

InvoCare AGM

19 May 2017

Richard Fisher, Chairman

Martin Earp, CEO



Agenda

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Performance Overview & Strategy

Richard Fisher, Chairman

Overview of Performance

- > InvoCare has built a fully integrated funeral business with critical mass in core markets - Australia, New Zealand and Singapore
- > Since listing, the business has delivered a total shareholder return of >20% pa
- > 2016 was another strong year – operating earnings grew by 11.9% to \$55.2m
- > Statutory profit after tax was \$70.9m, an increase of 29.4% driven by good returns from pre-need funds under management
- > Operating EBITDA to cash conversion ratio of 104% led the Board to approve a fully franked final dividend of 25.5 cents
- > Total dividends for 2016 were 42.5 cents, an increase of 11.8% on 2015
- > The fundamentals of value creation (*demand and market structure*) remain strong in the funeral services sector

Key Outcomes from Strategic Review

- > On becoming CEO, Martin Earp undertook:
 - A detailed analysis of how customer needs are changing; and
 - A network and brand optimisation review of all existing core markets

- > The outcome of this work was that:
 - The needs of InvoCare’s customers are changing and the company must adapt its product offering to remain relevant into the future.
 - The changing needs of customers offer a real opportunity for InvoCare to increase market share
 - Investment is required in business systems, processes and new operational centres to both meet the predicted demand and increased operational efficiencies
 - Analysis reveals significant opportunity for brand optimisation and also for growth in core markets driven by “satellite” shopfronts
 - Acquisitions will comprise a less significant source of growth going forward as the company realises its scale advantages

- > The culmination of this work was the announcement in February of the Protect and Grow 2020 Plan to invest \$200m to secure continued profitable growth over the next 10-15 years



Board & Corporate Governance

Richard Fisher, Chairman

Board & Corporate Governance

- > Strong commitment to best practice corporate governance
- > New Committee structure introduced in early 2016 to reflect Company's needs in next phase of growth, for example:
 - Finance, Capital & Investment Committee will assume the review and scrutinizing of the investment and funding for Protect and Grow programme announced in February 2017
 - People, Culture & Remuneration will continually review the remuneration policies and practices as evidenced by termination benefits resolution at today's meeting
- > Board renewal has continued:
 - Robyn Stubbs joined on 1 January 2017
 - Tina Clifton retired on 28 February 2017
 - Chairman's succession in 2018



Summary of Performance 2016

Martin Earp, CEO

Summary of Performance 2016



Financials

Sales Revenue
\$450.7m ↑ 3.3%

Expenses
\$348.6m ↑ 2.4%

EBITDA
\$112.3m ↑ 6.5%

Operating Earnings
after tax
\$55.2m ↑ 11.9%

Reported profit
\$70.9m ↑ 29.4%



Pillars of Growth

Demographics
Deaths ↑ 0.3%

Funeral Market Share
Circa ↓ 77bps

Funeral Case
Average ↑ 4%

Operating Margins
↑ 70 bps

Acquisitions/Greenfields
Nil

Prepaid FUM
↑ 12.0%



EBITDA/Countries¹

Australia
\$100.1m ↑ 6.7%

New Zealand
\$9.6m ↑ 2.4%

Singapore
\$8.4m ↑ 2.0%

USA
\$(2.3)m ↑ 19.8%

¹in local currency

Group Results – Income Statement

	Comparable Business ¹				Consolidated Business				
	Actual 2015 \$m	Actual 2016 \$m	Variance to 2015		Actual 2015 \$m	Actual 2016 \$m	Variance to 2015		
Sales revenue	\$434.9	\$447.6	\$12.8	2.9%	\$436.4	\$450.7	\$14.3	3.3%	Sales revenue's growth ↑ 3.3% sustained by increased funeral case averages and strong memorial sales
Other revenue	\$9.5	\$9.7	\$0.2	2.2%	\$9.6	\$10.2	\$0.6	6.3%	Other revenue in line with pcp when excluding one-off non-refundable option fee of \$0.6m from a prospective property buyer
Operating expenses	\$335.2	\$342.5	\$7.3	2.2%	\$340.5	\$348.6	\$8.0	2.4%	
EBITDA	\$109.1	\$114.9	\$5.7	5.2%	\$105.4	\$112.3	\$6.9	6.5%	Operating leverage reflects favourable product mix and the efforts on cost containment with EBITDA margins ↑ 0.8% or 8 bps
Margin on sales	25.1%	25.7%	n/a	+0.6%	24.2%	24.9%	n/a	+0.8%	
Operating earnings (after tax)	\$53.6	\$58.7	\$5.1	9.6%	\$49.4	\$55.2	\$5.9	11.9%	
Net profit (after tax & non-controlling interest)	\$59.1	\$74.5	\$15.4	26.1%	\$54.8	\$70.9	\$16.1	29.4%	Prepaid contract funds under management improved returns are major contributor to reported statutory profit increase
Operating EPS	48.9c	53.5c	4.6c	9.4%	45.1c	50.4c	5.3c	11.8%	
EPS Basic	53.9c	67.9c	14.0c	26.0%	50.1c	64.7c	14.6c	29.1%	Dividend increase in line with Operating earnings growth.
Dividend	n/a	n/a	n/a	n/a	38.0c	42.5c	4.5c	11.8%	Payout ratio of 84.7%

¹excludes USA and two NZ Memorial Parks acquired in 2015

Refer to appendix for reconciliation from EBITDA to NPAT

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.

April 2017 YTD Performance

The unaudited financial results show YTD EBITDA and EPS are in-line with full year guidance. This result has been driven by strong case average and operational efficiency gains that more than compensate for lower year on year case volume.



Demographics – number of deaths (on a rolling 12 month average) up 0.6%, but overall case volume down by circa 300 cases year on year



Market Share – market share continued to soften in 2017 with the rolling 12 month average down 90bps



Case Average – strong growth circa 5%



Operational Efficiency – continuing improvements in cost control, productivity and procurement



Pre-Paid Funerals – year on year increase of 3%

Outlook

Outlook for 2017 is for high single digit operating EBITDA growth and mid single digit EPS (operating) growth.

Upon delivery of the Protect & Grow Plan, the longer term outlook is for double digit EPS (operating) growth.



Demographics – reversion to trend



Market Share – 2017 currently anticipating a slight decline / 2018 stabilising and then increasing



Case Averages – growth consistent with recent history



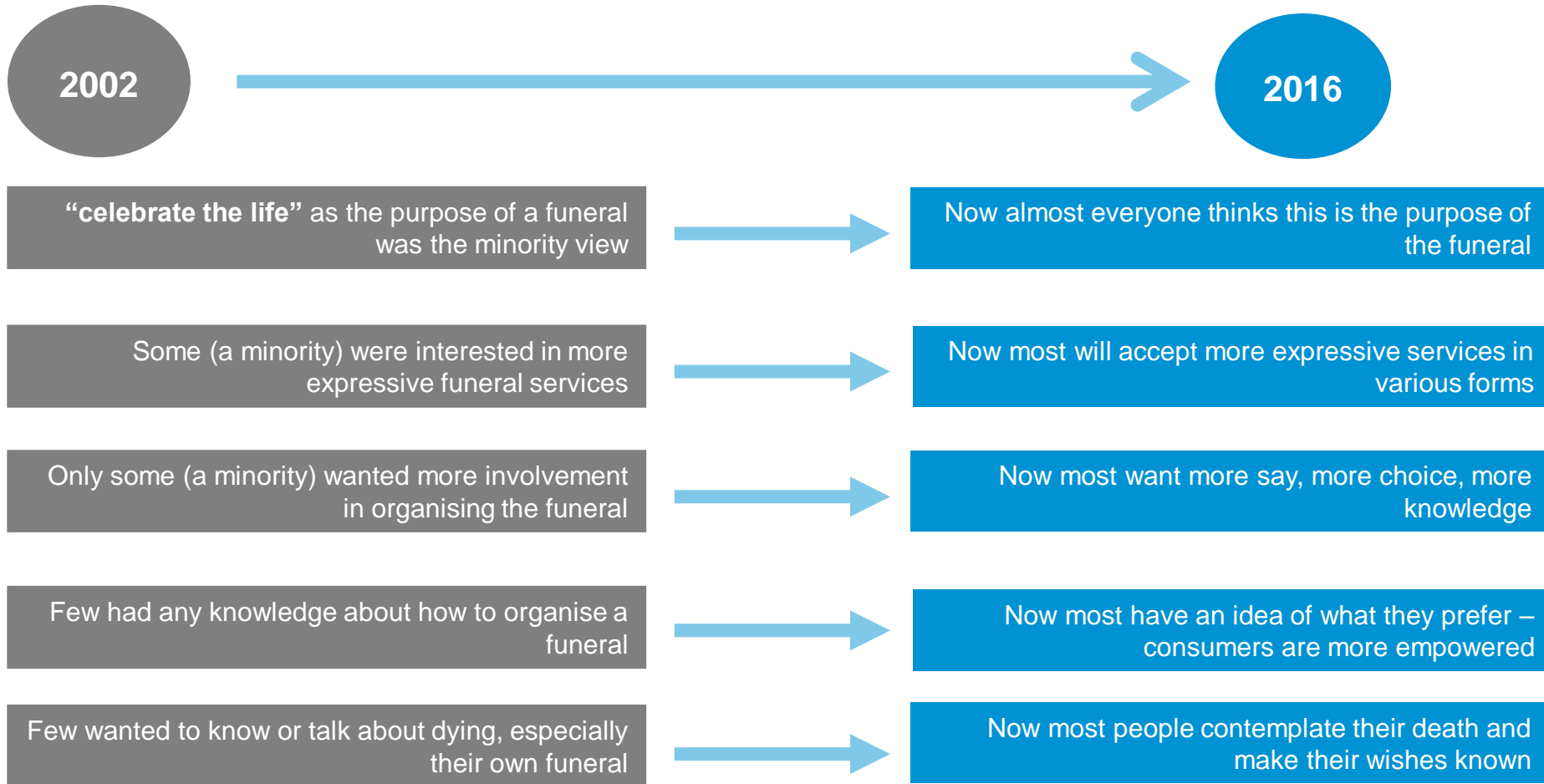
Operational Efficiency – continued focus on productivity gains



Growing Future Value

Martin Earp, CEO

There's been a shift in customer needs



Growing Value in a Changing Market



Demographics

- > Population trends and number of deaths continues to underpin the business with increase in number of deaths continuing to grow circa 2.8% by 2034 (*Australia*)



Market Share

- > Improvements in product offering and branding, acquisitions, new locations and a renewed focus on local leadership offers opportunities to grow market share



Case Averages

- > Market pricing environment remains favourable although customer preferences are changing and InvoCare offering needs to keep pace with consumer demands
- > The business needs to continue to focus on providing high levels of customer service rather than increasing prices on products



Operational Efficiency

- > Opportunity to deliver efficiencies and provide better service to customers by process automation, standardisation and taking advantage of efficiencies of scale

Protect & Grow – 2020 Plan

- > Protects existing network while driving sustainable growth
- > Augments the traditional lever of growth by acquisitions in core markets
- > Staged implementation to allow for monitoring of performance and adjustments to occur if required
- > Design work for brands finalised, project management partner secured, architectural work commenced, main programme commences H2 2017



Protect & Grow – Indicative Returns

Primary Objective

- > Sustainable double digit EPS growth through significant economic profit (i.e. returns above WACC)

Stretch Objective

- > Targets >12% pa EPS without introducing increased levels of risk to the Primary objective

Key Guidelines for Accountability

- > Deliver returns on capital consistent with historic levels
- > Initial EBITDA benefit from the capital ex in 2018, then ramping up through to 2022
- > Forecast payback period is circa 6-7 years

Beyond Medium Term

InvoCare will also be pursuing initiatives during 2017/18 that will continue driving growth beyond the medium term including:

- > **Acquisitions in Core Markets** – post the NBO market analysis, InvoCare will actively work to deliver acquisitions in its markets
- > **Regional Markets** - InvoCare also sees strong growth opportunities in the regional markets of Australia where it is currently under-represented. InvoCare is actively exploring a combination of acquisition and greenfield development in this market segment

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.



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