Q1 2022 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, Analyst
- Joanna Gajuk, Analyst
- Scott Schneeberger, Analyst

Presentation

Operator

Good day and welcome to the Service Corporation International First Quarter 2022 Earnings 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 SCI management. Please go ahead.

Debbie Young {BIO 16531204 <GO>}

Thank you, and good morning to everyone. This is Debbie Young, Director of Investor Relations at SCI. Welcome to our company's review of business results for the first quarter. As usual, I'm going to cover the safe harbor language before we begin with the prepared remarks.

Any comments made by our management team that state our beliefs, plans, 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 may also discuss certain non-GAAP financial measures. A reconciliation of these measures to the appropriate GAAP measures can be found in the tables at the end of our earnings release, and on our website under the Investors Webcast and Events section.

With that behind us, I'll now pass it on to our Chairman and CEO, Tom Ryan.

Thomas L. Ryan {BIO 3505123 <GO>}

Thank you, Debbie. And hello, everyone, and thank you for joining us on the call today. First of all, I want to express my heartfelt thanks to our entire SCI team due to your continued courage and commitment that positioned us for the results we posted this quarter. More importantly, you've continued to stay relentlessly focused on what we do best, helping our client families, and our communities gain closure in healing through the process of grieving, remembrance, and celebration. Everyday, you live and reinforce the Dignity Memorial Motto, every detail remembered.

Now the business at hand. This morning I'm going to provide some color on our business performance for the quarter, including some detail around our strong funeral and cemetery results. Then I will offer some commentary on our revised 2022 outlook, keeping in mind we must be flexible as we navigate the uncertainty of another year still being impacted by COVID-19.

For the first quarter, we generated adjusted earnings per share of $1.34, a $0.02 increase over the prior year quarter and a 212% increase over a pre-pandemic first quarter of 2020. Compared to the 2021 first quarter, funeral results were relatively flat, but well ahead of our expectations, as we continue to see elevated levels of funeral services with a healthy increase in our funeral average. On the cemetery side, profitability was slightly down as double-digit increases in our preneed cemetery sales over a strong 2021 quarter. We are muted by a lower recognition rate.

This was primarily due to a healthy increase in premium property sales production that occurred in a variety of projects that are still being developed. These revenue should be recognized later in the year, once we've completed construction. So the primary driver of our year-over-year earnings per share will be, with a lower share count from our share buyback program and contributions from our recent acquisition.

Now let's take a deeper look into the funeral results for the quarter. Total comparable funeral revenues grew nearly $18 million or about 3% over the prior year quarter, exceeding our expectations as core revenues and general agency revenues provided the growth for the quarter. Comparable core funeral revenues grew $9 million, led by an impressive 6% increase in the comparable funeral sales average. Our percentage of families selecting to have funerals and celebration of life services has essentially returned to pre-COVID level and the funeral sales average being further positively impacted by an uptick in ancillary revenues, such as flowers and cater.

This increase in average was achieved despite a 120 basis point increase in the core cremation rate. Comparable core funeral volume declined about 4%, compared to the prior year quarter. Slightly offsetting the positive impact of the funeral sales average. Keep in mind, the 2021 first quarter, that we're comparing against was acutely impacted by COVID and saw a 22% core funeral volume increase over the 2020 first quarter. We are continuing to service elevated levels of client families.

General Agency revenues grew by $9 million, primarily from a 21% growth in comparable preneed funeral insurance production for the quarter. From a profit perspective, funeral gross profit decreased $2 million, while the gross profit percentage dropped 120 basis points to 30.4%. Remember,$9 million of our revenue increase was from general agency revenues, due to the impressive growth in our funeral preneed sales production.

These general agency revenues are effectively offset by the selling costs associated with the deferred preneed funeral sales production. So, no gross profit is delivered and it puts downward pressure on our gross profit percentage. Comparable core funeral revenues grew by $9 million in the anticipated $7.5 million gross profit was offset by inflationary increases in our fixed costs. Our fixed costs in the funeral segment, the majority of which are tied to labor costs grew 4% over the prior year quarter.

Overall, our fixed cost has compounded a 3% growth rate since 2020. And we are serving 19% more customers than we did two years ago. Bottom line, I believe we're managing our costs very effectively, against an unusual and difficult 2021 first quarter comparison. Preneed funeral sales production for the quarter exceeded our expectations, growing $42 million or nearly 17% over the first quarter of 2021. Our core production was particularly strong, posting an increase of over 20% over the prior year quarter, with solid gains in both velocity and sales average.

We continue to see positive momentum in generating significantly more high quality marketing leads at a lower cost through increased focused on digital leads, as well as, more sophisticated data targeting for our direct mail and seminar programs.

Now shifting to cemetery. Comparable cemetery revenue increased $1 million was essentially flat in the first quarter. In terms of the breakdown, core revenue was down by $2.6 million compared to the prior year, seeing slight revenue declines from both atneed and recognized preneed cemetery revenues.

Other revenue, increased by $3.5 million over the prior year quarter as ECF trust income was positively impacted by the timing of alternative asset distribution. Preneed cemetery sales production grew over $35 million or 11% in the first quarter. This growth is on top of a record 2021 first quarter, which grew by stamping 67% over 2020. Substantially all the revenue from the sales production increase was deferred as it was primarily related to new emetery inventory in the midst of development. We anticipate completing construction to occur later this year having a positive impact on revenue and earnings in the coming quarters.

Strong large sales accounted for a significant part of the increase, particularly within Rose Hills, Los Angeles and in our Phoenix market. Core sales average improved across the entire network and further contributed to growth with a 7% increase over the prior year. Sales velocity declined by almost 7% as we expected, offsetting some of the strong gains from large sales and core sales average. Remember, we are comparing just a 2021 first quarter, we saw a 48% increase in sales velocity. As I mentioned in my preneed funeral discussion earlier, we continue to see production growth from both our marketing and core lead programs that have very successfully contributed to our increase in our preneed sales production. Additionally, we are seeing continued strength in key sales metrics, such as the number of appointments set and close rates. Cemetery gross profits in the quarter declined by about $10 million and the gross profit percentage dropped about 210 basis points to 38.9%. Recall that we deferred an incremental $35 million of revenues, primarily from unconstructed property sales, we still had the effect of driving selling compensation costs higher in the quarter. We also experienced modest inflationary cost increases coupled with higher incentive compensation, compared to the prior year quarter.

Now let's shift to discussion about our revised outlook for 2022. As you saw in our earnings release, revised our 2022 adjusted earnings per share to a range of $3.30 to $3.70, or a midpoint of $3.50. At the midpoint, this represents a 50 cent increase from our previously mentioned model mid point $3 to $3.50 midpoint, reflecting almost 23% compounded annual growth rate over the pre-COVID earnings per share base in 2019 of $1.90, well above our historical guidance range.

The increase in the midpoint is attributable primarily through our first quarter outperformance on both the funeral and cemetery segments. Additionally, we have favorably revised our expectation related to preneed cemetery sales production, previously anticipating a mid single-digit decline and now expecting to show a low single-digit growth for the year 2022. We have effectively maintained our expectations for the next three quarters in the funeral segment, expecting volumes down for the year in the low to mid-teen percentages and funeral sales average growth in the low single-digit percentage.

We invite you to attend or listen into our Investor Day Presentation. We will discuss some of the exciting trends and opportunities we see in the coming years, and we'll provide more color on our thinking for 2022, 2023 and beyond. With that operator, I'll now turn the call over to Eric.

Eric D. Tanzberger {BIO 1877182 <GO>}

Thanks, Tom, and good morning everybody. It's really hard to believe as we start these comments this morning that we've entered two years serving families through this pandemic. And as I really look back during this time, I continue to be amazed by all that our funeral and cemetery teams have accomplished to not only support the communities and families we serve, but also to support each other during these unusual and trying times.

It's really hard for us as management to put into words how proud we are of the entire SCI team. So that very important message being said, I'm going to start talking, walking you through this morning on our cash flow results, and our capital investments for the quarter, and then I'll provide some comments on our increased cash flow outlook for the rest of 2022.

As Tom already highlighted this morning, our results in the quarter were significantly ahead of our internal expectations. Operating cash flow grew $35 million to $332 million in the current quarter, which compared to $298 million in the prior year. This was driven by solid operating results and this reflects the highest quarterly cash flow from operations that we've seen in recent history. The quarter-over-quarter increase in cash flow was also affected by lower cash tax and interest payments, as well as favorable working capital.

Year-over-year cash taxes decreased approximately $10 million due to the timing of the payments. Cash interest payments also declined $2 million, predominantly due to lower balances on our floating rate debt. Finally, we experienced a net source of working capital during the quarter, which primarily resulted from strong cash collections on preneed cemetery property sales. And even though significant amounts of these sales are deferred as we just mentioned, we will recognize the associated revenue, once we complete construction of the cemetery property later this year. We also had a higher down payment rate on those sales, as well as higher cash receipts associated with cemetery preneed instalment sales from elevated cemetery sales production in prior periods.

Now let's talk about capital investment activity. During the quarter we invested $353 million into really three categories. Our existing funeral and cemetery businesses, new build opportunities to enhance our existing funeral and cemetery footprint, and returning capital to shareholders.

Let's talk about the breakdown. From a growth capital perspective, we deployed about $9 million towards the construction of new facilities and expansion of several of our existing funeral hubs. We expect that these new builds will provide us with attractive low double-digit percentage returns and also expand our footprint into growing and desirable markets. We also invested about $48 million in our businesses during the first quarter with $37 million of maintenance capital reinvested back into our funeral homes and cemeteries, which includes technology and infrastructure CapEx and $11 million of cemetery development capital spend.

On the acquisition front, we do not have any transactions closed during this quarter, which we expected due to the large acquisition activity that we discussed with you last quarter. We remain very excited about the acquisition pipeline, and bullish about our targeted deployment range for acquisitions, and will provide a bit more of an update on our acquisition outlook during our Investor Day Presentation tomorrow that Tom just mentioned, of course, we invite you to join us for that Webcast. Finally, we returned nearly $300 million of capital during the quarter to shareholders, both in the form of dividends, as well as share repurchases.

Let's move now to a few comments about our updated outlook for 2022 in terms of cash flow, as well as the capital investments. Earlier Tom highlighted the outperformance in our cemetery segment, as well as the continued impacts to our business from COVID driving us to increase our earnings guidance as of the first quarter by $0.50 per share at the midpoint of our range.

Our cash flow outlook has also similarly increased to a range of $750 to $800 million, represented an increase of $75 million at the midpoint from our previous guidance. Our higher than expected cash earnings, as well as positive working capital contributions should produce about $100 million in additional cash flows compared to our previous estimates, of which about $25 million to $30 million of this will be offset by higher cash taxes resulting from these higher earnings.

So, and on that note, we are now expecting $180 million of cash taxes at the midpoint of our earnings guidance for 2022 or an additional $30 million over the $150 million we got it to you in February, again driven by this expected increase in earnings. From an effective tax rate standpoint, we continue to model in the range of 24% to 25% for the full year of 2022. Our expectations for maintenance and cemetery development capital spending for the remainder of the year remain unchanged at $270 million to $290 million.

Now, let's shift to our financial state. We remain very well positioned with a favorable debt maturity profile and liquidity of more than $1 billion at the end of the quarter. This consists of approximately $300 million of cash on hand, plus almost $740 million available on our long-term bank credit facility. Lastly, our leverage at the end of the quarter remained about 2.6 times. We expect the lever back to the lower end of our targeted leverage range of 3.5 to 4 times net debt to EBITDA towards the latter part of this year, as we continue to invest capital and high return opportunities, such as acquisitions and our share repurchase program, coupled of course with the effects of COVID waning for the remainder of the year.

So in closing, we're off to a great start in 2022 reporting better than expected earnings and cash flow results. And as I've stressed before these results could not have been possible without the contributions of all of our 24,000 associates. And let me just say a heartfelt thank you to each and every one of you.

So with that, operator, that concludes our prepared remarks. We'll now turn the call back over to you and open the call up to questions-and-answers.

Questions And Answers

Operator

Thank you. We will now begin the question-and-answer session. (Operator Instructions) Our first question comes from A. J Rice with Credit Suisse. Please go ahead.

Q - A.J. Rice

Hi Ryan. Just maybe first, ask a little bit more about what you saw with respect to the bigger sales, sounds like there are bigger sales on the cemetery side that you're going to recognize part of it in the first quarter which you recognized, an additional $35 billion over the rest of the year, do you think that's just an unusual ebb and flow that you get every once in a while where quarter has picked up or is there something happening in the market that you're seeing these larger sales, there's more activity around these larger sales?

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

Hey, this is Tom. Look forward to seeing you today. As it relates to this, it's really, we have about 15 projects that are right now being deferred across the country. And we're seeing a lot of great sales at the high end. But the biggest one that's really driving this number is Rose Hills, our property in Los Angeles, which is the largest in the country. They have a Gold Mox [ph] garden that is still being constructed and we're seeing a lot of large sales going into that project in particularly.

But again, I'd say it's a real 15 separate projects from across the country. We're seeing a customer that really is liking the inventory we put in front of them. And then at the same time, I think again you understand the tiered strategy by having those types of projects and then properties that lead up to that, when you think about the breadth of properties we offer. We're seeing that come through on the core sales average too, which is to up 7% for the quarter.

So they kind of go hand in hand. And Michael Johnson will talk a little bit about that tomorrow in our Investor Day.

Q - A.J. Rice

Okay. And I know you had bulk of the acquisitions in the fourth quarter. It's early, but any updated thoughts on, how those are pointed out, are they tracking expectations, are they coming in a little better, obviously, they probably contributed part of the strong quarter we see here?

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

We did A.J you noticed, we're comparing such an unusual quarter, because we are comparing to get the master 2021. But the real year-over-year impact with share repurchases and our acquisitions and they're performing very well. We're definitely seeing, like I said elevated levels of volume, than you anticipate that was sitting in your pro forma. So we're very pleased, there great businesses, great people. We're excited to have them a part of us. And while you're on the topic, we didn't see a lot of closed activity for the first quarter because we got a lot of things done in the quarter, but we are definitely seeing a lot of activity and anticipate 2022 being a good acquisition year.

Q - A.J. Rice

Okay. And then, you know, a lot of these calls has a lot of focus on labor challenges, inflation, can you just give us some updated thoughts on that. I know to the extent you're getting input price increases you have probably more flexibility than the most industries to maybe pass that through, to what extent is that happening. And then on the labor front, I know a lot, would you know with the CRM and so forth is designed to get efficiencies, but give us a sense of what you're experiencing with respect to labor cost in general?

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

Great, happy to do that. When you think about the product side of our business, the things that we're putting in front of our customers, predominantly caskets, markers, things like that, we're really blessed in periods like this. We have long-term agreements that actually have inflationary caps on them. So while the industry may be experiencing a little more inflation than we would, because again being protected by some of these agreements in the cap associated with them. So that's a net positive for us as we think about going forward on what we're experiencing today.

We are seeing sometimes in certain markets, we actually do the milling employing, or if you think about the cemetery maintenance ourselves, and some of those we outsource. So on the outsourced contracts, we're definitely seeing some inflationary wage increases that are going through. And so we work with our suppliers to try to be responsible partners, and ensuring that we can capture those. And then as you think about our internal labor costs, we surely are seeing in certain pockets in certain areas, some pressure there. In the way we've decided to manage that, J. Waring, our Chief Operating Officers manage this through this is really let local markets take the lead and where they think they have risk, or they think we need to do some anticipated increases with our staff, we sit down in the market and we provide assistance obviously from here to evaluate and say, let's make these adjustments on the wage side, but at the same time, what's the plan to pay for. So we really go on with an idea of, if our wages are going up, then we want to pass those along to the consumer and so far so good, I think we've been able to do that.

And again, I wouldn't call it, across the board, I'd call it isolated markets and we'll continue with that approach, as the year goes on.

Q - A.J. Rice

All right. Sounds great.

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

Thanks, A.J

Operator

The next question comes from Joanna Gajuk with Bank of America. Please go ahead.

Q - Joanna Gajuk {BIO 16689444 <GO>}

Good morning. Thanks so much for taking the question. And I guess on the last earnings call, you said the data suggest the pull forward effect is smaller than previously thought. So any changes to this view based on what you've seen this past quarter in terms of the number of that and the types of that?

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

Sure, Joanna. Again, we experienced slight decrease as compared to the first quarter. I would tell you that so far we're continuing to see unfortunately excess debt, there's no doubt about it, we're still 17% above the first quarter of 2020, which tells us something going on in the market. I would tell you that the percentage of COVID in my opinion is down. Now it doesn't mean it's repeatable, but unfortunately we will talk a little bit about this in Investor Day tomorrow, Elizabeth Nash is going to go through some of this for you.

But the short answer is, that's a recurring for a lot of different reasons. Lack of access to medical care, screenings. We're seeing every statistic you possibly could that is driving this. And so it's very, very hard, and when you think about the pull forward, we really we're talking about pull forward effect of COVID, which again we think is diminished somewhat, and we'll talk a little bit more about it. But I think the hardest ones, these excess deaths, because they if you, if you had poor, less healthy American citizen, how long does that last. And I think that's very difficult to talk to.

But we, I guess we'd say there is clearly a lower aged person that has been impacted by COVID which has less of a near-term pull forward effect at the bottom line.

Q - Joanna Gajuk {BIO 16689444 <GO>}

Now, I understand that the it is a very imprecise mark when it comes to this excess that so I appreciate the color. Then I guess, well it sounds like we might hear more tomorrow. So looking forward to that. But I guess somewhat related question, maybe different but, in terms of previously you also talked about expectations for 2023 being the year where you're going to come back to your long-term growth, targeting earnings obviously this years or Q1 outperformance creates very difficult comps for next year.

So, yes, what are the implications for next year's earnings, are you are willing to address how you were thinking about this previously, and what is your view now?

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

So we gave a little bit of color on 2023 before, we've never really given guidance, because I think it's really hard as far out to give you, I think what we said that we're guidance we feel like, we know a lot, although we probably don't. So we've not given guidance, but again, you're right, I think it's out there kind of 330 for 2023. And I'd love to tell you more, but I don't want to steal Eric's thunder for tomorrow, these have been tracked in front of a mirror for days.

But I'll tell you, we (Multiple Speakers) I gives like you say this, I would put it this way. First of all, Eric's going to talk about what we think is not repeatable COVID, can talk to you about learnings or efficiencies we've gained in that, can be a big part of his presentation tomorrow. But I guess I'd just say this without spoiling it. We think 2023 is going to be better than we originally thought, as of right now with the fact that we know again not being guidance. And again just encourage you to tune in tomorrow for an expanded discussion on this topic. And really also just about how we think about the outer years and what are the, what are the possibilities that we see in the coming years. So very well done presentation, and I cannot ruin Eric's reviews.

Q - Joanna Gajuk {BIO 16689444 <GO>}

No, that only makes sense, I understand, yeah definitely will tune in tomorrow. And if I may just squeeze. I guess that's, excuse me, last question, I guess a follow-up to the discussion around the large sales on the cemetery side of pre-incrementally. What do you kind of, how would you explain I'd like, it's just that people have much more discretionary income or savings and they just trying to put the money in, because what I'm getting at is like if that's sustainable or it doesn't mean that whoever feels like they have money now, they just spend now and kind of and that's it. So any color kind of on the cemetery production and the reasons for this demand for large sales?

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

I think the demand side is a couple of things. People worried about COVID, simplifying people's perspective on celebrating life. And I think what we saw coming out of this is the opposite happened. I think people appreciated the celebration more. So, I think you have a customer that is willing to buy, I think you're right, there is excess savings and we're seeing that out there when listen to the banks. And I have always having been around a long time. So high end cemetery sales correlate somewhat with housing prices, and with the stock market, because when you feel rich, you act rich and when you are, you know, so it does have a little bit of, I think you got to be careful about as you go through economic cycles it can dip down and could come back.

So, but I think the thing to really focus on for what's happening now is recall that during COVID we had to kind of slow down some projects, because you couldn't get workers and you could do some things. So we probably had some pent-up construction and some pent-up inventory. And now, what's happened is as the, as it became easier operating COVID and we got better at it. We are busy out there, building these gardens like I told you. And we're finding that consumers really want the product.

So I think you're seeing a robust demand against a heads up construction activity, and that's what's leading to this kind of deferred revenues, which again are going to probably be recognized in the back half of this year or maybe even in the early part of 2023.

Q - Joanna Gajuk {BIO 16689444 <GO>}

Ryan, thank you. I appreciate the color.

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

Thanks you, Joanna.

Operator

(Operator Instructions) The next question comes from Scott Schneeberger with Oppenheimer. Please go ahead.

Q - Scott Schneeberger {BIO 5302695 <GO>}

Thanks, good morning. Yes, I had, my first question was the same Joanna has got next year, the outlook. So really looking forward to Eric's presentation. I think rating it instance, we do have guidance for this year. Eric, if you could speak please to kind of trends in the first quarter and then some of the commentaries earlier from you and Tom about atneed funeral cemetery, preneed funeral cemetery. I guess just kind of a summary of the cadence of those four metrics just over the balance of the year, I think that would be helpful to just summarize these. Thank you.

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

I'd tell you, if they start with volume. Scott, I mean, I think obviously surprised us. I mean, we've told you before that we thought it was going to be down, kind of mid-teens for the year. And we thought of kind of start off that way frankly, and it did. And we were obviously surprised to the upside and again, it's not just COVID that we're seeing as Tom just reemphasized. These are excess death levels of mortality that are higher than what we've expected even when you try that --- try to back out COVID, that took that $0.14 down to call it low single-digit down 3%.

And for the most part, I think for the rest of the year versus the comps, we are expecting it to be upper down into the double-digits percentage in terms of volume. And that's built into the model, that's nothing to be surprised to the upside, like we were in Q1, of course, we could. But we really didn't take this and then say we're going to, okay, so we were expecting down mid single teens and we only had 3%. Now we're going to change everything just because of one quarter. I just don't think that'd be prudent based on what we're seeing, but could we be a little bit better than what we expected, the answer is yes.

The other thing that we've seen, as we've seen some really great activity, as you've seen in our press release related to the second driver which is preneed cemetery property sales. And you'll hear a lot more about this tomorrow Scott, in terms of the drivers, but it's a lot of things that you and I have already talked about and a lot of our conversations related to really how we are able to manage the type of visibility we have, utilizing the technologies, and the CRM systems that we have. The type of technology we're using in the lead area, such as digital leads, that leads to visibility into close rates et cetera, et cetera, you're also going to hear a lot about the type of inventory as we continue to invest capital into the cemeteries, to the cemeteries and get some of these larger sales activity to continue to run.

So from all that perspective, I think we told you last quarter to kind of think about cemetery sales going backwards in the mid single-digit percentage range. That hasn't happened this quarter obviously. And independent from an excess death, which obviously gives a little bit of flow to the lead process or preneed cemetery, we were given a lot of credit to some of the other things that I just described to you from the management perspective. And I don't necessarily think that, we do believe cemetery sales will be down mid-single digits. I think will be up, perhaps even low to mid single-digits for the rest of the year. So that is sort of a change Scott from what we talked about three months ago, different than the volume perspective, which is harder to predict, because these excess deaths, and COVID. So that is kind of how I describe those two main metrics.

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

And Scott, just. Yes, I think you got answer, just couple other pieces of that, to clear up something, I think, Eric (inaudible) spoke something. On the preneed cemetery sales, we expect low single-digit growth for the year. So that means the remaining nine months could be slightly down, because we had a strong first quarter. So again, we may have a quarter we're not going to get back to last year, but will still be elevated strong is our opinion. And then our atneed cemetery, I think of that is almost in between funeral volume that's mainly because it should act a lot like funeral volume from a velocity perspective, but because you've got these large sales, because you've got a great growth in the average, it should mute the effective that, declined somewhat.

And then the funeral sales average, Scott, just to close it out. I think the comparisons get harder as the year goes on, but we're still good for kind of low single-digit comparisons for the year.

Q - Scott Schneeberger {BIO 5302695 <GO>}

Thanks guys. I appreciate that. As a follow up with, obviously you're doing very well. It looks like, you've been back to pre-COVID levels on funeral, revenue per funeral. And I guess the question would be the, and I did ask this last quarter, there was a FEMA amended COVID funeral assistance policy. And I think you said you just really haven't seen much activity from that. I want to ask that again, and then inquire with, do you think we're back here to stay with the higher atneed revenue per funeral and why? So, thanks.

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

If my answer is on this day. I think what we learned through this crisis, which probably surprised a lot of people in the industry is people want to celebrate life with, and I think it became more important and we're seeing people wanting, in some cases, particularly on the burial side we're seeing slightly higher increases in celebrations. The other thing, Scott, I think to understand, and we'll talk a little bit again about keep promoting this for its presentation tomorrow is good.

So we're going to talk a little bit about ancillary things so. By leveraging technology and some of the tools that we have again leveraging our scale. We're seeing pretty robust increases as it relates to selling flowers, particularly with technology on the Internet. So capturing share wallet not only of this consumer, but friends and family of the consumer. We're seeing really impressive growth there. And as you think about catering some of the same things that we're leveraging these additional products, which are going to have different margins than the incremental margins of a traditional funeral, which as you know, were very high fixed cost in nature.

But there shares of dollars that we think we can put through the system. So coupled with with, I think in appreciation for what we do and we feel pretty good about funeral averages as we go forward. And again, it's not going to be a rocket ship, but it's going to be consistent low single-digit growth. And if inflation is a little higher than that, and then we'll probably experience little higher price increases.

Q - Scott Schneeberger {BIO 5302695 <GO>}

Great, thanks. Appreciate that color. I'll turn it over that.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to the SCI management for any closing remarks.

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

I want to thank everybody for being on the call today, we appreciate you. And again, if you can be in person or tune in for tomorrow it's going to be a nice show, remember, Eric pricing very hard. We appreciate you. Have a great week.

Operator

Conference has also now concluded. Thank you for attending today's presentation. You may now disconnect.