

Macquarie Connections

Australia / New Zealand Corporate Day 2012

September 2012

Presenter:
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Managing Director



Financial Overview

Summary Results:	12 months to 30 June 2012
	\$AUD'million
Total sales to external customers	355.5
Operating EBITDA ⁽ⁱ⁾	89.3
<i>Operating Margin</i>	25.1%
Operating earnings after tax ⁽ⁱ⁾	40.0
<i>Operating earnings per share ⁽ⁱ⁾</i>	36.8 cents
<i>Dividends per share</i>	31.3 cents
Net profit after tax attributable to InvoCare shareholders	32.9
(i) Non IFRS financial information	

- Strong EBITDA to cash conversions of approx 100%



Operational Overview

Summary Results:	12 Months to 30 June 2012
	\$AUD'million
Sales Revenue	
Australia	
- Funerals	243.7
- Cemeteries and crematoria	72.7
Total Australia	316.4
Singapore	10.3
New Zealand	28.8
Total Sales	355.5

- Market leader in Australia, New Zealand & Singapore



InvoCare Business Model

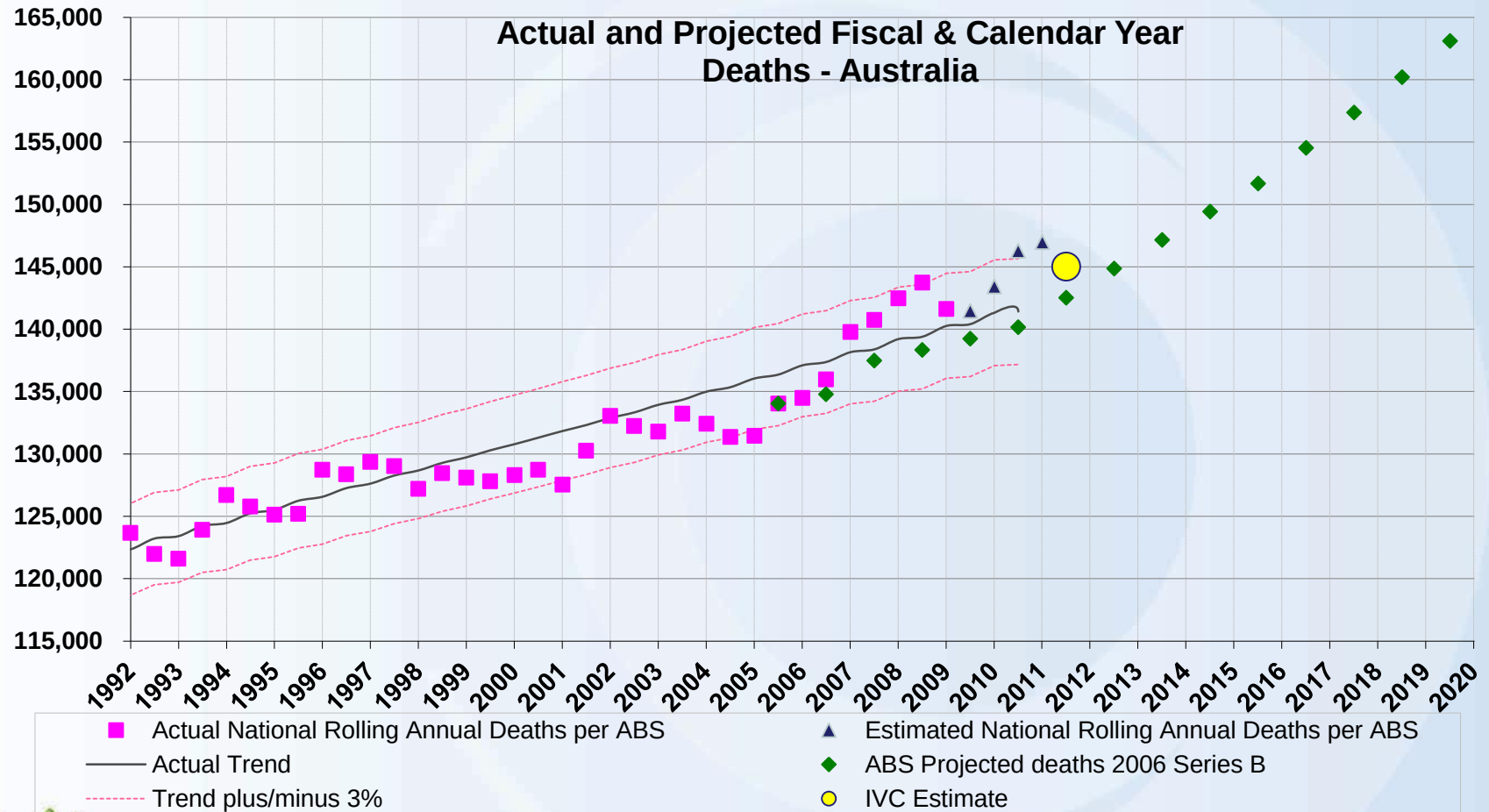
■ Revenue growth pillars:

1. Favourable demographics	1%
2. Pricing / average contract values	3 -4%
3. Market share improvements	1%
4. Prepaid contracts	1%
5. New locations annualisation / new locations	(in mkt share)
6. Business acquisitions	<u>TBA</u>
	<u>6 – 7%</u>

■ Operating leverage: EBITDA Growth 7 – 8%



Revenue Growth Pillar 1: Demographics

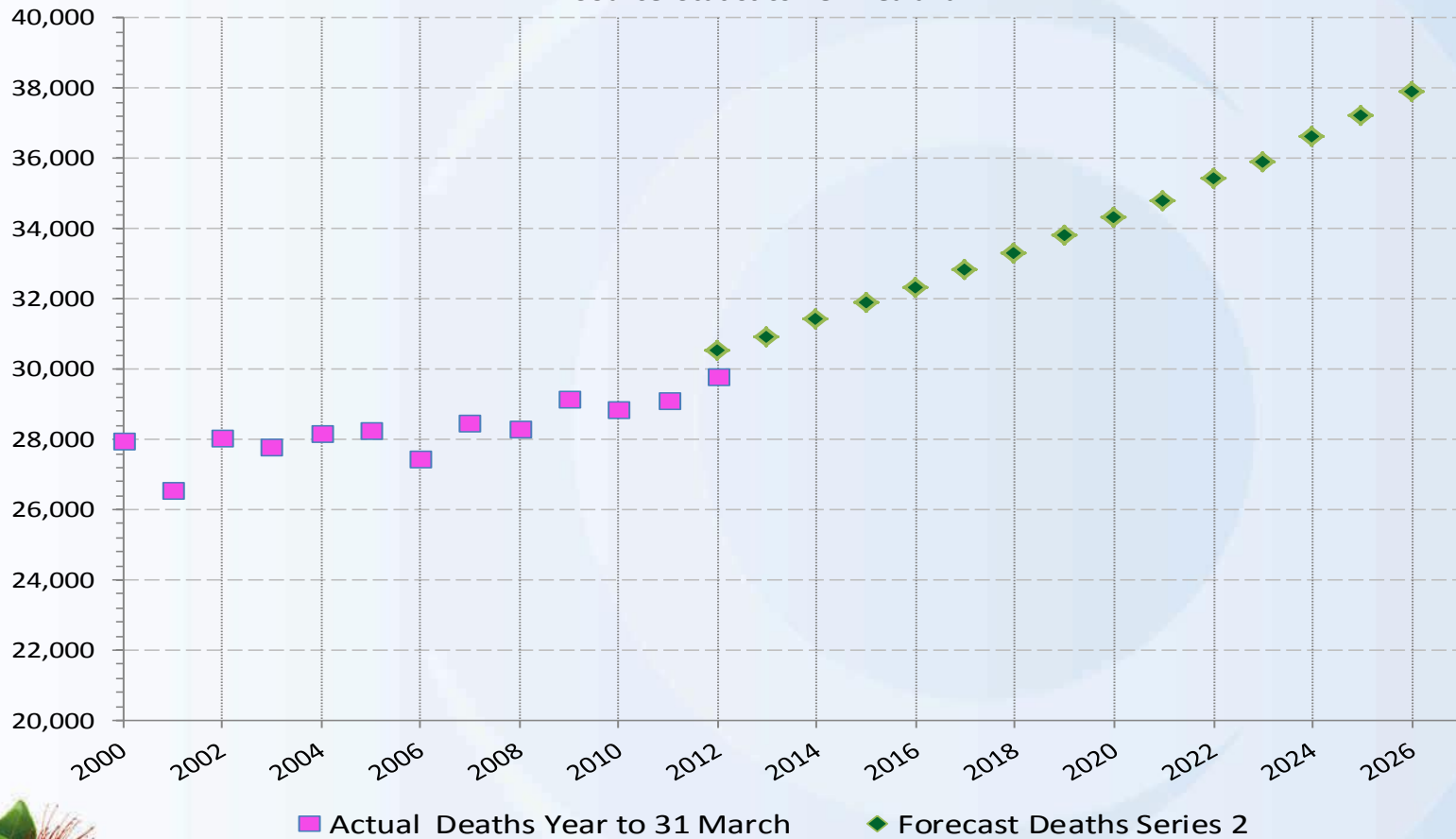


Revenue Growth Pillar 1: Demographics

(continued)

New Zealand - Deaths By Year

Source: Statistics New Zealand



Revenue Growth Pillar 2:

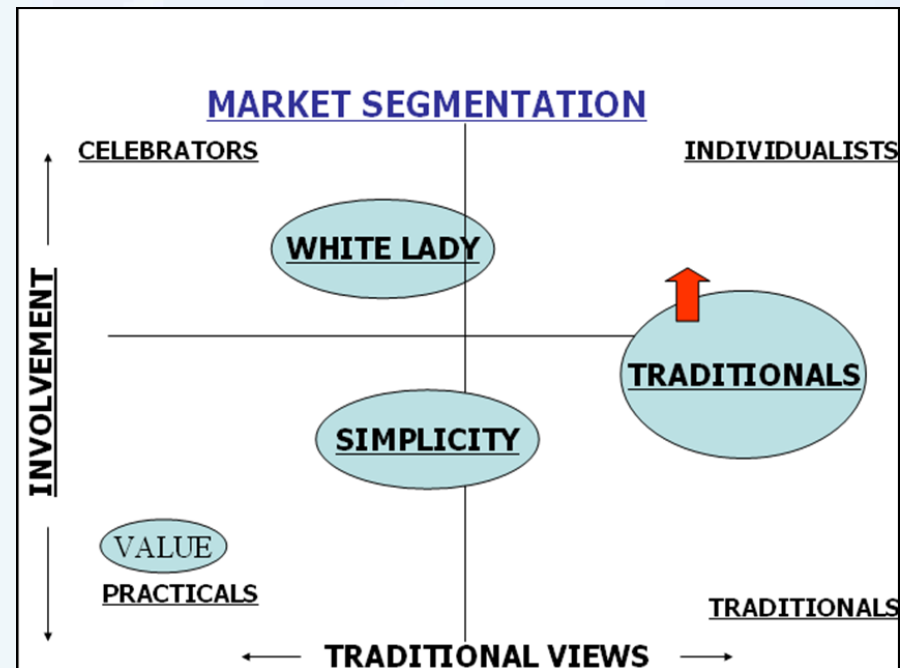
Pricing / Average Contract Values

- Annual price increases approx 3 – 4%
- Average contract value affected by mix:
 - Where deaths occur
 - Brand Mix
 - Emerging Baby-Boomers adding more into their services – high involvement & personalisation to create “celebration”



Revenue Growth Pillar 3: Market Share Improvements

We segment our markets as follows:



- Sensitive to community, cultural and religious aspects



Revenue Growth Pillar 3: Market Share Improvements (continued)

Community involvement

- 90% of business is from repeat customers or referrals
- Customers very loyal to funeral service providers – hard to lose market share, equally difficult to gain share
- Staff are our best brand ambassadors
- Networking in communities to build lasting relationships and trust
- Supporting charities / sporting clubs / associations / business chambers



Revenue Growth Pillar 3

Market Share Improvements (continued)

Supporting outstanding service to customers

- Strong investment into staff recruitment and providing customer service focused training
- Experienced staff provide consistent levels of high service standards
- Staff retention practices therefore important
- 97%+ of families surveyed would definitely or probably recommend our services



Revenue Growth Pillar 3: Market Share Improvements (continued)

Our facilities

- Own properties of strategic value (approx half of the total 240 locations)
- Run “hub & spoke” model (engine rooms supported by satellite branches).
- Capex – investing in refurbishments, innovation and technology
- Locations act as marketing billboards



Revenue Growth Pillar 3:

Market Share Improvements (continued)

Marketing & Advertising

- Strong brand awareness and consideration for use
- Supported by main media (ie. TV, radio, press & billboards)
- Google ad words and search engine optimisation strategies to support online presence
- Localised networking by staff supports “non-corporate” approach



Revenue Growth Pillar 3: Market Share Improvements (continued)

Investment in Innovation

- Trial new concepts such as “Green Endings” environmentally friendly funerals
- LifeArt – personalised and eco friendly coffins
- Establishment of after funeral function lounges
 - New Sydney function centre catered for >15,000 guests within 4 months of opening
- Investing to create more contemporary look in traditional funeral homes



Revenue Growth Pillar 3: Market Share Improvements (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



Revenue Growth Pillar 4:

Prepaid Funerals

- Prepaid funerals allow customers to lock into a future service at today's prices
- Approximately AUD 320m+ funds under management in trust
- Objective is to outperform annual price increases and the costs of administering the funds
- Approximately 13% of all funeral services are prepaid



Revenue Growth Pillar 4:

Prepaid Funerals (continued)

- The average prepaid contract value is increasing due to emerging baby boomer behaviour
- Objective is to grow the prepaid contract pool each year (ie new contracts sold to exceed redemptions)
- Average length of time between contract and service is approx 12 years
- Locks in future market share and provides opportunity to engage customers at less emotional time



Revenue Growth Pillar 5:

New Locations

- Approx 2 – 4 new sites annually
- New sites are included in market share growth
- Difficult to determine the extent of cannibalisation
- Typically small foot print shop fronts with low investment fit outs and capex
- Facilities tend to be leased 3 – 5 years with options
- Corner locations with high visibility on major thoroughfares



Revenue Growth Pillar 6: Acquisitions

- Industry fragmented with many family businesses
- Major reasons family businesses chose to sell:
 - Succession challenges
 - Health issues with vendor(s)
 - Family issues such as rifts, marriage break-downs
- Timing of when to sell is therefore uncertain
- Challenge is managing vendor's expectations on commercial values



Revenue Growth Pillar 6:

Acquisitions (Continued)

- Historically small bolt-ons have helped improve our foot print
- Expect to continue in markets where we are unrepresented
- Major acquisition of Bledisloe mid 2011
 - Market leader in NZ and No.2 operator in Australia



Revenue Growth Pillar 6:

Acquisitions (continued)

- Acquisition multiples range from 3 – 6 times EBITDA + property
- Small bolt-ons funded by debt (headroom \$40m out of \$255m facility)
- Singapore acquisition in 2006
- Consider other markets in region with the right JV partner



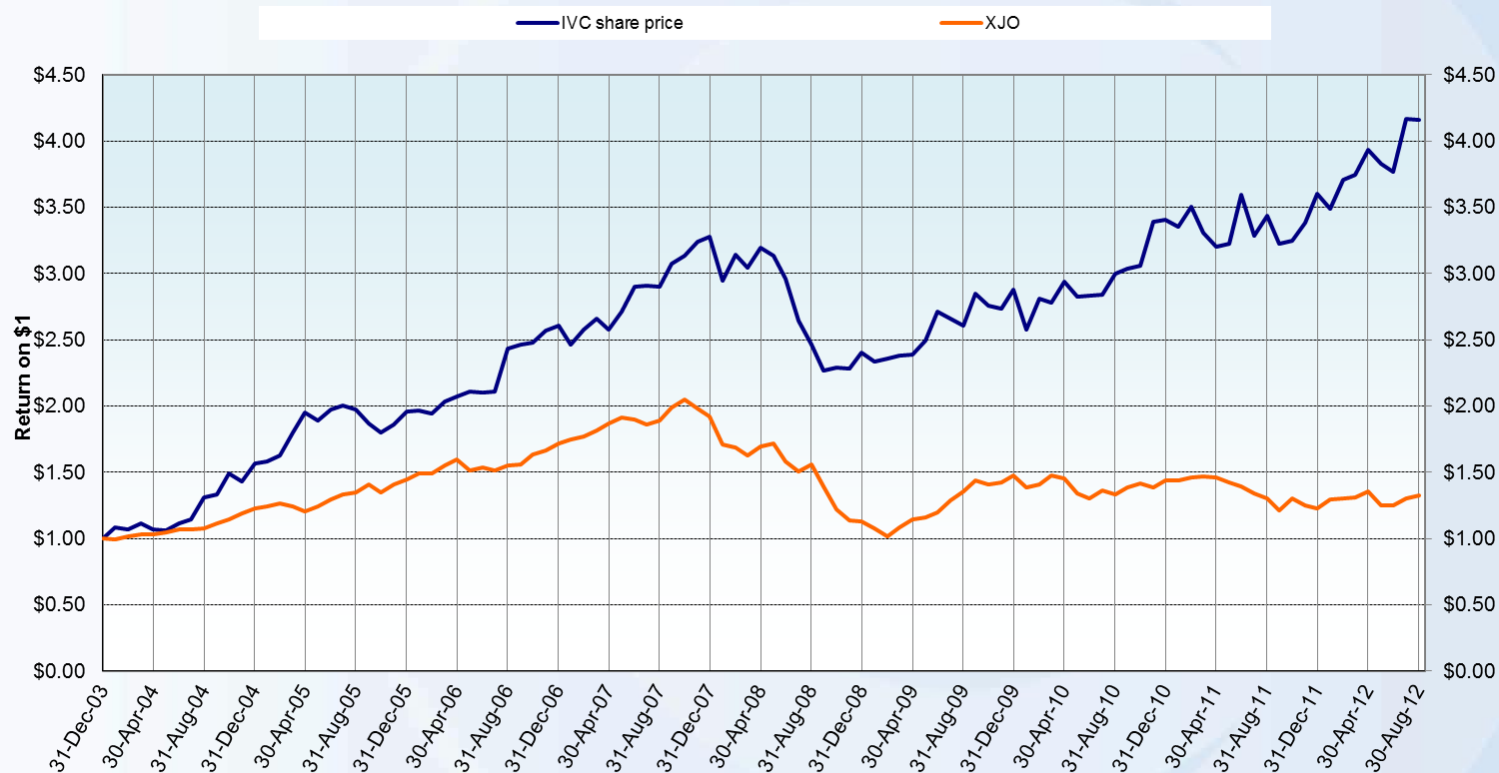
Operating Leverage Growth Pillar

- Major expenses comprise personnel, COS, marketing and facility costs
- Generally contain increases to around CPI or slightly above each year
- Investment in infrastructure in readiness for future growth
- Cost increases typically less than revenue increases to ensure leverage maintained



Capital Management

Return on \$1 - InvoCare Limited against S&P/ASX 200 Index (XJO)



Capital Management (continued)

- Bank facilities with three Australian Banks
 - Leverage ratio must be <3.5 (2.31 at 30 June 2012)
 - Interest cover must be >3.0 (6.1 at 30 June 2012)
- Minimum dividend payout ratio 75% of operating earnings per share
- Capex close to depreciation expense (\$15m - \$20m)



Summary

- 6 Revenue Growth Pillars
- Growth has been achieved with leverage
- Strong capital management focus and practices
- Robust business model positions the company well for future growth



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.



