

InvoCare Limited

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Presenter:
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InvoCare Overview

- Largest funeral, cemetery & crematorium industry operator in Australia, New Zealand and Singapore
- Market capitalisation \$1.3bn, enterprise value \$1.5bn
- Sales revenues in 2012 \$369m
- Approx. 250 locations across Australia, New Zealand & Singapore, including 14 cemeteries & crematoria
- Only provider with national brands - White Lady, Simplicity & Singapore Casket
- Over 1,500 employees



InvoCare Business Strengths

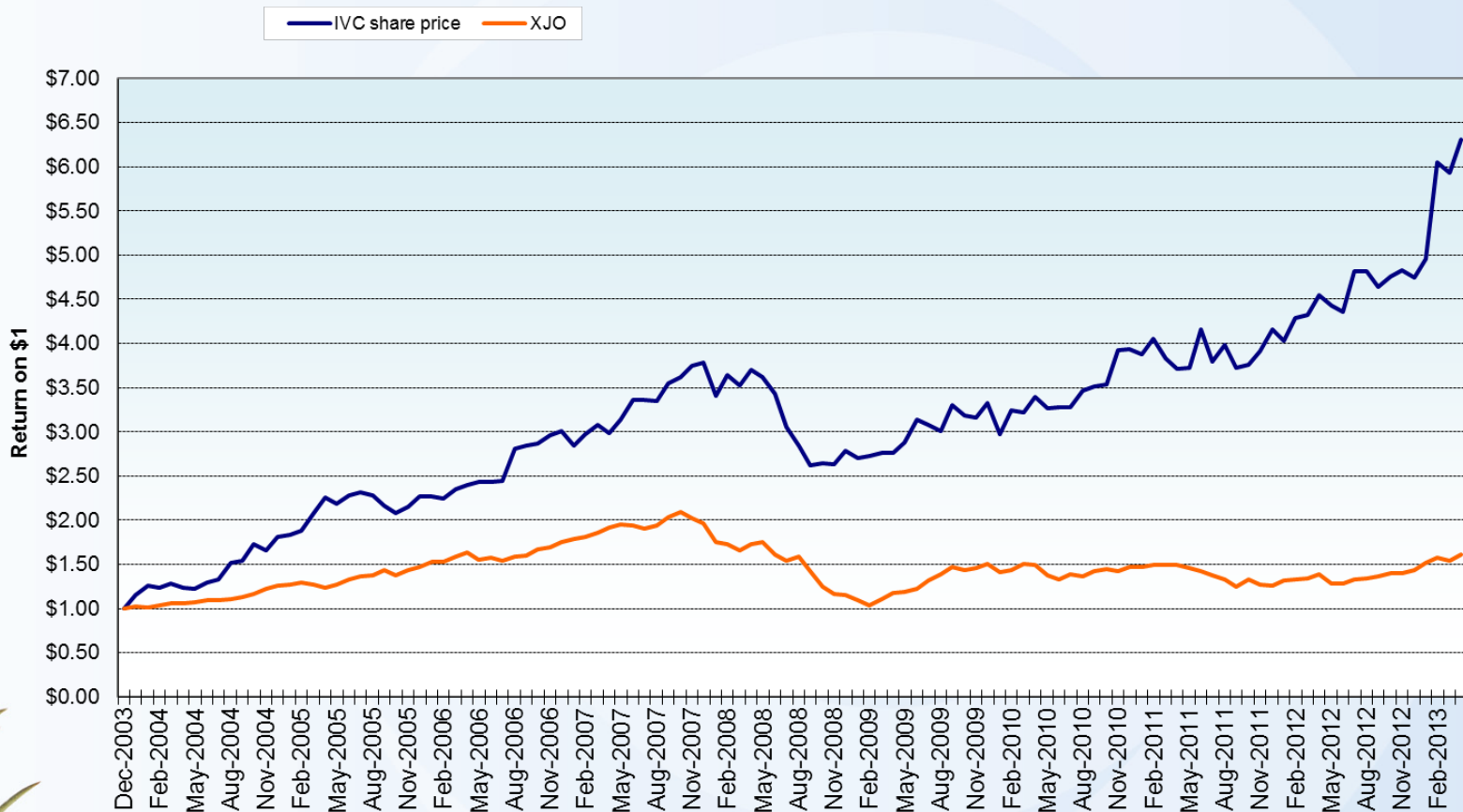
- Risk averse and experienced management
- Strong & consistent conversion of EBITDA to cash – near 100%
- Scale efficiencies
- Asset rich balance sheet - total assets at 31 Dec 2012 of \$862m (incl \$351m prepaid funds)
- Healthy debt service capability - leverage ratio 2.4x (net debt/EBITDA), interest cover ratio 6.3x (EBITDA/net interest)
- Dividend yield – approx. 3% (fully franked)
- Defensive characteristics and outperformed ASX 200



InvoCare Business Strengths (continued)

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

Since IVC listing December 2003

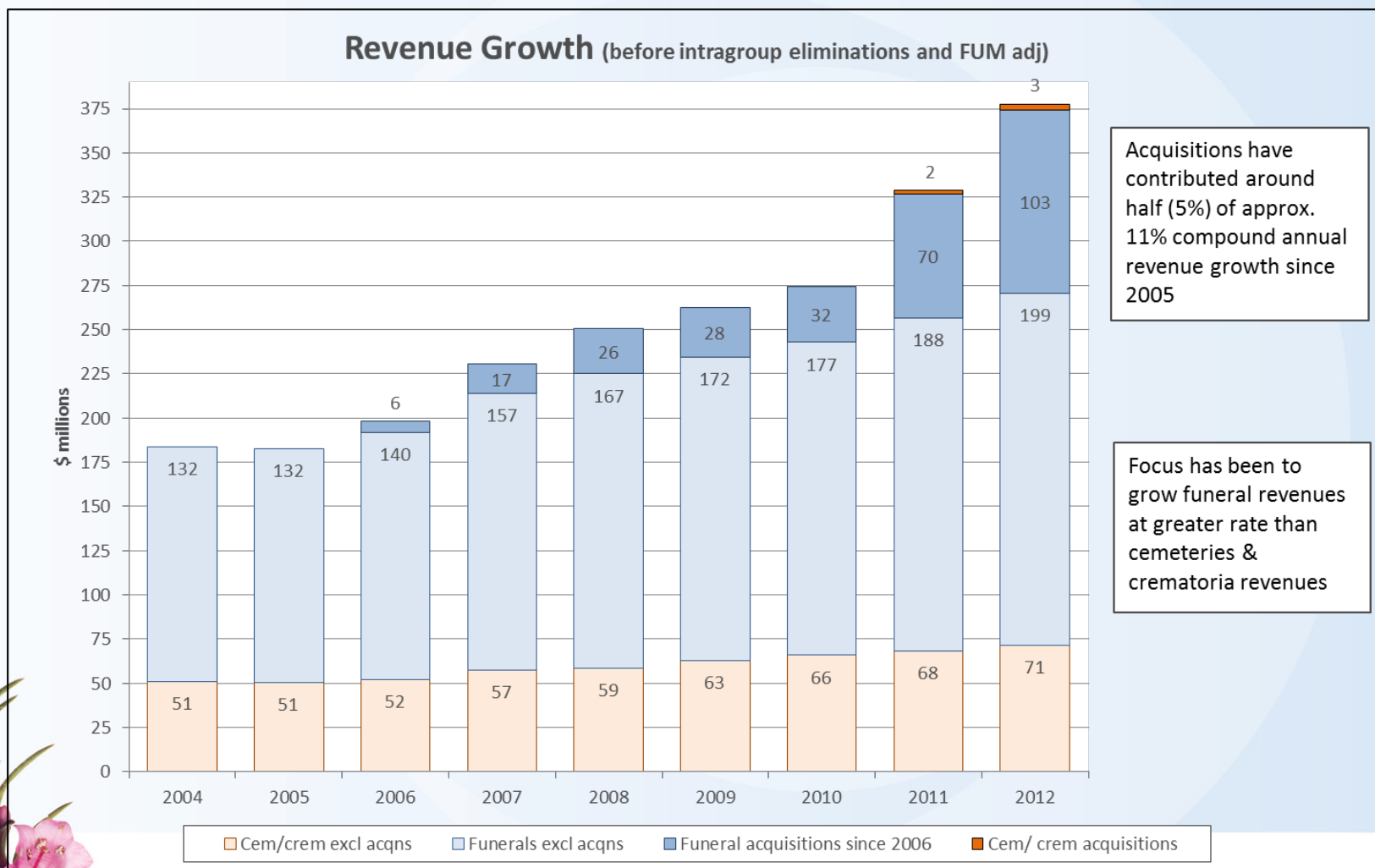


Strategies for Earnings Growth

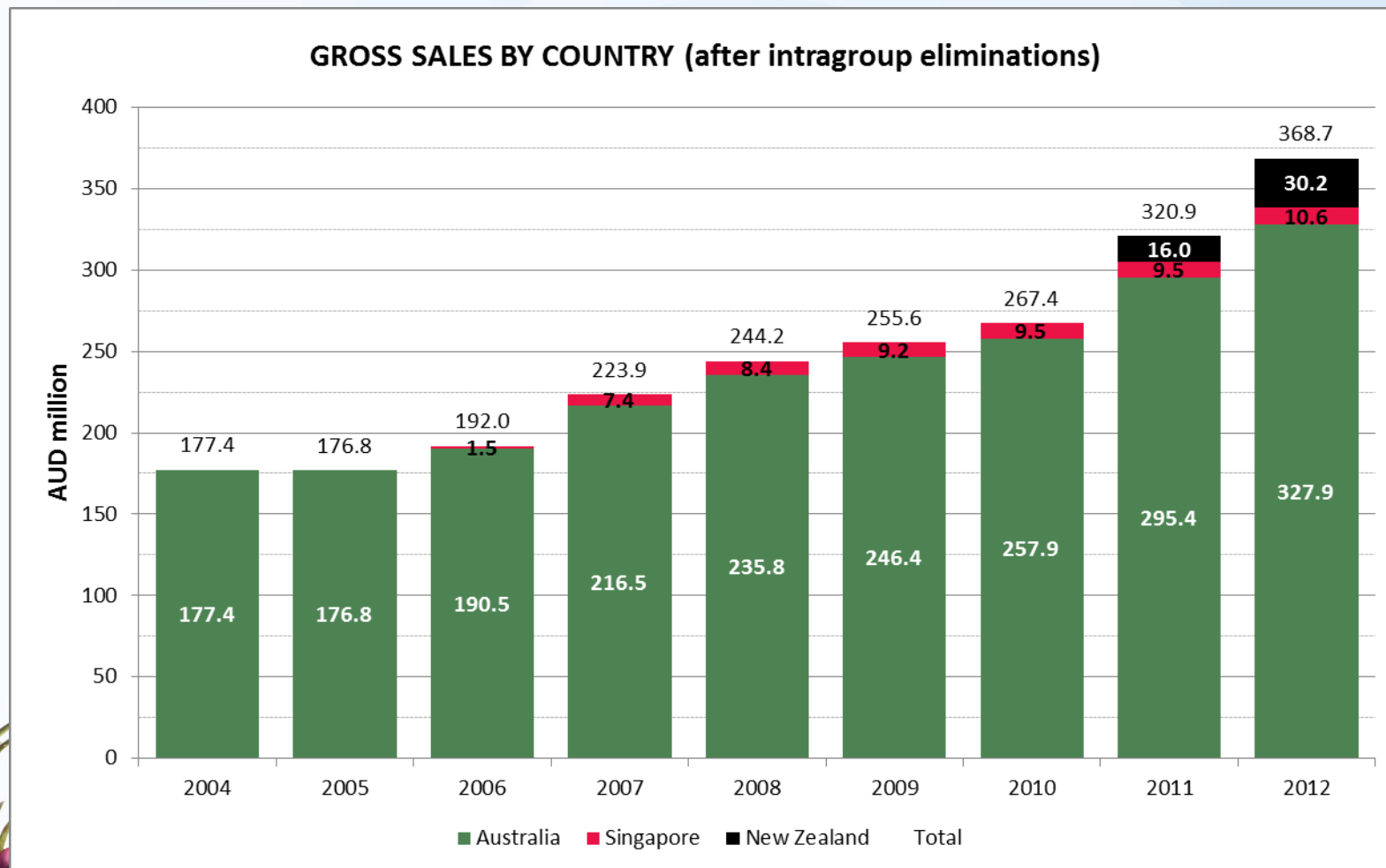
- Target approximate 6% annual revenue growth from:
 1. Ageing population trend - approx. 1% annual increase in deaths
 2. Consistent annual 3-4% pricing increments
 3. Market share improvements including new funeral locations (1%)
- Prepaid Contracts
- Business acquisitions
- Operating leverage improvements



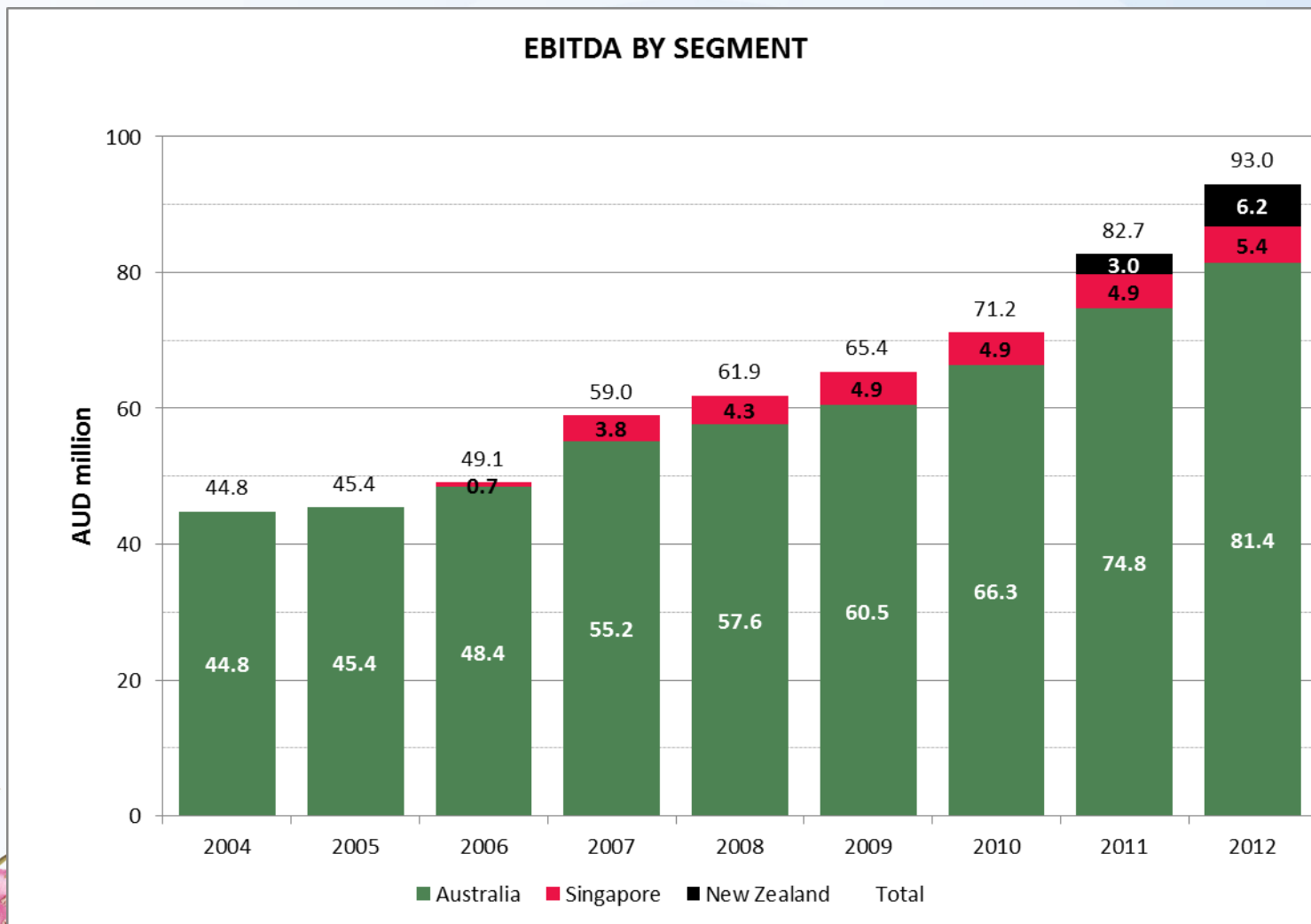
Historical Financial Highlights (continued)



Historical Financial Highlights (continued)



Historical Financial Highlights (continued)



Pillars of Growth

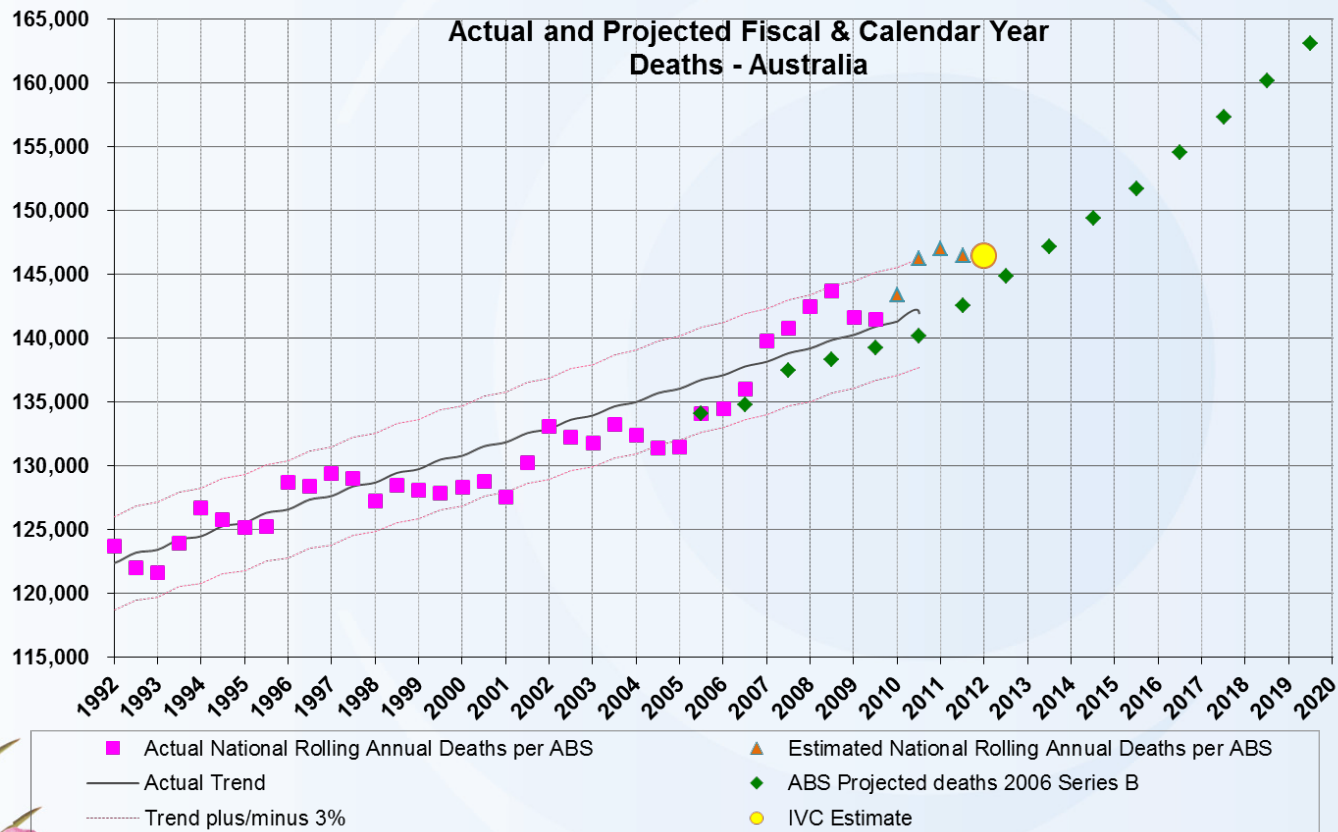
1. Favourable Demographics

- InvoCare has current footprint in large metropolitan and major regional urban areas
- Population growing and ageing across all markets
- Average 1% annual increase in number of deaths in last decade, but fluctuations from trend do occur
- Projected annual increases climb progressively to peak at around 2.7% in 2033, slowing to around 1% by 2050



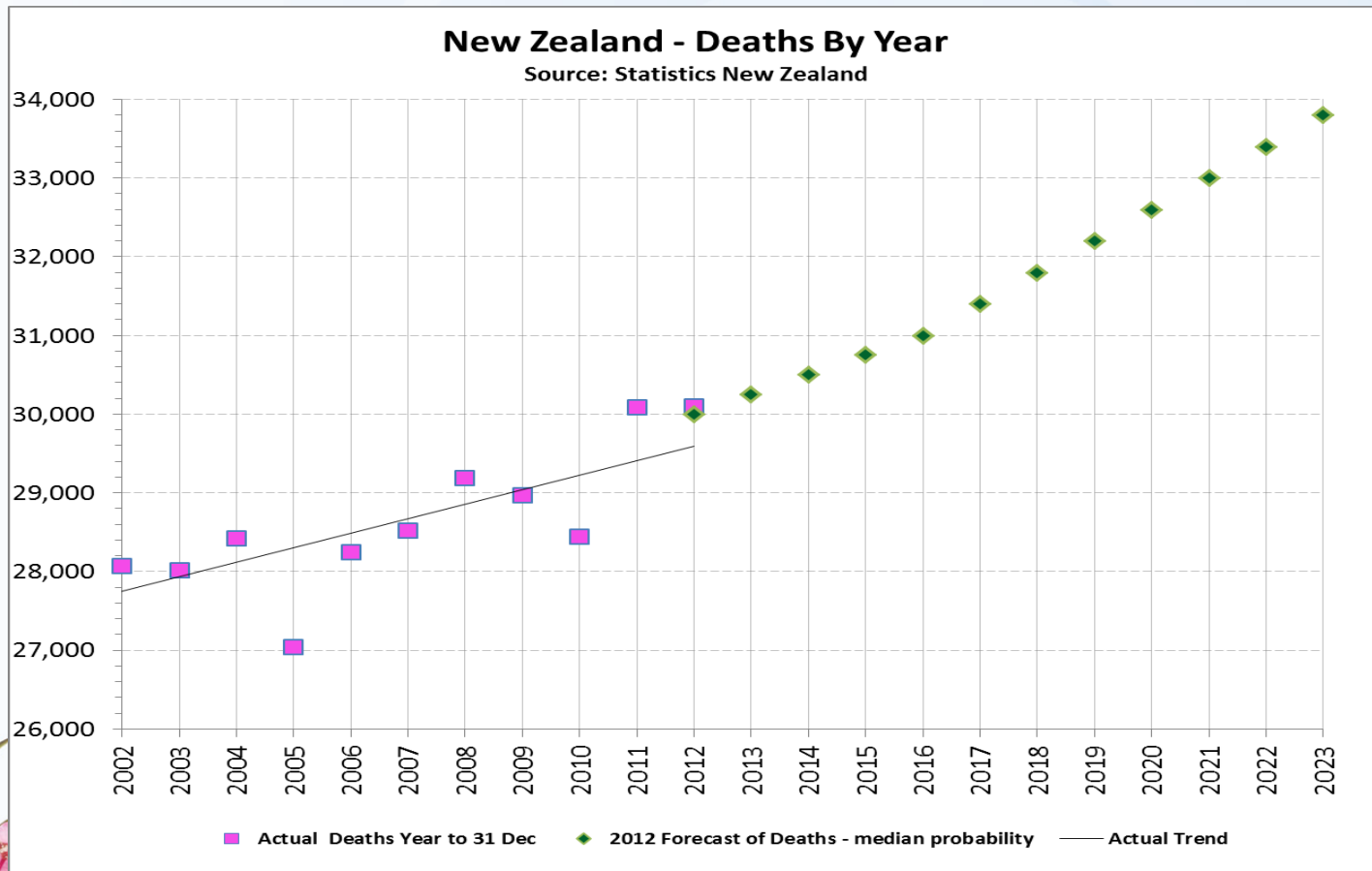
Pillars of Growth

1. Favourable Demographics (continued)



Pillars of Growth

1. Favourable Demographics (continued)



Pillars of Growth

2. Pricing

- Historically list price increases 3-4% pa in line with target
- Pricing largely unaffected in adverse economic conditions
- 85% of funeral customers and 97% of cemeteries/crematoria customers indicate pricing in line with or below expectations
- Mix of brand and where deaths occur affect overall average funeral revenue
- Funeral case average* grew 4.0% in 2012 (4.1% pa over last 5 yrs)

* Excluding disbursements and prepaid funeral contribution



Pillars of Growth

3. Market Share Growth

- Strong customer service ethos essential
- 97% of funeral customers and 93% of cemeteries/crematoria customers indicated our service levels were better or the same as expected & would definitely or probably recommend
- Local community involvement and relationships
- Increasing brand awareness, including through new location openings (27 opened in last 5 years)
- Increasing competition in cremation market



Pillars of Growth

3. Market Share Growth (continued)

- InvoCare share of its Australian funeral markets estimated increase 8.5% over last 5 years, assisted by acquisitions and new locations
- Market share estimates for InvoCare's main funeral markets are:
 - Sydney 42%
 - Melbourne 28%
 - South East Qld 39%
 - Adelaide 27%
 - Perth 49%
 - New Zealand 17%
 - Singapore 10%

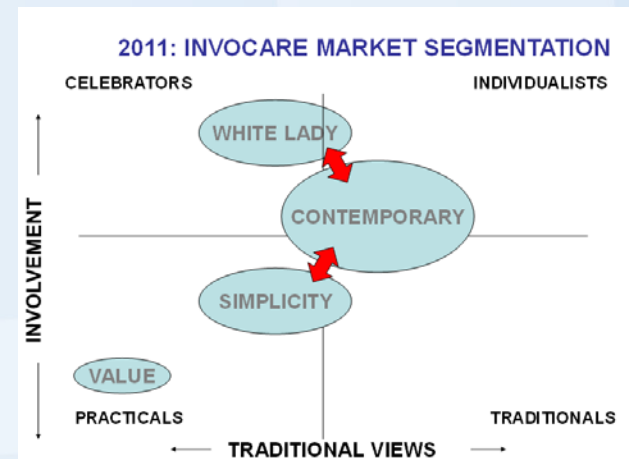
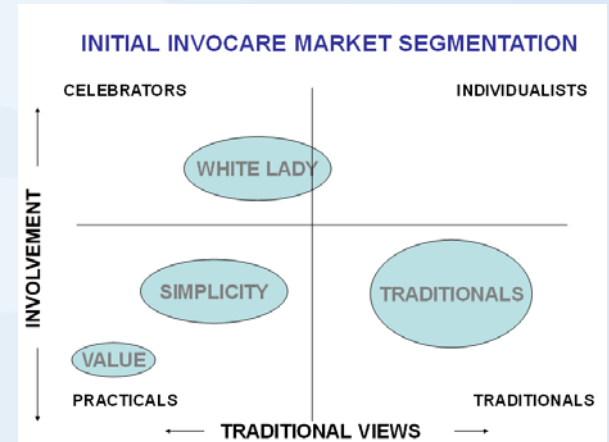


Pillars of Growth

3. Market Share Growth (continued)

Funeral Market Segmentation

- White Lady caters to “involved”
- Simplicity caters to “practical”
- Trend is away from “traditional” to “involved / contemporary” segments
- IVC brands are evolving to meet these challenges



Pillars of Growth

3. Market Share Growth (continued)

Investment in Digital & Social Media

- Investment in HeavenAddress: a leading, respectful on-line memorial solution
 - \$5 million 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 more than 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



Pillars of Growth

3. Market Share Growth (continued)

Investment in Digital & Social Media

- 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, Simplicity and Green Endings use Facebook community pages and other social media sites



Pillars of Growth

4. Prepaid Funerals

- Lock in future market share
- Take financial and emotional burdens away from family and friends
- Guaranteed future service at today's price
- Approximately 13% of InvoCare's Australian funerals are prepaid
- To grow prepaid pool, target number of new prepaid contracts to exceed redemptions – cumulative 14% excess over last five years
- Annual returns on pre need funds under management expected to exceed impacts of annual price increases
- Each 1% return on FUM greater than annual price increase equates to approx. \$2.5m PAT



Pillars of Growth

5. Business acquisitions

- Since listing IVC has made 12 acquisitions which contributed \$106 million to sales revenues in 2012
- Recent acquisitions:
 1. Bledisloe Group in June 2011
 2. Tuckers Bereavement Services in December 2012
 3. Resthaven (NZ) in February 2013



Pillars of Growth

5. Business acquisitions (Continued)

- Bledisloe provided IVC with access to expanded markets in Queensland and Victoria and new markets in New Zealand
- Integration of Bledisloe was completed in 2012 with sales of \$69.3 million and annualised EBITDA of \$13.5 million
- Tuckers is the largest operator in the Geelong region of Victoria offering InvoCare access to new markets
- Resthaven provides InvoCare with an expanded footprint in the largest market in New Zealand
- Collectively Tuckers and Resthaven will generate further sales of \$8.3 million and EBITDA of \$1.6 million in 2013.



Pillars of Growth

5. Business acquisitions (continued)

- Further opportunities for acquisitions in existing markets
- Funeral industry fragmented with most businesses small and family owned & operated
- Succession planning is main issue for these businesses
- Health and relationship breakdowns may also trigger business sales



Pillars of Growth

5. Business acquisitions (continued)

- EBITDA multiples for businesses typically 4 to 6 times, but asking multiples higher and may be influenced if strategic property is involved
- Some consolidation activity in regional areas presents future opportunities for IVC (i.e. Tuckers)
- Potential for offshore expansion



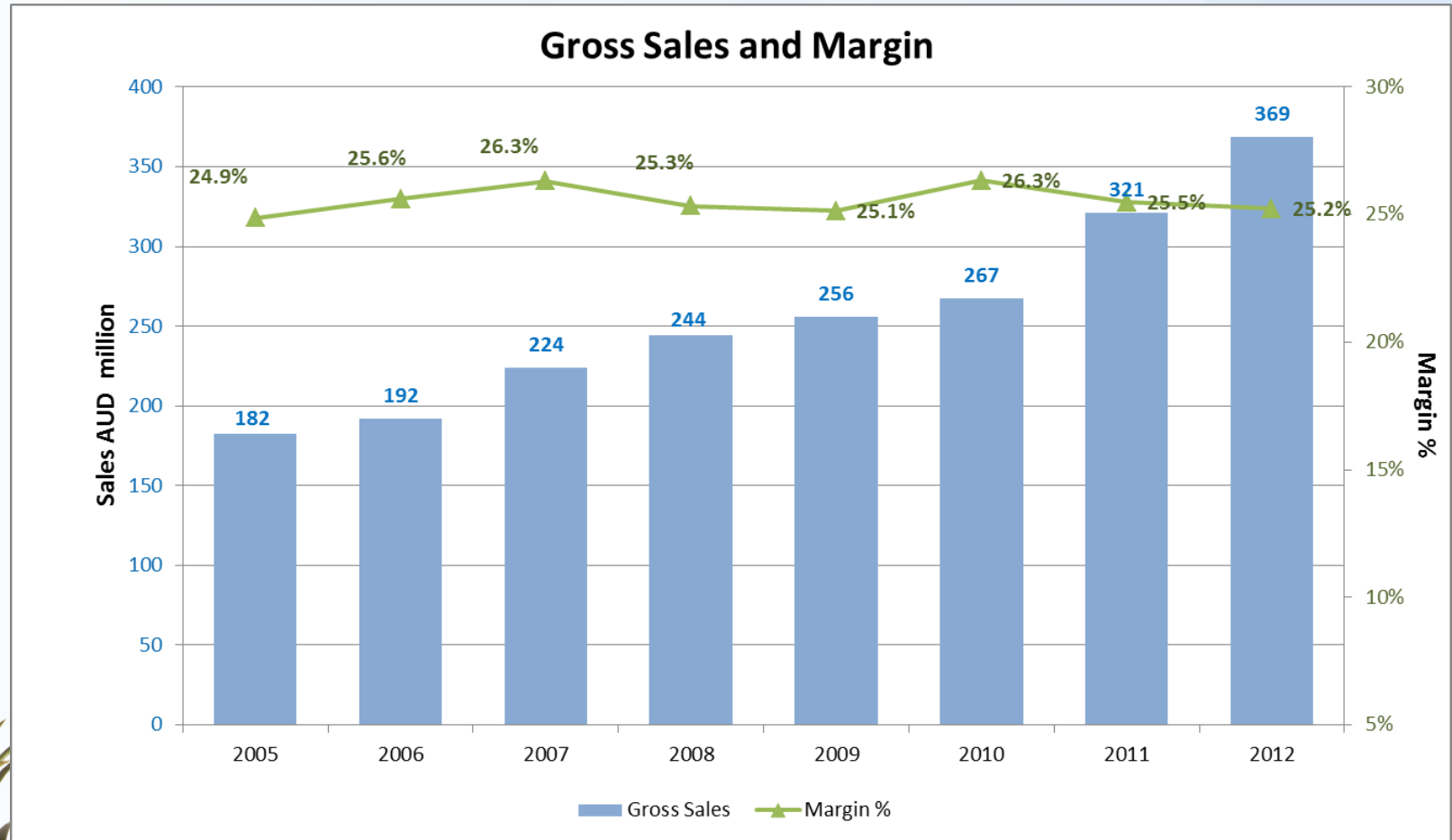
Pillars of Growth

6. Operating leverage improvements

- Aim to deliver annual EBITDA growth greater than annual sales growth
- Core business leverage achieved through the delivery of revenue growth pillars and cost control
- Total company leverage impacted by acquisitions and mix of funeral and cem / crem businesses
- 2012 leverage impacted by Bledisloe acquisition and additional investment in advertising, digital business and management capability to support the expanded business



Pillars of Growth



2013 Outlook

(Including high level commentary on results since 2012 year end)

- Comparable business funeral case volume up less than expected at approx. 1% on PCP (including acquisitions up approx. 4%)
- Number of deaths relatively flat, but estimated market share improved
- Funeral case averages reflect approx. 3-4% annual price rises
- Singapore case averages continue to benefit from package pricing and additional accessory sales
- Cemetery & crematoria memorial sales improvements over PCP continue, with deferred revenue pool increasing



2013 Outlook

(continued)

- Operating leverage (ie. EBITDA/Sales) in early 2013 impacted by:
 - lower than anticipated case volumes
 - investment in payroll from 2012
 - advertising and marketing
 - digital business initiatives
 - lower margin Singapore accessories business
- Leverage improvements expected as year progresses with continued tight control of costs, but subject to improvements in numbers of deaths
- Prepaid funeral contract sales up 6% on PCP, and new contracts exceeded redemptions by 14%
- Investment returns on prepaid FUM exceeded price rise impacts
- As expected, net debt levels and net finance costs higher than PCP



2013 Outlook

(continued)

- Q2 will have \$1.8m gain on sale of surplus Victorian funeral property (previously advised)
- Full year capex expected to be approx. \$20m, including:
 - New after funeral condolence facilities
 - Chapel facilities and refurbishment of existing sites
 - Innovative technology solutions (AV and business systems)
 - Investment in operations centres



2013 Outlook

(continued)

- Recent acquisitions (Tuckers in Geelong and Resthaven in Auckland) are performing to plan
- Small acquisition discussions continue in various markets, but no certainty over success or timing
- Further update will be provided at the AGM on 24 May 2013
- Caution using early 2013 results as indicator for full 2013 year due to variables around each growth pillar and annualisation effects of acquisitions
- Growth pillars continue to prove business model



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.

