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## Section 1

## Performance Summary 2015



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## Section 1: Performance Summary 2015

## Financial Overview

	Comparable Business			Consolidated Business		
	Actual 2015	Variance to 2014	Variance to 2014	Actual 2015	Variance to 2014	Variance to 2014
Sales revenue	\$433.6m	\$20.6m	5.0%	\$436.4m	\$23.4m	5.7%
Operating expenses	\$333.8m	\$14.8m	4.6%	\$340.5m	\$21.4m	6.7%
EBITDA	\$108.8m	\$7.7m	7.6%	\$105.4m	\$4.3m	4.3%
Margin on sales	25.1%	n/a	0.6%	24.2%	n/a	(0.3%)
Operating earnings (after tax)	\$53.3m	\$6.8m	14.5%	\$49.4m	\$3.2m	6.9%
Net profit (after tax)	\$58.8m	\$3.9m	7.2%	\$54.8m	\$0.3m	0.6%
Operating EPS	48.7c	6.1c	14.3%	45.1c	2.9c	6.9%
EPS BASIC	53.7c	3.5c	7.0%	50.1c	0.3c	0.6%
Dividend	n/a	n/a	n/a	38.0c	1.5c	4.1%



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### Section 1: Performance Summary 2015

## Summary of Business Drivers

- |   |   |
|---|---|
| > No. of deaths                                 | ✓ Circa 1% increase across all markets                      |
| > Market share                                  | ✓ Continued improvement in group market share               |
| > Funeral case average                          | ✓ 2.7% increase across all markets                          |
| > Operational efficiency<br>(EBITDA % of Sales) | ✓ 0.6% improvement for comparable business                  |
| > Acquisitions                                  | ✓ Harewood Memorial Park (NZ), Crawfords Funeral Home (VIC) |
| > Pre Paid Funerals                             | ✓ Earnings exceeded growth in service obligations           |
| > New markets (USA)                             | ? Slower ramp up than forecast                              |



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### Section 2

## Operational Highlights



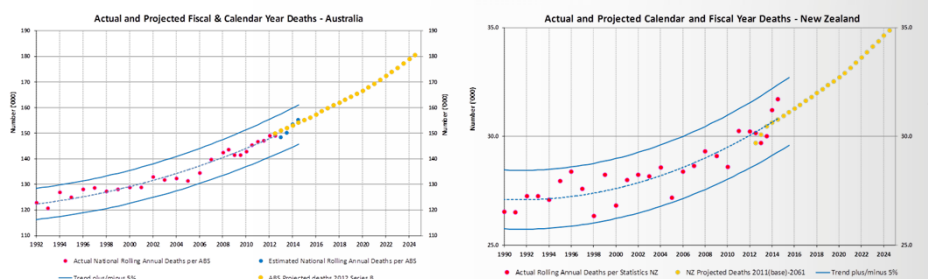
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## Section 2: Operational Highlights

### Number of Deaths

- > Year on year growth for 2015 is estimated to be circa 1%
- > Long term growth trend for each geographic segment remains strong in all markets
- > Growth rate forecast to increase as shown below for Australia and New Zealand



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## Section 2: Operational Highlights

### Market Share

- > IVC's market intelligence indicated that the market share remains strong in all key markets. Approximate shares of the markets in which IVC operates by country as follows:
  - Australia 34% (2014: 34%)
  - Singapore 10% (2014: 10%)
  - New Zealand 34% (2014: 34%)
- > Initiatives to further increase market share include:
  - Continued roll out of mobile arrangers
  - Increased focus on digital channels to educate customers on key issues
  - Customer service excellence (customer call centres)
  - Increasing use of demographic data to inform advertising spend
  - Increased tracking of ROI on advertising spend

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## Section 2: Operational Highlights

### Funeral Case Average

Funeral case averages in the comparable business increased across all regions (in local currency)

- > Australia ↑ by 2.7%
- > New Zealand ↑ by 2.7%
- > Singapore ↑ 2.0%

Price rises of circa 3-4% were implemented with the full impact of this price rise offset by:

- > the increasing impacts of “no service no attendance”
- > shifts from dual to single services within the market
- > product mix for the year



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## Section 2: Operational Highlights

### Operational Efficiency

- > The key metric used to track operational efficiency is margin on sales (EBITDA / Sales Revenue)
- > For the comparable business the margin on sales (in local currencies) is shown below
  - Australia 24.7% v 24.1% (2014)
  - New Zealand 19.5% v 20.2% (2014)
  - Singapore 48.3% v 48.5% (2014)
- > The Australian improvement was driven by increased focus on cost control
- > New Zealand was impacted by increasing personnel and advertising costs without the anticipated up-lift in sales. Increased focus on managing costs to better align with actual sales in 2016



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## Section 2: Operational Highlights

### Acquisitions

- > Two acquisitions contributed to 2015 results
  - Charles Crawford and Sons near Melbourne was acquired in December 2014
  - Two memorial parks in Christchurch (Harewood & Canterbury Crematoria) were acquired in July 2015
- > A new role has been created to assess opportunities moving forward
- > Acquisition opportunities will be reviewed by the newly established Finance, Capital and Investment Board Committee
- > Opportunities for further acquisitions exist in all metropolitan markets but specific focus will be put on Melbourne, Adelaide, Auckland and Singapore



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## Section 2: Operational Highlights

### Prepaid Funerals

	2015 v 2014	2014 v 2013
Number of contracts sold	4.7%	(1.1%)
Average contract value	2.1%	5.4%

	2015	2014
% by which new contracts exceed redemptions	15.0%	8.3%
% of Australian funerals that were prepaid	13.8%	14.6%

Investment earnings on FUM exceeded growth in service delivery obligations



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**Section 2: Operational Highlights****New Markets**

- > The key focus for new markets remains the USA
- > The business has been steadily increasing case volume with December delivering 81% of budgeted cases. Overall the USA business performed over 350 funerals and in excess of 2,300 cremations
- > The performance of the business was in line with advice provided to the market in August 2015 (EBITDA USD-\$2.9m)
- > Investment in start-up operation to end 2015 is \$5.7m (Macera Crematory acquisition \$1.8m, start-up costs \$1.0m and operating losses being the balance)
- > Cases have been secured from the cost conscious segment of the market which has resulted in a lower than anticipated case average
- > The USA team has managed its cost base to mitigate the shortfall in revenue
- > The challenge for 2016 will be to build on the positive momentum in case numbers, increase case average and further match costs to revenue



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**Section 3****Group Financial Performance**

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### Section 3: Group Financial Performance

## EBITDA by Segment

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

	1H15	1H14	Var	2H15	2H14	Var	FY15	FY14	Var
	\$'000	\$'000	%	\$'000	\$'000	%	\$'000	\$'000	%
<b>Sales Revenue</b>									
Australia	177,499	169,412	4.8%	195,551	186,719	4.7%	373,050	356,131	4.8%
New Zealand	21,326	19,954	6.9%	22,665	23,032	(1.6%)	43,991	42,986	2.3%
Singapore	8,169	6,694	22.0%	8,356	7,126	17.3%	16,525	13,820	19.6%
Comparable business	206,994	196,060	5.6%	226,572	216,877	4.5%	433,566	412,937	5.0%
USA & Acquisitions	1,123	-		1,682	74		2,805	74	
<b>Total</b>	<b>208,117</b>	<b>196,060</b>	<b>6.1%</b>	<b>228,254</b>	<b>216,951</b>	<b>5.2%</b>	<b>436,371</b>	<b>413,011</b>	<b>5.7%</b>
<b>EBITDA</b>									
Australia	39,869	37,781	5.5%	52,405	47,871	9.5%	92,274	85,652	7.7%
New Zealand	3,144	3,773	(16.7%)	5,377	4,915	9.4%	8,521	8,688	(1.9%)
Singapore	3,909	3,178	23.0%	4,062	3,529	15.1%	7,971	6,707	18.8%
Comparable business	46,922	44,732	4.9%	61,844	56,315	9.8%	108,766	101,047	7.6%
USA & Acquisitions	(1,747)	-		(1,593)	35		(3,340)	35	
<b>Total</b>	<b>45,175</b>	<b>44,732</b>	<b>1.0%</b>	<b>60,251</b>	<b>56,350</b>	<b>6.9%</b>	<b>105,426</b>	<b>101,082</b>	<b>4.3%</b>
<b>Margin on sales</b>									
Australia	22.5%	22.3%	0.2%	26.8%	25.6%	1.2%	24.7%	24.1%	0.6%
New Zealand	14.7%	18.9%	(4.2%)	23.8%	21.3%	2.5%	19.4%	20.2%	(0.8%)
Singapore	47.9%	47.5%	0.4%	48.6%	49.5%	(0.9%)	48.2%	48.5%	(0.3%)
Comparable business	22.7%	22.8%	(0.1%)	27.3%	26.0%	1.3%	25.1%	24.5%	0.6%
USA & Acquisitions									
<b>Total</b>	<b>21.7%</b>	<b>22.8%</b>	<b>(1.1%)</b>	<b>26.4%</b>	<b>26.0%</b>	<b>0.4%</b>	<b>24.2%</b>	<b>24.5%</b>	<b>(0.3%)</b>



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### Section 3: Group Financial Performance

## Australia

	1H15	1H14	Change	2H15	2H14	Change	FY15	FY14	Change
	\$'m	\$'m	\$'m %	\$'m	\$'m	\$'m %	\$'m	\$'m	\$'m %
<b>Australian sales (comp)</b>									
Funerals	140.6	135.5	5.1 3.8%	155.6	150.4	5.2 3.5%	296.2	285.8	10.3 3.6%
Cemeteries & crematoria	42.5	39.1	3.4 8.6%	46.2	42.2	4.0 9.5%	88.7	81.3	7.4 9.1%
Admin (mainly intra-group elimin)	(5.6)	(5.2)	(0.4) 7.9%	(6.2)	(5.8)	(0.4) 6.9%	(11.8)	(11.0)	(0.8) 7.4%
<b>Total Australia</b>	<b>177.5</b>	<b>169.4</b>	<b>8.1 4.8%</b>	<b>195.6</b>	<b>186.7</b>	<b>8.8 4.7%</b>	<b>373.0</b>	<b>356.1</b>	<b>16.9 4.8%</b>
<b>Australian EBITDA (comp)</b>									
	39.9	37.8	2.1 5.5%	52.4	47.9	4.5 9.5%	92.3	85.7	6.6 7.7%
<b>Australian Sales Margin (comp)</b>									
	22.5%	22.3%	0.2%	26.8%	25.6%	1.2%	24.7%	24.1%	0.6%

- > Solid performance in 2015, especially in second half, generating approx. 85% of Group's comparable sales and EBITDA
- > Charles Crawford and Sons funeral business acquired in December 2014 contributed \$1.31m sales and \$0.36m EBITDA, exceeding expectations



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### Section 3: Group Financial Performance

## Australia (cont'd)

### At-need funerals sales (comparable)

- > Sales up 3.6% to \$296.2m (2014:\$285.8m)
- > Case volumes up 1.6% (2.4% in H1, 0.9% in H2)
  - Number of deaths up overall in IVC markets by estimated 1%
  - Market share gains achieved overall, driven by NSW & QLD
- > Average revenue per funeral case up 2.7% (excluding disbursements and delivered prepaid impacts) - estimated \$6.0m sales impact
  - Price increases averaging between 3% and 4%
  - More customers choosing an affordable, practical funeral with Simplicity Funerals successfully meeting this demand
  - Emerging trend of more clients electing to have direct committals without requiring a traditional funeral service or to have a single rather than dual service



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### Section 3: Group Financial Performance

## Australia (cont'd)

### Cemeteries and crematoria sales

- > Sales up 9.1% to \$88.7m (2014: \$81.3m)
- > At-need case volumes up 1.2% (2.4% in H1, flat in H2)
- > Market share gains achieved
- > Memorial sales strong with higher numbers of larger value of contracts, in part attributable to stronger sales team management



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### Section 3: Group Financial Performance

## Australia (cont'd)

### Expenses and EBITDA (comparable)

- > EBITDA increase 7.7% to \$92.3m (2014: \$85.7m)
- > Operating leverage achieved growing to 24.7% from 24.1%
- > Operating expenses up 4.3% to \$289.2m (2014: 277.2m), with key components and movements:
  - Finished goods, consumables and funeral disbursements up 2.8% to \$105.9m (2014: \$103.0m) being 28.4% of sales (2014: 28.9%)
  - Personnel costs up 7.3% to \$122.8m (2014: \$114.5m):
    - Non-sales related payroll up 6.1% or \$6.3m, due primarily to base rate increases, but also additional casual and temporary labour to support higher operational volumes and digital initiatives
    - Sales related payroll up 16.5% or \$2.1m, due to higher memorial and prepaid funeral contract sales
  - Occupancy and facilities costs up 2.5% to \$25.0m (2014: \$24.4m)
- > Other revenue included one-off insurance recovery \$0.6m



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### Section 3: Group Financial Performance

## New Zealand (in NZ dollars)

### Sales

- > Comparable sales up 1.4% to \$47.4m (2014: \$46.8m)
- > Funeral case volumes up 0.7%
  - NZ Q4 2015 death data yet to be published, but based on data up to end Q3 IVC estimates deaths in its NZ markets are up near 2%
  - Market share lost – all urban markets display some volatility, with some provincial markets showing decline – mitigating actions being implemented
- > Average revenue per funeral case up 2.7% (excluding disbursements and delivered prepaid impacts)
  - Case averages impacted by increasing customer demand for lower cost offerings (which Simplicity successfully meets) and emerging trend of more clients electing for a more simple service



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### Section 3: Group Financial Performance

## New Zealand (in NZ dollars)

### Expenses and EBITDA (comparable)

- > EBITDA decrease 2.9% to \$9.2m (2014: \$9.5m)
- > Operating leverage declined 19.5% from 20.2%
- > Comparable operating expenses increased 7.5% to \$31.4m (2014: \$29.2m) to more sustainable levels after constraints in 2014 but case volume and case average targets were not achieved
  - Finished goods, consumables and funeral disbursements down 5.2% to \$15.6m (2014: \$16.5m) with being 32.9% of sales (2014: 35.2%) – includes \$0.5m paid to Christchurch crematoria acquired in July 2015 which is eliminated in consolidated group accounts
  - Personnel up 8.6% to \$14.4m (2014: \$13.3m) due to both rate and headcount
  - Advertising up 18.3% to \$2.5m – more focussed advertising along with change in agency has allowed for budgeted reduction in 2016
- > Other revenue includes \$0.6m Christchurch earthquake insurance claim for rectification works carried out since 2011



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### Section 3: Group Financial Performance

## Singapore (in SG dollars)

- > Sales up 7.9% to \$17.1m (2014: \$15.8m)
- > Case volumes up 6.0%
  - Number of deaths up 1.8%
  - Market share up to 10.3%
- > Average revenue per funeral case up 2.0%
  - No price increases
  - Continued success of packaging
- > EBITDA up 7.4% to \$8.2m (2014: \$7.7m)
- > Margin slight decline to 48.3% from 48.5%



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### Section 3: Group Financial Performance

## Net Profit After Tax

Result highlights:	2015 \$'m	2014 \$'m	Change \$'m	%
<b>Operating EBITDA<sup>(i)</sup></b>	<b>105.4</b>	101.1	4.3	4.3%
Operating margin	24.2%	24.5%	(0.3%)	
Depreciation and amortisation	(20.2)	(19.2)	(1.0)	5.2%
Finance costs	(14.8)	(15.5)	0.7	(4.5%)
Interest income	0.7	0.7	(0.0)	(3.6%)
Business acquisitions costs	(0.1)	(1.2)	1.1	(94.2%)
Share of loss of associates	(0.0)	(0.5)	0.5	(100.0%)
<b>Operating earnings before tax<sup>(i)</sup></b>	<b>71.1</b>	65.4	5.7	8.7%
Income tax on operating earnings <sup>(i)</sup>	(21.7)	(19.2)	(2.5)	13.1%
Effective tax rate	30.6%	29.4%		1.2%
<b>Operating earnings after tax<sup>(i)</sup></b>	<b>49.4</b>	46.2	3.2	6.9%
Operating earnings per share <sup>(i)</sup>	45.1 cents	42.2 cents	2.9 cents	6.9%
Net gain on undelivered prepaid contracts after tax <sup>(i)</sup>	5.3	7.6	(2.4)	
Asset sales gain or (loss) after tax <sup>(i)</sup>	(0.0)	0.4	(0.4)	
Impairment gain after tax <sup>(i)</sup>	0.3	0.4	(0.1)	
Non-controlling interest	(0.1)	(0.1)	(0.0)	
<b>Net profit after tax attributable to ordinary equity holders of InvoCare</b>	<b>54.8</b>	54.5	0.3	0.6%
<b>Basic earnings per share</b>	<b>50.1 cents</b>	49.8 cents	0.3 cents	0.6%
Interim ordinary dividend per share	15.75 cents	15.75 cents	0.00 cents	-
Final ordinary dividend per share	22.25 cents	20.75 cents	1.50 cents	7.2%
Total ordinary dividend per share	38.00 cents	36.50 cents	1.50 cents	4.1%

Comparable  
EBITDA up 7.6% to  
\$108.8m (2014:  
\$101.0m)

Comparable  
operating earnings  
after tax up 14.5% to  
\$53.3m (2014: \$46.6m)

(i) Non-IFRS financial information



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### Section 3: Group Financial Performance

## Debt

### Finance Costs

- > Finance costs down \$0.7m to \$14.8m (2014: \$15.5m) following roll over of higher fixed rate swap contracts
- > Effective interest rate at end Dec 2015 down to 5.4% inclusive of swaps, fees and margins (5.8% at Dec 2014)

### Banking Facility & Hedges

- > Net debt drawn \$222m from total \$290m facilities (Jun 2015: \$228m / Dec 2014: \$219m)
- > 64% of debt hedged with floating to fixed interest rate swaps (Jun 2015: 72% / Dec 2014: 76%)
- > Covenant ratios comfortably met – leverage ratio 2.1 (must be no greater than 3.5) and interest cover 8.3 (must be greater than 3.0)



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### Section 3: Group Financial Performance

## Acquisition costs, Associate and Tax

### Acquisition costs

- > Acquisition related costs \$0.1m down from \$1.2m in 2014, which included USA start-up expenses on \$0.8m

### Associate

- > Investment in on-line memorial associate written down to \$nil, so equity accounting of losses no longer required (2014 loss share \$0.5m)

### Income tax

- > Income tax on operating earnings \$21.7m (2014: \$19.2m), effective tax rate 30.6% - up from 29.4% in 2014 due mainly to the impact of USA tax losses not tax effected



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### Section 3: Group Financial Performance

## Funds Under Management

	December 2015	December 2014
P&L impacts of undelivered contracts:		
FUM earnings	19.8	24.8
Service delivery liability increase	(12.3)	(13.9)
Net pre-tax gain on undelivered contracts	\$7.5m	\$10.9m
Total FUM	\$422.3m	\$401.0m
% in equities	17%	10%
% in property	26%	16%
% in cash & fixed interest	57%	74%

- > 2014 earnings included benefit of a property sale not repeated in 2015
- > Shift in asset mix from cash and fixed interest to property and equity



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### Section 3: Group Financial Performance

## Cashflow Highlights

	2015	2014
Net cash inflows from operations	64.6	69.7
Purchase of property, plant & equipment	(22.0)	(26.7)
Net movements from prepaid contract sales	1.7	2.1
Proceeds from sale of property, plant & equipment	1.1	1.0
Purchase of businesses (including property)	(7.1)	(6.7)
Deferred employee share plan purchases	-	(1.2)
Net increase / (decrease) in borrowings	0.1	2.3
Payment of dividends	(40.2)	(38.8)
Conversion of Operating EBITDA to ungeared, pre-tax cash flow	97%	106%



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### Section 3: Group Financial Performance

## Dividends

- > Fully franked final dividend of 22.25 cents per share (2014: 20.75 cents)
  - Ex dividend date 4 March 2016
  - Record date 8 March 2016
  - DRP election date 9 March 2016
  - Payable date 8 April 2016
- > DRP remains activated for final dividend and shares will be purchased on market
- > Total dividend for 2015 of 38.0 cents per share representing payout ratio of 85% of operating earnings after tax and non controlling interests
- > Dividend policy (minimum 75% payout) continues to provide reliable returns to investors since listing in December 2003



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### Section 3: Group Financial Performance

## Shareholder value creation

- > Since listing IVC has returned an annualised 21.3% for shareholders, far exceeding ASX200 performance

Growth of \$1 in IVC with all dividends reinvested vs ASX 200 accumulation index



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### Section 4

## The Year Ahead



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#### Section 4: The Year Ahead

### Core Business

*A review of the Business by the Management and the Board concluded that no fundamental change in strategy is required, but there is potential to extract greater benefit from existing assets.*

- > Business fundamentals of the core markets remain strong
- > Greater potential for operational efficiencies especially with regard to extracting operating synergies from acquisitions
- > On-going opportunity for market share improvements from existing assets
- > Significant opportunity to deliver increased shareholder returns through more efficient deployment of capital (e.g. network optimisation)
- > The ability to secure new assets in core markets at the right price is becoming more difficult, however, acquisition opportunities still exist in core markets. In the longer term IVC will continue to investigate opportunities in new markets.



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#### Section 4: The Year Ahead

### Key Challenges

- > USA business plan proving harder to implement than anticipated
  - Business is being re-calibrated to better reflect current revenue
- > The competitive dynamics associated with the smaller regional / rural markets continue to require significant management attention
- > The market continues to accept price increases, although the physical assets have to provide an attractive product to maintain market share
- > Education of client families on the true value of a funeral service in order to maintain case average values over time



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#### Section 4: The Year Ahead

### Key Initiatives

- > Greater focus on capital allocation
  - Acquisitions, re-investments, divestments, funds under management
- > Increasing revenue from existing assets
  - Market share increases
  - Improved product offerings and cross selling
- > Increasing efficiency
  - Standardising business systems and processes
  - Network optimisation
- > Projects that support these key initiatives have been budgeted for 2016 and key appointments have been made
- > Project benefits will begin to flow in H2 2016 with increasing impact in 2017 and beyond



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#### Section 4: The Year Ahead

### Summary and Outlook

- > Performance in 2015 met budget driven by a strong second half of the year
- > The key markets of Australia, New Zealand and Singapore remain stable and the number of deaths are forecast to continue to grow
- > Initiatives have been put in place to address the challenges outlined in this presentation
- > It is envisaged that performance growth in the short term will be consistent with the last 12 months
- > The longer term should be positively impacted by the project investments



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## Questions



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## 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.



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