

Investor Presentation

2014 Full Year Results

February 2015

Presenters:
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2014 Full Year - Key Highlights

- Strong profit growth, improved demographics, stable market share
- Growth pillar summary:
 - Favourable demographics
 - Average contract values
 - Market share improvements
 - Prepaid funeral business
 - New locations
 - Business acquisitions
 - Operating leverage improvements
 - ✓ Numbers of deaths up on PCP
 - ✓ Price, brand and mix shifts
 - ↔ Funerals relatively flat since Dec 2013, but arrested 2013 decline; Cremation and burials up
 - ✓ Contract sales exceeded redemptions, improved FUM returns
 - ✓ Annualisation benefits
 - ✓ NZ acquisitions performing well
 - ✗ Lower as previously communicated

Note: "PCP" means prior comparative period and "FUM" means prepaid funeral funds under management



2014 Year – Group Financial Highlights

Result highlights:	1H14 \$'m	1H13 \$'m	%	2H14 \$'m	2H13 \$'m	%	FY14 \$'m	FY13 \$'m	%
Total sales to external customers	196.1	183.6	6.8%	217.0	201.7	7.6%	413.0	385.3	7.2%
Operating EBITDA ⁽ⁱ⁾	44.7	41.3	8.3%	56.3	53.8	4.8%	101.1	95.1	6.3%
<i>Operating margin</i>	<i>22.8%</i>	<i>22.5%</i>	<i>0.3%</i>	<i>26.0%</i>	<i>26.7%</i>	<i>(0.7%)</i>	<i>24.5%</i>	<i>24.7%</i>	<i>(0.2%)</i>
Operating earnings before tax ⁽ⁱ⁾	27.4	24.3	12.8%	38.0	36.0	5.6%	65.4	60.3	8.5%
Income tax on operating earnings ⁽ⁱ⁾	(8.0)	(7.1)	12.7%	(11.2)	(10.7)	4.7%	(19.2)	(17.8)	8.0%
<i>Effective tax rate</i>	<i>29.2%</i>	<i>29.2%</i>	<i>(0.0%)</i>	<i>29.5%</i>	<i>29.7%</i>	<i>(0.2%)</i>	<i>29.4%</i>	<i>29.5%</i>	<i>(0.1%)</i>
Operating earnings after tax ⁽ⁱ⁾	19.4	17.2	12.8%	26.8	25.3	5.9%	46.2	42.5	8.7%
<i>Operating earnings per share ⁽ⁱ⁾</i>	<i>17.7 cents</i>	<i>15.8 cents</i>	<i>12.0%</i>	<i>24.5 cents</i>	<i>23.1 cents</i>	<i>6.1%</i>	<i>42.2 cents</i>	<i>38.9 cents</i>	<i>8.5%</i>
Net gain on undelivered prepaid contracts after tax ⁽ⁱ⁾	1.5	0.8		6.2	0.3		7.6	1.1	
Asset sales gain or (loss) after tax ⁽ⁱ⁾	-	1.4		0.4	1.8		0.3	3.2	
Impairment gain after tax ⁽ⁱ⁾	-	2.1		0.4	0.1		0.4	2.2	
Non-controlling interest	-	(0.1)		(0.1)	(0.1)		(0.1)	(0.1)	
Net profit after tax attributable to ordinary equity holders of InvoCare	20.8	21.5	(3.3%)	33.7	27.4	23.0%	54.5	48.9	11.6%
<i>Basic earnings per share</i>	<i>19.0 cents</i>	<i>19.6 cents</i>	<i>(3.1%)</i>	<i>30.8 cents</i>	<i>25.1 cents</i>	<i>22.7%</i>	<i>49.8 cents</i>	<i>44.7 cents</i>	<i>11.4%</i>
<i>Interim ordinary dividend per share</i>							15.75 cents	15.00 cents	5.0%
<i>Final ordinary dividend per share</i>							20.75 cents	19.50 cents	6.4%
<i>Total ordinary dividend per share</i>							36.50 cents	34.50 cents	5.8%

(i) Non-IFRS financial information.



Segment Financial Highlights

	1H14 \$'m	1H13 \$'m	Var %	2H14 \$'m	2H13 \$'m	Var %	FY14 \$'m	FY13 \$'m	Var %
Sales Revenue									
Australia	169.4	161.8	4.7%	186.7	176.4	5.8%	356.1	338.2	5.3%
New Zealand	17.5	14.8	18.4%	20.1	17.3	16.0%	37.6	32.1	17.1%
Singapore	6.7	6.5	2.4%	7.1	6.4	10.6%	13.8	13.0	6.5%
Comparable business	193.6	183.1	5.7%	214.0	200.2	6.9%	407.6	383.3	6.3%
Acquisitions	2.4	0.5		3.0	1.5		5.4	2.0	
Total	196.1	183.6	6.8%	217.0	201.7	7.6%	413.0	385.3	7.2%
EBITDA									
Australia	37.8	35.9	5.3%	47.9	46.4	3.1%	85.7	82.3	4.1%
New Zealand	3.4	2.2	53.4%	4.3	4.0	7.4%	7.7	6.2	23.9%
Singapore	3.2	3.1	2.6%	3.5	3.1	12.7%	6.7	6.2	7.6%
Comparable business	44.4	41.2	7.7%	55.7	53.5	4.0%	100.0	94.7	5.6%
Acquisitions	0.4	0.1		0.7	0.3		1.1	0.3	
Total	44.7	41.3	8.3%	56.3	53.8	4.8%	101.1	95.1	6.3%
Margin on sales									
Australia	22.3%	22.2%	0.1%	25.6%	26.3%	(0.7%)	24.1%	24.3%	(0.2%)
New Zealand	19.5%	15.0%	4.5%	21.2%	22.9%	(1.7%)	20.4%	19.3%	1.1%
Singapore	47.5%	47.4%	0.1%	49.5%	48.6%	0.9%	48.5%	48.0%	0.5%
Comparable business	22.9%	22.5%	0.4%	26.0%	26.7%	(0.7%)	24.5%	24.7%	(0.2%)
Acquisitions	14.9%	16.9%		23.0%	17.2%		19.3%	17.1%	
Total	22.8%	22.5%	0.3%	26.0%	26.7%	(0.7%)	24.5%	24.7%	(0.2%)

Note: Acquired businesses are treated as non-comparable until owned for a complete calendar year after which they become comparable for the subsequent calendar year(s).



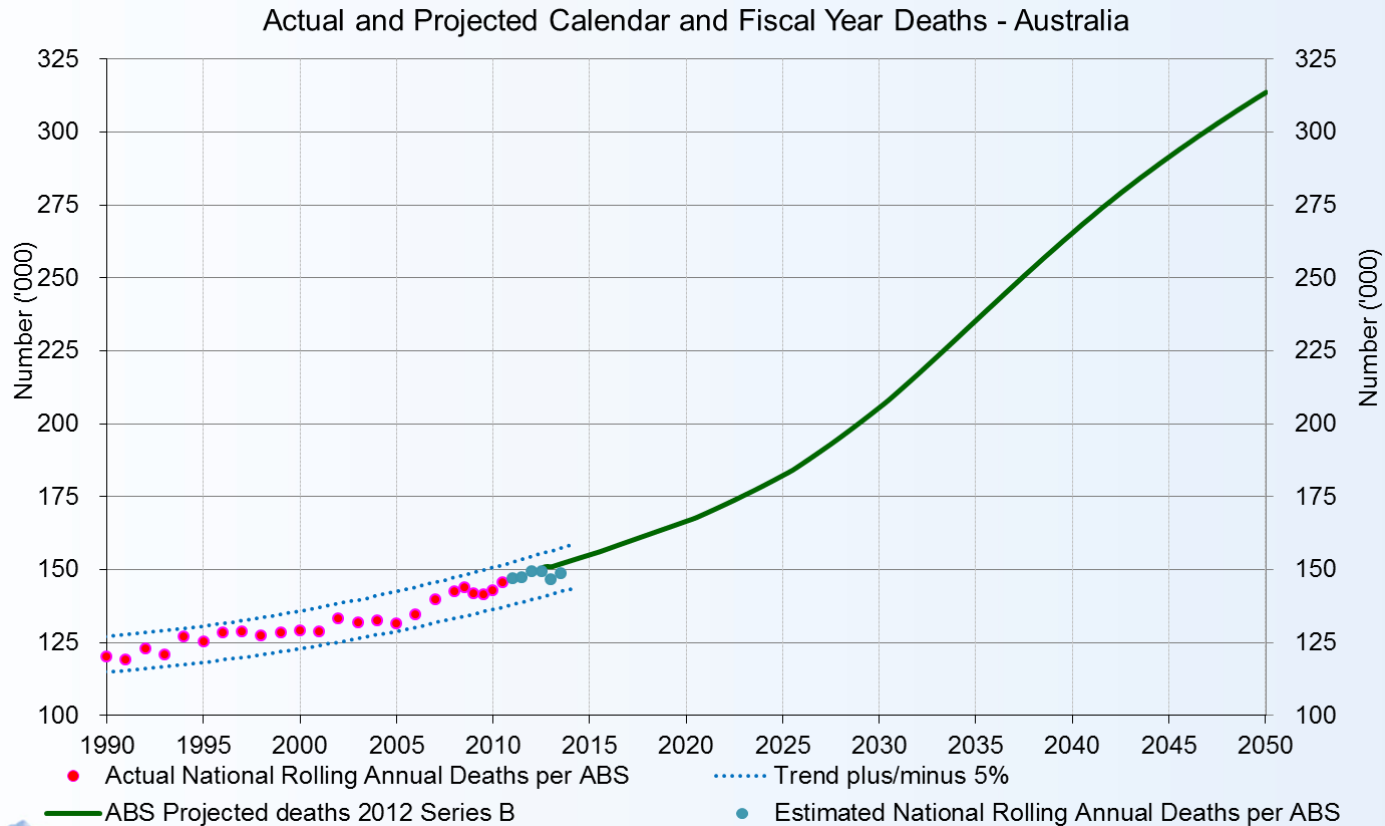
Operational Highlights

Number of deaths

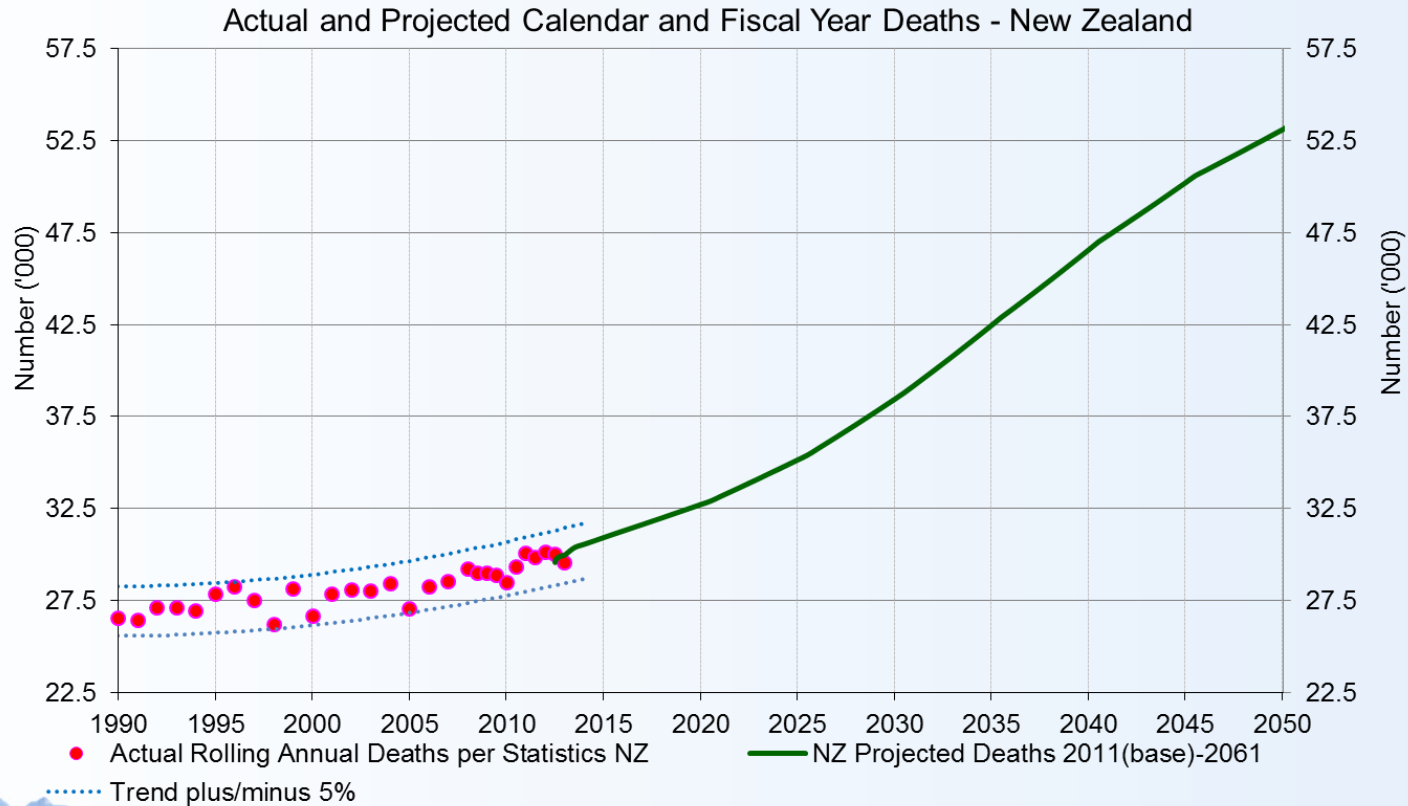
- Key driver of IVC performance
- Increased number of deaths evident in H1 2014 continued to strengthen in H2.
- Year on year growth estimated at 3.2% across all markets
- Long term growth trend for each geographic segment, with short term fluctuations around trend line, depicted in graphs



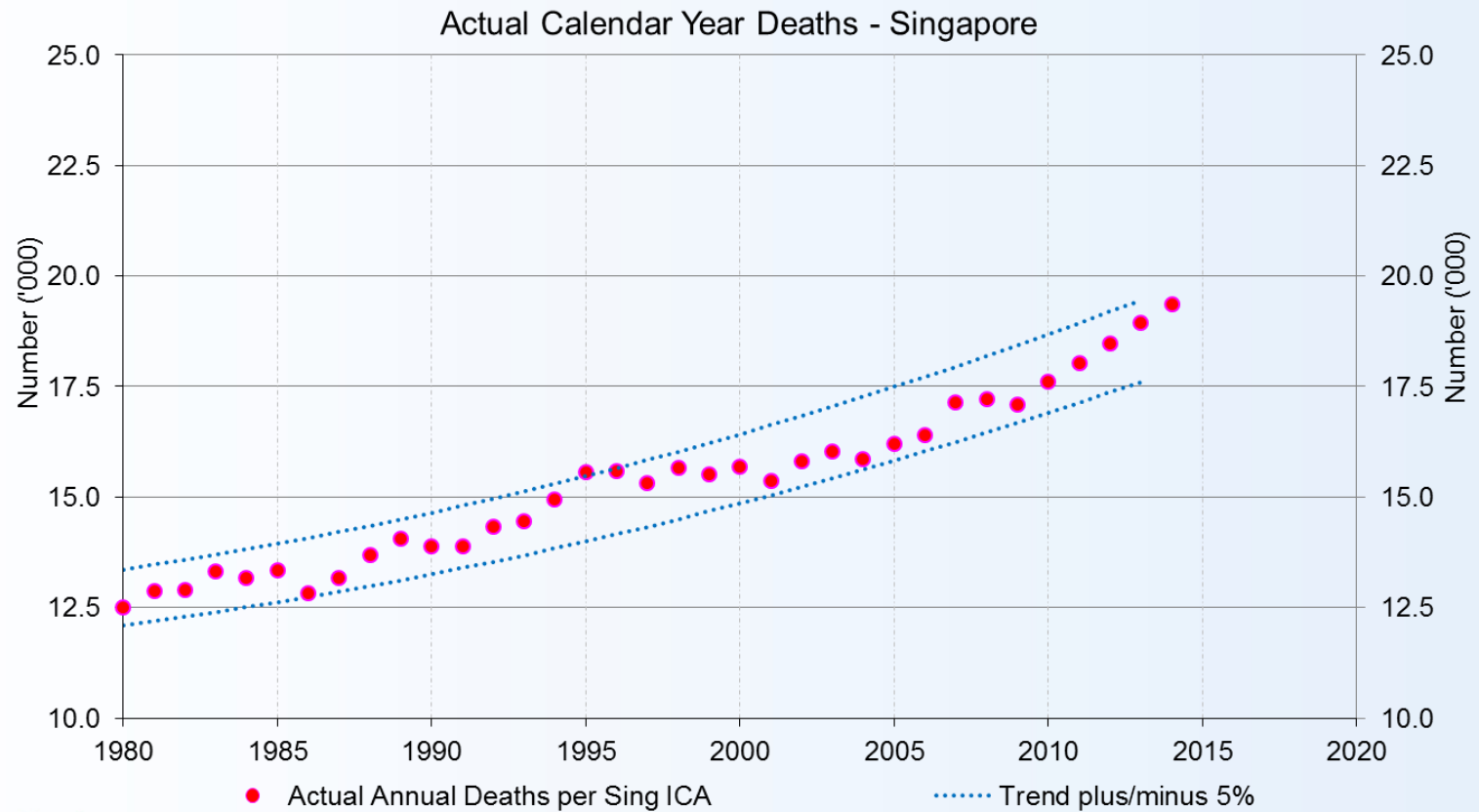
Operational Highlights (continued)



Operational Highlights (continued)



Operational Highlights (continued)



Note:- ICA - Singapore Immigration & Checkpoint Authority



Operational Highlights (continued)

Market Share

- InvoCare's intelligence indicates relatively flat market share in comparable funeral businesses since Dec 2013
- Market share initiatives:
 - Reinforcing customer service excellence (customer call centres; key locations)
 - Enhancing employee engagement
 - Additional investment in advertising & promotion (including Simplicity brand positioning)
 - Continued investment upgrading digital facilities & executing digital omni-channel
 - Community involvement
 - Mobile arrangers now operating in six localities in Australia and two in New Zealand
 - Co-branding of key locations
- Market share growth challenges continue in regional markets. Skills, creativity and reputation of key persons are critical for success.



Operational Highlights (continued)

Funeral Volume Growth

- Funeral case volume up 4.2% on PCP (comparable up 3.2%)
- Strong second half growth of 6.1% in comparable business driven by favourable demographics

	2014 Vs 2013			2013 Vs 2012		
	Half 1	Half 2	Full Year	Half 1	Half 2	Full Year
Australia	-0.1%	5.7%	2.9%	-0.3%	-5.1%	-2.8%
New Zealand	1.8%	10.6%	6.4%	-2.7%	-7.4%	-5.2%
Singapore	1.3%	1.3%	1.3%	-2.9%	2.6%	-0.3%
Total comparable business	0.1%	6.1%	3.2%	-0.7%	-5.1%	-3.0%
Total Group (incl. acqns)	1.4%	6.8%	4.2%	2.0%	-2.0%	-0.1%



Note: Comparable businesses comprise a different mix in 2014 from 2013. The 2013 percentages are as presented in the FY 2013 results presentations.

Operational Highlights (continued)

Australian Segment

	2014 \$'million	2013 \$'million	Change \$'million	%
Australian Sales				
Funerals	285.8	271.5	14.4	5.3%
Cemeteries & crematoria	81.3	76.6	4.7	6.1%
Intra-group elimination	(11.0)	(9.9)	(1.1)	10.9%
Total Australia	356.1	338.2	18.0	5.3%



Operational Highlights (continued)

Australian Segment

- At-need Funerals
 - Case volumes up 2.9% on PCP
 - Average revenue per funeral case up 3.4% (excluding disbursements and delivered prepaid impacts)
 - Market share flat since December 2013
 - Continuing favourable customer survey results



Operational Highlights (continued)

Australian Segment

■ Cemeteries and crematoria

- Cremation and burial cases up 3.8% (strong second half up 7.0%)
- Market share increase driven by strong NSW
- Sales before deferred revenue adjustments up 5.1% to \$85.2m (2013: \$81.1m)



Operational Highlights (continued)

New Zealand Segment (in NZD)

- Funeral sales up 16.5% to \$46.8m from \$40.1m (comparable up 8.3% to \$40.9m from \$37.8m)
- Case volumes up 14.7% (comparable up 6.4%)
- Developing Simplicity as first national funeral brand in New Zealand - positioning in affordable / practical segment
- Case averages (excluding disbursements) up 0.4% (comparable up 1.1%) in line with expectations



Operational Highlights (continued)

New Zealand Segment (in NZD)

- Improved EBITDA to sales ratio of 20.2% from 19.0% (comparable to 20.4% from 19.2%)
- Foreign exchange movements upon translation benefited AUD sales by \$3.2m and EBITDA by \$0.6m
- Acquisitions performing to plan



Operational Highlights (continued)

Singapore Segment (in local SGD currency)

- Funeral sales up 0.5% to \$15.8m
- Case volumes up 1.3% on PCP
- Decrease in case averages by 0.6% driven by competitive pressures and package sales mix. Improved in second half.
- EBITDA to sales ratio improvement to 48.5% (2013: 47.9%)
- Foreign exchange movements upon translation benefited AUD sales by \$0.8m and EBITDA by \$0.4m



Operational Highlights (continued)

New Funeral Locations

- Four locations opened in Australia during 2014 and one in New Zealand
- Dual branding of six locations in 2014 (eg. using White Lady and/or Simplicity with traditional brand)
- Mobile arrangers now operating in six localities in Australia and two in New Zealand
- Annualisation benefits of four homes opened in 2013



Operational Highlights (continued)

Total Prepaid Funeral Sales & Redemptions

	2014 v 2013	2013 v 2012
Number of contracts sold	-1.1%	+3.8%
Average Contract Value	+5.4%	+4.9%
	2014	2013
% by which new contracts exceed redemptions	8.3%	15.3%
% of Australian funerals that were prepaid	14.6%	14.5%



Operational Highlights (continued)

Prepaid Funds Under Management

	2014	2013
Total FUM	\$401.0m	\$373.6m
% in equities	10%	13%
% in property	16%	23%
% in cash & fixed interest	74%	64%
P&L impacts of undelivered contracts:		
FUM Earnings	\$24.8m	\$20.6m
Service delivery liability increase	(\$13.9m)	(\$19.0m)
Net pre-tax gain on undelivered contracts	\$10.9m	\$1.6m



Operational Highlights (continued)

Prepaid Funds Under Management

- Investment earnings exceeded growth in service delivery obligations
- 2014 liability increase more indicative of normalised position. 2013 impacted by an additional price rise taken in H2.
- Earnings included benefit of an investment property sale
- Resulting shift in asset mix from property to cash and fixed interest
- Fixed interest included further investment in hybrids
- Alternative investments being considered by main fund as older, high rate term deposits mature during 2015 and 2016



Operational Highlights (continued)

Investment in Digital & Social Media

- Ongoing implementation of digital strategy to improve customer service and deliver business value:
 - Enhanced websites and social media including mobile devices
 - Development of new digital print solutions to allow staff and clients to produce high quality on-line order of service and life presentations
 - Progressed roll out of electronic funeral arrangements using tablet technologies across ACT, NSW, Qld (10,000 digital arrangements completed)
 - Progressing roll out of new AV technologies across major chapels



Financial Highlights (continued)

Operating Expenses

- Highlights of comparable expenses: (for details see appendices)
 - H2 2014 EBITDA margin on sales was down on H2 2013 as expected and as highlighted in August H1 results release
 - Cost restrictions imposed in mid 2013 due to low volume environment eased in 2014
 - Personnel costs up 7.7% - (6.7% removing impact of CEO termination and recruitment costs)
 - Base labour rate increases generally contained to approx 3.5%
 - FTE head count up 2.9% and higher incentive accruals also contributed to increase



Financial Highlights (continued)

Operating Expenses

- Highlights of comparable expenses: (for details see appendices)
 - Advertising & promotions spend up 11.4% to support brands and protect market share (off a low 2013 base)
 - Cost of goods sold were 29.4% of gross sales, up from 29.3% in PCP - Mix shift to lower margin monumental sales contributed to increase
 - Other operational costs increases contained to expectations
 - FX impact on NZ and SGD costs: \$2.7m



Financial Highlights (continued)

Finance Costs

- Finance costs down \$1.3m to \$15.5m (2013: \$16.8m) following refinancing of senior debt facilities in Dec 2013

Asset sale gains and impairment reversal

- Asset sales gains down \$2.8m (after tax) - property sale in 2013 not repeated in current year
- After tax impairment reversals of \$0.4m down on \$2.2m in 2013



Financial Highlights (continued)

Cash flow highlights

	2014	2013
■ Net cash inflows from operations	\$71.8m	\$72.2m
■ Purchase of property, plant & equipment	(\$26.7m)	(\$19.3m)
■ Proceeds from sale of property, plant & equipment	\$1.0m	\$8.0m
■ Purchase of businesses (including property)	(\$6.7m)	(\$8.1m)
■ Purchase of interest in associates		(\$5.0m)
■ Deferred employee share plan purchases	(\$1.2m)	(\$0.8m)
■ Net increase / (decrease) in borrowings	\$2.3m	(\$6.8m)
■ Payment of dividends	(\$38.8m)	(\$37.4m)
■ Conversion of Operating EBITDA to ungeared, pre-tax cash flow	106%	110%



Financial Highlights (continued)

Capital Management

Dividends

- Fully franked final dividend of 20.75 cents per share (2013: 19.5 cents)
 - Ex dividend date 10 March 2015
 - Record date 12 March 2015
 - DRP election date 13 March 2015
 - Payable date 2 April 2015
- DRP remains activated for final dividend and shares will be purchased on market
- Total dividend for 2014 of 36.5 cents per share representing payout ratio 87% of operating earnings after tax and non-controlling interests



Financial Highlights (continued)

Capital Management (continued)

Banking Facility & Hedges

- Net Debt drawn \$219m from total \$255m facilities (Jun 2014 \$223m; Dec 2013 \$215m)
- 76% of debt hedged with floating to fixed interest rate swaps (Jun 2014: 75%; Dec 2013: 80%)
- Covenant ratios comfortably met – leverage ratio 2.2 (must be no greater than 3.5) and interest cover 7.5 (must be greater than 3.0)
- Following refinancing of \$170m of facilities in Dec 2013, effective interest rate at end Dec 2014 down to 5.7%, inclusive of swaps, fees & margins (6.1% at Dec 2013)



2015 Outlook & Beyond

- Operations in early 2015 tracking in line with expectations
- January 2015 funeral case averages improved in line with December price rises
- Group case volumes for January YTD are up 3.4% on a comparable basis
- Market share and operating leverage growth remains major focus for existing operations



2015 Outlook & Beyond (continued)

- Full year impact of Charles Crawford & Sons – sales \$1.1m
- Potential acquisition of two memorial parks in Christchurch in Q2 2015, subject to remaining regulatory approval and satisfactory due diligence
- Other small acquisition discussions continue in existing markets, with no certainty on success or timing



2015 Outlook & Beyond (continued)

■ InvoCare USA Inc

- InvoCare USA Inc commencing operations in Feb 2015 using low cost, low risk model
- Operations established in Southern California (San Diego, Orange County, Los Angeles)
- Team in place lead by experienced senior executive from the US funeral industry
- Platform for future growth in a new geographical segment by greenfield expansion or acquisition
- Acquired Macera Crematory in November 2014 for USD2m



2015 Outlook & Beyond (continued)

■ InvoCare USA Inc

- \$0.8m costs included in 2014 setting up InvoCare USA, including acquisition related
- Three year start up and proving stage with expected total cash investment USD8.0m, including USD2m Macera acquisition, 2014 start up costs, capital expenditure USD2m and loss funding
- Annual sales not expected to exceed USD10m until third year
- Negative EBITDA of up to USD2m per annum and similar annual net loss during three year start up phase
- Expectation profitable from year four



2015 Outlook & Beyond (continued)

- FUM returns expected to continue to exceed increases in contract liabilities
- Capex expected to be at similar levels to 2014
- Managed transition for new CEO planned in Q2
- Caution using early weeks of 2015 as indicator of half or full year result



Summary

- Increase number of deaths in second half of 2014
- Market share flat in comparable funeral business since December 2013. Continued management focus to grow in 2015
- Sales, EBITDA, operating earnings after tax and net profit after tax up on PCP
- Funds under management earnings improvement on PCP
- Strong 106% EBITDA to cash conversion
- InvoCare USA Inc provides platform for future growth in a new geographical segment
- Operations in early 2015 tracking in line with expectations



Operating Results Summary – Total Group

	2014		2013		Variance	
	Actual	% of	Actual	% of	Act V	LY
	\$'m	Gross Sales	\$'m	Gross Sales	\$'m	%
Total - all lines of business						
Sales Revenue	413.0	100.0%	385.3	100.0%	27.6	7.2%
Other revenue	7.2	1.7%	6.9	1.8%	0.3	4.3%
Finished goods, consumables & funeral disbursements	(121.6)	29.4%	(113.2)	29.4%	(8.4)	(7.4%)
Personnel	(129.4)	31.3%	(119.4)	31.0%	(10.0)	(8.4%)
Advertising & public relations expenses	(14.9)	3.6%	(13.2)	3.4%	(1.7)	(12.9%)
Occupancy & facility expenses	(27.1)	6.6%	(26.0)	6.7%	(1.1)	(4.2%)
Motor vehicle expenses	(8.8)	2.1%	(8.3)	2.2%	(0.5)	(6.0%)
Other expenses	(17.2)	4.2%	(16.8)	4.4%	(0.4)	(2.4%)
Operating expenses	(319.1)	77.3%	(297.1)	77.1%	(22.0)	(7.4%)
Operating EBITDA	101.1	24.5%	95.1	24.7%	6.0	6.4%
<i>Operating margin % on sales revenue</i>	24.5%		24.7%			-0.2%



Operating Results Summary – Comparable Only

	2014 Actual \$'m	% of Gross Sales	2013 Actual \$'m	% of Gross Sales	Variance Act V LY \$'m	%
Total - all lines of business						
Sales Revenue	407.6	100.0%	383.3	100.0%	24.3	6.3%
Other revenue	7.2	1.8%	6.8	1.8%	0.4	5.9%
Finished goods, consumables & funeral disbursements	(119.6)	29.3%	(112.5)	29.4%	(7.1)	(6.3%)
Personnel	(128.0)	31.4%	(118.9)	31.0%	(9.1)	(7.7%)
Advertising & public relations expenses	(14.7)	3.6%	(13.2)	3.4%	(1.5)	(11.4%)
Occupancy & facility expenses	(26.8)	6.6%	(25.9)	6.8%	(0.9)	(3.5%)
Motor vehicle expenses	(8.7)	2.1%	(8.3)	2.2%	(0.4)	(4.8%)
Other expenses	(16.9)	4.1%	(16.7)	4.4%	(0.2)	(1.2%)
Operating expenses	(314.7)	77.2%	(295.4)	77.1%	(19.3)	(6.5%)
Operating EBITDA	100.0	24.5%	94.7	24.7%	5.3	5.6%
<i>Operating margin % on sales revenue</i>	24.5%		24.7%			-0.2%



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.



