

Investor Presentation

2012 Full Year Results

February 2013

Presenters:

Andrew Smith CEO

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2012 Full Year Highlights

- Gross Sales up 14.9% to \$368.7m (2011: \$321.0m)
- EBITDA⁽ⁱ⁾ up 13.7% to \$93.0m (2011: \$81.8m)
- Bledisloe contributed \$13.0m in EBITDA⁽ⁱ⁾ including synergies of \$3.0m (\$3.5m annualised)
- Earnings improvement in pre-need funds under management used to offset the future service delivery liability
- Operating earnings after tax⁽ⁱ⁾ up 16.7% to \$42.5m (2011: \$36.4m)
- Margin leverage achieved even though there was further investment in marketing, digital business and management capability

(i) This is non-IFRS financial information



2012 Full Year Highlights

- Statutory earnings per share increased 58.6% from 25.6 cents to 40.6 cents per share
- Completion of Tuckers acquisition in December 2012 and Resthaven (NZ) in February 2013
- Final dividend 19.0 cents, full year 34.0 cents - payout 88% of operating earnings after tax

(i) This is non-IFRS financial information



2012 Half Year Highlights (continued)

■ Revenue growth pillars evident in 2012:

-	Favourable Demographics	✓
-	Pricing / average contract values	✓
-	Market share improvements	✓
-	Prepaid contracts	✓
-	New locations	✓
-	Business acquisitions	✓

■ Margin leverage achieved on comparative businesses

■ Business model is re-affirmed



Financial Highlights

Result highlights:	Group (Excluding Bledisloe)	Growth on PCP	Bledisloe	Total Group	Growth on PCP
Total sales to external customers	\$299.3m	5.8%	\$69.3m	\$368.7m	14.9%
Operating EBITDA ⁽ⁱ⁾	\$80.0m	6.3%	\$13.0m	\$93.0m	13.7%
<i>Operating Margin</i>	26.7%	0.1%	18.8%	25.2%	(0.3%)
Operating earnings before tax ⁽ⁱ⁾	\$55.3m	7.3%	\$5.1m	\$60.5m	15.4%
<i>Income tax on above operating earnings ⁽ⁱ⁾</i>	(\$16.4m)	(1.9%)	(\$1.6m)	(\$18.0m)	(12.5%)
<i>Effective tax rate</i>	29.7%	(2.8%)	30.5%	29.7%	(0.8%)
Operating earnings after tax ⁽ⁱ⁾	\$38.9m	11.7%	\$3.6m	\$42.5m	16.7%
<i>Operating earnings after tax per share ⁽ⁱ⁾</i>	35.5 cents	7.5%	3.3 cents	38.8 cents	12.5%
Net profit after tax attributable to InvoCare shareholders	\$41.6m	48.8%	\$2.9m	\$44.5m	64.7%
<i>Basic earnings per share</i>	38.0 cents	43.2%	2.7 cents	40.6 cents	58.5%

(i) Non-IFRS financial information



Bledisloe Business

- Sales \$69.3m (Aust \$39.1m; NZ \$30.2m)
- Business integration completed
- \$3.5m of annualised synergies with \$3.0m realised in 2012
- Estimated annualised operating EBITDA⁽ⁱ⁾ for 2012 was \$13.5m
- Bledisloe will not be separately reported for 2013 and beyond
- Launched Simplicity & White Lady in New Zealand in 2012

(i) Non IFRS financial information



Operational Highlights

	2012 \$'million	2011 \$'million	Change \$'million	%
Sales Revenue				
Australia	288.3	273.5	14.8	5.4%
Singapore	10.6	9.5	1.1	11.6%
Comparable businesses	298.9	283.0	15.9	5.6%
Bledisloe	69.3	38.1	31.3	
Tuckers	0.4	0.0	0.4	
Total Sales	368.7	321.0	47.7	14.9%
EBITDA				
Australia	74.5	70.3	4.2	5.9%
Singapore	5.4	4.9	0.5	10.5%
Comparable businesses	80.0	75.3	4.7	6.2%
Bledisloe	13.0	6.5	6.5	
Tuckers	0.1	0.0	0.1	
Total EBITDA	93.0	81.8	11.2	13.7%



Operational Highlights (continued)

	2012	2011	Change
% Margin on sales	%	%	%
Comparable businesses			
Australia	25.8%	25.7%	0.1%
Singapore	51.2%	51.7%	(0.5%)
Comparable businesses	26.8%	26.6%	0.2%
Bledisloe	18.8%	17.2%	
Tuckers	13.3%		
Total % Margin on sales	25.2%	25.5%	(0.3%)

- Comparable business margin improvement even after further investment in marketing, digital business and management capability
- Lower margin Bledisloe business has improved but lowers overall Group margin
- Tuckers margin of 13.3% is on 20 days trading, 21% expected on an annualised basis



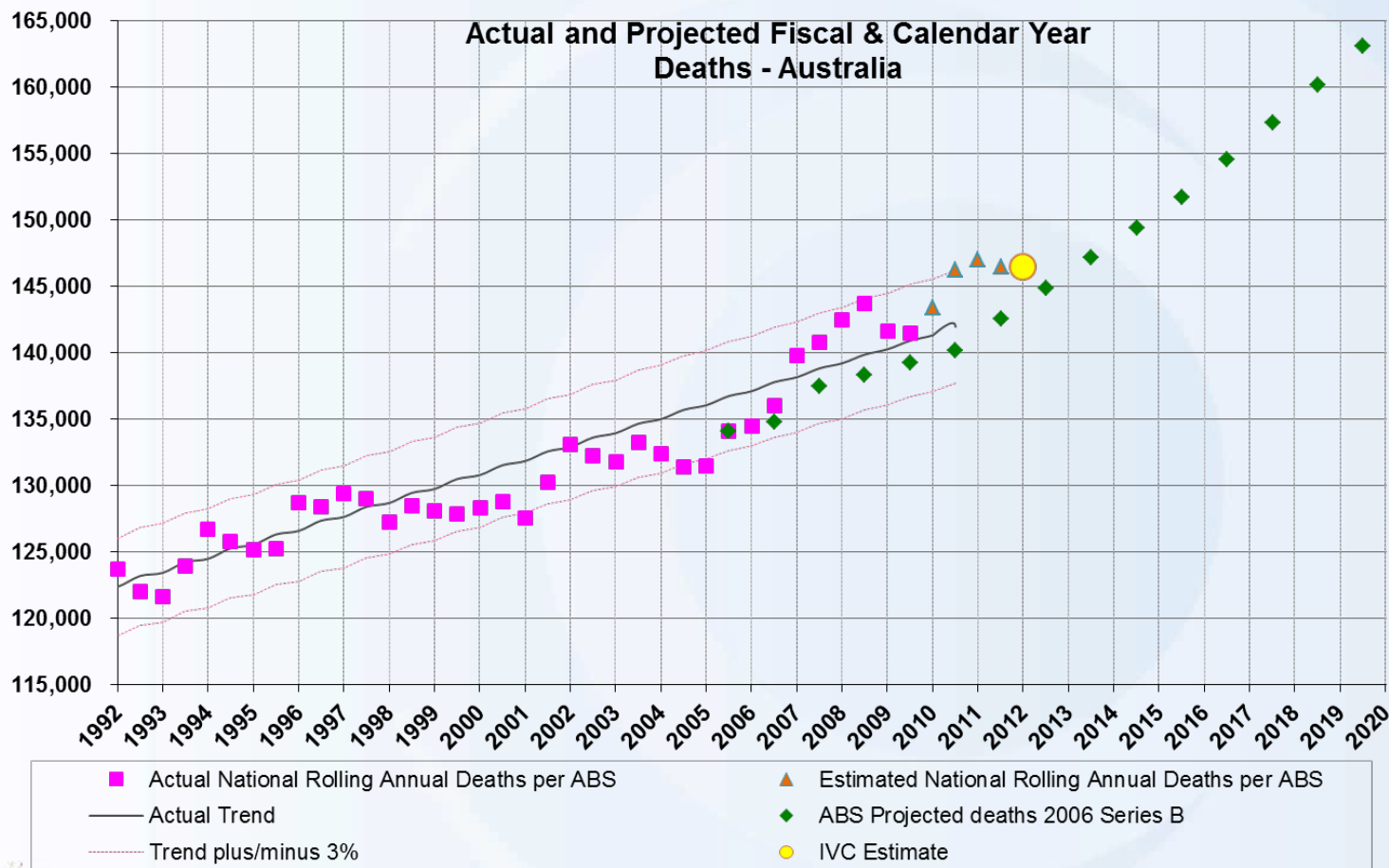
Operational Highlights (continued)

Comparable Australian Funeral Market

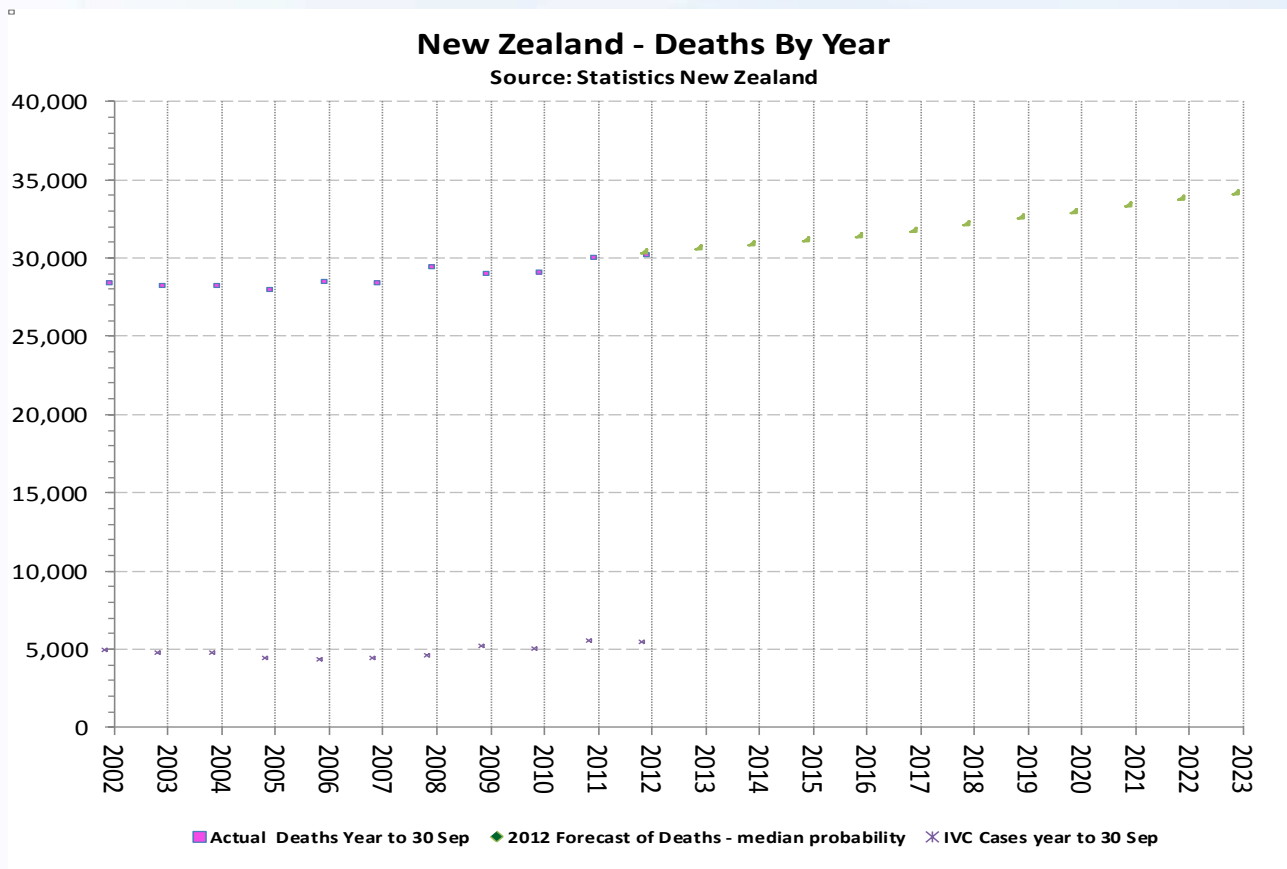
- Funeral sales up 6.3% to \$226.8m
- Case volumes up 1.5% on PCP. Estimated number of deaths up 0.9%.
- Market share growth maintained despite increased competition
- Increase in average contract values of 4.3% below average price increases due to slight mix shift driven by:
 - Where deaths have occurred (higher number of deaths in Qld)
 - Brand mix (Simplicity performed well)
- Margin leverage achieved



Operational Highlights (continued)



Operational Highlights (continued)



Operational Highlights (continued)

Singapore Funeral Market (in local SGD currency)

2012 vs 2011

Full Year

Revenue	↑	11.3%	to \$13.7m
EBITDA	↑	9.6%	to \$7.0m
EBITDA Margin	↓	(0.8%)	to 51.3%

Av. Contract value ↑ 11.1% (packages)

Case Volume ↑ 0.1%

- Expansion of business into lower margin retailing of funeral accessories
- Funeral case volumes flat offset by average case revenues up 11.1%



Operational Highlights (continued)

New Funeral Locations

- Annualised benefit from 4 locations opened in 2011
- 3 new locations opened across Australia and NZ in 2012
- Further 4 locations planned for 2013



Operational Highlights (continued)

Comparable Cemeteries & Crematoria Market

- Sales revenue up 4.5% to \$71.4m
- At need service volumes increased 2.7%
 - increase in deaths in NSW & QLD markets and small increase in market share
 - SE QLD remains price competitive but volume growth achieved
- Memorial sales positively impacted by strong H2 sales especially of larger contracts (> \$15K) up 6% vs 2011
 - Trend of lower memorialisation rate impacted by increase in no service no attendance cremations
 - Increase in deferred revenue pool with new contracts for unbuilt memorials exceeding previously deferred construction activity



Operational Highlights (continued)

Total Prepaid Funeral Sales & Redemptions

	2012 v 2011	2011 v 2010
Number of contracts sold	↑ 5.5%	17.4%
Average contract value	↑ 7.8%	2.2%
% by which new contracts exceed redemptions	↑ 12.4%	20.1%
% of IVC's Australian funerals that were prepaid	13.7%	13.2%



Operational Highlights (continued)

Prepaid Funds Under Management

	2012	2011
% of FUM in equities	8%	8%
% of FUM in property	17%	9%
% of FUM in cash & fixed interest	75%	83%
Net pre-tax loss on undelivered contracts	\$0.0m	(\$13.5m)
Comprising:		
FUM Earnings	\$17.6m	\$2.1m
Service delivery liability increase	(\$17.6m)	(\$15.5m)

- FUM earnings supported by fixed term deposits and property investments.
- Medium term challenge to replace maturing high yielding deposits
- Liability increase linked to annual price increases



Operational Highlights (continued)

Investment in Digital & Social Media

- Investment in HeavenAddress: a leading, respectful on-line memorial solution
 - \$5m invested in Q1 2013 for next phase of development
 - IVC has 34% shareholding in HeavenAddress
 - Now attracts approximately one third of all funeral internet traffic in Australia, NZ and Singapore
 - HeavenAddress generating approximately one million hits p.a
 - IVC brands represent 75% of the brand exposure in HeavenAddress
- Product innovation with tributes, messages and photos posting from HeavenAddress into social media sites



Operational Highlights (continued)

Investment in Digital & Social Media (continued)

- Redefining digital business strategy to support customer experience:
 - Roll out tablets and smart phones for front end customer support
 - Trial of mobile arranger service in small market
 - Launch of online funeral arrangements: MyMemorial.com.au, Funeralorganiser.com.au
 - White Lady and Green Endings use Twitter Feeds and Facebook community pages



Financial Highlights

Result highlights:	2012 \$'000's	2011 \$'000's	Change \$'000's	%
Total sales to external customers	368,652	321,113	47,539	14.9%
Other revenue	6,852	6,383	469	7.3%
Operating expenses ⁽ⁱ⁾	(282,478)	(245,694)	(36,784)	15.0%
Operating EBITDA ⁽ⁱ⁾	93,026	81,802	11,224	13.7%
<i>Operating Margin</i>	25.2%	25.5%		(0.3%)
Depreciation and amortisation	(16,360)	(13,746)	(2,614)	19.0%
Finance costs	(16,262)	(15,092)	(1,170)	7.8%
Interest income	780	729	51	7.0%
Business acquisition costs	(731)	(1,309)	578	(44.2%)
Operating earnings before tax ⁽ⁱ⁾	60,453	52,383	8,070	15.4%
Income tax on above operating earnings ⁽ⁱ⁾	(17,974)	(15,977)	(1,997)	12.5%
<i>Effective tax rate</i>	29.7%	30.5%		(0.8%)
Operating earnings after tax ⁽ⁱ⁾	42,479	36,406	6,073	16.7%

(i) Non-IFRS financial information



Financial Highlights (continued)

Result highlights:	2012	2011	Change	
	\$'000's	\$'000's	\$'000's	%
Operating earnings after tax⁽ⁱ⁾	42,479	36,406	6,073	16.7%
<i>Operating earnings per share⁽ⁱ⁾</i>	<i>38.8 cents</i>	<i>34.5 cents</i>	<i>4.3 cents</i>	<i>12.5%</i>
Net (loss) on undelivered prepaid contracts after tax ⁽ⁱ⁾	(13)	(9,434)	9,421	(99.9%)
Asset sale gains after tax ⁽ⁱ⁾	2,116	142	1,974	
Non-controlling interest	(103)	(103)	0	
Net profit after tax attributable to InvoCare shareholders	44,479	27,012	17,467	64.7%
<i>Basic earnings per share</i>	<i>40.6 cents</i>	<i>25.6 cents</i>	<i>15.0 cents</i>	<i>58.5%</i>
Dividends				
Interim ordinary dividend per share	15.00 cents	13.50 cents	1.50 cents	11.1%
Final ordinary dividend per share	19.00 cents	16.25 cents	2.75 cents	16.9%
Total ordinary dividend per share	34.00 cents	29.75 cents	4.25 cents	14.3%

(i) Non-IFRS financial information



Financial Highlights (continued)

Operating Costs

- Operating Costs \$282.5m, up 15.0% from 2011: \$245.7m
- Comparable business \$225.5m up 5.5% from 2011: \$213.6m
- Highlights:
 - Base labour rate increases generally contained to approx. 3.5%
 - Expanded management capability (COO Australia, CIO and other senior functional roles in digital business, finance and operations)
 - Increased marketing spend to support brands – Radio, TV and sponsorships
 - Increase in digital media spend: Google Ad-words
 - Supplier cost management lowered cost of goods sold



Financial Highlights (continued)

Finance Costs

- Finance costs up due to Bledisloe acquisition to \$16.3m (2011: \$15.1m)

Gains on asset disposal

- Sale of St Kilda Le Pine site in H1 for \$2.6m (\$1.8m after tax gain)
- Settlement of the Brunswick property sale due in Q2 2013.
 - Proceeds \$4.7m and \$1.8m before tax gain expected upon settlement



Financial Highlights (continued)

Cash flow highlights

	2012	2011
■ Net cash inflows from operations	\$53.2m	\$44.0m
■ Purchase of property, plant & equipment	(\$18.4m)	(\$16.7m)
■ Proceeds from sale of property, plant & equipment	\$3.3m	\$0.7m
■ Proceeds from sale businesses	-	\$7.2m
■ Purchase of businesses (including property)	(\$9.3m)	(\$44.5m)
■ Deferred employee share plan purchases	(\$1.2m)	(\$1.2m)
■ Net increase / (decrease) in borrowings	\$7.1m	\$25.4m
■ Proceeds from issue of shares	-	\$11.2m
■ Payment of dividends	(\$34.4m)	(\$25.5m)
■ Conversion of Operating EBITDA to ungeared, pre-tax cash flow	95%	92%



Financial Highlights (continued)

Capital Management

Dividends

- Fully franked final dividend of 19.0 cents per share (2011: 16.25 cents)
 - Record date 15 March 2013
 - Ex dividend date 18 March 2013
 - Payable date 5 April 2013
- DRP remains activated for final dividend and shares will be purchased on market
- Dividend payout ratio 88% out of operating earnings after tax



Financial Highlights (continued)

Capital Management (continued)

Banking Facility & Hedges

- Net debt \$217m (June 2012 \$211m; Dec 2011 \$208m)
- 91% of debt hedged with floating to fixed interest rate swaps (June 2012 90%; Dec 2011: 94%)
- Headroom debt available \$37m
- Covenant ratios comfortably met
- Effective interest rate 6.7% inclusive of swaps, fees & margins
- First 3 year tranche of multi-currency bi-lateral debt facility rolled over for a further 45 months in December 2012



2013 Outlook & Beyond

- Case volumes in the first six weeks of 2013 have been flat year on year
- Improvement in memorial sales adding to deferred revenue
- Sustained improvement in returns on funds under management
- Continued investment in advertising, marketing and digital business
- 2013 estimated combined impact of Tuckers and Resthaven: Sales \$8.3m, EBITDA \$1.6m
- Smaller acquisition discussions continue, with no certainty on success or timing
- New funeral homes planned across NSW, Qld, SA & NZ
- Caution using early weeks of H1 as indicator of H1 or 2013 full year result



Summary

- Another year of sustained growth:
 - Bledisloe integration complete
 - Solid growth achieved in comparable businesses and earnings per share
 - Leverage maintained with increased investment in marketing, digital business and management capability
 - Funds under management earnings improved
- 2 new acquisitions: Tuckers (December 2012) and Resthaven (February 2013) to support growth in new markets
- Proven business model with robust pillars of growth



Disclaimer

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