

Investor Presentation 2015 Half Year Results

August 2015

Presenters:
Martin Earp CEO
Phillip Friery CFO

ASM 22 MAY 2015

2015 Half Year - Key Highlights

- Comparable business operating profit growth 8.3% on PCP:
 - > Australia and Singapore operations performed well with sales and EBITDA margins improving
 - > New Zealand – growth in volume and case average positive but below anticipated levels due to demand for low cost funerals. Negative EBITDA growth due to increasing personnel costs
- Total business operating profit down 2.1% due to start up costs associated with new funeral operations in Southern California
- Undelivered prepaid contract impacts affected by lower investment fund returns
- Comparable reported profit down 1.6%; total group down 11.3%
- EBITDA cash conversion remained strong at 104%
- Interim fully franked dividend maintained 15.75 cents per share



2015 Half Year - Key Highlights (continued)

Growth Pillar Summary:

- Demographics ✓ Numbers of deaths up estimated 2.0%
- Average contract values ✓ Comparable per case funeral average up 3.4%
- Market share ↔ Estimated stable since 31 Dec 2014 and 12 month rolling basis
- Prepaid funeral business ↔ FUM returns below expected price increases, new contracts exceeded redemptions
- New market ✓ USA funeral operations established
- Business acquisitions ✓ Crawfords (Victoria, Australia) ahead of plan since December 2014 acquisition
- Operating leverage (EBITDA/Sales) ↔ Comp 22.7% vs 22.8% in PCP, but USA reduced total group to 21.7%



3

2015 Half Year – Group Financial Highlights

Result highlights:	Comp 2015 \$'000	Non Comp 2015 \$'000	Total 2015 \$'000	Total 2014 \$'000	Comp Change \$'000	%	Total Change \$'000	%
Total sales to external customers	206,994	1,123	208,117	196,060	10,934	5.6%	12,057	6.1%
Other revenue	3,779	13	3,792	3,470	309	8.9%	322	9.3%
Operating expenses ⁽ⁱ⁾	(163,852)	(2,882)	(166,734)	(154,797)	(9,055)	5.8%	(11,937)	7.7%
Operating EBITDA ⁽ⁱⁱ⁾	46,921	(1,746)	45,175	44,733	2,188	4.9%	442	1.0%
Operating margin	22.7%	-155.5%	21.7%	22.8%	(0.1%)	(0.1%)	(1.1%)	(1.1%)
Depreciation and amortisation	(9,890)	(77)	(9,967)	(9,385)	(505)	5.4%	(582)	6.2%
Finance costs	(7,227)	(161)	(7,388)	(7,777)	550	(7.1%)	389	(5.0%)
Interest income	304	-	304	360	(56)	(15.6%)	(56)	(15.6%)
Business acquisitions costs	(55)	(21)	(76)	(309)	254	(82.2%)	233	(75.4%)
Share of loss of associates	-	-	-	(205)	205	(100.0%)	205	(100.0%)
Operating earnings before tax ⁽ⁱ⁾	30,053	(2,005)	28,048	27,417	2,636	9.6%	631	2.3%
Income tax on operating earnings ⁽ⁱ⁾	(9,005)	-	(9,005)	(7,974)	(1,031)	12.9%	(1,031)	12.9%
Effective tax rate	30.0%	0.0%	32.1%	29.1%	0.9%	0.9%	31.2%	31.2%
Operating earnings after tax ⁽ⁱ⁾	21,048	(2,005)	19,043	19,443	1,605	8.3%	(400)	(2.1%)
Operating earnings per share ⁽ⁱ⁾	19.2 cents	(1.8 cents)	17.4 cents	17.8 cents	1.4 cents	7.9%	(0.4 cents)	(2.2%)
Net gain/(loss) on undelivered prepaid contracts after tax ⁽ⁱ⁾	(860)	(16)	(876)	1,437	(2,297)	(16.0%)	(2,313)	(16.1%)
Asset sales gain or (loss) after tax ⁽ⁱ⁾	170	-	170	(33)	203	(61.5%)	203	(61.5%)
Impairment gain after tax (i)	169	-	169	-	169	-	169	-
Non-controlling interest	(49)	-	(49)	(40)	(9)	22.5%	(9)	22.5%
Net profit after tax attributable to ordinary equity holders of InvoCare	20,478	(2,020)	18,457	20,807	(329)	(1.6%)	(2,350)	(11.3%)
Basic earnings per share	18.7 cents	(1.8 cents)	16.9 cents	19.0 cents	(0.3 cents)	(1.6%)	(2.1 cents)	(11.1%)
Interim ordinary dividend per share	-	-	15.75 cents	15.75 cents	0.00 cents	-	0.00 cents	-

Note: Acquired businesses are treated as non-comparable until owned for a complete calendar year after which they become comparable for the subsequent calendar year(s).



4

Segment Financial Highlights

	2015	2014	Change	
	\$'000	\$'000	\$'000	%
Sales Revenue				
Australia	177,499	169,412	8,087	4.8%
New Zealand	21,326	19,954	1,372	6.9%
Singapore	8,169	6,695	1,474	22.0%
Comparable business	206,994	196,060	10,933	5.6%
Acquisitions & new business	1,123	0	1,123	
Total InvoCare	208,117	196,060	12,057	6.1%
EBITDA				
Australia	39,868	37,781	2,087	5.5%
New Zealand	3,144	3,773	(629)	(16.7%)
Singapore	3,909	3,178	730	23.0%
Comparable business	46,921	44,733	2,188	4.9%
Acquisitions & new business	(1,746)	0	(1,746)	
Total InvoCare	45,175	44,733	442	1.0%
Margin on sales				
Australia	22.5%	22.3%		0.2%
New Zealand	14.7%	18.9%		(4.2%)
Singapore	47.9%	47.5%		0.4%
Comparable business	22.7%	22.8%		(0.1%)
Acquisitions & new business	(155.5%)	0.0%		
Total InvoCare	21.7%	22.8%		(1.1%)

Note: Acquired businesses are treated as non-comparable until owned for a complete calendar year after which they become comparable for the subsequent calendar year(s).



Operational Highlights

Funeral Volume Growth & Market Share

- Comparable funeral case volumes up 2.5% on PCP (total up 3.6%) off low 2014 base
- Estimated stable market share since 31 December 2014 and on a twelve month rolling basis

	2015 vs 2014	2014 vs 2013		2013 vs 2012	
	Half 1	Full Year	Half 2	Half 1	Full Year
Australia	2.4%	2.9%	5.7%	(1.0%)	(2.8%)
New Zealand	3.0%	6.4%	10.6%	1.8%	(5.2%)
Singapore	4.8%	1.3%	1.3%	1.3%	(0.3%)
Total comparable business	2.5%	3.2%	6.1%	0.1%	(3.0%)
Total Group (incl. acqns)	3.6%	4.2%	6.8%	1.4%	(0.1%)



Operational Highlights (continued)

Australian Segment

	2015 \$'million	2014 \$'million	Change	
			\$'million	%
Australian Sales				
Comp Funerals	140.6	135.5	5.1	3.8%
Cemeteries & crematoria	42.5	39.1	3.4	8.6%
Intra-group elimination	(5.6)	(5.2)	(0.4)	7.9%
Total Australian Comp	177.5	169.4	8.1	4.8%
Acquisitions & new businesses	0.6		0.6	
Total Australian	178.1	169.4	8.7	5.1%



Operational Highlights (continued)

Australian Segment

- Estimated market share stable since December 2014 and twelve month rolling basis
- Comparable funeral case volumes up 2.4% on PCP
- Average revenue per funeral case up 2.2%, driven by late 2014 price reviews and brand, product and state mix
- Cemeteries and crematoria sales up 8.6%, driven by improved case volumes, contract averages and larger number of higher value memorial contracts
- Comparable EBITDA margins up 0.2% to 22.5% (2014: 22.3%)



Operational Highlights (continued)

New Zealand Segment (in NZD)

- Funeral sales up 4.6% to \$22.5m (2014: \$21.5m)
- Funeral case volumes up 3.0%
- Average revenue per funeral case up 2.1%
- Labour and advertising costs returned to more sustainable levels compared to cost constraints imposed in H1 2014.
- EBITDA margins down 4.2% to 14.7% (2014: 18.9%). Expectation is for stronger performance in H2 2015
- Completed acquisition of two cremation and memorial parks in Christchurch in July 2015 enabling full service offerings and land for future funeral service expansion



Operational Highlights (continued)

Singapore Segment (in local SGD currency)

- Funeral sales up 11.7% to \$8.6m (2014: \$7.7m)
- Case volumes up 4.8% on PCP
- Increase in case averages by 7.1% driven by improved sales mix (including packages)
- EBITDA to sales ratio improvement to 47.9% (2014: 47.5%)



Operational Highlights (continued)

USA Segment (in local USD currency)

- Commenced funeral operations in the last week of February 2015
- Funeral case volume in H1 greater than 100, case average below expectations
- Total sales \$0.4m from funeral and crematory operations
- First half EBITDA loss of \$1.5m
- Focus is on both volume and yield growth
- Full year losses could grow to USD \$3.0m - in excess of previously expected \$2m loss, but appropriate as company invests in market research and brand awareness



Operational Highlights (continued)

Total Prepaid Funeral Sales & Redemptions

	2015 v 2014	2014 v 2013
Number of contracts sold	+3.4%	-4.2%
Average Contract Value	+3.2%	+5.9%
	2015	2014
% by which new contracts exceed redemptions	14.4%	10.7%
% of Australian funerals that were prepaid	13.9%	14.3%



Operational Highlights (continued)

Prepaid Funds Under Management

	Jun 2015	Jun 2014
Total FUM	\$408.3m	\$384.7m
% in equities	12%	11%
% in property	26%	22%
% in cash & fixed interest	62%	67%
P&L impacts of undelivered contracts:		
FUM Earnings	\$6.4m	\$10.0m
Service delivery liability increase	(\$7.7m)	(\$7.9m)
Net pre-tax gain on undelivered contracts	(\$1.3m)	\$2.1m



13

Operational Highlights (continued)

Prepaid Funds Under Management

- Investment earnings on FUM below growth in service delivery obligations
- Returns impacted by declines in listed securities markets during quarter 2, and NTA adjustment on unlisted property trust investment (\$2.7m)
- Shift in asset mix from cash and fixed interest to property investments



14

Financial Highlights

Operating Expenses

Highlights of comparable expenses: (for details see appendices)

- H1 2015 EBITDA margin on sales was 0.1% down on PCP as some cost restrictions imposed in H1 2014 had been eased during H2 2014
- Personnel costs up 7.2% driven by base labour rates and increased headcount to support higher case volumes and business growth. Comparable base labour rate increases generally contained to approx 3.5%
- Occupancy costs were up 7.9% driven by annual lease increases, new location openings and repairs and maintenance
- Other expenses included further investment in digital projects including CRM and ERP systems



Financial Highlights (continued)

Finance Costs

- Finance costs down \$0.4m to \$7.4m (2014: \$7.8m) following roll over of a fixed rate swap contract in September 2014

Asset sale gains

- Asset sale gains up \$0.1m (after tax) on PCP driven by the disposal of fleet vehicles in normal course of business

Impairments

- Net after tax impairment reversals of \$0.2m (2014: Nil)



Financial Highlights (continued)

Cash flow highlights

	2015	2014
■ Net cash inflows from operations	\$25.2m	\$29.0m
■ Purchase of property, plant & equipment	(\$11.6m)	(\$13.5m)
■ Net movements from prepaid contract sales	\$0.6m	\$0.2m
■ Proceeds from sale of property, plant & equipment	\$0.4m	\$0.2m
■ Purchase of businesses (including property)	(\$0.9m)	(\$1.6m)
■ Deferred employee share plan purchases		(\$1.2m)
■ Net increase / (decrease) in borrowings	\$13.0m	\$14.3m
■ Payment of dividends	(\$22.8m)	(\$21.5m)
■ Conversion of Operating EBITDA to ungeared, pre-tax cash flow	104%	109%

Note: As of 1 January 2015 the Group has adopted a change in the presentation of its Cash Flow statement whereby cash flows to and from independent prepaid funeral trust funds are classified as investing instead of operating activities. Refer Note 11 of the financial statements contained in the Interim Financial Report for the half year ended 30 June 2015.



Financial Highlights (continued)

Capital Management

Dividends

- Interim dividend of 15.75 cents per share (2014: 15.75 cents)
 - > Ex dividend date 15 September 2015
 - > Record date 17 September 2015
 - > DRP election date 18 September 2015
 - > Payable date 9 October 2015
- DRP remains activated for final dividend and shares will be purchased on market
- The interim dividend represents a payout ratio 91% of operating earnings after tax and non-controlling interests



Financial Highlights (continued)

Capital Management (continued)

Banking Facility & Hedges

- Net Debt drawn \$228m from total \$255m facilities (Dec 2014 \$219m; June 2014 \$223m)
- 72% of debt hedged with floating to fixed interest rate swaps (Dec 2014: 76%; Jun 2014: 75%)
- Covenant ratios comfortably met – leverage ratio 2.3 (must be no greater than 3.5) and interest cover 7.8 (must be greater than 3.0)
- Effective interest rate at end June 2015 down to 5.4%, inclusive of swaps, fees & margins (5.7% at Dec 2014)



2015 H2 Outlook

- Comparable sales revenue for July up 5.9%
- Apparent reversion in numbers of deaths to longer term trend
- H2 funeral case growth likely to remain below H1 and high 6.1% growth achieved in H2 2014 on H2 2013
- USA losses could reach USD3.0m for full year with accelerated H2 brand development expenditure
- Management focus on growing H2 EBITDA, to achieve overall growth greater than 1.0% in H1



2015 Outlook (continued)

- Acquisition of two memorial parks in Christchurch completed in July 2015 - expected to contribute NZD \$0.3m EBITDA in H2
- FUM returns expected to improve in H2
- No change to capital management plans
 - > Dividends expected to distribute at least 75% of operating earnings after tax and, for full year, at least equal 2014
 - > \$85m debt maturing in September 2016 will be refinanced before year end (to avoid current liability classification)
- 2015 capex spend expected of approximately \$24m



Appendix A: Operating Results Summary – Comparable Only

	2015 Actual \$'000	% of Gross Sales	2014 Actual \$'000	% of Gross Sales	Variance Act V LY	
					\$'000	%
Total - all lines of business						
Sales Revenue	206,994	100.0%	196,060	100.0%	10,934	5.6%
Other revenue	3,779	1.8%	3,470	1.8%	309	8.9%
Finished goods, consumables & funeral disbursements	(60,029)	29.0%	(57,182)	29.2%	(2,847)	(5.0%)
Personnel	(68,217)	33.0%	(63,635)	32.5%	(4,582)	(7.2%)
Advertising & public relations expenses	(7,828)	3.8%	(7,626)	3.9%	(202)	(2.6%)
Occupancy & facility expenses	(14,152)	6.8%	(13,114)	6.7%	(1,038)	(7.9%)
Motor vehicle expenses	(4,089)	2.0%	(4,106)	2.1%	17	0.4%
Other expenses	(9,537)	4.6%	(9,133)	4.7%	(404)	(4.4%)
Operating expenses	(163,852)	79.2%	(154,798)	79.0%	(9,054)	(5.8%)
Operating EBITDA	46,921	22.7%	44,733	22.8%	2,188	4.9%
<i>Operating margin % on sales revenue</i>		22.7%		22.8%		-0.1%



Appendix B: Operating Results Summary – Total Group

	2015		2014		Variance	
	Actual \$'000	% of Gross Sales	Actual \$'000	% of Gross Sales	Act V LY \$'000	%
Total - all lines of business						
Sales Revenue	208,117	100.0%	196,060	100.0%	12,057	6.1%
Other revenue	3,792	1.8%	3,470	1.8%	322	9.3%
Finished goods, consumables & funeral disbursements	(60,347)	29.0%	(57,182)	29.2%	(3,165)	(5.5%)
Personnel	(69,686)	33.5%	(63,635)	32.5%	(6,051)	(9.5%)
Advertising & public relations expenses	(8,497)	4.1%	(7,626)	3.9%	(871)	(11.4%)
Occupancy & facility expenses	(14,236)	6.8%	(13,114)	6.7%	(1,122)	(8.6%)
Motor vehicle expenses	(4,159)	2.0%	(4,106)	2.1%	(53)	(1.3%)
Other expenses	(9,810)	4.7%	(9,133)	4.7%	(677)	(7.4%)
Operating expenses	(166,734)	80.1%	(154,798)	79.0%	(11,936)	(7.7%)
Operating EBITDA	45,175	21.7%	44,733	22.8%	442	1.0%
<i>Operating margin % on sales revenue</i>	<i>21.7%</i>		<i>22.8%</i>			<i>-1.1%</i>



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.

