



Investor Presentation

2016 Half Year Results

August 2016

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- 1. 2016 Half Year – Key Highlights**
2. Pillars of Growth
3. Group Financial Highlights
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2016 Half Year - Key Highlights

- > Sales revenue up 3.1% on H1 2015
 - > Compared to 6.1% increase for H1 2015 on H1 2014
 - > In a market where numbers of deaths were down
- > EBITDA up 4.6%
 - > Compared to 1.0% increase for H1 2015 on H1 2014
 - > Excellent result in current environment due to tight management of costs
 - > EBITDA margin on sales up 0.3% to 22.0% (compared to 1.1% decline H1 2015 on H1 2014)
- > Operating earnings after tax up 13.2%
 - > Compared to 2.1% decline for H1 2015 on H1 2014
 - > Lower finance costs and tax main contributors to higher growth than EBITDA
- > Reported profit, after tax and minority interest, up 50.6%
 - > Compared to 11.3% decline for H1 2015 on H1 2014
 - > Higher investment returns on undelivered prepaid funds and asset sale gains
- > EBITDA to cash conversion 95%
- > Interim fully franked dividend up 7.9% to 17.00 cents per share
 - > Payable on 7 October 2016; record date 15 September 2016



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Operational Highlights

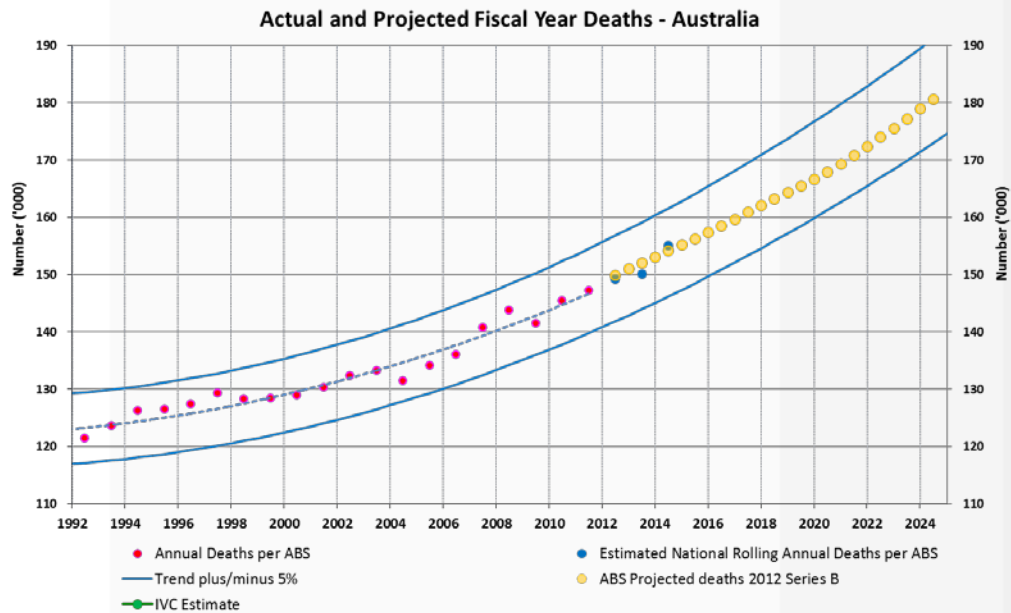
Growth Pillar Summary:

- > Demographics ✗ Number of deaths down 0.3% on H1 2015
- > Market share ✗ IVC Group down slightly on H1 2015
- > Average contract values ✓ Comparable per case funeral average up 2.7%
- > Operating leverage ✓ Improved to 22% (up 30bps on H1 2015)
- > Prepaid funeral business ✓ H1 2016 contracts sold up 7% on PCP
- ✓ FUM up 7.4% from June 2015



Demographics

- > Slow down in growth of deaths in all key markets resulting in overall reduction in number of deaths of 0.3% in half on PCP
- > Deaths for Australia forecast to continue to increase (peaking in 2034 at a growth rate of 2.8%). Trend for both NZ and Singapore is also for growth.



Market Share

Total comparable Group H1 2016 market share dropped marginally in IVC's markets on PCP

- > Australia small decline consistent with experience in previous low death number periods (share circa 33%)
- > New Zealand estimated remained relatively flat (at circa 30%) - despite significant decrease in volume (but official Q2 death data not yet available)
- > Singapore down 90 bps (to circa 9.4%) - Smaller, more volatile and highly competitive market. Decline represents 73 cases and, on rolling 12 months basis (at 9.8%), is a reversion to more historical market share levels.
- > Profile of marketing spend smoothed this year to ensure a strong presence in Q3 and Q4
- > Digital marketing focus has contributed to website traffic increase (by 21% on PCP) generating quality leads



Case Average

Funeral case averages in comparable business increased by 2.7% across all regions, which in local currency were:

- > Australia up 2.7%
 - > Brand and state mix shifts have reduced average below overall average price increases of 3.3% applied in December 2015
 - > Since January, Australian operations team has had success from a greater focus on reducing number of direct cremation funerals
- > New Zealand up 3.5%
- > Singapore up 6.8% - continued success of sales packages



Operating leverage

- > Group EBITDA to Sales margin increased to 22.0% from 21.7%
 - Australia remained unchanged at 22.5%
 - New Zealand improved to 18.0% from 14.6%
 - Singapore margin down to 46.5% from 47.9%
- > To highlight strong underlying business performance EBITDA margin improvement actually increased to 23.5% after backing out:
 - Corporate Office redundancies (\$1.1m)
 - Project costs for key initiatives to create longer term value (\$0.5m)
 - Option fees relating to possible future property sale (\$0.6m- 2015: \$0.1m)



Pre-Paid Funerals

Pre-paid funerals remains a core part of the business strategy, due to their ability to lock in future market share and provide certainty on price.

The current level of pre-paid funerals as a percentage of total funerals increased to 14.3% from 13.9% in PCP.

The performance of the business in securing pre-paid funerals has continued to improve during H1 2016. Key date shown below:

- > Pre paid funeral contracts in H1 2016 are up 7% on PCP
- > Prepaid contract funds managed externally \$439m (\$408m at June 2015)
- > New contracts exceeded redemptions by 21% (15% in PCP)

The performance of Funds Under Management is addressed later in the presentation (See Section 3 - Group Financial Highlights).



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2016 Half Year – Key Highlights

	Comparable Business			Consolidated Business		
	Actual 2016	Variance to 2015	Variance to 2015	Actual 2016	Variance to 2015	Variance to 2015
Sales revenue	\$213.0m	\$5.4m	2.6%	\$214.5m	\$6.4m	3.1%
Other revenue	\$4.7m	\$0.9m	24.7%	\$4.8m	\$1.0m	26.2%
Operating expenses	\$168.7m	\$4.4m	2.7%	\$172.0m	\$5.3m	3.2%
EBITDA	\$49.0m	\$1.9m	4.0%	\$47.3m	\$2.1m	4.6%
Margin on sales	23.0%	n/a	+0.3%	22.0%	n/a	+0.3%
Operating earnings (after tax)	\$23.7m	\$2.6m	12.3%	\$21.6m	\$2.5m	13.2%
Net profit (after tax)	\$30.0m	\$9.4m	45.7%	\$27.8m	\$9.3m	50.6%
Operating EPS	21.7c	2.4c	12.4%	19.7c	2.3c	13.2%
EPS Basic	27.3c	8.5c	45.2%	25.4c	8.5c	50.3%
Dividend	n/a	n/a	n/a	17.00c	1.25c	7.9%



Net Profit after Tax

	2016	2015	Change	
Result highlights:	\$'m	\$'m	\$'m	
Total sales to external customers	214.5	208.1	6.4	3.1%
Other revenue (excluding interest income)	4.8	3.8	1.0	26.2%
Operating expenses ⁽ⁱ⁾	(172.0)	(166.7)	(5.3)	3.2%
Operating EBITDA ⁽ⁱ⁾	47.3	45.2	2.1	4.6%
<i>Operating margin</i>	22.0%	21.7%		0.3%
Depreciation and amortisation	(10.4)	(10.0)	(0.5)	4.5%
Finance costs	(7.0)	(7.4)	0.4	(5.7%)
Interest income	0.4	0.3	0.1	45.7%
Business acquisitions costs	(0.0)	(0.1)	0.1	(65.8%)
Operating earnings before tax ⁽ⁱ⁾	30.3	28.0	2.3	8.0%
Income tax on operating earnings ⁽ⁱ⁾	(8.7)	(9.0)	0.3	(2.9%)
<i>Effective tax rate</i>	28.8%	32.1%		(3.3%)
Operating earnings after tax ⁽ⁱ⁾	21.6	19.0	2.5	13.2%
<i>Operating earnings per share ⁽ⁱ⁾</i>	19.7 cents	17.4 cents	2.3 cents	13.2%
Net gain/(loss) on undelivered prepaid contracts after tax ⁽ⁱ⁾	5.2	(0.9)	6.1	-
Asset sales gain after tax ⁽ⁱ⁾	1.1	0.2	0.9	-
Impairment gain after tax ⁽ⁱ⁾	-	0.2	(0.2)	-
Non-controlling interest	(0.0)	(0.0)	0.0	-
Net profit after tax attributable to ordinary equity holders of InvoCare Limited	27.8	18.5	9.3	50.6%
Basic earnings per share	25.4 cents	16.9 cents	8.5 cents	50.3%
Interim ordinary dividend per share	17.00 cents	15.75 cents	1.25 cents	7.9%

(i) Non-IFRS financial information

Note that the data in the table above has been calculated in thousands and presented in millions.

As a consequence some additions cannot be computed from the tables as presented.

Interim dividend payout ratio 86.9% of operating earnings after tax and outside equity interest

Prepaid contract funds under management returns main driver of reported statutory profit increase



EBITDA components – total business

The EBITDA performance by major income statement line item for the total business is presented in the next table.

	2016		2015		Variance	
	\$'m	% of Gross Sales	\$'m	% of Gross Sales	\$'m	%
Total - all lines of business						
Sales Revenue	214.5	100.0%	208.1	100.0%	6.4	3.1%
Other revenue	4.8	2.2%	3.8	1.8%	1.0	26.3%
<u>Expenses:</u>						
Cost of goods sold	60.0	28.0%	60.3	29.0%	0.3	0.6%
Personnel	75.3	35.1%	69.7	33.5%	(5.6)	(8.0%)
Advertising & promotions	8.7	4.1%	8.5	4.1%	(0.2)	(2.8%)
Occupancy & facility expenses	14.3	6.7%	14.2	6.8%	(0.1)	(0.6%)
Motor vehicle expenses	3.8	1.8%	4.2	2.0%	0.4	9.0%
Other expenses	9.9	4.6%	9.8	4.7%	(0.1)	(1.0%)
Operating expenses	172.0	80.2%	166.7	80.1%	(5.3)	(3.2%)
Operating EBITDA	47.3	22.0%	45.2	21.7%	2.1	4.6%
<i>Operating margin %</i>	<i>22.0%</i>		<i>21.7%</i>			<i>0.3%</i>

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Equivalent table for comparable business is included in Appendix A



Operating expenses

Operating expenses

- > Overall up 3.2% or \$5.3m to \$172.0m (2015: \$166.7m), including \$3.3m (2015: \$2.4m) for non comparable businesses (mainly USA)
- > Comparable up 2.7% or \$4.4m to \$168.7M (2015: \$164.3m)

Cost of sales

- > \$60.0m (down 0.6% on 2015: \$60.3m) comprised:
 - Funeral disbursements charged to families \$31.6m (2015: \$33.2m) - dropped due to both case volume declines and customer disbursement spending patterns
 - Costs of product and merchandise sold \$28.4m (2015: \$27.2m)
 - 13.2% of gross sales (2015: 13.1%)
 - 15.5% of sales net of funeral disbursements (2015: 15.5%)
 - Cemetery memorial sales and deliveries were a larger proportion of sales mix this half following solid performance and, being lower margin product, has caused flat cost of sales %



Operating expenses (cont'd)

Personnel costs

- > Represent approx. 44% of operating expenses and included:
 - > Redundancy costs \$1.1m in restructure of Corporate Office resourcing to better service growing business needs
 - > Commencement of key longer term value creating projects \$0.3m
- > Excluding above items, personnel costs increased by 6.0% or \$4.2m to \$73.9m (2015: \$69.7m), comprising:
 - > Non-sales related payroll up 4.5% or \$2.9m to \$65.8m (2015: \$62.9m)
 - Commenced curtailment of growth in this cost experienced over recent years (eg. H1 2015 on H1 2014 was up 8.8%)
 - Rate increases generally up to 3.5% across Group
 - > Sales related payroll up 19.8% or \$1.3m to \$8.1m (2015: \$6.7m)
 - Result of increased sales by cemeteries and crematoria



Operating expenses (cont'd)

Remaining operating expense line items

- > Tightly managed and together less than \$0.1m above PCP
- > Excluding USA and NZ acquisitions, these items collectively were \$0.7m below PCP

Operating Leverage improved

- > EBITDA margins improved by 0.3%
- > Backing out unusual items shows strength of underlying business in generating higher margin growth:

	2016 \$'m	2015 \$'m	Var \$ \$'m	Var %
Gross Sales				
Comparable Group	213.0	207.6	5.4	2.6%
EBITDA				
Comparable Group	49.0	47.1	1.9	4.0%
<i>Margin on gross sales</i>	<i>23.0%</i>	<i>22.7%</i>		<i>0.3%</i>
Corporate office redundancies	1.1		1.1	
Project costs (incl \$0.3m payroll)	0.5		0.5	
Property option fee	(0.6)	(0.1)	(0.5)	
Adjusted EBITDA	50.0	47.0	3.0	6.3%
<i>Adjusted Margin on gross sales</i>	<i>23.5%</i>	<i>22.6%</i>		<i>0.8%</i>



Other income statement items

Other revenue

- > Up \$1.0m to \$4.8m (2015: \$3.8m)
- > Mainly comprises administration fees upon initial sale of prepaid funeral contracts and trailing commissions on prepaid funds under management
- > Also included non-refundable option fee of \$0.6m received from a prospective purchaser of a property owned by the Group (2015: \$0.1m)

Depreciation and amortisation

- > Up \$0.4m to \$10.4m (2015: \$10.0m) - \$0.1m of which increase is due to higher amortisation of cemetery land due to increased sales of burial sites during half year
- > Comparable business up \$0.3m to \$10.2m (2015: \$9.9m)



Other income statement items (cont'd)

Finance costs

- > Down \$0.4m to \$7.0m (2015: \$7.4m) with benefit of refinancing \$85m of facilities in December 2015 at lower margins and historically low prevailing market rates
- > Debt drawn from total \$290m (2015: \$255m) available facilities was \$252m at 30 June 2016 (Dec 2015 - \$232m; Jun 2015 - \$242m)
- > Effective overall interest rate, inclusive of swaps, fees and margins, at 30 June 2016 was 5.0% (Dec 2015 & Jun 2015 - 5.4%)
- > Floating to fixed interest rate swaps cover 58% of drawn debt (2015: 72%)
- > Covenant ratios comfortably met – leverage ratio 2.2 (must be no greater than 3.5) and interest cover 8.9 (must be greater than 3.0)
- > Headroom on debt facilities \$38m and available cash \$12m provide \$50m at 30 June 2016 to fund near term growth opportunities



Other income statement items (cont'd)

Undelivered prepaid contracts

- > FUM mark to market creates volatility in IVC's reported profit
- > Property investment revaluations major contributor to improved FUM earnings
- > H2 earnings not expected to be as strong

	June 2016	June 2015
P&L impacts of undelivered contracts:		
FUM earnings	14.5m	6.4m
Service delivery liability increase	(7.0m)	(7.7m)
Net pre-tax gain/(loss) on undelivered contracts	\$7.5m	(\$1.3m)
Total FUM	\$438.7m	\$408.3m
% in equities	15%	12%
% in property	27%	26%
% in cash & fixed interest	58%	62%



Other income statement items (cont'd)

Gain on asset sales

- > Asset sale gains up \$0.9m (after tax) on PCP to \$1.1m

Income Tax

- > Income tax on reported profit \$10.9m (2015: \$8.9m)
- > Effective rate 28% down from 32% in PCP due to impacts including prior period adjustments, taxation treatment of New Zealand foreign exchange movements and, in relation to asset sales, reversal of deferred tax and utilisation of previously unrecognised capital losses



Cash Flow

	2016	2015
	\$'m	\$'m
Cash flows from operating activities		
Receipts from customers (including GST)	240.3	235.6
Payments to suppliers and employees (including GST)	(199.7)	(191.6)
Other revenue	4.1	3.1
	44.8	47.2
Interest received	0.0	0.0
Finance costs	(6.8)	(7.2)
Income tax paid	(15.4)	(14.9)
Net cash inflow from operating activities	22.5	25.2
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	3.7	0.4
Purchase of subsidiaries and other businesses including acquisition costs, net of cash acquired	(1.2)	(0.9)
Purchase of property, plant and equipment	(15.4)	(11.6)
Payments to funds for pre-paid contract sales	(18.5)	(17.2)
Receipts from funds for pre-paid contracts performed	18.3	17.8
Net cash outflow from investing activities	(13.1)	(11.5)
Cash flows from financing activities		
Proceeds from borrowings	47.0	24.0
Repayment of borrowings	(28.0)	(11.0)
Dividends paid to InvoCare Limited shareholders	(24.5)	(22.8)
Dividends paid to non-controlling interests in subsidiaries	(0.1)	-
Net cash outflow from financing activities	(5.6)	(9.8)
Net increase in cash and cash equivalents	3.8	3.9
Cash and cash equivalents at the beginning of the half-year	8.7	10.5
Effects of exchange rate changes on cash and cash equivalents	0.0	(0.0)
Cash and cash equivalents at the end of the half-year	12.6	14.4

EBITDA to ungeared, tax free operating cash flow 95% (2015: 104%)

Net capex for full year expected to be approx. \$28m, excluding any investment capex or acquisitions



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2016 H2 Outlook

IVC has modelled that lower deaths continue into second half of year

In response, a number of actions have been identified:

- > Continue to focus on cost control (labour costs, general expenses including travel, corporate costs etc)
- > Implementation of revenue generating initiatives and incentive based sales targets programs

Performance for full year 2016 will be subject to numbers of deaths, but currently expect EBITDA percentage growth similar to H1 (ie. approx. 4.6%)



Longer Term Outlook

Continue work in 2016 and 2017 on key initiatives relating to:

- > Standardising business systems and processes to increase efficiencies
 - > New business operations leader appointed
 - > ERP renewal project commenced
 - > Introducing more centralised procurement
- > Increasing revenue from existing assets
 - > Launch funeral aggregator site
 - > Establish customer care centres
- > Capital allocations, including network and brand optimisation review
 - > Reviewed Queensland and New Zealand
 - > First two small property refurbishment projects in Queensland approved

Further guidance on implications of these projects will be provided during 2017

Acquisitions fitting core strategy will continue to be pursued to drive growth



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- C. Australia Results Summary
- D. New Zealand Results Summary
- E. Singapore Results Summary
- F. Southern California, USA



Appendix A:

EBITDA components – Comparable Business

The EBITDA performance by major income statement line item for the comparable business is presented in the next table.

	2016		2015		Variance	
	\$'m	% of Gross Sales	\$'m	% of Gross Sales	\$'m	%
Total - all lines of business						
Sales Revenue	213.0	100.0%	207.6	100.0%	5.4	2.6%
Other revenue	4.7	2.2%	3.8	1.8%	0.9	24.7%
<u>Expenses:</u>						
Cost of goods sold	60.1	28.2%	60.3	29.0%	0.2	0.3%
Personnel	73.8	34.6%	68.4	33.0%	(5.4)	(7.8%)
Advertising & promotions	7.6	3.6%	7.8	3.8%	0.2	2.4%
Occupancy & facility expenses	14.1	6.6%	14.2	6.8%	0.1	0.4%
Motor vehicle expenses	3.7	1.7%	4.1	2.0%	0.4	10.6%
Other expenses	9.5	4.4%	9.6	4.6%	0.1	0.8%
Operating expenses	168.7	79.2%	164.3	79.1%	(4.4)	(2.7%)
Operating EBITDA	49.0	23.0%	47.1	22.7%	1.9	4.0%
Operating margin %	23.0%		22.7%			0.3%

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Appendix B:

Country Segment Results Summary

The following table summarises sales revenue, EBITDA and margins by country segments.

	2016	2015	Change	
	\$'m	\$'m	\$'m	%
Sales Revenue				
Australia	184.6	178.1	6.5	3.6%
New Zealand	20.1	21.3	(1.3)	(6.0%)
Singapore	8.4	8.2	0.2	2.7%
Comparable business	213.0	207.6	5.4	2.6%
USA & Acquisitions	1.5	0.5	1.0	199.6%
Total	214.5	208.1	6.4	3.1%
EBITDA				
Australia	41.6	40.0	1.6	4.0%
New Zealand	3.5	3.1	0.3	10.2%
Singapore	3.9	3.9	(0.0)	(0.3%)
Comparable business	49.0	47.1	1.9	4.0%
USA & Acquisitions	(1.7)	(1.9)	0.2	10.4%
Total	47.3	45.2	2.1	4.6%
Margin on sales				
Australia	22.5%	22.5%		-
New Zealand	17.3%	14.7%		2.6%
Singapore	46.5%	47.9%		(1.4%)
Comparable business	23.0%	22.7%		0.3%
USA & Acquisitions	(114.5%)	(382.9%)		-
Total	22.0%	21.7%		0.3%

Note that the data in the table above has been calculated in thousands and displayed in millions. As a consequence some additions cannot be computed from the tables as presented.



Appendix C:

Australia Results Summary

Australian Sales

Funerals	
Cemeteries & crematoria	
Intra-group elimination	
Total Australia	

	2016	2015	Change	
	\$'m	\$'m	\$'m	%
Funerals	142.0	141.2	0.8	0.6%
Cemeteries & crematoria	48.6	42.5	6.1	14.3%
Intra-group elimination	(6.0)	(5.6)	(0.4)	7.5%
Total Australia	184.6	178.1	6.5	3.6%
Australian EBITDA	41.6	40.0	1.6	4.0%
<i>Margin on sales</i>	22.5%	22.5%		0.0%

- > Australia generates approx. 86% of Group sales and 88% of Group EBITDA
- > Funerals impacted by case volume declines, mitigated by strong cemeteries & crematoria result
- > Tight management of costs to maintain margins



Appendix C:

Australia Results Summary (cont'd)

At-need funerals sales

- > Sales up 0.6% to \$142.0m (2015:\$141.2m)
- > Case volumes down 1.6%
 - Number of deaths down overall in IVC markets by estimated 0.3%
 - Market share marginally down
- > Average revenue per funeral case up 2.7% (excluding disbursements and delivered prepaid impacts) - estimated \$2.9m sales impact
 - Price increases averaging 3.3%
 - State and brand mix shifts – eg. Traditional down, Simplicity/Value up
 - No committal services remained flat, arresting previous increases
 - Dual/single service mix shifts stabilised



Appendix C:

Australia Results Summary (cont'd)

Cemeteries and crematoria sales

- > Sales up 14.3% to \$48.6m (2015: \$42.5m)
- > At-need cremation and burial case volumes down 1.5%
- > Memorial sales strong:
 - Higher numbers of larger value contracts, in part attributable to stronger sales team management
 - Park development activity (opening up new areas, introducing new memorial products)



Appendix D:

New Zealand Results Summary

- > Comparable sales down 3.4% to NZD21.7m (2015: NZD22.5m)
- > Funeral case volumes down 4.1%
- > NZ Q2 2016 death data yet to be published, but based on data up to end Q2 IVC estimates deaths in its NZ markets are down over 4%
- > Market share estimated to be relatively flat
- > Average revenue per funeral case up 3.5% (excluding disbursements and delivered prepaid impacts)
- > Case averages impacted by increasing customer demand for lower cost offerings (which Simplicity successfully meets)
- > Tight cost control, particularly payroll and marketing, have contributed to margin improvement
- > Memorial parks acquired in July 2015 generated sales NZD1.0m and EBITDA NZD0.3m, in line with expectations



Appendix E:

Singapore Results Summary

- > Sales down 1.5% to SGD8.5m (2015: SGD8.6m)
- > Case volumes down 8.3%
 - Number of deaths up slightly half on half, or up 1.4% for rolling 12m
 - Market share down 90bps half on half, or down 20bps on rolling 12m
 - Volume and share eroded by next largest competitor action
- > Average revenue per funeral case up 6.8%, with continued success of packaging
- > Margin slight decline to 46.5% from 47.9%, impacted by case volumes below expectations



Appendix F:

Southern California, USA

- > Funeral operations commenced February 2015
- > Sales USD0.7m (2015: USD0.4m)
- > Funeral cases 351 – case average USD950
- > Cremation cases 1,173 – case average USD245
- > Change in Q2 to focus on volume and brand awareness strategies
- > Call tracking initiatives implemented to enhance digital marketing efforts and improve call conversion rates
- > Positive customer reaction to, and satisfaction with, mobile arranger concept
- > EBITDA loss in H1 USD1.4m (2015: USD1.5m)
- > Targeting under USD1.0m EBITDA loss in H2 as continue to gain further valuable insights and develop strategies to serve growing numbers of digital consumers



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.

