions but it's our best guess at this time. So assuming reasonable growth from SCI Direct and minimal inflationary funeral prices, coupled with managing our expenses well, we would expect the contribution from the funeral segment to be relatively flat as the funeral volumes are flat to '19. But remember, true earnings growth from funeral will require increased funeral services, so think baby boomers.

However, keep in mind that a very significant learning from the COVID experience was that when we get volume and the related revenue, 70% to 80% will drop to the bottom line. This in and of itself is exciting. But for this hypothetical, I'm assuming that the baby boomers haven't arrived yet in 2023, and they might. So then shifting to cemetery, like we said for a long time, our opportunity to drive meaningful near-term earnings per share is tied to our success in generating preneed cemetery sales.

So if you start at a 2019 base, assuming we can grow preneed cemetery at 5.5% to 6.5% compounded over a four-year period, like we have in the past, the cemetery segment could likely add 75% to say 85% per share to our 2019 earnings per share base of $1.90. Then if you take the impact of our strategic capital deployment over this four-year period between the opportunistic share repurchases and acquisitions, we add another call it $0.35, $0.45 to our 2019 base. This would result in a 2023 earnings per share approaching call it $3.00 to $3.25. And again this would absorb the pull-forward effect and reflects no impact from potential market share gains or baby boomer volume expansion. So that's my simpleton way to think about it and hopefully that's helpful in clarifying why I'm so excited about the future of this great company.

Q - A.J. Rice

Yeah, no, that's very helpful. Thanks a lot. Maybe one other follow-up. I know Eric ran through the capital deployment priorities and what you've done in the current quarter. I guess in part of your long-term opportunities are these two areas, so share repurchase, I think the target for the year was 150 million. You already did 106 in the first quarter, million. And then I think on the acquisitions there wasn't -- there's only a little bit of a tuck-in and you've still got a goal of $50 million to $100 million for the year. Can you just update us, has the targets changed? Are you still confident on those? Is there upside to the share repurchase aspect? And maybe are you confident on the $50 million to $100 million on the acquisition front?

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

Yes. Let's take acquisitions first. We are confident with that A.J., and I kind of alluded to that in my remarks because there's not much there during the quarter as it relates to deployment on the cash flow statement as you correctly just mentioned. But we really believe it's more of a timing issue. We're excited about the pipeline. There's definitely deals that are out there that we and our teams are looking at and we're somewhat excited about it, frankly.

And so, yes, we believe $50 million to $100 million is good for right now, which means that that activity should pick up from a capital planning perspective as we go through the remainder of 2021. You're also correct on the share repurchases. We think that was a great opportunity in producing a nice frankly low double-digit type return for us at the levels that we saw earlier in '21. We did spend just over $100 million.

What is the future look like? I think you should continue seeing us continue to put capital in that section, in that area with absent any type of other relative return opportunity that has higher return. Frankly, we're going to deploy capital to the highest relative return opportunity and if M&A, for example, is much bigger or there's even larger new-build deployment opportunities, for example, hypothetically, that type of return is probably going to exceed your share repurchase program.

So from that perspective, if you're following me, we're going to deploy capital. We're going to have good double-digit type, even low to mid-teen type returns with a menu that we have. But in terms of the exact mix, it's very hard for me to tell you specifically, but I agree with you, definitely out of the gate we've strongly deployed towards the share repurchase program in the first quarter.

Q - A.J. Rice

Alright. Thanks a lot.

Operator

Thank you. The next question is from Joanna Gajuk of BOA. Please go ahead.

Q - Joanna Gajuk {BIO 16689444 <GO>}

Thank you. Good morning. Thanks for taking the question and thanks Tom for answering your views around the forward-looking curve outlook or at least the base scenario there for earnings. But to your point you don't assume market share gains, but clearly the company did gain market share based on these growth rates that we've seen. So can you kind of flush it out to us a little bit? I know it's very precise but any color or any numbers even in terms of how you think about the market share you've gained last year into this year in both segments.

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

Hey, Joanna. I will try to do that. As you think about market share and really trying to tie back to CBC accurate data, it's really difficult to do it in real time. So, we have to do it based upon our ability to get information in certain markets. And I have a couple of observations to make you feel better about that and again, my example was just saying, I think we can achieve those goals even without market share. And I'm with you, I think we've gained a little bit, particularly in the markets where we had scale.

So where you saw big cities that were impacted dramatically by COVID, we experience for sure surges in market share, touching customers and helping them in very, very challenging times; when you think about the New Yorks and the LAs and the places like that. The other thing that's interesting, we track, as you know, funeral volume by at need and then preneed turning at need. So if you think about those two buckets, the thing we've been experiencing over the last couple of quarters and more acutely in the first quarter of this year, I think our at need walk in, forgive me, I'm speaking from memory, was up 24%, and our preneed backlog change was 16%.

So there's a noticeable difference of more customers coming in that above and beyond what we're seeing our backlog. That normally tells me that you're out there performing for customers that probably would not have come to you when you think about the radius that we draw from. So I feel really good. I think we definitely believe in certain markets we've gained share, I can't say that across the nation. We surely have created a lot more visibility. And I think based upon our Google star reviews and the like, I think we have an opinion that we have a very favorable impression in the communities where we operate.

Q - Joanna Gajuk {BIO 16689444 <GO>}

Okay. I appreciate the color. And I guess a little bit different topic on pricing. I think I missed that part, there was some technical difficulties. I think you were talking about the outlook for the year for the funeral average that you expect the return to 2019 pricing levels, I think. So can you talk about what your experienced, historcially [ph] March was strong because of the comps and you said that, the pricing -- the absolute number was back to the pre-pandemic level.

So I guess is that correct? And can you talk about kind of how pricing is trending in markets will -- there are more open versus still where maybe there's some more restrictions or fewer vaccinations and whatnot? And specifically, I guess that you backed on Canada and maybe if you can frame ex-Canada how pricing played out this quarter?

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

Sure. So, first of all, you're correct. The average we saw in March was effectively the same as January of 2020, so pre-COVID US, Canada. So we're very pleased that we've been able to get back to that number. So if you think about the comps in the back half of the year, we would expect the average year-over-year from hereon out to grow in the low to almost approaching mid-single digit percentages on a comfortable basis, but look a lot like 2019.

And I think as we go forward, we feel very good about our ability to pass through inflationary pricing and expand menu products and services as it relates to that. On specific markets, you're right, there is a big difference in temporarily timing of whether a market is open or not because I think, again, people are -- we surely are complying with local laws and regulations and suggestions. So if you can't have a big gathering, that's going to have an impact, we've seen that I'd say more profoundly in the Canadian markets.

For a while we saw it in California, but clearly California is opening up, New York is opening up. So we have a lot of good momentum with these markets opening up. And we think Canada's experiencing a little more difficulty and so we'll get there. But we're confident that we are. So we feel really good about the average and as we think about '22 and '23, if we learned something from this crisis, is that people value what we provide. And you can see the cremation average only moved 20 basis points, which is again shocking when you think about your immediate reaction to what will people choose to do through this COVID crisis. And I think, again, they want to celebrate. They want to remember. They want get through the grieving process. So, I think good news on the average.

Q - Joanna Gajuk {BIO 16689444 <GO>}

Right now, and I actually had -- that was my other follow-up on the cremation, right, the shift was pretty much non-existent this quarter, but I know it's hard to say whether this is here to say but I guess do you any views there in terms of what you expect for the year in terms of the cremation percentages and I guess what is the cremation percentage in your revenue backlog that you created, has that changed?

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

The cremation percentage in the revenue backlog is pretty consistent. What we have seen is a little bit different, is the variable consumer has basically come back almost completely as it relates to their percentage in choosing service. In the percentage in choosing servicing cremation, while cremation hasn't moved that much we still see a little bit of a hold back as it relates to the percentage of people choosing service.

So we're seeing that in the pretty backlog too. I think it kind of coincides with the at need that as I'm sitting there and thinking about it at this moment, it's hard to envision a big service because COVID is happening. So we definitely saw that. I would expect as markets open up that that begins to move back to traditional changes. And again, I think on the at need funeral side, I'm sorry, cremation mix side, clearly 20 basis points is probably smaller than what we anticipate. So we would expect that to gradually move back towards 150 at some point.

I do think, again, you're using comfortable numbers, probably the biggest cremation exchange happened in late March and early April when a lot of markets around the US were shut down. So I think April should see a pretty favorable, maybe even a positive change in that cremation mix. But then, I think you begin to normalize a little more as we get into the back half of the year.

Q - Joanna Gajuk {BIO 16689444 <GO>}

Great, thank you for the color.

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

Thank you.

Operator

Thank you very much. (Operator Instructions) The next question is from John Ransom of Raymond James. Please go ahead.

Q - John Ransom {BIO 1535724 <GO>}

Hey, good morning. Can you hear me?

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

Yeah, John.

Q - John Ransom {BIO 1535724 <GO>}

Great.

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

I can even hear with long (inaudible).

Q - John Ransom {BIO 1535724 <GO>}

Exactly. Well, thanks for all the good news. The question I have is, we move through this year and I know it's short term, how do we think about the correlation of tough funeral comps to preneed cemetery sales? It seems like there is a relationship, that was a good guy. Is there a bad guy you're expecting?

And then secondly, going back to Joanna's question, it looks like the correlation of your numbers with CDC was pretty good until this quarter. And I know it's hard for you to say in real time, but do you think the CDC number showing high single-digit declines in deaths in the first quarter was just off or did you really think you took that much share? Thanks.

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

From your second question, John, this is Eric, I'll answer it for you. I'm not sure those numbers have been updated completely, would be my first comment. And my second would comment would be, you have to also take into account that we had some ability of a lag. We were so busy. When you take west coast for example, when you take Southern California, you take Arizona, you take Nevada as well, we ultimately had to employ ability for storage for decedents and such, and our families -- our client families where to a large degree of varied patients because there was a backlog of us able to perform those funerals, especially in places like California where you couldn't even have a funeral service in norms.

So that's where we talked about deploying intense and such to do that, but remember you do not recognize in revenue and so you performed the services and deliver the product, so from that perspective you had deaths that occurred in CDC in back half of November and December which was very robust, which actually was revenue recognized in January and the first part of February for example. So I think you have to take into account both those factors but I do agree with you, if we weren't looking at the underline data, it was hard for us to frankly recognize that underlying data, John, to be frank about it.

A - John Faulk {BIO 16664989 <GO>}

Thanks.

Q - John Ransom {BIO 1535724 <GO>}

(Technical Difficulty)

A - John Faulk {BIO 16664989 <GO>}

Yeah, your first question was around cemetery, preneed cemetery growth. First, let me say that I think at need cemetery correlates very closely with funeral volumes because, again, they're relying upon the same customer. What we would see in the preneed side is a bit of a lag from what we expect. And the reason for that is a lot -- while some preneed may be companion sales, some of them may take a month or two months, it's a lead that we're going to follow up on. And so we would expect, even as case volume comes down that you still have a number of good leads that you can work as you think about preneed cemetery.

When you really try to peel this back and I think this is a helpful way to look and again I apologize, I keep going back to -- I'm using 2019 as the base just to think about what would I expect in normal circumstances. So, if you take this quarter, we grew preneed cemetery sales of $130 million or 67%. If you go back to '19 production levels and say let's grow at 7% a year for two years, that would tell you that of your $130 million of growth, about $55 million of that is what you would have expected and that $75 million would be COVID or COVID related.

And what I mean by COVID or COVID related is, I think some of it may be directly related to a death in COVID and therefore we can generate sales, that probably is going to have a two month lag of volume. But then, there's a component of COVID, and I'll it as the awareness of the consumer and the awareness of the consumer is really strong and that's the piece I don't think we can tell, right? I don't know if because COVID is so fresh in our minds and I would expect that to have a longer tail, that people are going to be aware of taking care of their affairs, managing this part of it. So that's the piece that I think is a little more difficult, but for me easily $55 million in this $130 million in my opinion we have gotten with or without COVID and it's the other piece that we got to kind of -- we're still figuring out but I think we feel confident about our ability to execute.

Q - John Ransom {BIO 1535724 <GO>}

Great. Thanks so much.

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

Thanks John.

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

Thank you, John.

Operator

Thank you very much. It seems there are no further questions. And I invite the management for closing comments.

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

Okay. Thank you everyone for being on the call with us today. Stay safe. We look forward to talking to you again in about three months. Take care.

Operator

Thank you very much. Ladies and gentlemen, that concludes this conference. Thank you for attending today's presentation and you may now disconnect.