

Investor Presentation

2012 Half Year Results

August 2012

Presenters:

Andrew Smith CEO

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2012 Half Year Highlights

- Solid first half supported by annualisation and synergy benefits of Bledisloe
- Comparable business - growth in sales & EBITDA, higher operating leverage and strong cash conversion
- Headwinds from lower numbers of deaths, memorialisation rate and anticipated mix shift of deaths to lower average states
- Significant prepaid funds earnings improvement used to offset the future service delivery liability previously recognised in H2 now proportionally recognised in H1
- Interim dividend 15.0 cents - payout 87% of operating earnings



2012 Half Year Highlights (continued)

- Revenue growth pillars evident in 2012:
 - Favourable demographics ✗
 - Pricing / average contract values ✓ / ✗
 - Market share improvements ✓
 - Prepaid contracts ✓
 - New locations annualisation/New Locations ✓ / ✓
 - Business acquisitions ✓
- Operating leverage continued
- Business model is re-affirmed



Financial Highlights

Result highlights:	Comparable	Growth on PCP	Bledisloe	Total Group	Growth on PCP
Total sales to external customers	\$141.8m	3.6%	\$33.0m	\$174.8m	24.5%
Operating EBITDA ⁽ⁱ⁾	\$36.3m	5.1%	\$6.3m	\$42.6m	21.3%
<i>Operating Margin</i>	25.6%	0.4%	19.1%	24.4%	(0.6%)
Operating earnings before tax ⁽ⁱ⁾	\$24.7m	12.4%	\$2.3m	\$27.0m	21.3%
Operating earnings after tax ⁽ⁱ⁾	\$17.5m	15.2%	\$1.4m	\$19.0m	23.2%
<i>Operating earnings per share</i> ⁽ⁱ⁾	16.0 cents	8.1%	1.3 cents	17.3 cents	15.3%
Net profit after tax attributable to InvoCare shareholders	\$18.9m	32.7%	\$1.4m	\$20.3m	40.4%
<i>Basic earnings per share</i>	17.3 cents	15.3%	1.3 cents	18.6 cents	31.9%

(i) Non-IFRS financial information



Bledisloe business

- Acquired 15 June 2011
- Performance and integration in line with expectations
- Sales \$33.0m (Aust funerals \$17.1m; Aust cem/crem \$1.7m; NZ sales \$14.2m)
- Delivered \$3.2m in annualised synergies at 30 June & further \$0.3m planned in H2 2012
- Still on track to deliver \$3.5m in annualised synergies by 2013
- Maintainable Operating EBITDA⁽ⁱ⁾ of around \$14m

(i) Non-IFRS financial information



Operational Highlights

	2012 \$'million	2011 \$'million	Change \$'million	%
Sales Revenue				
Australia	136.4	132.3	4.2	3.1%
Singapore	5.4	4.6	0.8	16.5%
Comparable businesses	141.8	136.9	4.9	3.6%
Bledisloe	33.0	3.5	29.5	
Total Sales	174.8	140.4	34.4	24.5%
EBITDA				
Australia	33.5	32.3	1.2	3.8%
Singapore	2.8	2.3	0.5	23.4%
Comparable businesses	36.3	34.6	1.8	5.1%
Bledisloe	6.3	0.6	5.7	
Total EBITDA	42.6	35.1	7.5	21.3%



Operational Highlights (continued)

	2012 %	2011 %	Change %
% Margin on sales			
Comparable businesses			
Australia	24.6%	24.4%	0.2%
Singapore	51.9%	49.0%	2.9%
Comparable businesses	25.6%	25.2%	0.4%
Bledisloe	19.1%	16.7%	
Total % Margin on sales	24.4%	25.0%	(0.6%)

- Comparable business margin improvement with cost management
- Lower margin Bledisloe business has improved but lowers overall Group margin



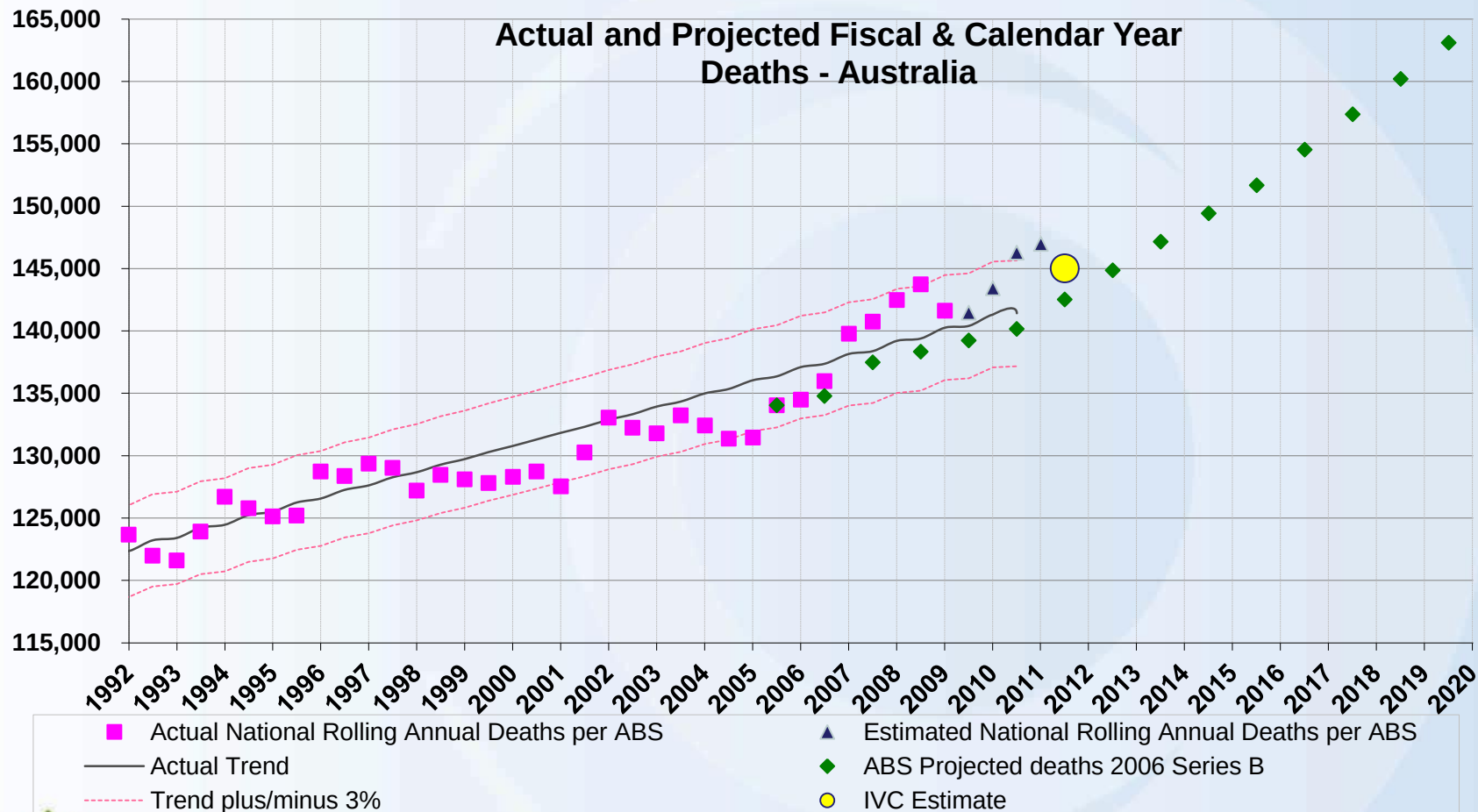
Operational Highlights (continued)

Australian Funeral Market

- Comparable funeral sales up 4.2% to \$106.7m
- Case volumes in line with PCP, number of deaths slightly down
- Marginal market share growth despite increased competition
- Overall national funeral case average lower than price increases caused by some mix shift to:
 - lower average states (eg. from Vic to Qld)
 - lower priced brands (eg. Simplicity)
- ABS data for H2 2011 shows national trend of higher number of deaths, contrary to IVC's overall experience in its Australian markets. ABS yet to release its early 2012 estimates.



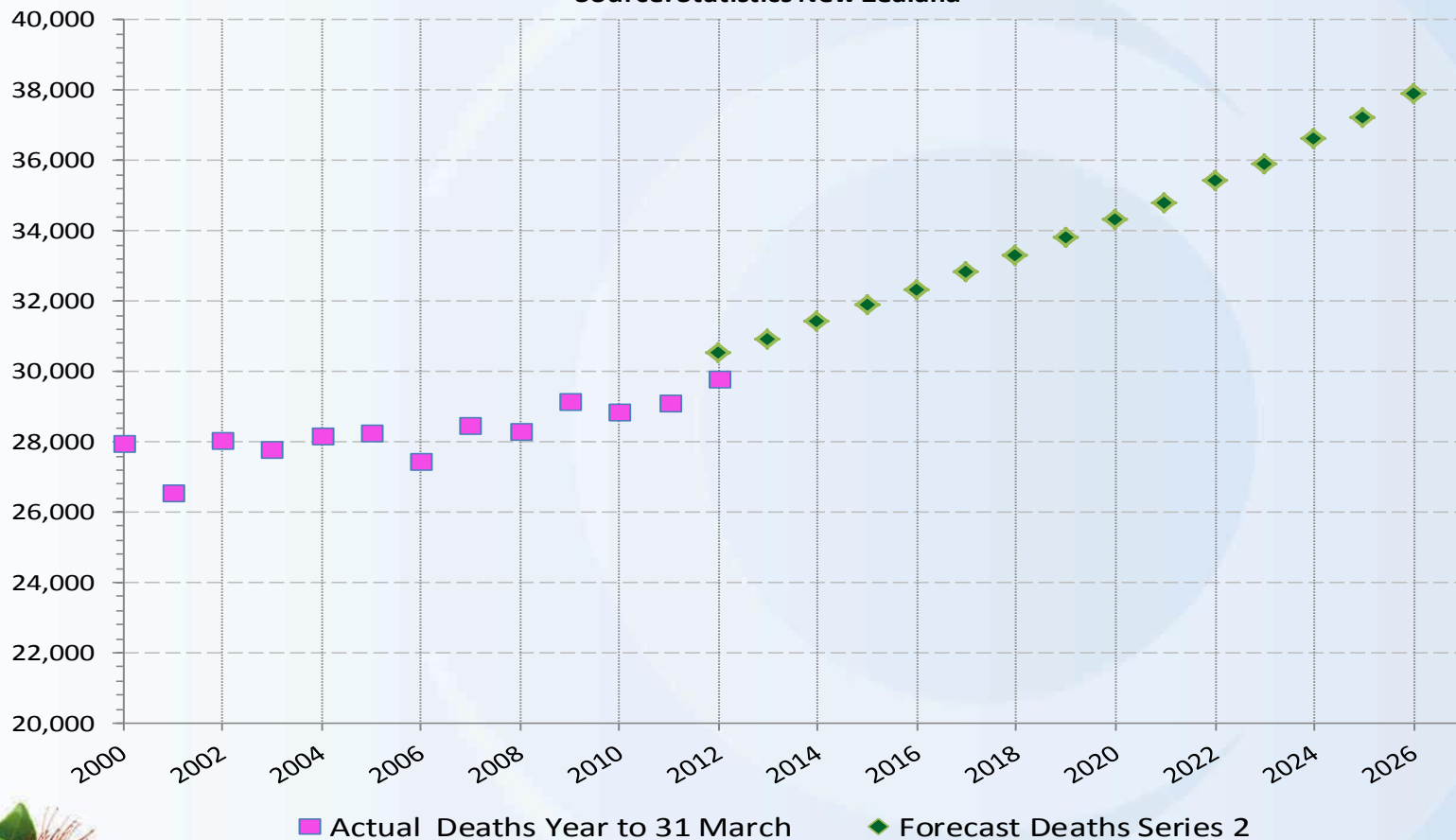
Operational Highlights (continued)



Operational Highlights (continued)

New Zealand - Deaths By Year

Source: Statistics New Zealand



Financial Highlights (continued)

Singapore Funeral Market (in local SGD currency)

2012 vs 2011

Half Year

Revenue	↑	16.8%	to	\$7.0m
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EBITDA	↑	23.7%	to	\$3.6m
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EBITDA Margin	↑	2.9%	to	51.9%
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Av. Contract value	↑	9.0%	(packages)
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Case Volume	↑	7.1%	(market share, parlour refurbs & Simplicity)
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Financial Highlights (continued)

New Funeral Locations

- 1 new location opened (NZ) in 2012 (2 since June 2011)
- 37 net new locations opened from 2006 to 2011
 - Revenues \$8.7m (2011: \$8.3m)
 - EBITDA \$3.1m (2011: \$2.9m)
 - Before shared services cost allocations
 - Difficult to accurately quantify incremental contribution
- EBITDA margins improve as new locations become established



Operational Highlights (continued)

Cemeteries & Crematoria Market

- Comparable sales revenue up 2.0% to \$34.4m
- At need service volumes increased 5.4%
 - slight increase in deaths in NSW & QLD markets where this division operates
 - SE QLD remains competitive
- Memorial sales adversely impacted by:
 - Trend of lower memorialisation rate
 - Large contract sales (> \$15K) tracking 7% down
- Revenue supported by memorial construction from deferred revenue pool



Operational Highlights (continued)

Prepaid Funeral Sales & Redemptions

	2012 v 2011	2011 v 2010
■ Number of contracts sold	↑ 4.7%	↑ 13.1%
■ Average contract value	↑ 7.8%	↑ 2.1%
■ % by which new contracts exceed redemptions	↑ 14.3%	↑ 22.9%
■ % of IVC's Australian funerals that were prepaid	13.3%	13.5%



Operational Highlights (continued)

Prepaid Funds Under Management

	2012	2011
% of FUM in equities	6%	41%
% of FUM in cash & fixed interest	83%	46%
Net pre-tax loss on undelivered contracts	(\$0.6m)	(\$1.3m)
Comprising:		
FUM Earnings	\$8.2m	\$0.0m
Service delivery liability increase	(\$8.8m)	(\$1.3m)

- Solid FUM earnings with asset tilt away from volatile equities
- Liability increase progressively booked during 2012 based on expected price increases rather than at time of price increase which previously impacted H2 significantly more than H1



Operational Highlights (continued)

Investment in Innovation

- Northern Suburbs Crematorium new function centre in Sydney
 - catered for >15,000 guests within 4 months of opening
- LifeArt environmental and personalised coffins
- Trialling environmentally friendly services in WA (“Green Endings”)
- Investing to create more contemporary look in traditional funeral homes



Operational Highlights (continued)

Investment in Digital & Social Media

- Continuing investment in HeavenAddress.com:
 - Universal online memorial community
 - 27.6% interest
 - Site hits from zero to annualised one million in 2 years
 - Uptake 35% of IVC funerals, in some markets 70%
 - Ongoing development of site functionality



Operational Highlights (continued)

Investment in Digital & Social Media (continued)

- Redefining digital business strategy to support customer experience, for example:
 - Roll out tablets and smart phones for front end customer support
 - Investigating online funeral arrangements
 - Upgrading look and feel of websites



Financial Highlights

Result highlights:	2012	2011	Change	
	\$'millions	\$'millions	\$'millions	%
Total sales to external customers	174.8	140.4	34.4	24.5%
Other revenue	3.4	2.8	0.6	21.6%
Operating expenses ⁽ⁱ⁾	(135.5)	(108.1)	(27.5)	25.4%
Operating EBITDA ⁽ⁱ⁾	42.6	35.1	7.5	21.3%
<i>Operating Margin</i>	24.4%	25.0%		(0.6%)
Depreciation and amortisation	(8.0)	(5.9)	(2.0)	34.3%
Finance costs	(8.1)	(6.3)	(1.8)	28.0%
Interest income	0.4	0.4	0.1	16.5%
Business acquisition costs	0.0	(1.0)	1.0	(102.0%)
Operating earnings before tax ⁽ⁱ⁾	27.0	22.3	4.7	21.3%
Income tax on above operating earnings ⁽ⁱ⁾	(8.1)	(6.9)	(1.2)	17.0%
<i>Effective tax rate</i>	29.8%	30.9%		(1.1%)
Operating earnings after tax ⁽ⁱ⁾	19.0	15.4	3.6	23.2%
<i>Operating earnings per share ⁽ⁱ⁾</i>	17.3 cents	15.0 cents	2.3 cents	15.3%

(i) Non-IFRS financial information



Financial Highlights (continued)

Result highlights:	2012 \$'millions	2011 \$'millions	Change \$'millions	%
Operating earnings after tax ⁽ⁱ⁾	19.0	15.4	3.6	23.2%
<i>Operating earnings per share ⁽ⁱ⁾</i>	<i>17.3 cents</i>	<i>15.0 cents</i>	<i>2.3 cents</i>	<i>15.3%</i>
Net (loss) on undelivered prepaid contracts after tax ⁽ⁱ⁾	(0.4)	(0.9)	0.5	
Asset sale gains after tax ⁽ⁱ⁾	1.8	0.0	1.8	
Non-controlling interest	(0.1)	(0.1)	(0.0)	
Net profit after tax attributable to InvoCare shareholders	20.3	14.5	5.9	40.4%
<i>Basic earnings per share</i>	<i>18.6 cents</i>	<i>14.1 cents</i>	<i>4.5 cents</i>	<i>31.9%</i>

(i) Non-IFRS financial information



Financial Highlights (continued)

Operating Costs

- Operating Costs \$135.5m, up 25.5% from 2011: \$108.0m
- Bledisloe \$26.9m (2011: \$3.0m)
- Comparative business \$108.6m up 3.4% from 2011: \$105.0m
- Highlights:
 - Base labour rate increases generally contained to approx. 3.5%
 - Additional, newly created roles (incl. COO Australia, CIO, NSW & Qld State General Managers)
 - Phasing of main media spend – Radio & TV
 - Supplier cost management lowered cost of goods sold



Financial Highlights (continued)

Finance Costs

- Finance costs up due to Bledisloe to \$8.1m (2011: \$6.3m)

Gains on asset disposal

- Sale of St Kilda Le Pine site in H1 for \$2.6m (\$1.8m after tax gain)
- Contracts exchanged for another Melbourne funeral home in Brunswick:
 - Proceeds \$4.5m and \$1.8m before tax gain expected upon settlement in H1 2013



Financial Highlights (continued)

Income Tax

- Effective tax rate on Reported Profit 27.7.% (2011: 31.0%)
- Effective tax rate on Operating earnings 29.8% (2011: 30.9%)
- Lower Singapore rate (17% vs Australian 30%)
- Lower New Zealand rate (28% vs Australian 30%)
- Capital gain on sale of St Kilda property offset by capital losses



Financial Highlights (continued)

Cash flow highlights

	2012	2011
■ Net cash inflows from operations	\$23.3m	\$21.1m
■ Purchase of property, plant & equipment	(\$8.3m)	(\$7.5m)
■ Proceeds from sale of property, plant & equipment	\$2.9m	\$0.0m
■ Purchase of businesses (including property)	\$0.0m	(\$42.4m)
■ Deferred employee share plan purchases	(\$1.3m)	(\$1.2m)
■ Net increase / (decrease) in borrowings	\$8.9m	\$46.1m
■ Payment of dividends	(\$17.9m)	(\$14.2m)
■ Conversion of Operating EBITDA to ungeared, pre-tax cash flow	99.5%	101.6%



Financial Highlights (continued)

Capital Management

Dividends

- Fully franked interim dividend of 15.0 cents per share (2011: 13.5 cents)
 - Ex dividend date 10 September 2012
 - Record date 14 September 2012
 - Payable date 5 October 2012
- DRP remains activated for interim dividend and shares will be purchased on market
- Dividend payout ratio 87% out of operating earnings after tax



Financial Highlights (continued)

Capital Management (continued)

Banking Facility & Hedges

- Net debt \$211m (December 2011 \$208m; June 2011 \$230m)
- 90% of debt hedged with floating to fixed interest rate swaps (Dec 2011 94%; June 2011: 74%)
- Headroom debt available \$40m
- Covenant ratios comfortably met
- Effective interest rate 6.7%, inclusive of swaps, fees & margins



2012 Outlook & Beyond

- Funeral cases up approx 3.5% in six weeks since 30 June against same period last year
- Some improvement in memorial sales adding to deferred revenue pool
- Bledisloe on track and will continue to contribute to H2 growth
- Continued improvement in returns on funds under management
- Smaller acquisition discussions continue, with no certainty on success or timing
- Three new funeral homes planned for H2 with minor contribution to 2012 results
- Caution using early weeks of H2 as indicator of H2 or 2012 full year result



Summary

- Solid first half:
 - Bledisloe acquisition on track
 - Marginal improvement in comparative market share and leverage
 - Despite lower deaths and memorial sales
 - Funds under management earnings improved
 - Cash conversion near 100%
- Since half year end experienced increased case volumes, some improvement in memorialisation and continued improvement in FUM earnings
- Proven business model with robust pillars of growth



Disclaimer

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