

InvoCare AGM


18 May 2018

Richard Fisher, Chairman

Martin Earp, CEO

Agenda

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Performance Overview & Strategy

Richard Fisher, Chairman

Overview of Performance

- > Since listing, IVC total shareholder return >18% pa
- > Operating earnings grew by 10.6% to \$63.5m in 2017
- > Statutory profit after tax \$97.4m (+37%) driven by FUM
- > Fully franked final dividend of 27.5 cents
- > Total dividends for 2017 were 46.0 cents, an increase of 8.2% on 2016
- > Fundamentals of demand remain strong
- > IVC is responding to changing customer needs through its \$200m Protect & Grow Plan
- > IVC currently intends to continue with its long standing practice of a dividend payout >75% operating earnings after tax



Board & Corporate Governance

Richard Fisher, Chairman

Board & Corporate Governance

- > On-going strong commitment to corporate governance
- > Board and its Committees have been effectively functioning, as confirmed by independent Board review
- > Continued focus on:
 - Strategy for future growth
 - Monitoring roll out of new initiatives
 - Balancing governance and performance responsibilities
 - Regular review of Board skill and experience mix

Board & Corporate Governance

- > CEO contract renewed for three years to 30 March 2021
- > Board renewal continues:
 - I intend stepping down later this year and will hand over to a new Chairman
 - Due to personal family circumstances, Joycelyn Morton retires at conclusion of AGM – we extend our best wishes to Joycelyn and thank her for her contributions
 - Recruitment of two non-executive directors is underway



Summary of Performance 2017

Martin Earp, CEO

Summary of Performance 2017



Financials

Sales Revenue
\$470.9m ↑ 1.8%

Expenses
\$349.6m ↓ (0.3%)

Operating EBITDA
\$124.3m ↑ 7.8%

Operating Earnings
after tax
\$63.5m ↑ 10.6%

Reported profit
\$97.4m ↑ 37.3%



Pillars of Growth

Demographics
Deaths ↑ 1.7%

Funeral Market Share
Circa ↓ 90bps

Funeral Case
Average ↑ 3.1%

Operating Margin
↑ 150bps

Prepaid FUM
↑ 15.4%



EBITDA/Countries¹

Australia
\$107.8m ↑ 6.4%

New Zealand
\$10.8m ↑ 13.1%

Singapore
\$7.2m ↓ (14.2%)

USA
\$(0.2)m ↑ 90.3%

¹in local currency

Group Results – Income Statement

Consolidated Business	FY 2016	FY 2017	Variance to 2016		
	\$'m	\$'m	\$'m	%	
Sales revenue	462.5	470.9	8.4	1.8	Sales revenue grew 1.8% driven by increased funeral case averages, product mix and memorialisation in CemCrem
Other revenue	3.5	3.0	(0.5)	(14.2)	
Operating expenses	(350.7)	(349.6)	1.1	0.3%	
Operating EBITDA	115.3	124.3	9.0	7.8%	Improved operating leverage evident in EBITDA margin increase of 150bps reflects favourable cost containment
Margin on sales	24.9%	26.4%	-	1.5 pts	
Operating earnings after tax	57.4	63.5	6.1	10.6	Improved returns on prepaid contract funds under management are major contributor to reported statutory profit increase
Net profit <i>(after tax and non controlling interest)</i>	70.9	97.4	26.5	37.3	
Operating earnings per share	52.4 c	57.9 c	5.5 c	10.5	Dividends increased by 8.2% representing a payout ratio of 80%
Basic earnings per share	64.7 c	88.8 c	24.1 c	37.2	
Dividend per share	42.5 c	46.0 c	3.5 c	8.2	

H1 Performance Update

- > As foreshadowed in February IVC's performance in 2018 will be impacted by the Protect & Grow plan due to decreased volume following the temporary closure of renovated sites and increased depreciation / finance costs
 - Q1 gross sales were down \$6.6m (6.0%) year on year
 - Q1 year on year funeral case volume is down by 721 cases or 6.7%

- > The volume decline was mainly driven by:

	% of Volume Decline
Planned closure of the Singapore, re-opening May 2018	16%
Closure of the US business	20%
Closure of sites in Australia for renovation (net of growth)	21%
Lower volumes in the core Australian / NZ funerals business	43%
Total	100%

- > Market intelligence suggests number of deaths in Q1 is down year on year. This will be confirmed by data from Birth, Deaths & Marriages
- > Performance in Q2 will improve as Singapore location re-opens in May and as further Protect & Grow sites come on-line in Australia and NZ
- > H1 Operating EBITDA Forecast is circa 12% year on year decline with more than half as a result of new operational and one-off Protect & Grow related expenses

Revised Outlook 2018

- > 2018 performance is forecast to be stronger in the second half of the year
- > H2 improved performance will be driven by:
 - Case average increases
 - Impact of COGS savings
 - Singapore trading for full six months v partial trading in Q4 2017
 - Impact of refurbished and new locations coming online
 - Completion of acquisitions
- > These factors and the impact of changing customer needs, mean that IVC has updated its outlook for 2018 (excl. impact of AASB15):
 - Operating EBITDA: in line with 2017
 - Operating EPS: low single digit decline (year on year)
- > It is currently anticipated that this forecast could allow the Board to consider a full year dividend in line with 2017



Growing Future Value

Martin Earp, CEO

Strategy for Growth

IVC announced its \$200m Protect & Grow plan in February 2017 as a way of delivering sustainable double digit EPS growth.

The plan incorporates both defensive spend to protect existing market position and growth capex to drive market share increases.

- 1. Upgrade Existing Funeral Homes** - grow market share at full service funeral locations (hubs) by improving the level of product offering to exceed customer needs
- 2. Grow Revenue Per Case** - by using upgraded facilities to provide more services (food and beverage / memorialisation)
- 3. New Locations** - grow market share by opening new locations (mainly shop-fronts) in our core markets that will feed the upgraded funeral homes (hubs)

Augmenting these actions will be:

- A focus on improving efficiencies
- Investing in our people and culture
- Divesting properties that do not form part of the Protect & Grow Plan
- Target acquisitions within core markets
- Actively enter the regional markets of Australia and NZ where IVC is under-represented

Funeral Home of the Future (concept)



Le Pine / White Lady Dandenong

- > Location closed Q4 2017 for 6 months to implement Protect & Grow upgrade
- > Circa \$3.4m was spent on enhancing the location to provide the highest standard of funeral home in Melbourne
- > The new location incorporated the provision of both Le Pine Funerals (est. 1891) and White Lady Funerals
- > This new facility allows IVC to provide the highest levels of customer service within a one-stop-shop environment
- > Official opening 17 April 2018

Funeral Home of the Past (Dandenong 2017)

Chapel



Condolence lounge



Dandenong Funeral Home (chapel)



Dandenong Funeral Home (celebration)



Dandenong Funeral Home (kerb appeal)



Dandenong Funeral Home (twilight services)





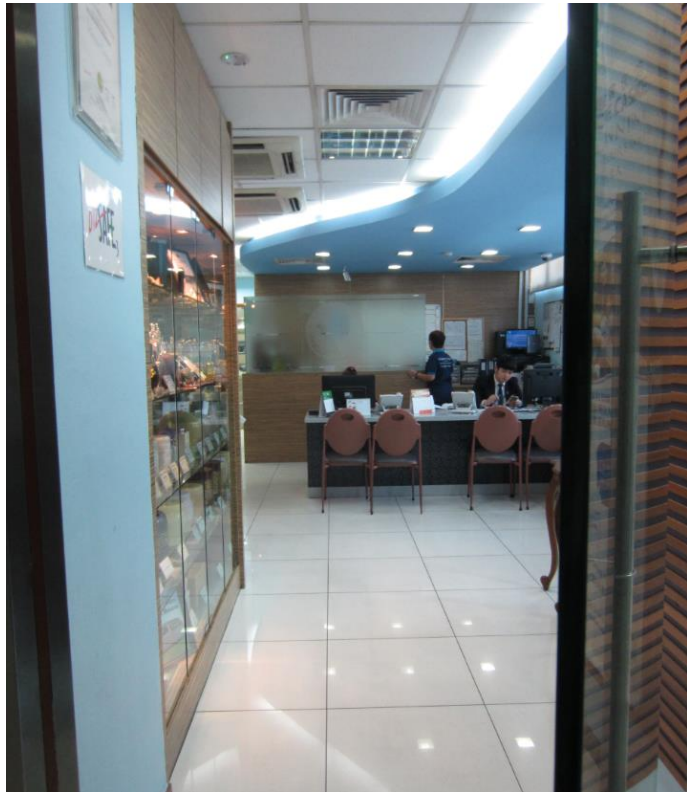
THE ONE & ONLY SINGAPORE CASKET
(新加坡殡仪馆) ESTABLISHED SINCE 1920
IS LOCATED AT LAVENDER STREET

Singapore Casket

- > Lavender Street location closed October 2017 through to May 2018 for extensive renovations
- > Operations continued during this period, but volumes were impacted by reduced ability to offer funeral parlours
- > Circa \$10m was spent on enhancing the location to provide the highest standard of funeral parlours in Singapore
- > This work augmented our position as the market leader with the highest profile brand in the best geographic location
- > Official opening of Singapore Casket on 15 May 2018

Funeral Home of the Past (Singapore 2017)

Reception



Funeral Parlour









PREMIER EXECUTIVE PARLOURS

Protect & Grow – Q1 Progress

The Protect & Grow plan envisages work on 221 funeral locations.

Refresh & Enhance

2018 Key Deliverables

Refresh

- > 41 sites due to be delivered (incl. 12 relocations)
- > 13 additional sites due to be commenced

Q1 2018 Update

Refresh

- > 2 sites delivered in Q1
- > 15 sites due for delivery in Q2
- > 24 sites due for delivery in Q3/Q4
- > 13 additional sites due to be commenced in 2018

Enhance

- > 12 sites due to be delivered
- > 8 sites due to be commenced

Enhance

- > 2 sites delivered in Q1
- > 10 sites underway and due for delivery in Q4
- > 8 additional sites due to be commenced in 2018

Growth

2018 Key Deliverables

- > 15 sites commenced in 2017 and to be delivered in 2018

Q1 2018 Update

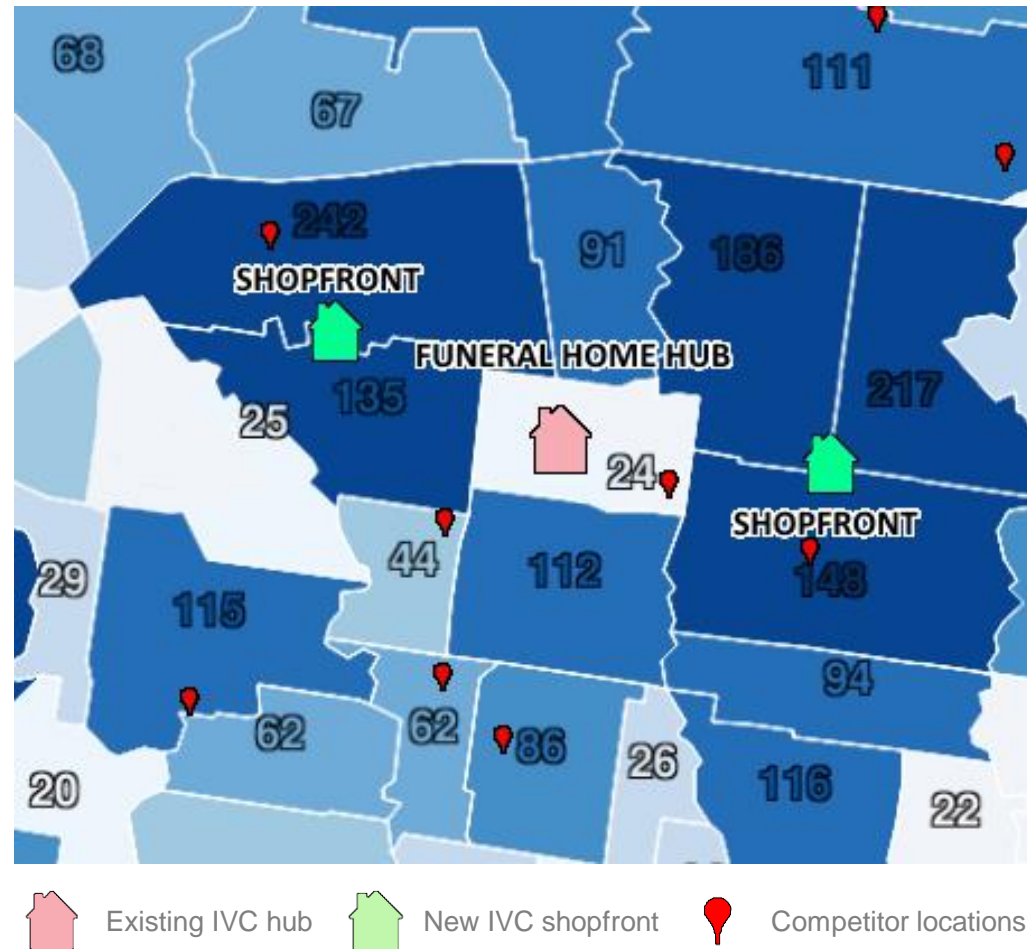
- > 4 sites delivered in Q1
- > 9 sites due for delivery in Q2
- > 2 sites with DA approvals with local council

Growing revenue per case

- > IVC has traditionally grown revenue per case by increases on products such as coffins, flowers etc
- > Research conducted by IVC indicates consumer resistance to price increases on products they regard as commodities (ie coffins)
- > Customers are requesting an increased range of services including:
 - Longer and more bespoke funeral services
 - Greater AV support (web streaming, photo/videos)
 - More catering options for food and beverage
 - Onsite celebration lounges
 - More flexibility for viewings and services (weekends, evenings)
 - Online grief support and memorialisation

New Locations – Shopfront Strategy

- > Image shows number of cases not serviced by IVC
- > IVC is under-represented in many areas of its core market
- > People arrange locally (15mins) but travel for funeral (30mins)
- > Shopfronts to be established in areas where cases >300 (capex \$300k per site)
- > IVC anticipates getting 30% of market in new areas
- > Strategy reliant on a network of renovated hubs to provide point of difference for shopfronts
- > Divest locations where modelling indicates duplication



Modelled Impact / Initial Findings

- > Overall market share (in the markets that IVC operates) is modelled to increase from 33% to circa 40% over a ten year period
- > Pilot sites undertaken in early 2017 continue to deliver case average growth well above the assumptions identified above:
 - **Pilot Site A:** Shopfront (relocation/refresh): 11 months of post renovation performance showing 38% growth in case volume
 - **Pilot Site B:** Funeral Home (refresh): 11 months of post renovation performance showing 29% growth in case volume
 - **Pilot Site C:** Funeral Home (refresh): 12 months of post renovation performance showing 10% growth in case volume
- > Initial indications from the sites that have been renovated since Q4 2017 (excl. pilot sites) are positive, but this is with very limited trading data

Regional Markets

- > Deaths in the Australian regional / rural markets is circa 50,000 pa
- > IVC current case volume in this market is circa 5%
- > IVC will enter the regional markets in Australia and NZ through a mix of acquisition and green field development
- > Acquisitions in regional areas will also provide the opportunity to apply the Protect & Grow model, further growing market share and increasing volume
- > Regional operators are engaging with IVC leading to a strong list of opportunities which it expects to bring to fruition in 2018/2019
- > IVC has already completed one acquisition in Q1 with Dunns Funerals in Launceston

Resolutions

Financial Statements & Reports

- > To receive and consider the Financial Report, Directors' Report and Independent Audit Report of the Company and its controlled entities for the year ended 31 December 2017
- > Ms Michelle Chiang, partner from PricewaterhouseCoopers, InvoCare's external auditor, is in attendance
- > Questions to the Board or InvoCare's external auditor are now invited

Resolution Summary

Each resolution will be decided by a poll:

- > **Resolution 1:** Adoption of the Remuneration report
- > **Resolutions 2 & 3:** Election of Directors
- > **Resolution 4:** Approval of grant of securities to Martin Earp for 2018
- > **Resolution 5:** Approval of potential termination benefits

Shareholders will be invited to provide comment or ask questions about each resolution.

Resolution 1

Remuneration Report

That the Remuneration Report (which forms part of the Directors' Report) for the year ended 31 December 2017.

Note: The vote on this resolution is advisory only and does not bind the directors of the Company

Resolution 2

Re-Election of Gary Stead

That Gary Stead, who retires by rotation in accordance with the Company's Constitution, be re-elected as a director of the Company.

Resolution 3

Election of Bart Vogel

That Bart Vogel, being a Director appointed by the Board since the last Annual General Meeting, and who retires in accordance with the Company's Constitution, be elected as a director of the Company.

Resolution 4

Approval of the grant of options and performance rights to Martin Earp for the 2017 financial year

That approval be given, for the purposes of Rule 10.14 of the ASX Listing Rules, and for all other purposes, for the Company to grant to Mr Martin Earp, currently the Chief Executive Officer and Managing Director of the Company (Mr Earp), Options and Performance Rights to a value of \$756,092 for the 2018 financial year in accordance with the rules of the Performance Long Term Incentive Plan and as set out in the Explanatory Notes accompanying this Notice of Annual General Meeting.

Resolution 5

Approval of potential termination benefits

That for a period of approximately three years commencing from the date this resolution is passed approval be given for all purposes, including Sections 200B and 200E of the Corporations Act 2001 (Cth), for the giving of benefits to any person who holds a managerial or executive office in the Company or a related body corporate, in connection with that person ceasing to hold that office or position, on the terms set out in the Explanatory Notes accompanying this Notice of Annual General Meeting.

Other Business

To transact any other business that may be lawfully brought forward in accordance with the Constitution and Corporations Act 2001

Meeting Close – Thank you



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.