

InvoCare

UBS Investor Conference

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Why Protect & Grow?

This presentation addresses the key questions that have arisen since the Protect & Grow (P&G) strategy was announced in February 2018.

1. Why change the IVC business model?
2. What impact is price having?
3. How will P&G improve market share?
4. Is the P&G strategy working?
5. When will P&G be completed?
6. Why regional acquisitions?
7. Impact of winter trading?

Q1: Why change the business model?

- > Traditional business model relied on acquisitions in ANZ capitals and above CPI increases in price to drive revenue growth
- > Strong total shareholder return since IVC floated
- > In 2015 IVC announced an inflection point where it would be hard to deliver historic returns using the traditional business model
- > The need to change was driven by:
 - Customer preferences were changing; and
 - Acquisition opportunities in core markets decreasing as IVC had dominant market share in these markets
- > **IVC had to amend its business model to meet the changing needs of customers**

Q1: Why Change the Business Model?

Boomers now do things they delayed during their working life, with a focus on “the experience” (new relationships, homes, travel, education and volunteering)

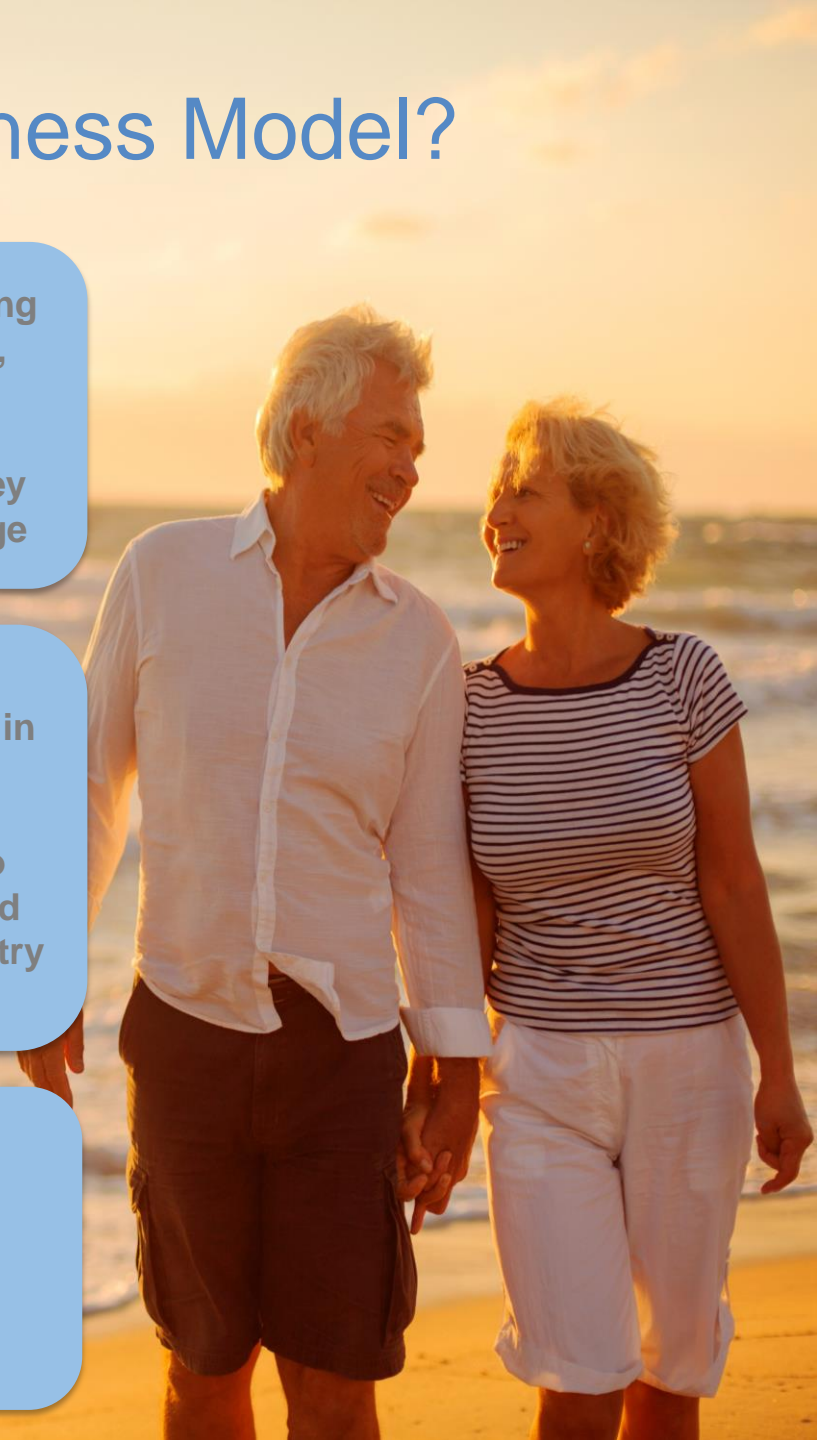
More than half of older Australians feel younger than they actually are; 54% claim they feel less than 50 years of age

There is a declining trust in all institutions (church, government, media and corporations) and a rising trust in people like themselves.

Trend to localism (as opposed to globalism); seeking to connect with like minded people near them (physical and on-line). They want local products/experiences, as they try to make their lives more authentic and engaging

Not returning to religion but seeking meaning in the life they choose to lead and are keen to establish a legacy

Over 55s want new challenges to make more of their life and ensure they finish life with a story to tell and they want their story to be told at their funeral



What does this mean to InvoCare?

- > Boomers are having a significant influence on funerals - they are looking for a more up-lifting / memorable experience
- > Focused on creating an experience (celebration of life) and getting their story told
- > More prescriptive about how the funeral will be conducted
- > They are looking for more quality of life and are moving to regional areas (out of traditional IVC core markets)
- > **Our locations and service proposition need to be improved to be able to deliver a greater level of “experience”**

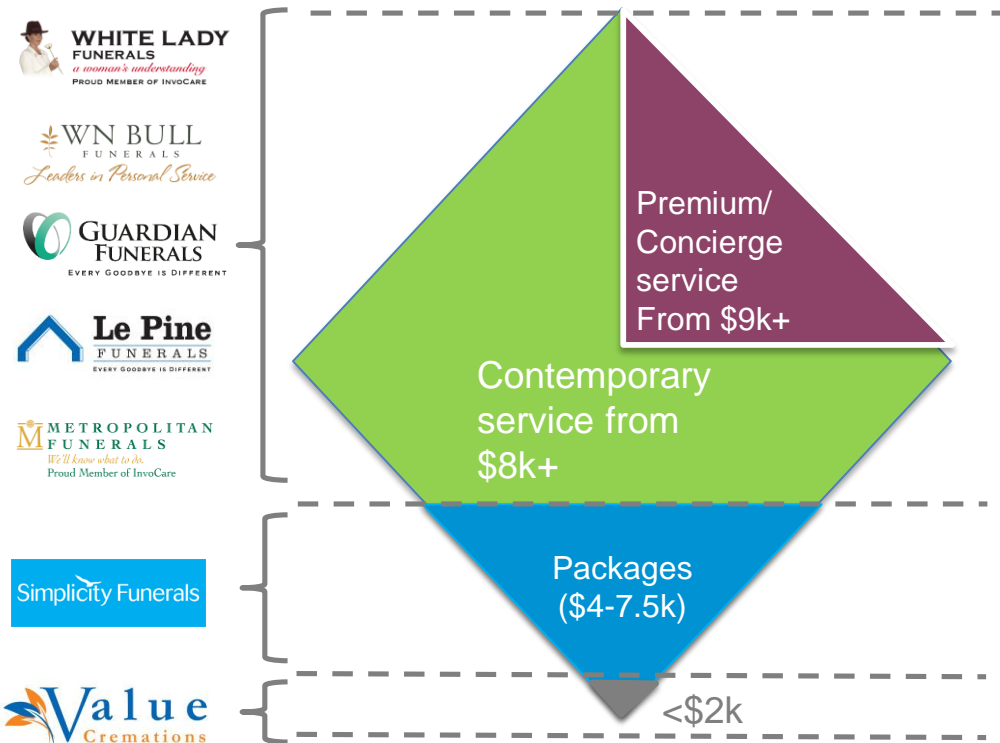
Q2: What impact is price having?

IVC segmented its brand and product offering over 30 years ago (as opposed to the UK currently going through this process)

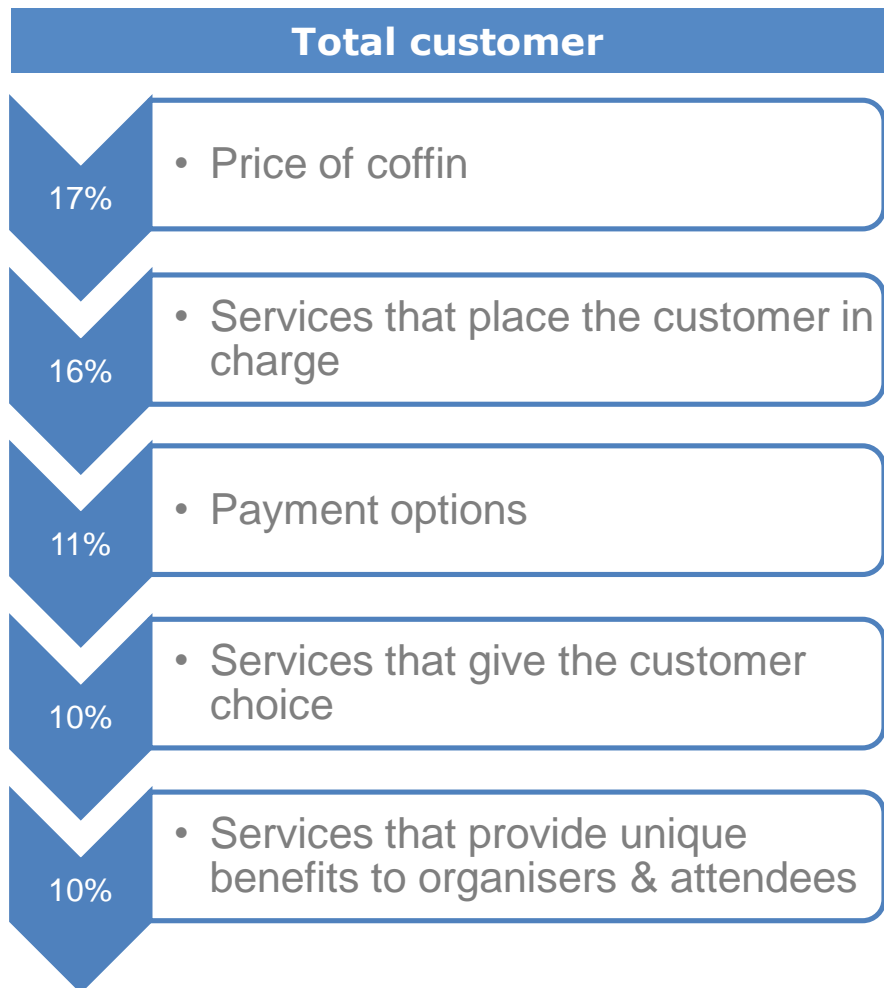
IVC has developed brands against 4 key pricing segments:

- > Low end – Value Cremations
- > Affordable – Simplicity
- > Mid to high – Guardian/Heritage
- > Bespoke – White Lady

About 30% of traditional customers compare prices and service, less so in the national brands where people have already self selected



Key price drivers when considering a Funeral provider



- > Customers are more price aware (not necessarily price conscious) and place different value on each component of a funeral service
- > Increasing awareness on commodities (coffins / flowers)
- > Customers value the professional services provided (arrangement of service / mortuary care)
- > Price transparency is now expected (expect to see prices online)
- > Product bundling and packaging is more accepted
- > Customers want more choice
- > Customers want a better experience

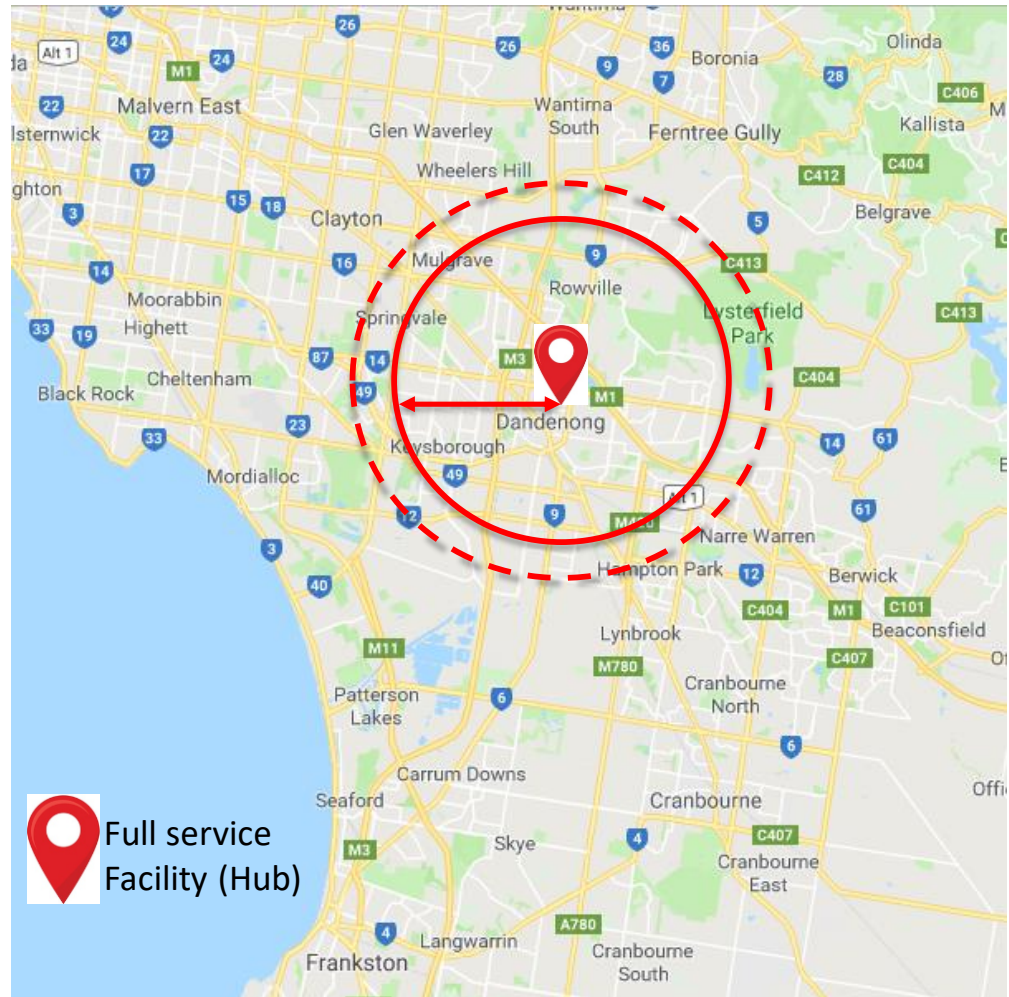
Cost perception and value for money

- > 81% of IVC customers surveyed stated the price they were quoted met or was below their expectations;
- > IVC focus is on matching the right brand for the customer needs
- > IVC will continue to innovate and offer customers more options and choice to provide value for money
- > **The key issue is that customers are seeking value for money – it is not all about the price but rather the level of service offered**

Q3: How will P&G improve market share?

Market share driven by:

1. Get the right brand into the right market
2. Ensure a Local Leader is embedded in the community
3. Improved product proposition to appeal to more customers within existing catchment area
4. Improved product also extends the existing catchment zone
5. Reach more customers by co-locating premium service (White Lady Funerals) in addition to traditional brands



Funeral Home: Le Pine Dandenong, VIC

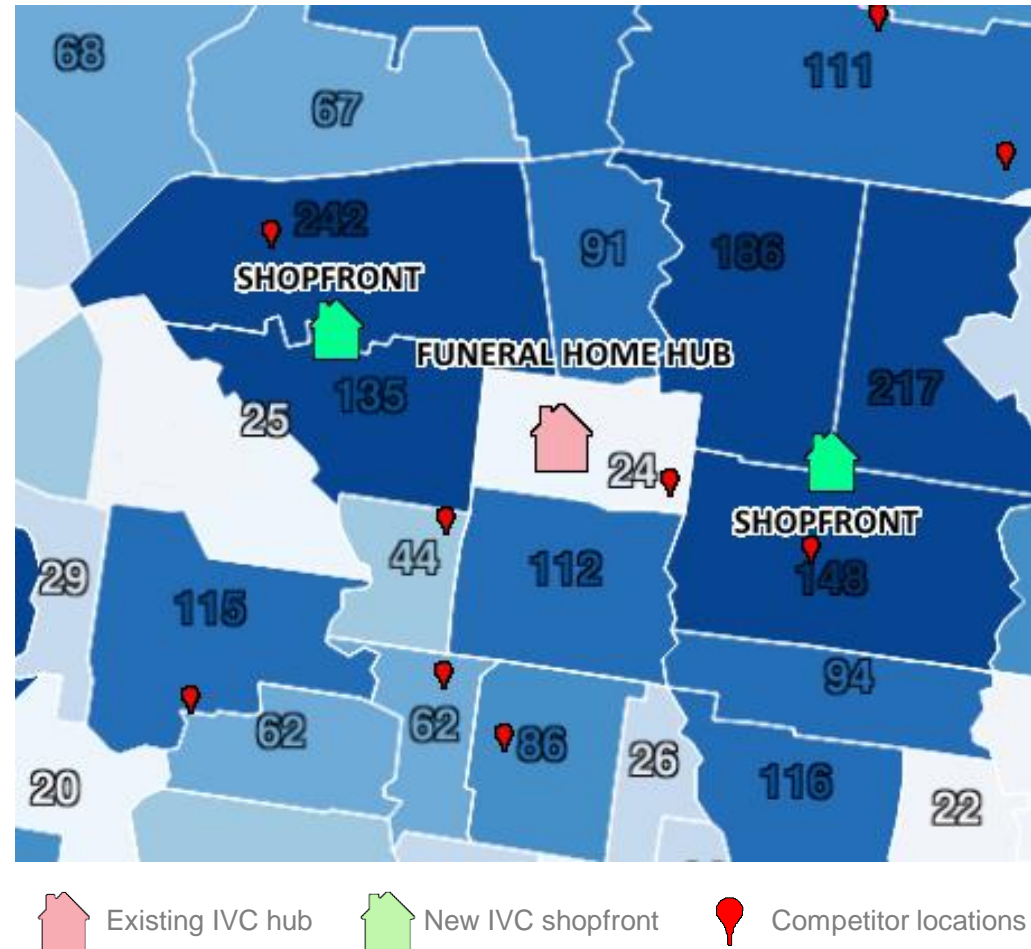


Hub 'n' Spoke model

Establish shop fronts into new catchment zones where currently no presence

People arrange locally (15 mins of shop front) but will travel 30 mins for the service

However will only travel if the quality of the “hub” is of sufficiently high quality



Growing market share – Hub ‘n’ Spoke model

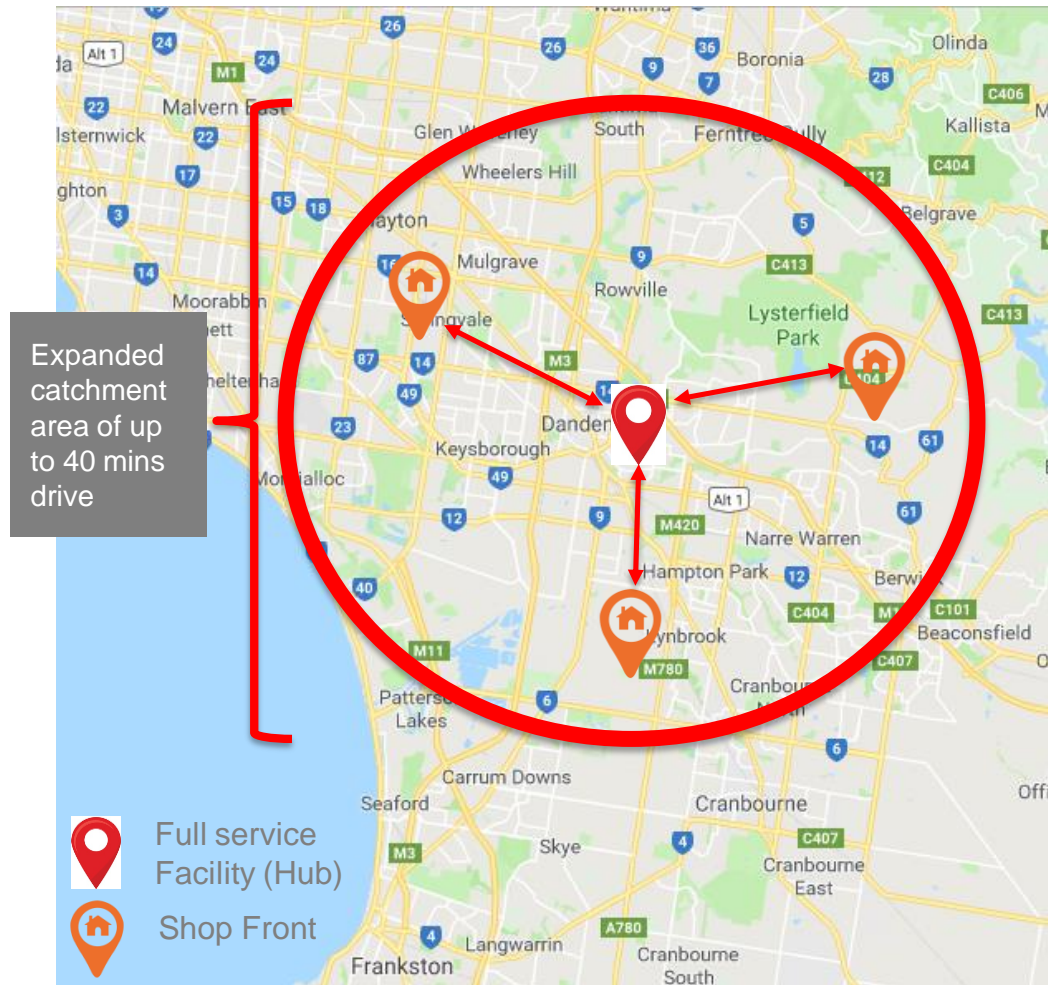
The result ultimately allows a single full service hub to broaden its catchment area

By leveraging its shopfront network, IVC can increase its market share by attracting customers who reside outside of the immediate community of the hub

Summary of P&G Renovations:

- 58 - Refreshed Shopfronts
- 72 - Refreshed Funeral Homes
- 34 - Enhanced Funeral Homes
- 57 - New Shopfronts

221 Total Sites Renovated



Key assumptions in P&G model

- > P&G will increase market share from circa 33% to circa 40% across a ten year period (excluding impact of acquisitions)

	5 Year	10 Year
Refreshed Shopfronts	4.9%	3.5%
Refreshed Funeral Homes	5.5%	3.9%
Enhanced Funeral Homes	9.4%	5.7%
New Growth Shopfronts	28.0%	13.0%

- > Case average (price per funeral) to increase by between 3-4% pa. This will rely on increasing sales of additional product rather than above average CPI on existing product
- > Return on investment circa 15% (on incremental funds)
- > Payback period 6-7 years

Q4: Is the P&G strategy working?

- > IVC reported in August the P&G strategy was over-performing against the business case, however caveated it was in early ramp up
- > Approximately 50% of renovated locations were performing ahead of expectations and 30% were below expectations
- > At sites which are under-performing it was clear at least one of the key areas that determine success (quality of location, local leader, marketing) was in need of improvement
- > Other key indicators:
 - > NPS score increase from 68% to 77% (rolling 12 month)
 - > Holding market share PCP (excluding impact of NBO)
- > Key Lessons learnt to date – focus needs to be on either a “light refresh” (to deliver a modern look and feel) or a “heavy enhance (need to deliver wow factor of one-stop-shop)

Customer Feedback



“Today I attended the opening of the George Hartnett Metropolitan funerals office at Arana Hills, managed by Robin Drury. **What a wonderful and welcoming branch. The decor is warm and has a real homey feel to it.** Robins warm personality is calming and I wish him well for the future of this gorgeous branch.”

27 June 2018 (Facebook)



“The team at Le Pine Funerals Dandenong are terrific to work with. They are caring, friendly and work so hard to help their local community. I have attended two of their Community seminars. One relating to Dementia and the other was about helping people when they are grieving. Both seminars were excellent. I highly recommend this team and their **beautiful new chapel** if you are looking for assistance when someone you love passes away.”

26 July 2018 (Google)

Q5: When will P&G be complete?

- > Good progress is being made - total number of renovated sites will reach 40% by the end of 2018
- > The current intention is for renovation work to be mainly completed by the end of 2020
- > The pilot stage of our new business system is planned to go live on 1 December and full rollout in 2019
- > The first three stand alone operational centres are underway and will be completed by Q2 2019 with the balance implemented in line with the P&G program
- > The culture program has commenced and will be an on-going focus for IVC as part of its business as usual operations

Q6: Why are regional acquisitions on your agenda?

Market share growth opportunity

- > Regulatory restraints prevents large scale growth through acquisitions in metropolitan areas in ANZ capitals
- > IVC has an estimated market share of 5% in regional / rural areas, compared with circa 32% in metropolitan areas

The grey nomads are retiring in regional areas

- > The Baby Boomers are moving out of the metropolitan areas and into regional centres north and south of the main capital cities
- > This trend makes these markets increasingly attractive in the longer term

Why now?

- > Competitor activity has increased within the market
- > Positive response from potential vendors has exceeded our expectations

Q6: Acquisition Summary 2018

Australia		Funeral Cases	Cremation Cases	Revenue	Completion
Hastings Funerals, Port Macquarie NSW	Regional	400	-	A\$2.7m	Sep 2018
Harrison Funerals, Ballarat VIC	Regional	150	-	A\$1.0m	Sep 2018
Grafton & District Funerals, Grafton NSW	Regional	300	-	A\$2.0m	Aug 2018
Archer & Sons, Bunbury WA	Regional	330	-	A\$2.4m	Jul 2018
English Rose Funerals, Adelaide SA	Metro	140	-	A\$0.7m	Jul 2018
Lester & Son, Albury / Wodonga VIC/NSW	Regional	460	200	A\$3.5m	Jul 2018
Southern Highlands Funerals, NSW	Regional	100	-	A\$0.7m	Jun 2018
J.A Dunn Funeral Services, Launceston, TAS	Regional	200	-	A\$1.0m	Mar 2018
TOTAL		2,080	200	A\$14.0m	

New Zealand

William Morrison Funerals, Auckland	Metro	950	720	NZ\$5.2m	Aug 2018
Hope & Sons Funeral Directors, Dunedin	Regional	650	470	NZ\$5.8m	Jun 2018
Whitestone Funerals, Oamaru	Regional	130	90	NZ\$1.0m	Jun 2018
TOTAL		1,730	1,280	NZ\$12.0m	

Note: Figures are approximate per annum

Q7: What was the impact of winter trading?

- > Restating the advice provided to the market in October
- > Number of deaths was down circa 6% over the winter period (up to 8% in key markets of NSW and Victoria)
- > A 1% decline in deaths equates to circa \$3m loss in revenue for the funeral business and a \$0.7m decline in the cemetery division
- > The estimate of lost revenue due to volume decline is circa \$17m
- > The high level of fixed overheads means that most of this revenue falls to the bottom line
- > Our analysis of past volume data suggests that it is very rare that there are two consecutive years of declining number of deaths



Questions?