

# Annual General Meeting

14 May 2019

# Agenda

|                    |             |
|--------------------|-------------|
| Chairman's Address | Bart Vogel  |
| CEO's Address      | Martin Earp |
| Questions          | Bart Vogel  |
| Resolutions        | Bart Vogel  |

# Chairman's Address

## Bart Vogel

# 2018 Performance Highlights

## Financial Performance

- > Operating performance impacted by unusual market conditions and location renovations
- > Operating earnings down by 22.1% to \$49.5m
- > Statutory profit after tax down by 57.7% to \$41.2m
- > Fundamentals of demand remain strong
- > 16.1% average annual total shareholder return since listing

## Dividends

- > IVC continued with its long standing practice of a dividend payout >75% operating earnings after tax
- > Fully franked final dividend of 19.5 cents, total dividend of 37.0 cents, a decrease of 19.6% on 2017
- > Dividend yield of 3.6% as at 31 December 2018

# Building Value for the Longer Term

- > Changing needs of customers are a challenge for the industry
- > IVC as the market leader sees this challenge as an opportunity rather than a threat
- > \$200m Protect & Grow strategy is IVC's response to take advantage of the opportunity
- > The regional growth strategy is now timely given customers moving to regional centres
- > IVC remained committed to funding growth strategies during a challenging period of operations in 2018

# Protect & Grow

- > Protect & Grow is a reinvestment strategy designed to contemporise our product offering
- > Significant research and customer focus groups have been undertaken to ensure IVC meets future customer needs whilst retaining the heritage of our brands and locations
- > The renovated locations deliver the funeral home of the future with a focus on technology, space, light and facilities to honour and celebrate the life of a loved one
- > The Board recently visited locations in QLD to review renovations

# Acquisitions 2018

IVC deployed \$73m of capital to acquire 11 high quality funeral businesses in high growth markets in Australia and NZ



HARRISON FUNERALS  
*trust ~ experience ~ respect*



# Equity Raising

- > IVC raised circa \$93m in March/April 2019
  - Underwritten institutional placement \$65m
  - Share Purchase Plan \$23m (SPP)
  - Dividend Reinvestment Plan \$4m
- > Issue price was \$14.00 representing a <2.5% discount to share price immediately prior to raising
- > The combination of underwritten placement and SPP was put in place to maximise certainty and minimise dilution
- > Funds will be used to maintain momentum in growth strategies and to strengthen the balance sheet
- > Strong support from shareholders

# Environment, Social & Governance

- > **Community** – ongoing work in local communities
- > **Culture** – roll out of the One InvoCare culture plan
- > **HSE** – increased resources targeting risks at work
- > **Environment** – priority given to reducing vehicle emissions
- > **Procurement** – encouraging suppliers to utilise sustainable products
- > **Risk** – development of risk appetite to augment risk register
- > **Diversity** – improvement of female representation at Board level
- > **Cyber Security** – upgrade to firewall and testing regime

# Board Movements

## Directors

- > Retirement of Chair, Richard Fisher & non-executive Director, Gary Stead
- > Appointment of new Chair, Bart Vogel
- > Appointment of non-executive Directors Jackie McArthur, Megan Quinn and Keith Skinner

## Company Secretary

- > Retirement of Company Secretary and previous CFO, Phillip Friery
- > Appointment of Company Secretary, Heidi Aldred

# CEO's Address

## Martin Earp

# Performance Summary 2018

Positive progress on growth strategies in what was a difficult trading environment

- > Protect & Grow - \$51m (capital deployed)
- > Acquisitions - \$73m (capital deployed)
- > Demographics - deaths down 2.3% on prior year

# Performance Summary 2018



## Financials<sup>1</sup>

### Sales Revenue

\$477.3 ↑ 1.4%

### Expenses

\$361.2 ↑ 3.3%

### Operating EBITDA

\$119.0 ↓ 4.3%

### Operating Earnings after tax

\$49.5 ↓ 22.1%

### Reported Profit

\$41.2 ↓ 57.7%

<sup>1</sup>includes AASB15 transitional impact



## Pillars of Growth

### Demographics

Deaths ↓ 2.3%

### Market Share

Circa ↑ 40bps<sup>2</sup>

### Funeral Case

Average ↓ 0.3%<sup>2</sup>

### Operating Margin

↓ 150bps

### NPS

↑ +79

### Prepaid FUM

↑ 3.2%

### Protect & Grow

↑ 55 locations renovated

### Acquisitions

↑ 11 completed

<sup>2</sup> includes regional acquisitions and impact of NBO



## EBITDA/Countries<sup>3</sup>

### Australia

\$102.6m ↓ 4.7%

### New Zealand

\$10.5m ↓ 3.8%

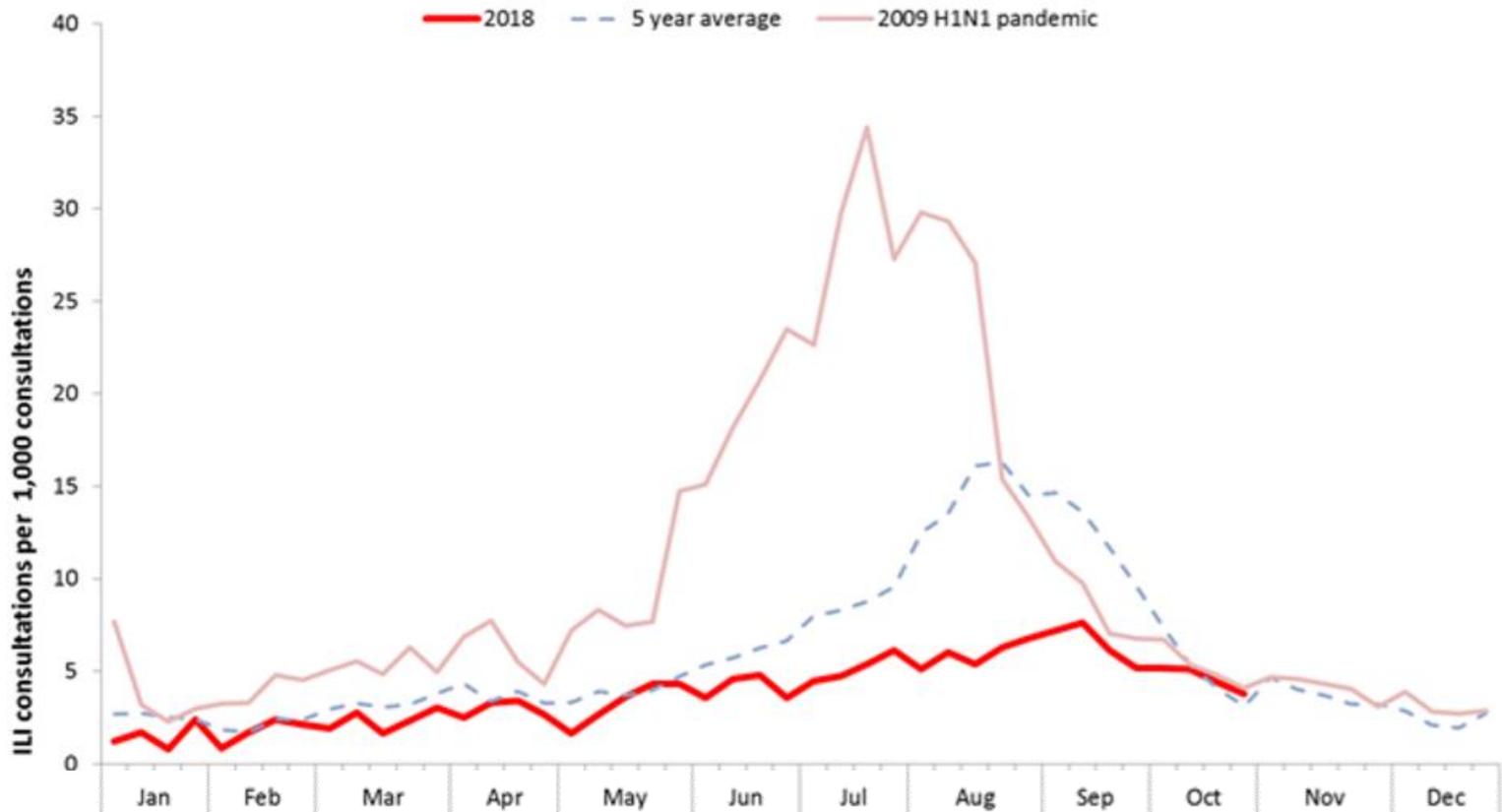
### Singapore

\$6.7m ↓ 6.5%

<sup>3</sup>in local currency

# Mild 2018 Australian Winter

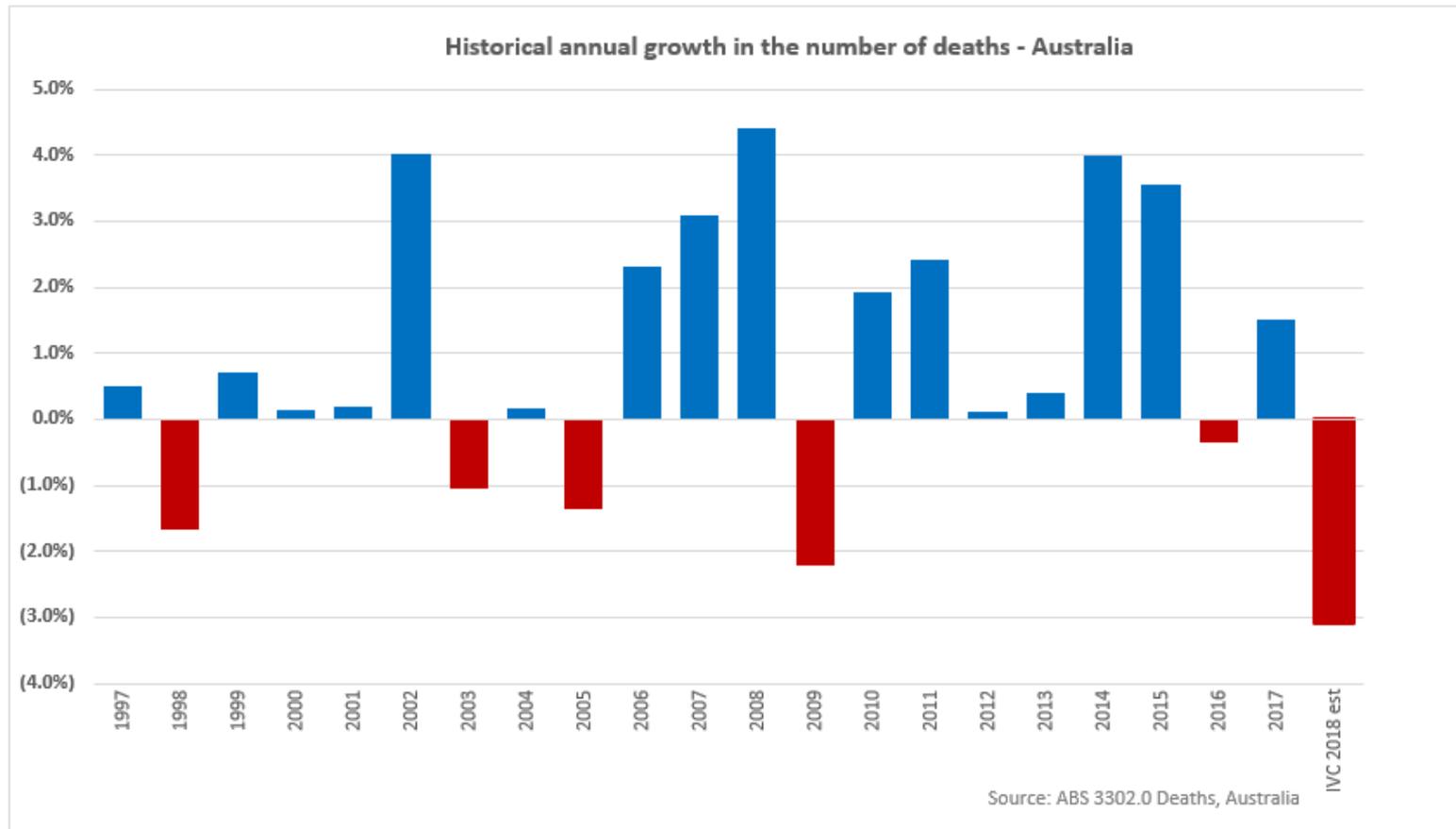
- > Death volumes were lower in Australia due to mild winter and benign flu season



Source: Department of Health: 2018 Influenza Season in Australia Information Brief

# Annual Growth in Death Volumes

- > IVC anticipate the number of deaths to increase year on year in 2019



# The Customer

- > Exceeding customer needs is critical for IVC as referrals and repeat business underpin demand (circa 70%)
- > IVC measure customer satisfaction using Net Promoter Score (NPS)
- > NPS score as of December 2017 was +74
- > Since 2017, IVC has implemented:
  - Investment in locations through Protect & Grow
  - Launched customer service reward scheme for operational staff
  - Improved service proposition and brand standards
  - Customer service master classes (1,400 attendees)
- > NPS score as of December 2018 was +79

# Our People

- > IVC relies on its people delivering the highest levels of customer service day in, day out
- > Engagement survey in 2017 indicated an exceptional level of engagement with staff (85% vs 81% in 2015), albeit it highlighted areas for improvement
- > In 2017, IVC established a culture plan that focussed on developing increased collaboration and local leadership
- > In 2018, IVC rolled out the first stage of this plan which focussed on leadership capability and behaviours
- > IVC will conduct its engagement survey again in Q4 2019

# Summary of Protect & Grow

- > 91 locations renovated as at the end of Q1 2019
- > This represents circa 40% of the planned portfolio for renovation
- > EBITDA uplift against a “do-nothing” scenario continues to exceed expectations
- > IVC is incorporating key lessons learnt from phase one implementation into its schedule of work for 2019/2020
- > The new business system continues to be rolled out in H1 2019
- > Work on operational centres continues with first location opening in Q2 2019

# NBO Key Lessons

Retaining historic locations critical for success



George Hartnett Metropolitan / White Lady Funerals, Kelvin Grove QLD  
Re-opened January 2019

# NBO Key Lessons

Full transformation delivers best results



Drysdale / White Lady Funerals, Nambour QLD  
Re-opened January 2019

# NBO Key Lessons

Strong brands underpin success of transformational sites



# NBO Key Lessons

Establish satellite shopfronts when hubs are renovated



# NBO Key Lessons

National brands immediately resonate in new markets



# NBO Key Lessons

Simplicity customers also want a full service location

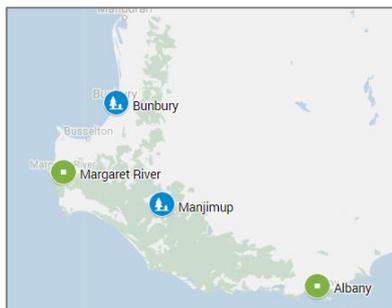


# Regional Growth

> Demographic Opportunity – percentage of population over 65

|          | 2016  | Projected 2036 | CAGR % |
|----------|-------|----------------|--------|
| Region 1 | 22.3% | 30.6%          | 2.3%   |
| Region 2 | 12.0% | 18.6%          | 3.4%   |
| Region 3 | 20.0% | 35.0%          | 4.4%   |
| Region 4 | 16.4% | 25.4%          | 4.0%   |
| Region 5 | 16.0% | 20.2%          | 4.1%   |

Archer & Sons - Bunbury, WA



Dunedin, New Zealand



# Acquisitions 2018

|    | Australia                                  | Completion | Location        | Funeral Cases | Cremation Cases | Revenue (\$m)   |
|----|--|------------|-----------------|---------------|-----------------|-----------------|
| 1  | Hastings Funerals, Port Macquarie NSW      | Sept 2018  | Regional        |               |                 |                 |
| 2  | Harrison Funerals, Ballarat VIC            | Sept 2018  | Regional        |               |                 |                 |
| 3  | Grafton & District Funerals, Grafton NSW   | Aug 2018   | Regional        |               |                 |                 |
| 4  | Archer & Sons, Bunbury WA                  | Jul 2018   | Regional        |               |                 |                 |
| 5  | English Rose Funerals, Adelaide SA         | Jul 2018   | Metro           |               |                 |                 |
| 6  | Lester & Son, Albury / Wodonga VIC/NSW     | Jul 2018   | Regional        |               |                 |                 |
| 7  | Southern Highlands Funerals, NSW           | Jun 2018   | Regional        |               |                 |                 |
| 8  | J.A. Dunn Funeral Services, Launceston TAS | Mar 2018   | Regional        |               |                 |                 |
|    | <b>Total Australia</b>                     |            |                 | <b>2,080</b>  | <b>490</b>      | <b>A\$14.0</b>  |
|    | <b>New Zealand</b>                         |            |                 |               |                 |                 |
| 9  | William Morrison Funerals, Auckland        | Aug 2018   | Metro           |               |                 |                 |
| 10 | Hope & Sons Funeral Directors, Dunedin     | Jun 2018   | Regional        |               |                 |                 |
| 11 | Whitestone Funerals, Oamaru                | Jun 2018   | Regional        |               |                 |                 |
|    | <b>Total New Zealand</b>                   |            | <b>Regional</b> | <b>1,730</b>  | <b>1,280</b>    | <b>NZ\$12.0</b> |

# Q1 Performance Update

- > As indicated in February 2019, the number of deaths is beginning to revert to the long term trend
- > This increase along with the impact of the 2018 acquisitions, has driven a positive year on year performance for Q1:
  - Gross sales revenue up 7.8%
  - Operating EBITDA up 22.2%
  - Operating margin up 2.5ppts
  - Operating earnings after tax up 9.0%
- > Due to the significance on IVC operating results and the inability to accurately forecast the severity of the flu season, IVC is not providing a full year forecast

Note: Performance update above is unaudited and pre-adoption of AASB16

# 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.