



InvoCare Limited

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Introducing InvoCare

- Largest funeral, cemetery and crematorium operator in Australia, New Zealand and Singapore
- Market capitalisation \$1.4bn, enterprise value \$1.7bn
- Sales revenues \$413m in 2014, up 7% on 2013
- Over 250 locations, including 14 cemeteries & crematoria in Australia
- Over 1,500 full time equivalent employees
- More than 60 funeral brands and only provider with national brands



Introducing InvoCare (continued)

- Robust business model that delivers efficiencies through consolidation and shared services
- Estimated 31% overall share of funeral markets in which it operates
- Defensive characteristics and outperformed market - compound annual TSR growth since listing over 23% compared to 10% for ASX200
- Strong, consistent cash flows
- Total assets at 31 Dec 2014 of \$965m
 - including \$257m owned properties and \$400m prepaid funds
- Debt at 31 Dec 2014 \$230m
 - leverage ratio 2.2x (net debt/EBITDA)
 - interest cover ratio 7.5x (EBITDA/net interest)
- Dividend yield – approx. 3% (fully franked)



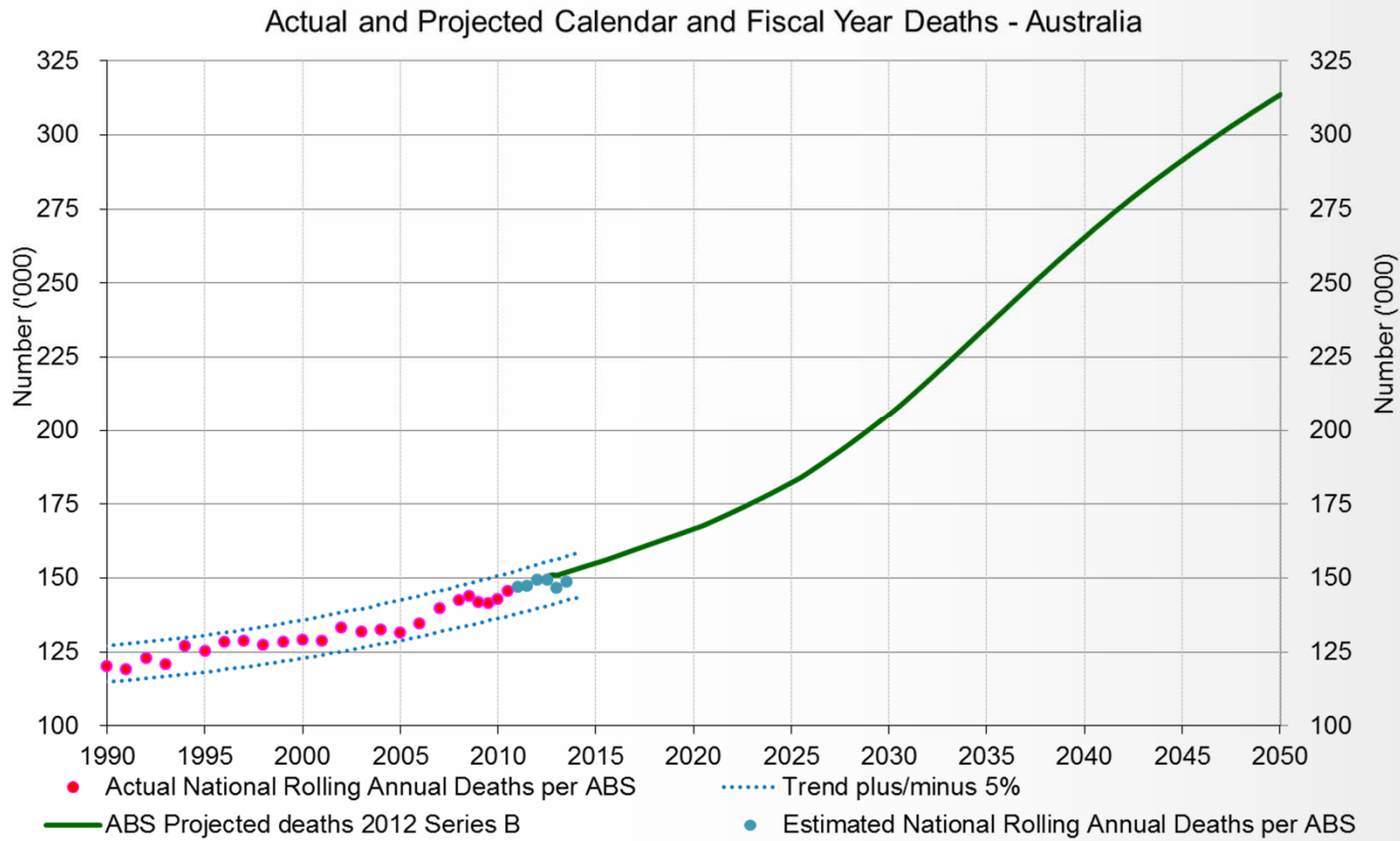
Introducing the Market

- Australia is IVC's major market - approx. 1,000 businesses generating \$1bn revenues*
- Population growing and ageing across all markets – number of Australians aged over 65 years expected to more than double by 2055
- Average 1% annual increase in number of deaths in last 30 years, but $\pm 5\%$ annual fluctuations from trend do occur
- ABS and Statistics New Zealand projected annual increases climb progressively to peak at around 2.8% in Australia and 2.3% in NZ by 2032, before slowing to around 1% by 2055

* IBISWorld Industry Report S9520, Funeral Directors, Crematoria and Cemeteries in Australia, December 2014, IBIS World Pty Ltd



Introducing the Market (continued)



Introducing the Market (continued)

- Recommendations and referrals are main drivers of customer choice of funeral provider – service excellence and reputation therefore critical for business success
- Location convenience also relevant, hence funeral homes are generally widespread
- Choice of cemetery commonly driven by family connections
- Demand traditionally price inelastic, but price sensitive consumers are growing in number and new entrants compete on price
- Ethnic, religious and cultural considerations influence customer preferences for style of funerals and memorials
- Shift away from traditional towards involved and practical funerals



Introducing the Market (continued)

- Industry workers
 - largely unskilled (in terms of formal qualifications required for role)
 - generally older with “life experience”
 - caring, empathetic nature to guide families in a very difficult time
- Operators take pride in supporting families and local communities
- Barriers to entry
 - relatively low for funerals (eg. minimal regulatory requirements beyond health and zoning, can outsource many resources such as mortuary and vehicles)
 - high for cemeteries and crematoria (eg. capital costs, environmental and other regulatory requirements)

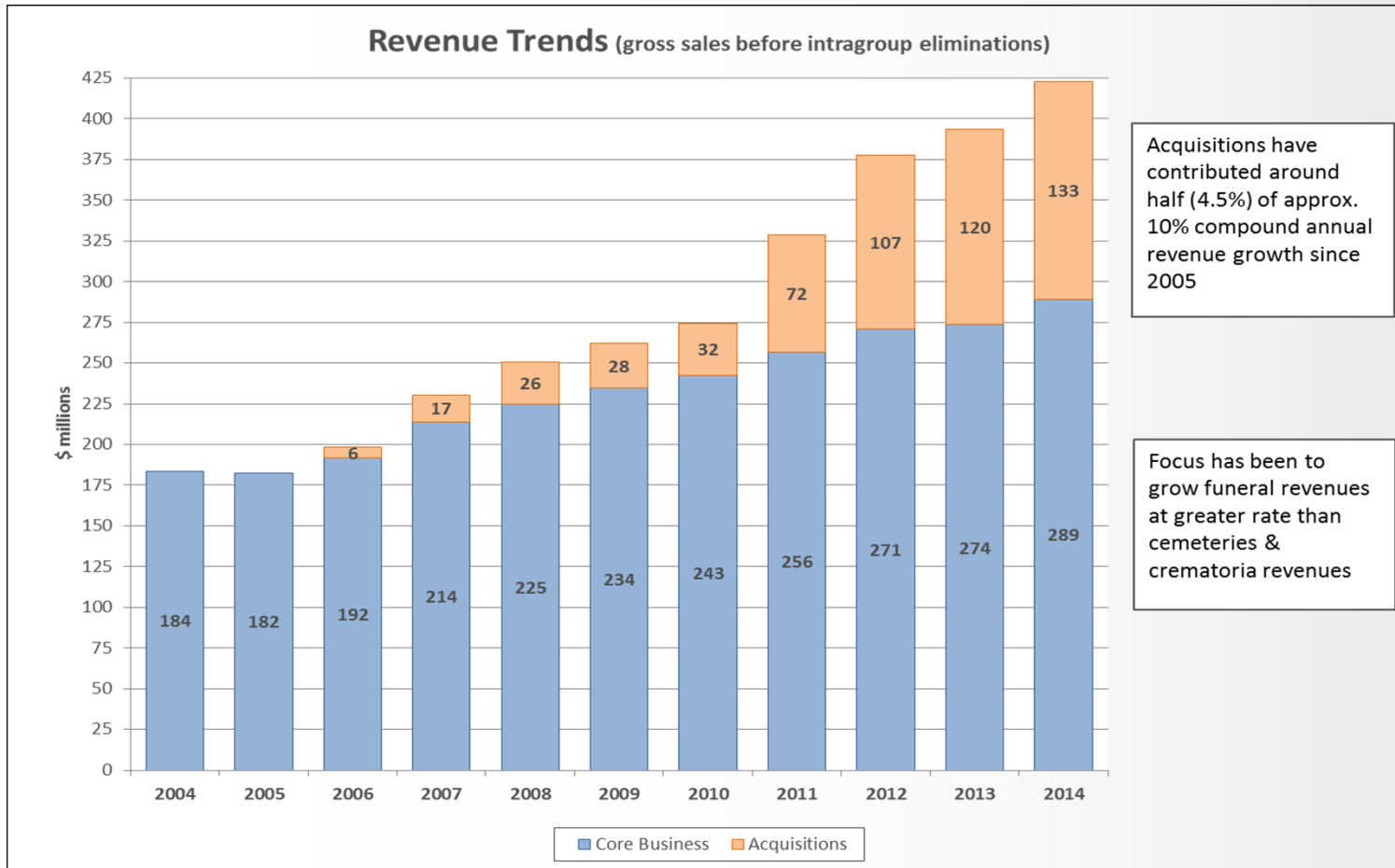


Introducing the Market (continued)

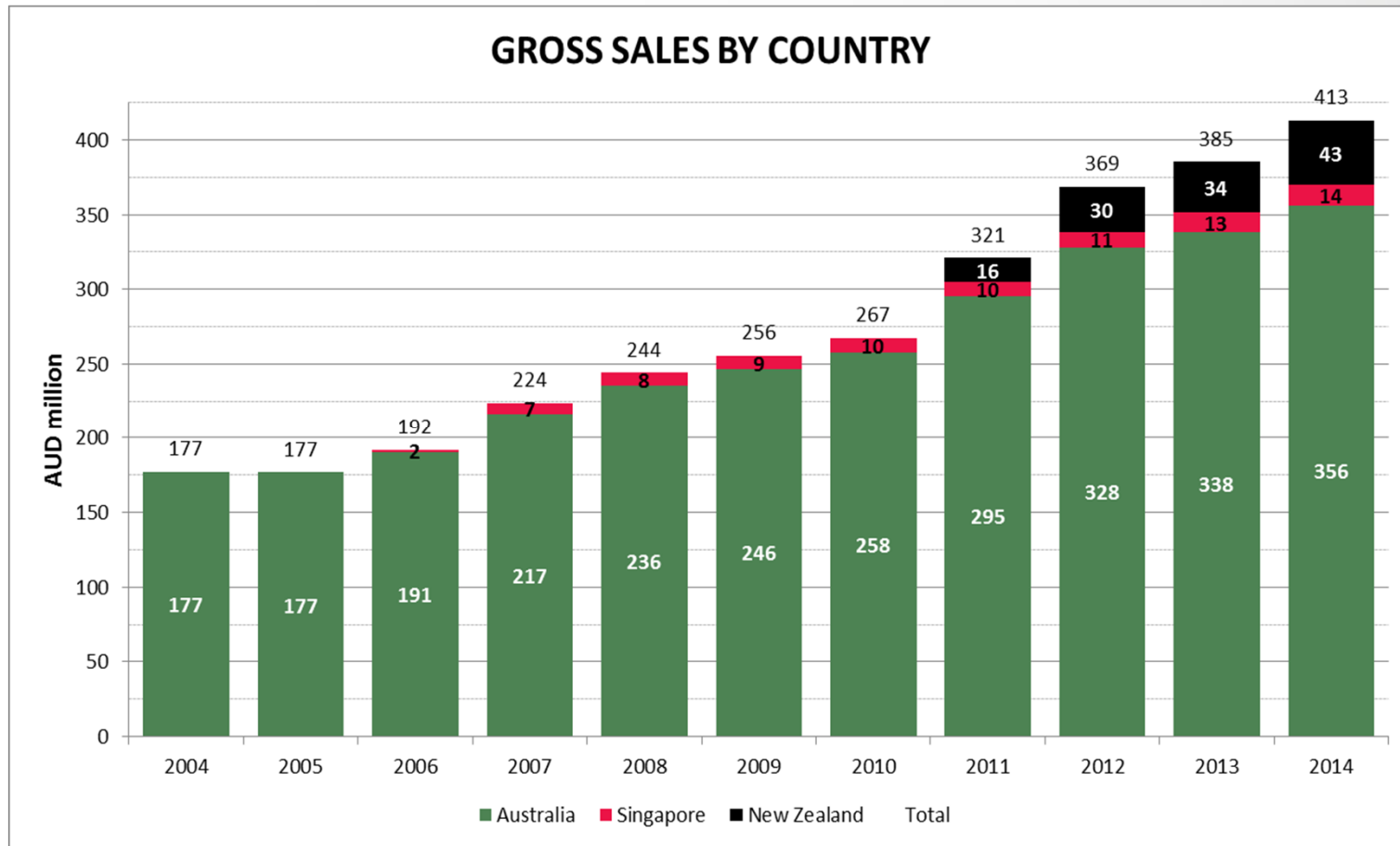
- Private owner/operators dominate funeral services (very fragmented market)
- Government and church dominate cemeteries (private ownership not permitted in some jurisdictions)
- Industry consolidation trends in most markets with traditional family owners progressively selling out to corporates
- Cremations increasing in metropolitan markets (eg. around 65-70%)
- Burials more common in regional markets (more land available and lack of cremation facilities)
- Sales of prepaid funerals and memorials in advance of need are unique industry feature, with funeral insurance competing with traditional operators



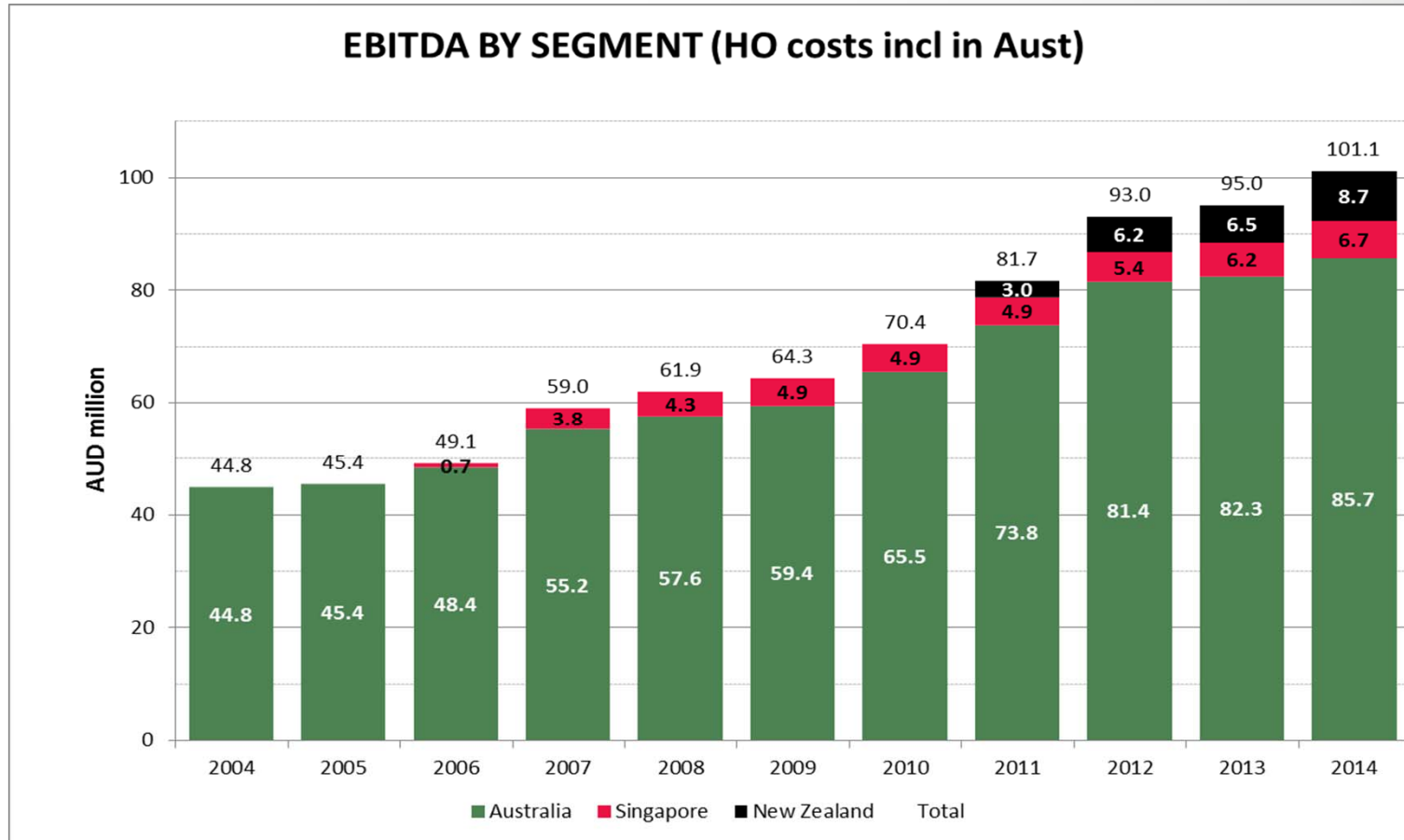
Historical Financial Highlights



Historical Financial Highlights (continued)



Historical Financial Highlights (continued)



Challenges

- New entrants impacting market share and yield with low cost offering
- Employee turnover, especially in regional areas
- Technology developments providing consumers with:
 - enhanced means of research
 - more transparency about competitive offerings
 - more options (eg. on line memorials), and
 - better value
- Regulatory competition constraints in key markets



Drivers of Growth in Existing Core Markets



Average Case/Contract Values

- Historically average case value increase 3-4% pa
- Pricing largely unaffected in adverse economic conditions and not key determinant for customer selection of funeral home
- 85% of funeral customers and 98% of cemeteries/crematoria customers indicate pricing in line with or below expectations
- Mix of brand and where deaths occur affect overall average funeral revenue
- Provision of wider range of services



Market Share

Funeral market share increased mainly by acquisitions over last 10 years

- particularly Singapore in 2006 and Bledisloe in 2011
- significant city / region estimated shares indicated below

	Now		10 years ago
	% of IVC Markets	% of Nation	% of Nation
Australia - Sydney - Melbourne - SE Qld - Perth - Adelaide	34% 43% 27% 33% 45% 26%	25%	19%
New Zealand - Auckland	33% 22%	19%	0%
Singapore	10%	10%	0%



Market Share (continued)

In addition to acquisitions, maintaining and growing share multi faceted



Prepaid Funerals

Prepaid Funerals

- Lock in future market share
- Relieve financial and emotional burden from families and friends
- Guaranteed service at today's price
- Funds by law placed in trust
- Approx. 15% of IVC Australian funerals prepaid – not feature of NZ or Singapore markets
- Target new contracts exceed redemptions and FUM earnings exceed price inflation

Funds under management

- \$400m+ in prepaid FUM
- Externally managed – main fund \$330m with Over Fifty Guardian Friendly Society
- 1% improvement in FUM earnings equates to \$2.8m PAT
- Asset allocation: Cash & Hybrids 74%, Property 16%, Shares 10%
- Earnings volatility impacts IVC's reported PAT



Business Acquisitions

Since listing in 2003 InvoCare has made 17 acquisitions which contributed \$133 million in sales revenue in 2014:

M&A Environment

- Fragmented market: Mainly small and family operated
- Health, relationship breakdowns and succession planning main triggers to sell
- Target rent adjusted EBITDA multiples of 4 – 6 times
- Higher multiple if strategic property involved

Recent History

- Bledisloe Group Jun 2011
- Tuckers Bereavement Services (Vic) Dec 2012
- Resthaven (NZ) Feb 2013
- Tilton, Opie & Pattinson (NZ) Aug 2013
- Fraser Lawrence (NZ) Aug 2013
- H Morris (NZ) Dec 2013
- Macera Crematory (Southern California USA) Nov 2014
- E Lawrence & Sons (Vic) Dec 2014

Outlook

- Regulatory restraints in some Australian markets
- Further opportunities for consolidation in New Zealand (Auckland) and Australia (regional and some capital cities)
- Global M&A and consolidation activity (eg. SCI & Stewart Enterprises (USA), PE activity in France, IPO's in China)
- Higher multiples being sought in low interest rate environment
- IVC will consider overseas opportunities that meet internal hurdles and risk assessment



Opportunities

- Operational efficiencies
 - asset utilisation, systems and process improvements, technology, flowers
- Synergistic businesses or activities
 - on-line memorials (HeavenAddress), multi media, pet funerals/cemeteries
- Acquisitions in existing markets
 - Melbourne, Adelaide, Auckland, larger regional towns or areas
- Expansion into new geographic areas
 - Asia, USA



InvoCare USA

- Rationale for entry into Southern California
- Similar population and deaths to IVC's Australian markets
- Fragmented market – 300+ competitors, top 5 est. 37% share
- Increasing trend to cremate – 70% in CA, USA approx. 45% and growing
- Traditionally no full funeral service with cremations, unlike IVC's existing markets
- Low cost, low risk - three year start up phase - funding USD8m, loss making (up to USD2m per annum), expectation profitable thereafter
- Evolve and prove model before more aggressive rollout
- Significant potential upside & provides platform to consider expansion in due course



Brief Business Update to April 2015

- Group sales revenue up approx. 8% on PCP
- Estimated market share solid since December 2014
- Funeral case volumes up approx. 4% on PCP
- Funeral case averages up approx. 3%
- Investment returns on prepaid FUM exceeding price rise impacts
- Small USA pilot established and operational
- Christchurch crematoria acquisitions expected by end Q2 with H2 EBITDA contribution approx. \$0.3m
- Further update will be provided at the AGM on 22 May 2015



Disclaimer

This presentation contains forward looking statements, which may be subject to significant uncertainties outside of InvoCare's control. No representation is made as to the accuracy or reliability of these forecasts or the assumptions on which they are based. Actual future events may vary from these forecasts.

