



Macquarie Connections Australia Conference 2016

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Contents

- 1. InvoCare and its markets**
2. Pillars of Growth
3. Strategic Review
4. Q1 Performance & Outlook



IVC and its markets

- > Largest funeral, cemetery and crematorium operator in Australia, New Zealand and Singapore, with recently established small presence in Southern California
- > IVC is an integrated business operating in pre-need, at-need and post-need
- > Market capitalisation \$1.3bn, enterprise value \$1.6bn
- > Sales revenues \$436m in 2015, up 5.7% on 2014
- > Over 250 locations, including 16 cemeteries & crematoria
- > Over 1,500 full time equivalent employees
- > Only provider with national brands



WHITE LADY FUNERALS
a woman's understanding

Simplicity Funerals

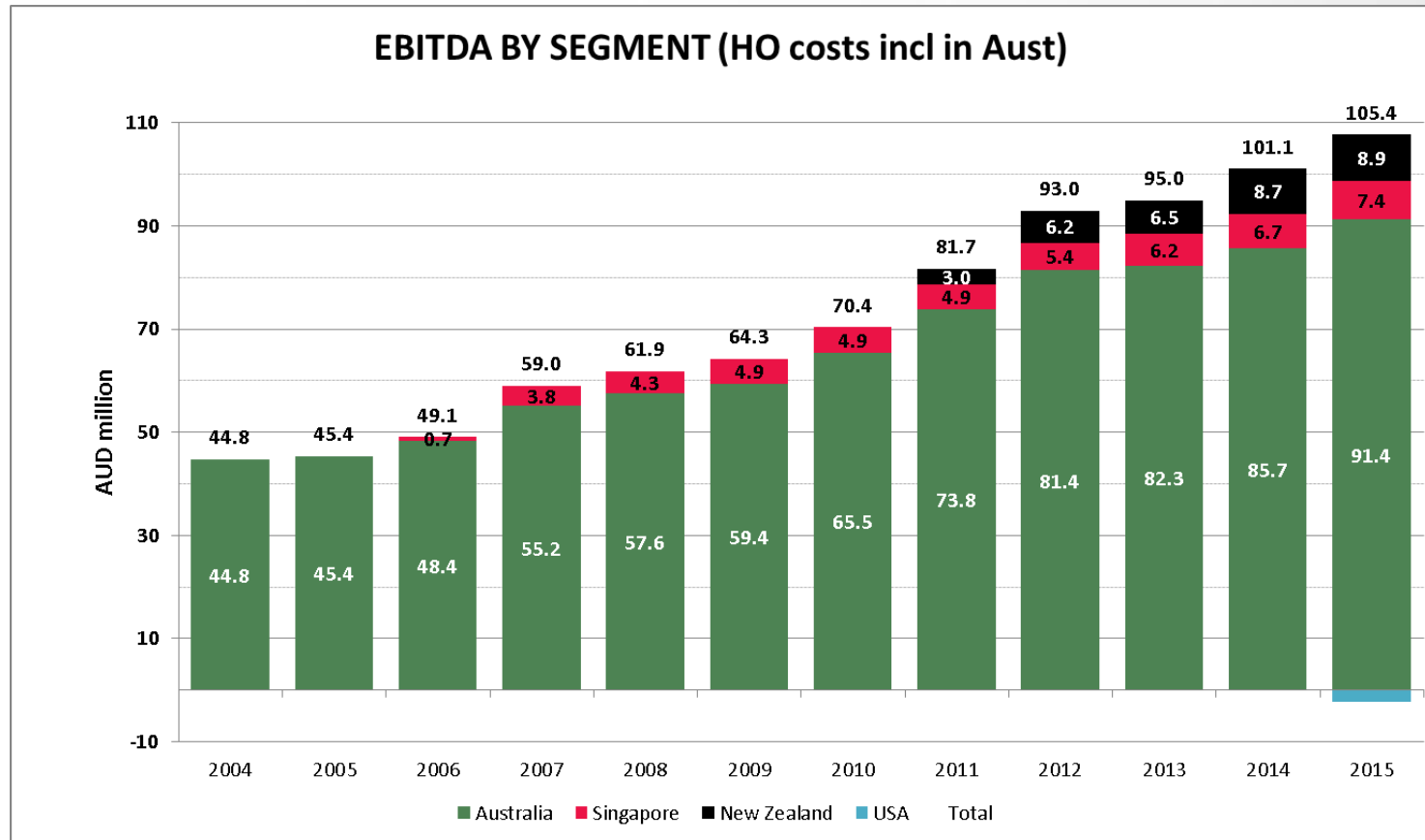


IVC and its markets (cont.)

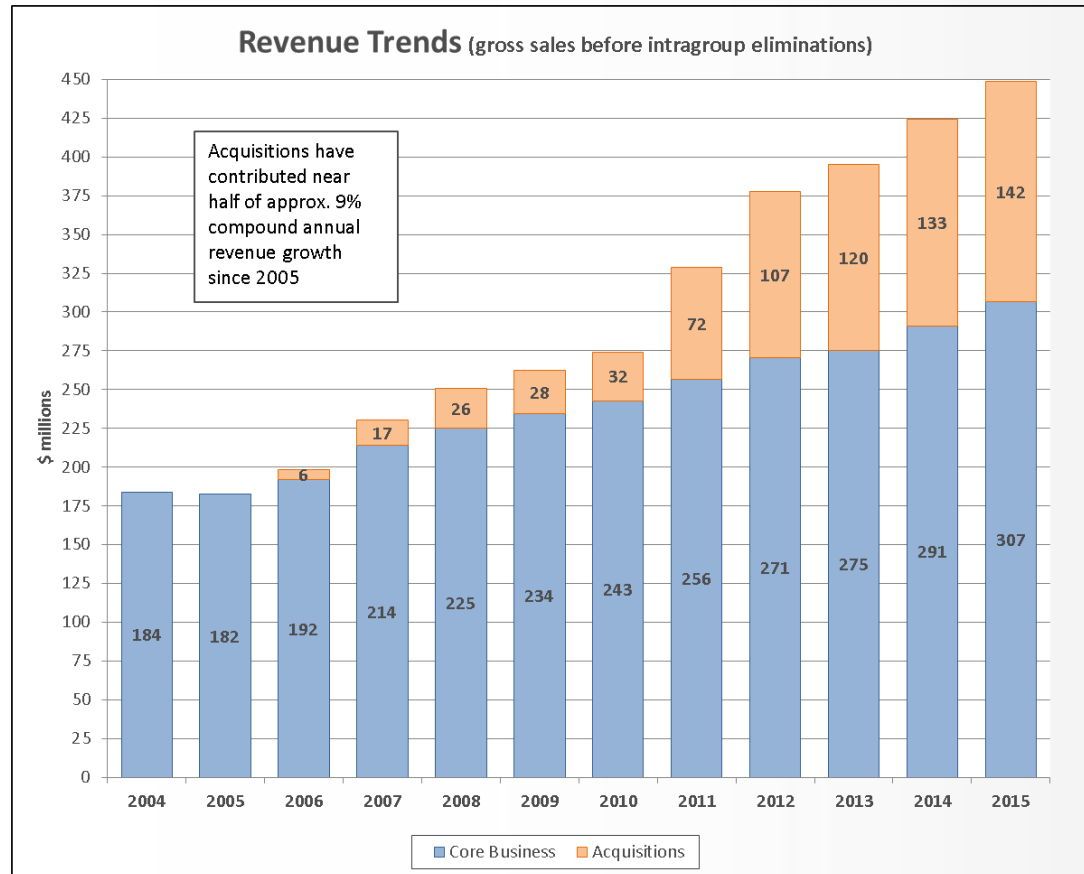
- > Robust business model that delivers efficiencies through consolidation and shared services
- > Estimated 31% overall share of funeral markets in which it operates
- > Defensive characteristics and outperformed market - compound annual TSR growth since listing 21% compared to 9% for ASX200
- > Strong, consistent cash flows
- > Total assets at 31 Dec 2015 of \$1,009m
 - Including \$268m owned properties at written down historical cost and \$422m prepaid funds under management at market value
- > Debt at 31 Dec 2015 \$232m
 - Leverage ratio 2.1x (net debt/EBITDA)
 - Interest cover ratio 8.3x (EBITDA/net interest)
- > Dividend yield – approx. 3% (fully franked)



IVC Historical Financial Highlights (cont.)



IVC Historical Financial Highlights (cont.)



The Market

- > Australia is IVC's major market - approx. 1,000 businesses generating \$1bn revenues*
- > 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

* IBISWorld Industry Report S9520, Funeral Directors, Crematoria and Cemeteries in Australia, February 2016, IBIS World Pty Ltd



The Market (cont.)

- > Population growing and ageing across all markets
- > 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
- > Ethnic, religious and cultural considerations influence customer preferences for style of funerals and memorials
- > Shift away from traditional towards involved and practical funerals



The Market (cont.)

- > Industry workers
 - 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
 - Brand loyalty is high for funerals, with referrals and reputation driving business, so establishing a brand is a barrier, more so than statutory and capital requirements
 - Cemeteries and crematoria require higher capital costs and must satisfy environmental and other regulatory requirements



Contents

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Pillars of Growth – Our People

Fundamental driver of performance is customer service which is delivered by our people.

Employee survey showed a very high level of engagement, loyalty and passion for both the industry and for InvoCare.

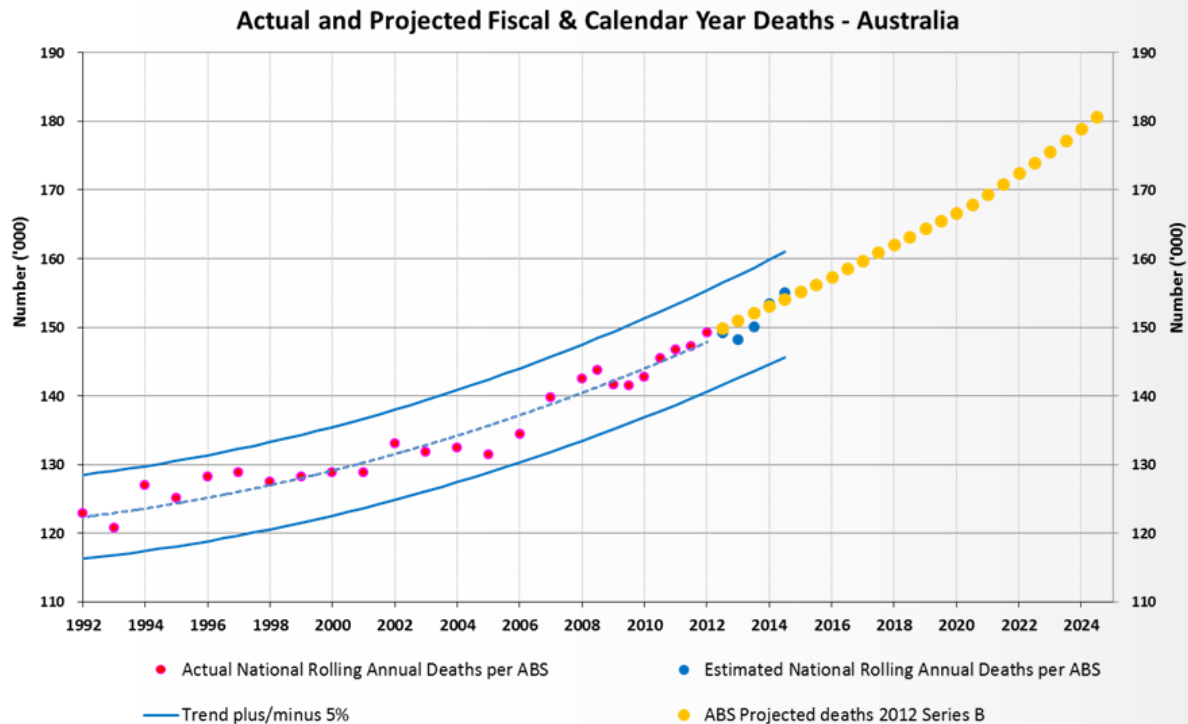
To formalise our culture IVC is rolling out a program of promoting our core values through the CARE program

- > Collaboration
- > Accountability
- > Responsiveness
- > Excellence



Pillars of Growth – Deaths

- > Growth in death numbers set to continue
- > Australia growth peaking in 2034 at a growth rate of 2.8%



Pillars of Growth – Market Share

- > Over the last 10 years acquisitions have increased funeral market share
- > Improved market share from existing assets is critical to the long term performance, focus will be on utilising data to drive marketing decisions

	Now		10 years ago
	% of IVC Markets	% of Nation	% of Nation
Australia - Sydney - Melbourne - SE Qld - Perth - Adelaide	34% 42% 30% 36% 45% 26%	25%	19%
New Zealand - Auckland	30% 22%	18%	0%
Singapore	10%	10%	0%



Pillars of Growth – Case Average

Funeral case averages in the comparable business increased across all regions (in local currency)

- > Australia up 2.7%
- > New Zealand up 2.7%
- > Singapore up 2% without increasing headline price (packages)

Focus in 2016 is to educate the customer as to the importance of service in the grieving process.

This will mitigate impact of increasing preference towards direct cremations.



Pillars of Growth – Efficiency

- > Australia increased margin from 24.1% to 24.7% in 2015 - driven by focus on costs
- > New Zealand's margin was down from 20.2% in 2014 to 19.5% in 2015 - driven by increases in personnel and advertising
- > Singapore margin down from 48.5% to 48.3% in 2015
- > Projects are being undertaken in 2016 seek to improve margins moving forward



Pillars of Growth – Acquisitions

Two acquisitions contributed to 2015 results:

- > Charles Crawford and Sons (Victoria) completed in December 2014
- > InvoCare acquired two memorial parks in Christchurch (Harewood and Canterbury Crematoria) in July 2015

Acquisitions will continue to be an important driver of growth for InvoCare

- > Melbourne
- > Adelaide
- > Auckland
- > Singapore

The company will also continue to undertake research into opportunities in new markets (other than the USA).



Pillars of Growth – Pre-Paid Funerals

- > Guaranteed service at today's price, relieving financial and emotional burden from families and friends and locking in future market share
- > Approx. 15% of IVC Australian funerals prepaid – not feature of NZ or Singapore markets
- > Funds by law placed in externally managed trusts - \$420m+ at end 2015
- > Asset allocation: Cash & Hybrids 57%, Property 26%, Shares 17%
- > Target new contracts exceed redemptions and FUM earnings exceed price inflation
- > Earnings volatility impacts IVC's reported PAT - undelivered prepaid funeral contracts delivered \$7.5m net pre-tax gain in 2015, \$10.9m in 2014 and \$1.6m in 2013



Contents

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Strategic Review – Overview

- > CEO spent time developing an understanding of the key drivers of value generation within the business by visiting all parts of the business
- > Group Executive clarified key challenges that face the business and developed strategies to address these challenges
- > Board separately addressed these issues and this allowed for alignment between Management and the Board on the way forward
- > This review concluded that no fundamental change in strategy is required, but there is potential to extract greater benefit from existing assets



Strategic Review – Key Findings

Specifically the review identified:

- > Business fundamentals of the core markets remain strong
- > Greater potential for operational efficiencies
- > Opportunity for market share improvements from existing assets
- > Opportunity to deliver more efficient deployment of capital
- > Acquisition opportunities still exist in core markets



Strategic Review – Key Findings (cont.)

- > Out of this review the company is investing in a number of projects to deliver shareholder value in both the short and longer term
- > The focus for these projects in 2016 is on:
 - Capital allocation
 - Increasing revenue from existing assets (market share and pricing)
 - Increased efficiencies (business systems, processes and organisational structure)
 - A network and brand optimisation review to ensure our product and locations remain relevant into the future



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Q1 2016 Performance

- > Group sales revenues up 2.9% on PCP (Comparable up 2.3%)
- > Funeral case volumes down 0.7% on PCP (Comparable down 1.9%)
- > Deaths declined by estimated 2.4% on PCP (up 1% for rolling 12 months)
- > Market share increased during the quarter
- > Strong cemeteries and crematoria results mitigated funeral business pressures
- > Focus on cost control maintained to achieve on target results
- > Prepaid FUM investment returns below price rise impacts as markets remain volatile
- > Further update will be provided at the AGM on 20 May 2016



Outlook

- > Despite short term challenge of lower deaths in Q1, the fundamentals of the business remain strong
- > Short Term - the business should continue to deliver growth in key metrics in line with recent years
- > Longer Term - the investment in projects being undertake in 2016 should deliver additional value to shareholders over the coming years



Disclaimer

This presentation contains forward looking statements, which may be subject to significant uncertainties outside of IVC'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.

