

InvoCare Limited

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InvoCare Overview

- Largest funeral, cemetery & crematorium industry operator in Australia, New Zealand and Singapore
- Market capitalisation \$1.2bn, enterprise value \$1.4bn
- Sales revenues in 2013 \$385m
- Approx. 250 locations across Australia, New Zealand & Singapore, including 14 cemeteries & crematoria
- Only provider with international brands - White Lady, Simplicity & Singapore Casket
- Over 1,500 employees



InvoCare Business Strengths

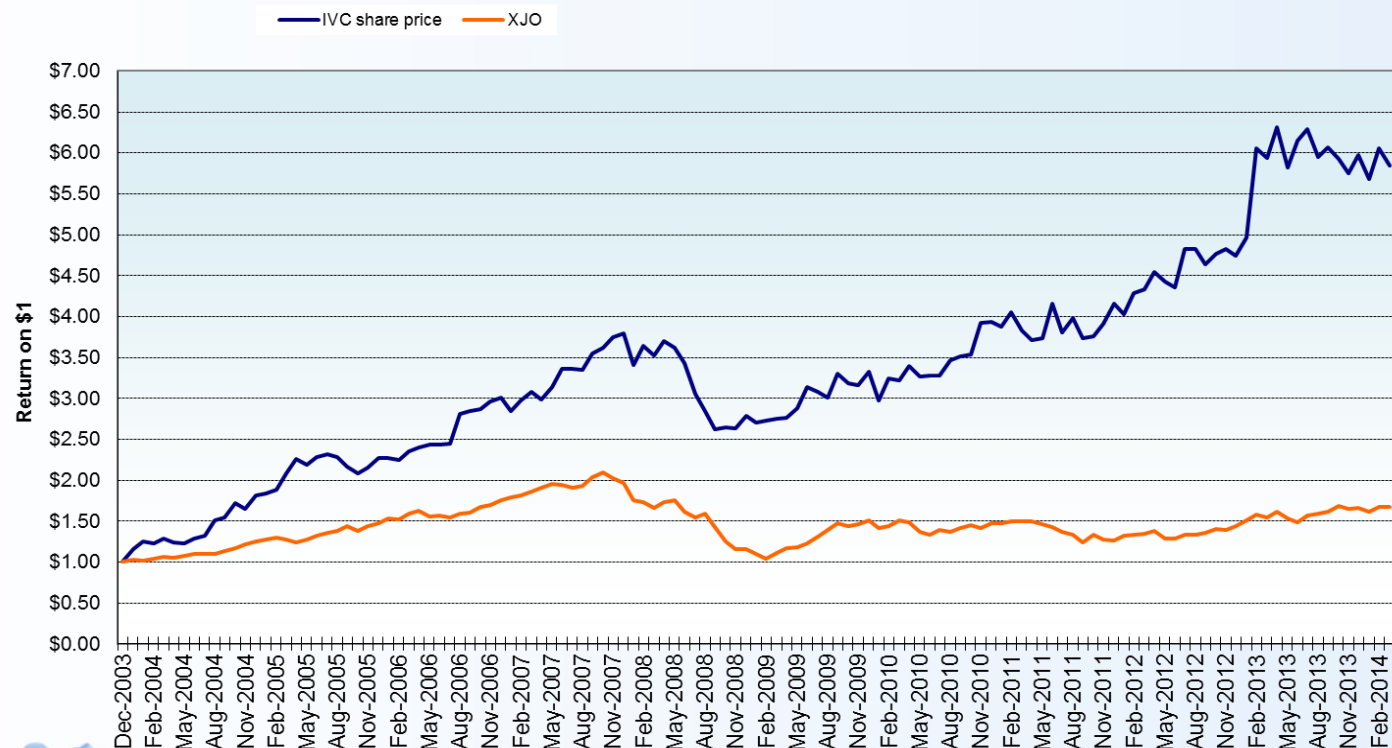
- Risk averse and experienced management
- Strong & consistent conversion of EBITDA to cash – circa 100%
- Scale efficiencies
- Asset rich balance sheet - total assets at 31 Dec 2013 of \$917m (incl \$374m prepaid funds)
- Healthy debt service capability - leverage ratio 2.3x (net debt/EBITDA), interest cover ratio 6.4x (EBITDA/net interest)
- Dividend yield – approx. 3% (fully franked)
- Defensive characteristics and outperformed ASX 200
- TSR since listing over 22% compound annual growth



InvoCare Business Strengths (continued)

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

Since IVC listing December 2003

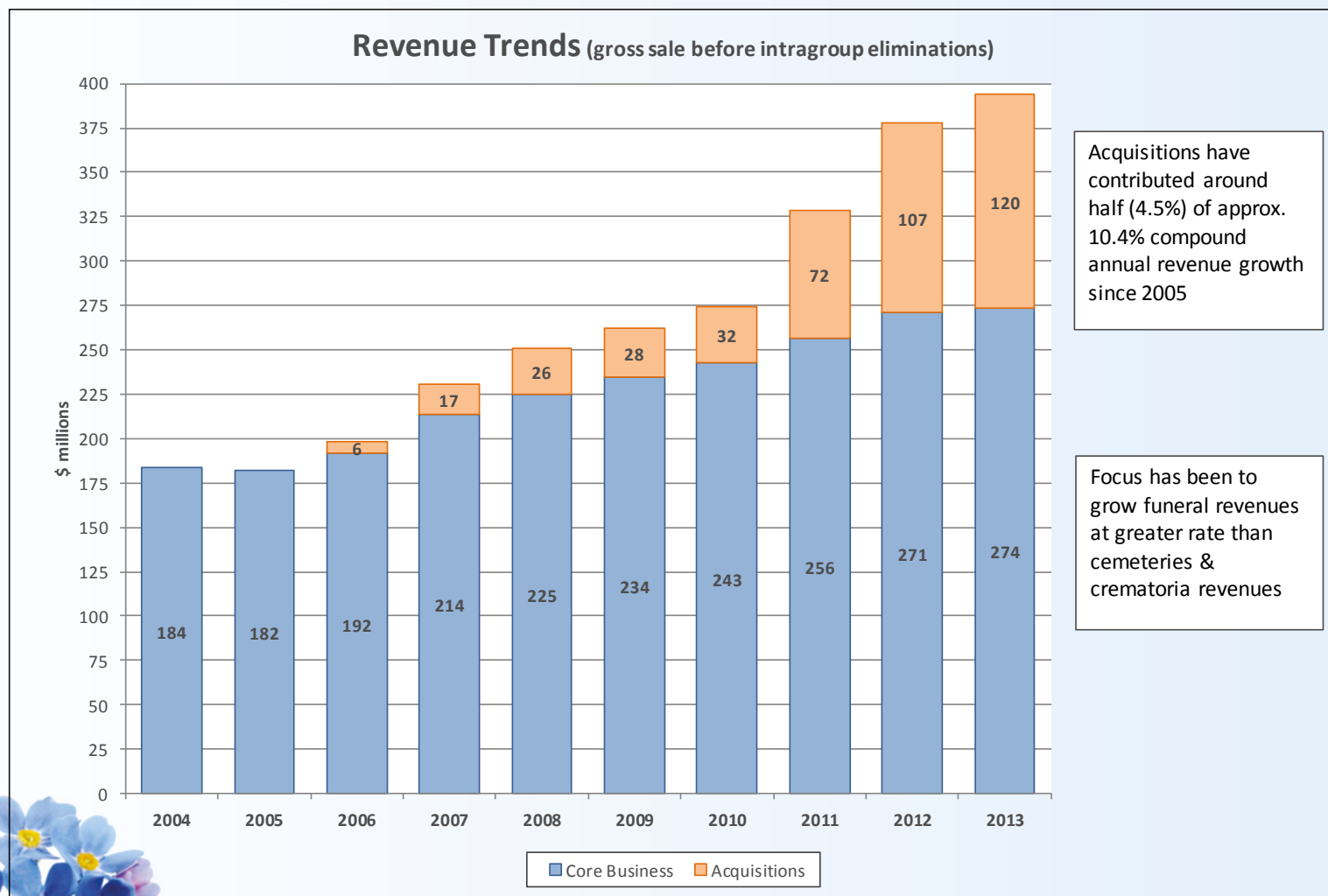


Pillars for Earnings Growth

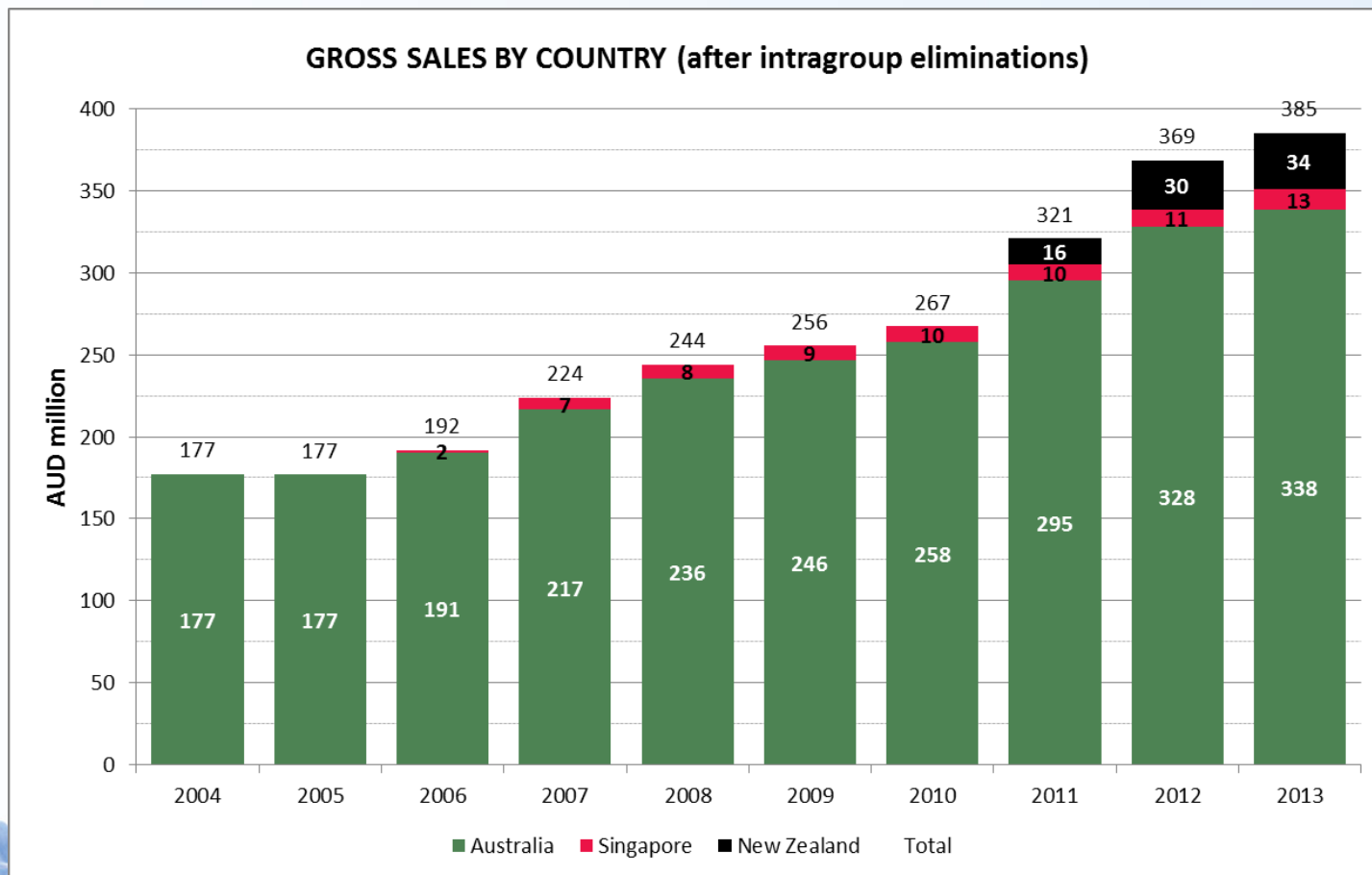
- Target approximate 5% - 6% annual revenue growth from core business driven by:
- Favourable demographics:
 1. Ageing population trend - approx. 1% annual increase in deaths
 2. Consistent annual 3-4% average case value increments
 3. Market share improvements including new funeral locations (1%)
- Prepaid Contracts
- Business acquisitions
- Operating leverage



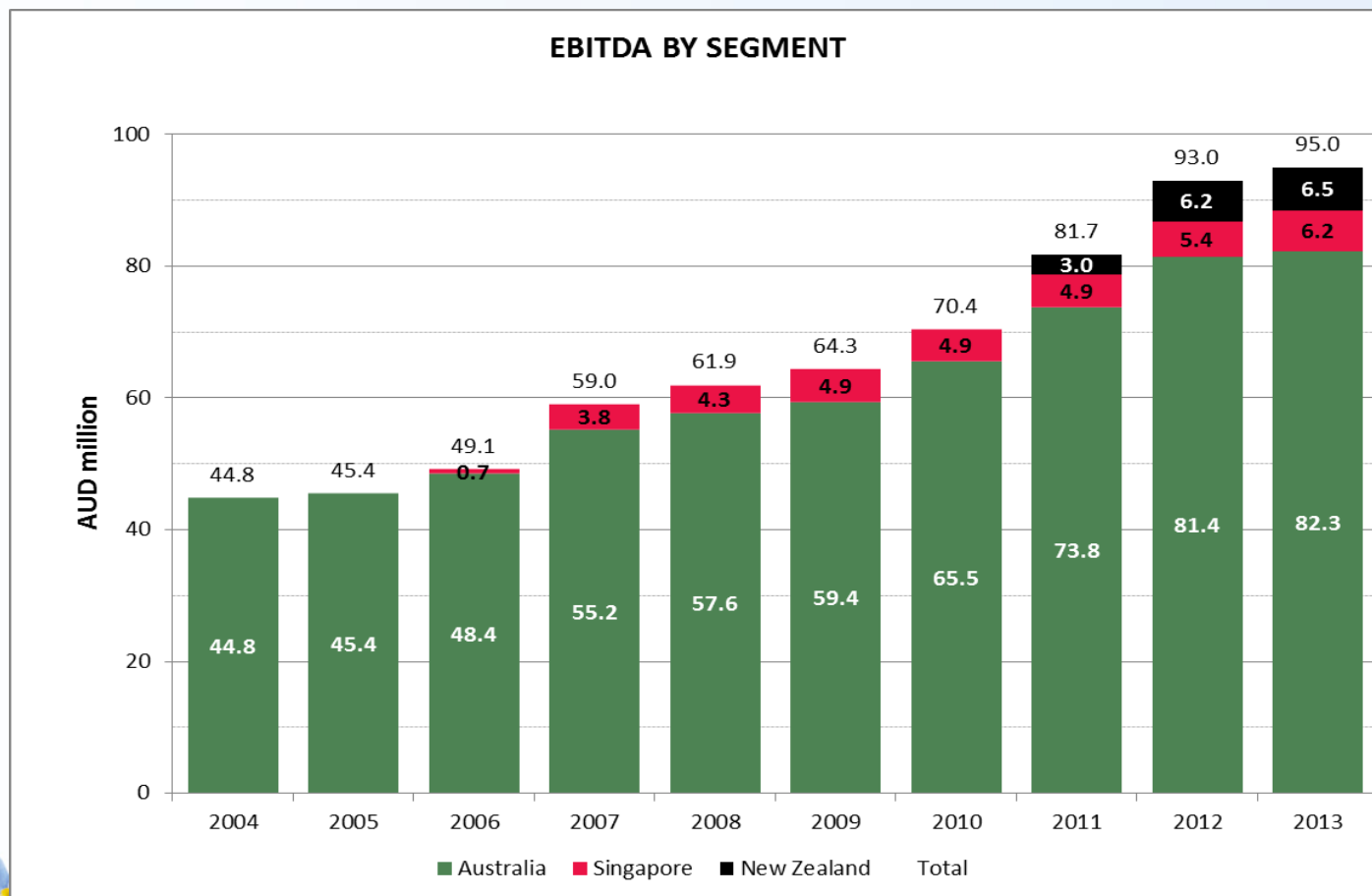
Historical Financial Highlights (continued)



Historical Financial Highlights (continued)



Historical Financial Highlights (continued)



Pillars of Growth

1. Favourable Demographics

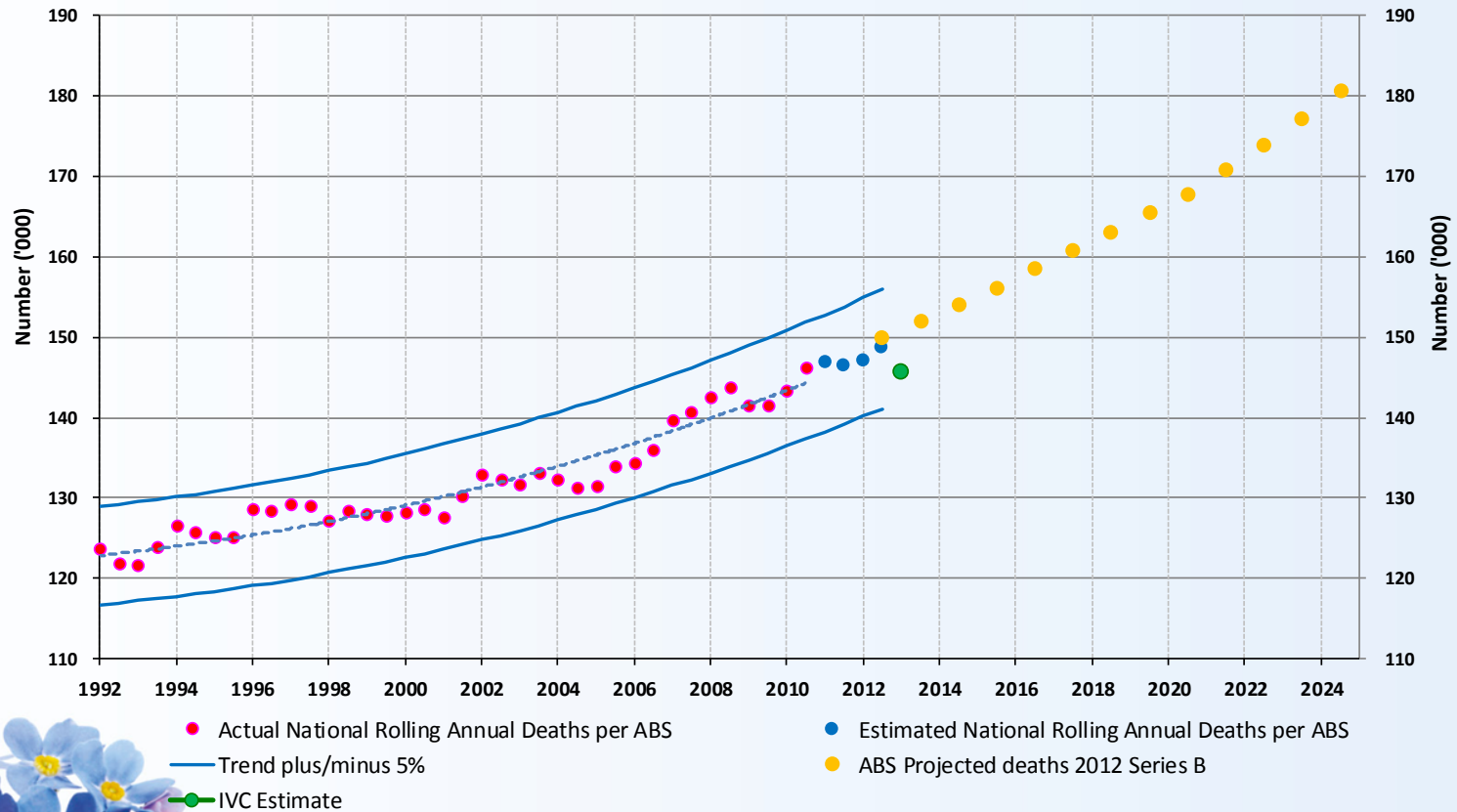
- InvoCare has current footprint in large metropolitan and major regional urban areas
- Population growing and ageing across all markets
- Average 1% annual increase in number of deaths in last decade, but fluctuations from trend do occur both positively and negatively
- Estimated decline in number of deaths in 2013 of 0.8% impacted growth model
- ABS and Statistics New Zealand projected annual increases climb progressively to peak at around 2.8% in Australia and 2.3% in NZ by 2032 before slowing to around 1% by 2055



Pillars of Growth

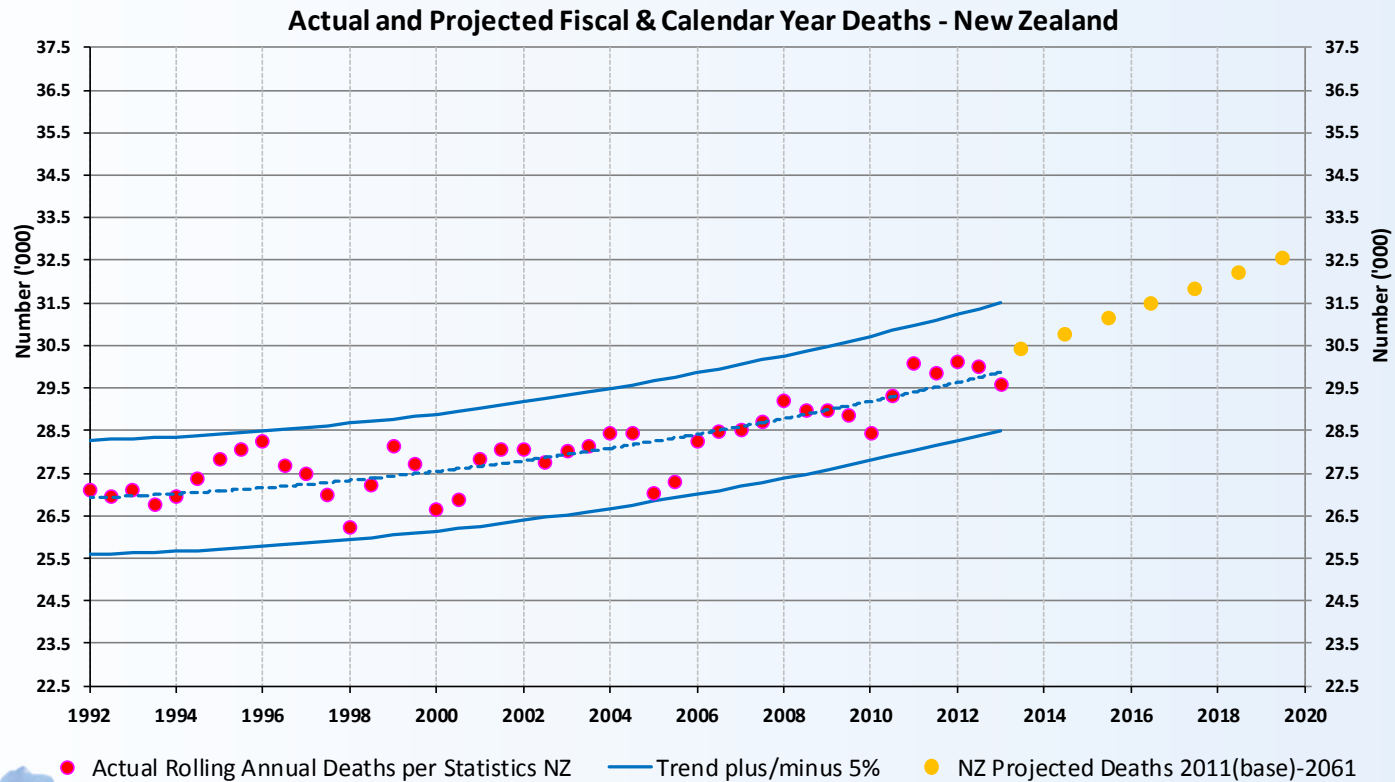
1. Favourable Demographics (continued)

Actual and Projected Fiscal & Calendar Year Deaths - Australia



Pillars of Growth

1. Favourable Demographics (continued)



Pillars of Growth

2. Average Case Values

- Historically average case value increases 3-4% pa in line with target
- Higher average case values in 2013
- Pricing largely unaffected in adverse economic conditions
- 84% 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



Pillars of Growth

3. Market Share Growth

- Strong customer service ethos essential
- 97% of funeral customers and 92% 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 (22 opened in last 5 years)
- Increasingly competitive and greater number of competitors which in part caused market share loss in 2013



Pillars of Growth

3. Market Share Growth (continued)

- InvoCare share of its Australian funeral markets estimated increase 8.5% over last 5 years, driven by acquisitions, new locations and brand segmentation
- Market share estimates for InvoCare's geographical segment are:

	% IVC Markets	% Total Market
■ Australia	34%	25%
■ New Zealand	32%	19%
■ Singapore	10%	10%



Pillars of Growth

3. Market Share Growth (continued)

Growth in New Zealand

- Roll out of Simplicity brand in key New Zealand markets
- Establishment of the White Lady brand
- Leverage corporate brands off recent acquisitions in Auckland and Christchurch
- Acquisition of two memorial parks in Christchurch expected in H2 2014

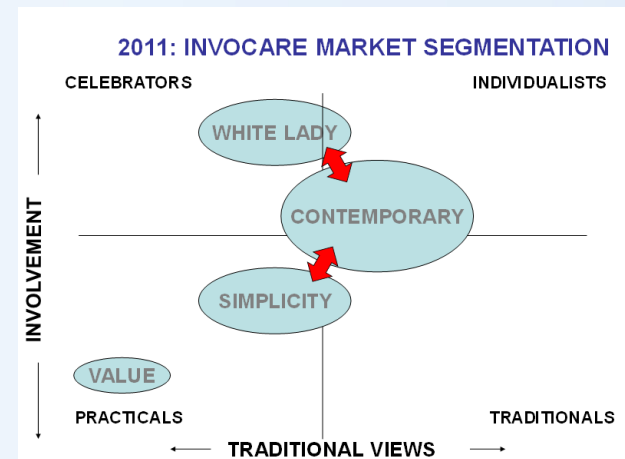
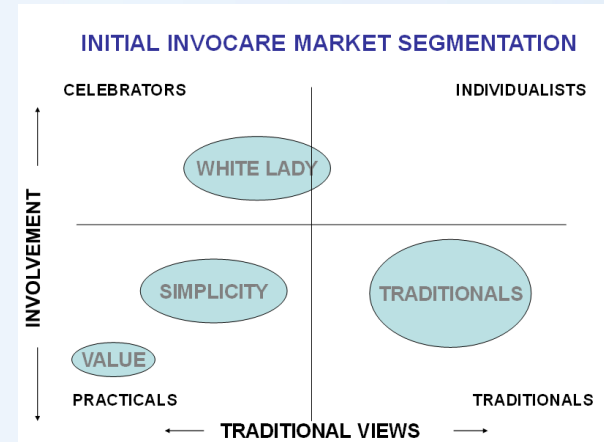


Pillars of Growth

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

- Redefining digital business strategy to support customer experience:
 - Roll out tablets and smart phones for front end customer support
 - Establishment of mobile arranger services in regional markets
 - Upgrade digital infrastructure and services at memorial parks and chapel facilities
 - Social media channels reaching over 1 million people
 - FuneralOrganiser.com.au, MyMemorial.com.au, MyGriefAssist.com



Pillars of Growth

3. Market Share Growth (continued)

Investment in Digital: (mobile, social, cloud)

- Investment in HeavenAddress.com: a leading, respectful on-line memorial solution
 - IVC has 34% shareholding in HeavenAddress
 - Attracts approximately one third of all funeral internet traffic in Australia, NZ and Singapore
 - Generating 1.2 million customer visits p.a.
 - Global expansion – recent move into UK



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 14% of InvoCare's Australian funerals are prepaid
- To grow prepaid pool, target number of new prepaid contracts to exceed redemptions – approx 16% excess over last five years



Pillars of Growth

4. Prepaid Funerals (continued)

Funds under management

- Over \$380m in funds under management relating to prepaid contracts
- 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. \$2.7m PAT
- Assets allocation weighted towards lower risk investments:

Cash & hybrids	59%
Property	28%
Shares	13%



Pillars of Growth

5. Business acquisitions

- 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
- EBITDA multiples for businesses typically 4 to 6 times, but asking multiples higher and may be influenced if strategic property is involved



Pillars of Growth

5. Business acquisitions

- Since listing IVC has made 15 acquisitions which contributed \$120 million to sales revenues in 2013
- Recent acquisitions:
 1. Bledisloe Group June 2011
 2. Tuckers Bereavement Services December 2012
 3. Resthaven (NZ) February 2013
 4. Tilton Opie & Pattinson (NZ) August 2013
 5. Fraser Lawrence (NZ) August 2013
 6. H Morris (NZ) December 2013
- Potential regulatory restraints in some Australian markets
- Further consolidation activity in New Zealand (Auckland) and in regional areas in Australia present future opportunities for IVC



Pillars of Growth

5. Business acquisitions (continued)

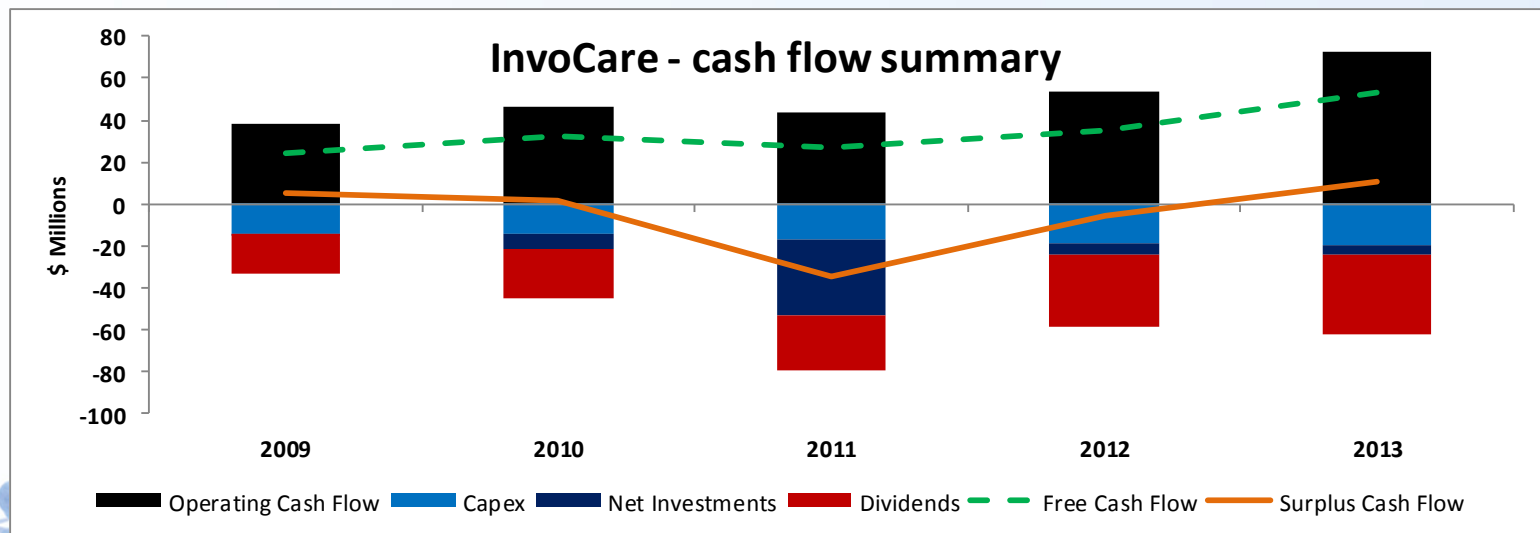
- Global activity occurring (SCI takeover of Stewart Enterprises (USA), PE activity in France, consolidation in UK and listing of Fu Shou Yuan International Group in China)
- High values being offered in low cost debt environment
- Short term focus of business is on driving market share in existing markets
- Opportunistic overseas opportunities would be considered provided they meet internal hurdles



Pillars of Growth

5. Business acquisitions (continued)

- Strong reliable cash flows and debt head room to finance “bolt on” acquisitions
- Comfortably operating within debt covenants



Pillars of Growth

6. Operating leverage

- 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 – grow revenue at higher rate than costs
- Capacity to support increased volumes
- Leverage over time also impacted by acquisitions, product mix and mix of funeral and cem / crem businesses
- High fixed cost base means leverage is very sensitive to volumes



2014 Update

(Including high level commentary on results since 2013 year end)

- Funeral case volume down 0.3% on PCP (comparable down 1.9%)
- Lower volume trend experience from May 2013 has continued into early 2014

	2014	2013				
	Apr YTD	Apr YTD	May & June	Half 1	Half 2	Full Year
Australia	-1.6%	1.1%	-2.7%	-0.3%	-5.1%	-2.8%
New Zealand	-5.9%	4.2%	-14.4%	-2.7%	-7.4%	-5.2%
Singapore	0.7%	-2.0%	-4.7%	-2.9%	2.6%	-0.3%
Total Comp Business	-1.9%	1.3%	-4.2%	-0.7%	-5.1%	-3.0%
Total Business (incl Acqns)	-0.3%	4.0%	-1.5%	2.0%	-2.0%	-0.1%



2014 Update

(Continued)

- Preliminary indications market share has remained flat since Dec 2013 (but down on PCP)
- Initiatives implemented to address market share decline in core business (which negatively impacted 2013 operating earnings after tax by estimated \$2.8m):
 - Reinforcing customer service excellence
 - Enhancing employee engagement
 - Additional investment in advertising & promotion
 - Continued investment upgrading digital facilities
 - Community involvement



2014 Update

(Including high level commentary on results since 2013 year end)

- Funeral case averages up approx 4-5%
- Leverage improvement noted
- Continued leverage improvement dependent on volume recovery off low base experienced from May 2013



2014 Update

(continued)

- Prepaid funeral contract sales down 6.2% on PCP, and new contracts exceeded redemptions by 3.5%
- Investment returns on prepaid FUM exceeding expected price rises
- Net finance costs improvement on PCP following refinancing in late 2013
- Full year capex expected to be approx. \$20m
- Asset sale gains (\$1.3m after tax) and impairment reversals (\$2.1m after tax) in H1 2013 will not be repeated in H1 2014



2014 Update

(continued)

- Recent acquisitions in New Zealand are performing to plan
- Acquisition of two memorial parks in Christchurch expected in H2 2014 subject to regulatory approvals
- Small acquisition discussions continue but no certainty over success or timing
- Further update will be provided at the AGM on 23 May 2014
- Caution using early 2014 results as indicator for full 2014 year due to variables around each growth pillar and annualisation effects of acquisitions



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.





