

Investor Presentation

2014 Half Year Results

August 2014

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2014 Half Year - Key Highlights

- Sound operating result, leverage growth and strong cash flows

- Growth pillar summary:

- Favourable demographics
- Average contract values
- Market share improvements
- Prepaid business
- New locations
- Business acquisitions
- Operating leverage improvements
- ✓ Numbers of deaths up on PCP
- ✓ Price, brand and mix shifts
- ✗ Relatively flat since Dec 2013, but arrested 2013 decline
- ✓ Contract sales and FUM improvements
- ✓ Annualisation benefits of new openings
- ✓ NZ acquisitions performing well
- ✓ Costs contained

Note: "PCP" means prior comparative period and "FUM" means prepaid funeral funds under management



2014 Half Year - Financial Highlights

Result highlights:	2014 \$'000's	2013 \$'000's	Change \$'000's	%
Total sales to external customers	196,060	183,641	12,419	6.8%
Operating EBITDA ⁽ⁱ⁾	44,733	41,291	3,442	8.3%
<i>Operating margin</i>	22.8%	22.5%		0.3%
Operating earnings before tax ⁽ⁱ⁾	27,417	24,344	3,073	12.6%
Income tax on above operating earnings ⁽ⁱ⁾	(7,974)	(7,112)	(862)	12.1%
<i>Effective tax rate</i>	29.1%	29.2%		(0.1%)
Operating earnings after tax ⁽ⁱ⁾	19,443	17,232	2,211	12.8%
<i>Operating earnings per share ⁽ⁱ⁾</i>	17.8 cents	15.8 cents	2.0 cents	12.7%
Net gain on undelivered prepaid contracts after tax ⁽ⁱ⁾	1,437	840	597	
Asset sales gain or (loss) after tax ⁽ⁱ⁾	(33)	1,344	(1,377)	
Impairment gain after tax ⁽ⁱ⁾	-	2,100	(2,100)	
Non-controlling interest	(40)	(62)	22	
Net profit after tax attributable to ordinary equity holders of InvoCare	20,807	21,454	(647)	(3.0%)
Basic earnings per share	19.0 cents	19.6 cents	(0.6) cents	(3.1%)
Interim ordinary dividend per share	15.75 cents	15.00 cents	0.75 cents	5.0%

(i) Non-IFRS financial information.



Operational Highlights

	2014 \$'million	2013 \$'million	Change \$'million	%
Sales Revenue				
Australia	169.4	161.8	7.6	4.7%
New Zealand	17.5	14.8	2.7	18.4%
Singapore	6.7	6.5	0.2	2.4%
Comparable businesses	193.6	183.1	10.5	5.7%
Acquisitions (NZ)	2.4	0.5	1.9	
Total InvoCare	196.1	183.6	12.4	6.8%
EBITDA				
Australia	37.8	35.9	1.9	5.3%
New Zealand	3.4	2.2	1.2	53.4%
Singapore	3.2	3.1	0.1	2.6%
Comparable businesses	44.4	41.2	3.2	7.7%
Acquisitions (NZ)	0.4	0.1	0.3	
Total InvoCare	44.7	41.3	3.4	8.3%
Margin on sales				
Australia	22.3%	22.2%		0.1%
New Zealand	19.5%	15.0%		4.5%
Singapore	47.5%	47.4%		0.1%
Comparable businesses	22.9%	22.5%		0.4%
Acquisitions (NZ)	14.9%	16.9%		
Total InvoCare	22.8%	22.5%		0.3%

Note: Acquired businesses are treated as non-comparable until owned for a complete calendar year after which they become comparable for the subsequent calendar year(s).



Operational Highlights (continued)

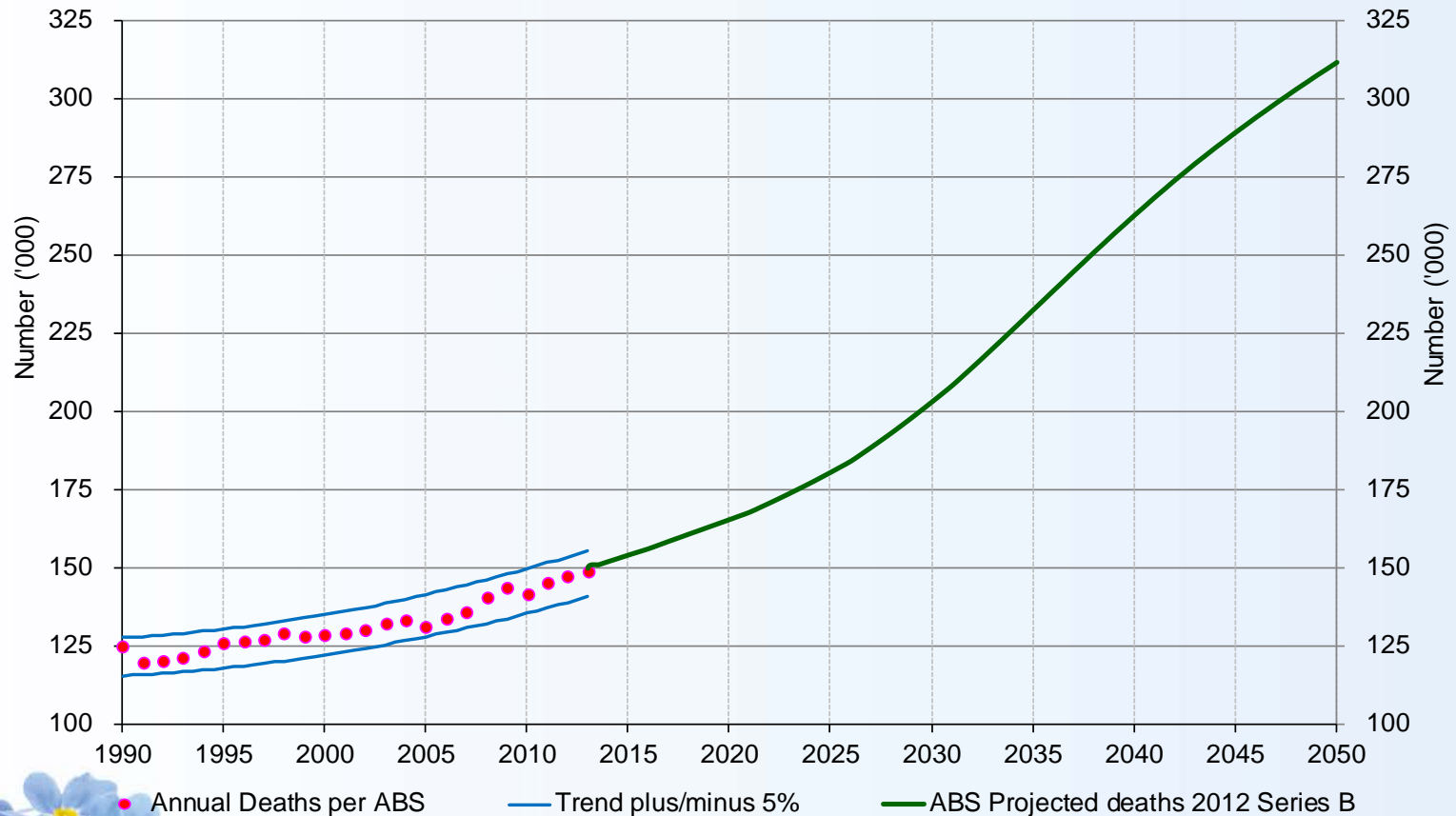
Number of deaths

- Key driver of IVC performance
- After declines in 2013, overall numbers in IVC markets appear to have trended upwards during first half of 2014, particularly in May and June
- Long term growth trend for each geographic segment, with short term fluctuations around trend line, depicted in graphs

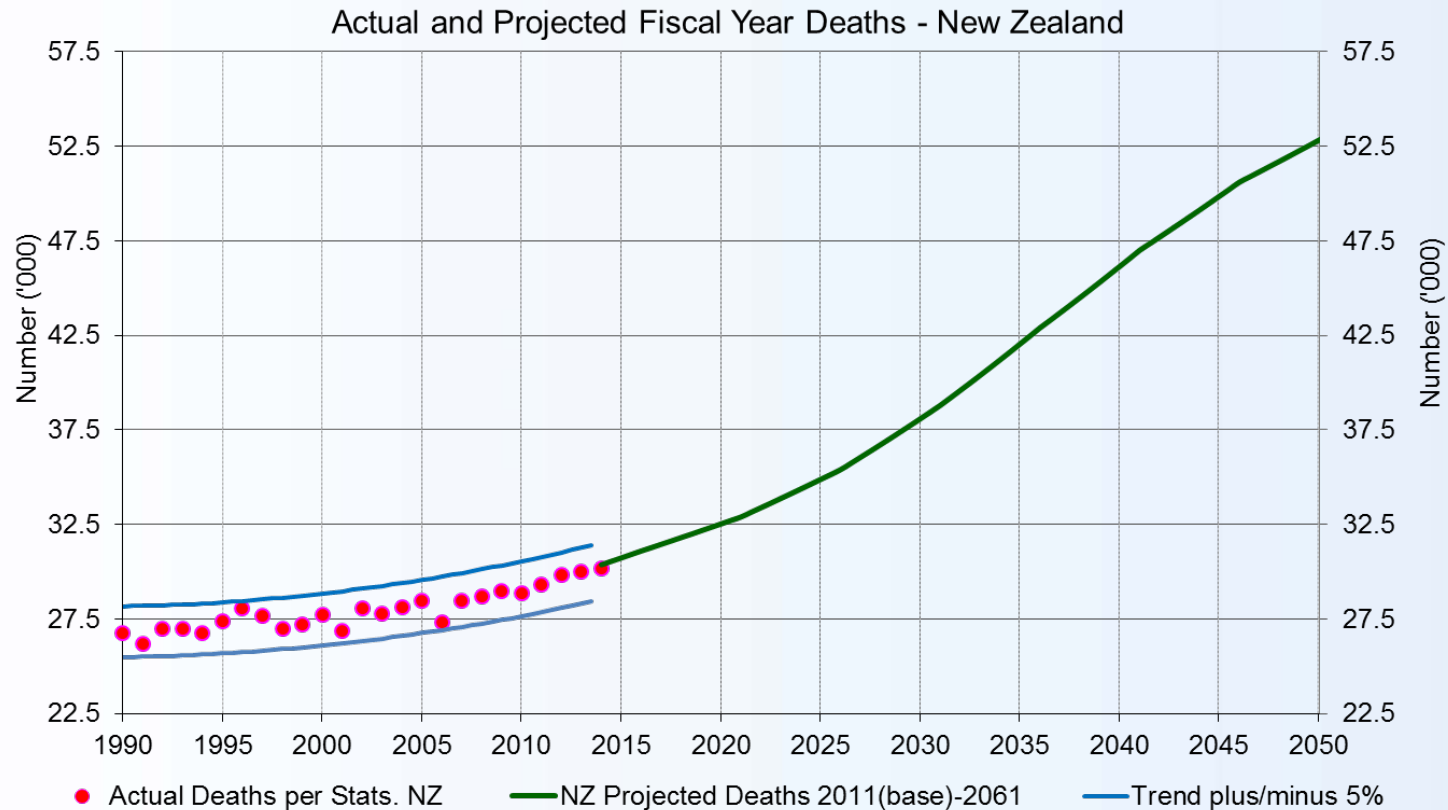


Operational Highlights (continued)

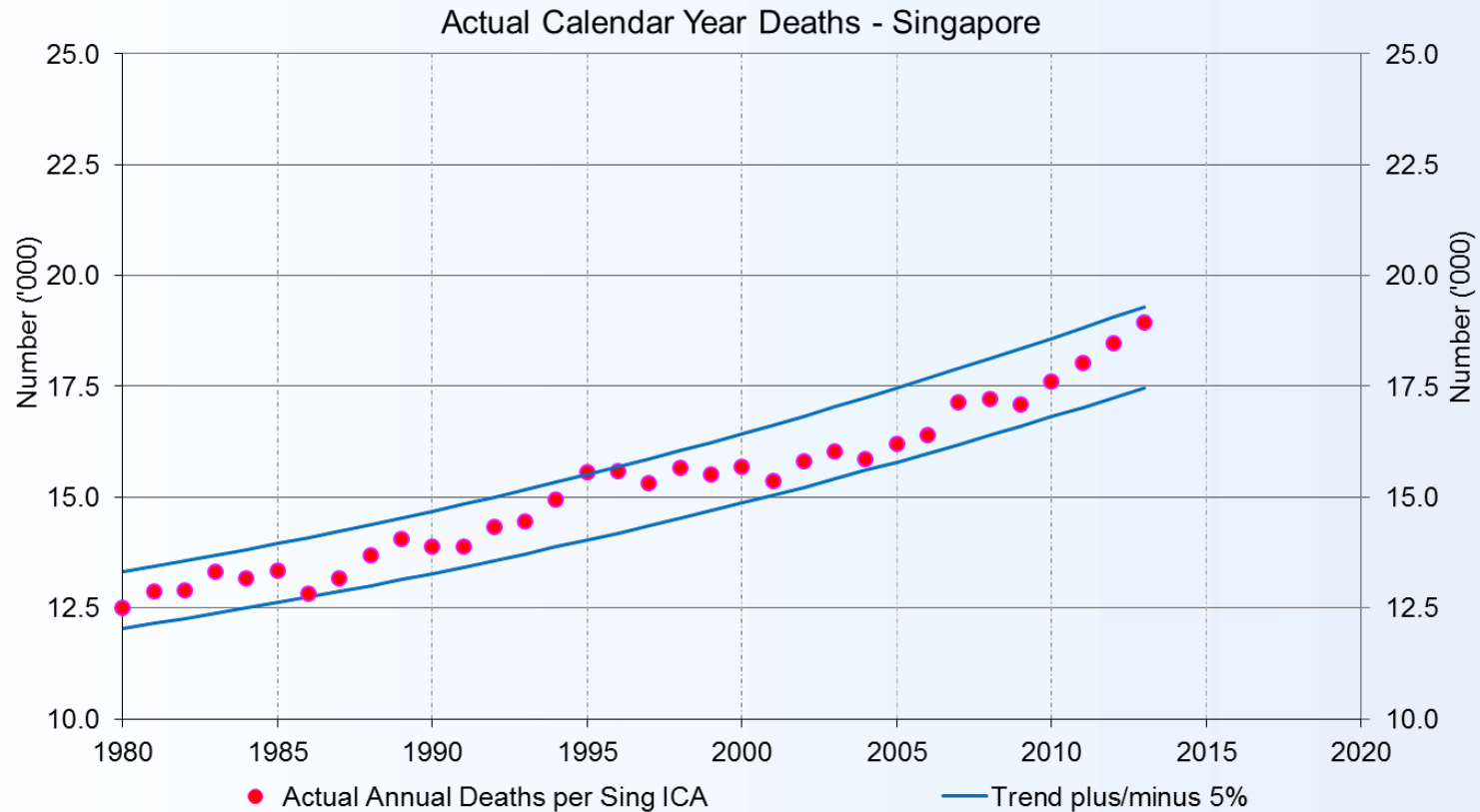
Actual and Projected Fiscal Year Deaths - Australia



Operational Highlights (continued)



Operational Highlights (continued)



Note:- ICA - Singapore Immigration & Checkpoint Authority



Operational Highlights (continued)

Market Share

- Preliminary indications market share has remained relatively flat since Dec 2013 (but down on PCP) on rolling 12 month basis
- Initiatives to address market share decline in core business:
 - Reinforcing customer service excellence (customer call centres; key locations)
 - Enhancing employee engagement
 - Additional investment in advertising & promotion (including Simplicity brand positioning)
 - Continued investment upgrading digital facilities & executing digital omni-channel
 - Community involvement
 - Mobile arrangers now operating in 5 localities in Australia and 2 in New Zealand
 - Co-branding of key locations
 - Net 3 locations opened in Australia during 2013 and one in H1 2014



Operational Highlights (continued)

Funeral Volume Growth

- Funeral case volume up 1.4% on PCP (comparable up 0.1%)
- May & June 2014 recovered from lower trend commenced in PCP

	2014 Vs 2013			2013 Vs 2012				
	Apr YTD	May & June	Half 1	Apr YTD	May & June	Half 1	Half 2	Full Year
Australia	-1.6%	2.5%	-0.1%	1.1%	-2.7%	-0.3%	-5.1%	-2.8%
New Zealand	-3.0%	11.6%	1.8%	4.2%	-14.4%	-2.7%	-7.4%	-5.2%
Australia & New Zealand	-1.7%	3.4%	0.1%	1.4%	-4.1%	-0.6%	-5.4%	-3.1%
Singapore	0.7%	2.5%	1.3%	-2.0%	-4.7%	-2.9%	2.6%	-0.3%
Total comparable business	-1.6%	3.4%	0.1%	1.3%	-4.2%	-0.7%	-5.1%	-3.0%
Total Group (incl. acquisitions)	-0.3%	4.6%	1.4%	4.0%	-1.5%	2.0%	-2.0%	-0.1%

Note: Comparable businesses comprise a different mix in 2014 from 2013. The 2013 percentages are as presented in the FY 2013 results presentations.



Operational Highlights (continued)

Australian Segment

Australian sales

	2014 \$'million	2013 \$'million	Change \$'million	%
Funerals	135.5	131.0	4.5	3.4%
Cemeteries & crematoria	39.1	35.6	3.6	10.0%
Intra-group elimination	(5.2)	(4.8)	(0.4)	7.7%
Total Australia	169.4	161.8	7.6	4.7%



Operational Highlights (continued)

Australian Segment

■ At-need Funerals

- Case volumes down 0.1% on PCP (but up 2.5% for May/June)
- Average revenue per funeral case up 4.4% (excluding disbursements and delivered prepaid impacts)
- Market share relatively flat since December 2013
- Continuing favourable customer survey results



Operational Highlights (continued)

Australian Segment

■ Cemeteries and crematoria

- Cremation and burial cases down 0.4% (but up 4.9% for May/June)
- Sales before deferred revenue adjustments up 5.5% to \$40.9m (2013: \$38.8m)
- Number of larger value (> \$15K) memorial contract sales up 28% on PCP
- Timing of memorial construction activity contributed \$1.4m of reported sales growth
- Trend of lower cremation memorialisation rate continued



Operational Highlights (continued)

New Zealand Segment (in NZD)

- Funeral sales up 14.6% to \$21.5m from \$18.8m (comparable up 4.2% to \$18.9m from \$18.1m)
- Case volumes up 13.2% (comparable up 1.8%)
- Case averages up 0.8% (comparable up 2.5%) in line with expectations
- Tight cost management delivering improved EBITDA to sales ratio of 18.9% from 15.1% (comparable to 19.5% from 15.1%)
- Foreign exchange movements upon translation benefited AUD sales by \$1.7m and EBITDA by \$0.4m
- Acquisitions performing to plan



Operational Highlights (continued)

Singapore Segment (in local SGD currency)

- Funeral sales down 6.4% to \$7.7m
- Case volumes up 1.3% on PCP
- Decrease in case averages by 7.7% driven by competitive pressures and package sales mix
- EBITDA to sales ratio improvement to 47.5% (2013: 47.4%)
- Foreign exchange movements upon translation benefited AUD sales by \$0.6m and EBITDA by \$0.3m



Operational Highlights (continued)

New Funeral Locations

- Half year benefit of net three locations opened in Australia during 2013 and one in H1 2014
- Dual branding of some locations (eg. using White Lady and/or Simplicity with traditional brand)
- Mobile arrangers now operating in five localities in Australia and one in New Zealand



Operational Highlights (continued)

Total Prepaid Funeral Sales & Redemptions

	Half year to June	
	2014 v 2013	2013 v 2012
Number of contracts sold	-4.2%	+11.5%
Average Contract Value	+5.9%	+3.6%
	2014 H1	2013 H1
% by which new contracts exceed redemptions	10.7%	14.5%
% of Australian funerals that were prepaid	14.3%	14.5%



Operational Highlights (continued)

Prepaid Funds Under Management

	Half year to June	
	2014	2013
Total FUM	\$384.7m	\$360.8m
% in equities	11%	10%
% in property	22%	25%
% in cash & fixed interest	67%	65%
P&L impacts of undelivered contracts:		
FUM Earnings	\$10.0m	\$8.8m
Service delivery liability increase	(\$7.9m)	(\$7.6m)
Net pre-tax gain on undelivered contracts	\$2.1m	\$1.2m

- Investment earnings continue to exceed growth in service delivery obligation
- Allocation to equities by main Guardian fund remains relatively low given continuing acceptable returns from property and term deposits
- Alternative investments will be required as older, high rate term deposits mature during 2015 and 2016



Operational Highlights (continued)

Investment in Digital & Social Media

- Ongoing implementation of digital strategy to improve customer service and deliver business value:
 - Introduction of mobile apps for at-need and pre-need funeral arrangements
 - Improvement to new digital channels to market (FuneralOrganiser, MyMemorial and MyGriefAssist) – generated 400 sales leads with approx. 20% conversion
 - Enhancing funeral service experience with digital life celebration using audio visual and multimedia (InvoCloud)



Financial Highlights (continued)

Operating Expenses

- Highlights of comparable expenses: (for details see appendices)
 - Cost of goods sold (excluding disbursements) were 12.7% of gross sales, up from 12.4% in PCP - Mix shift in first half to lower margin monumental sales contributed to increase
 - Personnel costs up 5.4% - Base labour rate increases generally contained to approx 3.5% and higher incentive accruals main contributors to increase
 - Advertising & promotions spend up 10.3% to support brands and protect market share
 - Other operational cost increases above inflation primarily Digital projects

FX impact on NZ and SGD costs: \$0.6m



Financial Highlights (continued)

Finance Costs

- Finance costs down \$0.6m to \$7.8m (2013: \$8.4m) following refinancing of senior debt facilities in Dec 2013

Asset sale gains and impairment reversal

- Asset sales gains down \$1.3m - property sale in 2013 not repeated in current half
- Impairment reversal in 2013 (\$3.0m before tax) not repeated in current half



Financial Highlights (continued)

Cash flow highlights

	2014	2013
Net cash inflows from operations	\$29.2m	\$32.9m
Purchase of property, plant & equipment	(\$13.5m)	(\$8.5m)
Proceeds from sale of property, plant & equipment	\$0.2m	\$1.7m
Purchase of businesses (including property)	(\$1.5m)	(\$6.7m)
Deferred employee share plan purchases	(\$1.2m)	(\$0.8m)
Net increase / (decrease) in borrowings	\$14.3m	\$2.8m
Payment of dividends	(\$21.5m)	(\$20.9m)
Conversion of operating EBITDA to ungeared, pre-tax cash flow	110%	118%



Financial Highlights (continued)

Capital Management

Dividends

- Fully franked interim dividend of 15.75 cents per share (2013: 15.0 cents)
 - Ex dividend date 10 September 2014
 - Record date 12 September 2014
 - Payable date 3 October 2014
- DRP remains activated for interim dividend and shares will be purchased on market
- Dividend payout ratio 89% of operating earnings after tax and non-controlling interests



Financial Highlights (continued)

Capital Management (continued)

Banking Facility & Hedges

- Debt drawn \$239m from total \$255m facilities (Dec 2013 \$225m; Jun 2013 \$231m)
- 75% of debt hedged with floating to fixed interest rate swaps (Dec 2013: 80%; June 2013: 89%)
- Covenant ratios comfortably met – leverage ratio 2.3 (must be no greater than 3.5) and interest cover 6.9 (must be greater than 3.0)
- Following refinancing of \$170m of facilities in Dec 2013, effective interest rate at end June 2014 down to 6.0%, inclusive of swaps, fees & margins (6.1% at Dec 2013; 6.6% at June 2013)



2014 H2 Outlook & Beyond

- Month of July 2014
 - Sales up 6.2% on PCP (comparable up 5.4%)
 - Funeral case volumes up 7.5% (comparable 6.5%) on PCP
 - Funeral case averages improved 3.6% but lower than H1 growth due to mid-year price increases in 2013 not repeated in 2014
 - Cem Crem impacted by timing of memorial construction
 - EBITDA to sales margins down in July and is expected to continue in H2
- Leverage dependent on sustained volume recovery off low base in H2 2013
- Market share remains major focus for existing operations



2014 H2 Outlook & Beyond (continued)

- Challenge to grow by acquisition in existing markets is recognised and continuing to explore potential opportunities
- Potential acquisition of two memorial parks in Christchurch in H2 2014, subject to remaining regulatory approval and satisfactory due diligence
- Other small acquisition discussions continue in existing markets, with no certainty on success or timing



2014 H2 Outlook & Beyond (continued)

- Asset sale gains (\$1.6m after tax) and net impairment reversals (\$0.2m after tax) in H2 2013 not expected to be repeated in H2 2014
- Full year capital expenditure expected approx. \$20m
- Caution using early weeks of H2 as indicator of 2014 full year result



Summary

- Number of deaths increase evident since December 2013
- Market share tracking below last year but trend has remained relatively flat since December 2013 and is priority focus for management
- Sales, EBITDA and operating earnings after tax up on PCP
- Funds under management earnings improvement on PCP
- Strong 110% EBITDA to cash conversion
- Continuing digital initiatives and exploration of acquisition growth opportunities
- Solid end to H1 continuing into H2



Operating Results Summary – Total Group

	2014		2013		Variance	
	Actual	% of	Actual	% of	Act V LY	
	\$'m	Gross Sales	\$'m	Gross Sales	\$'m	%
Total - all lines of business						
Sales Revenue	196.1	100.0%	183.6	100.0%	12.5	6.8%
Other Revenue	3.5	1.8%	3.4	1.9%	0.1	2.9%
Finished Goods, Consumables & Funeral Disbursements	(57.2)	29.2%	(53.9)	29.4%	(3.3)	(6.1%)
Personnel	(63.6)	32.4%	(60.0)	32.7%	(3.6)	(6.0%)
Advertising & Public Relations Expenses	(7.6)	3.9%	(6.8)	3.7%	(0.8)	(11.8%)
Occupancy & Facility Expenses	(13.1)	6.7%	(12.7)	6.9%	(0.4)	(3.1%)
Motor Vehicle Expenses	(4.1)	2.1%	(4.0)	2.2%	(0.1)	(2.5%)
Other Expenses	(9.1)	4.6%	(8.4)	4.6%	(0.7)	(8.3%)
Operating Expenses	(154.8)	78.9%	(145.8)	79.4%	(9.0)	(6.2%)
Operating EBITDA	44.7	22.8%	41.3	22.5%	3.4	8.2%
<i>Operating Margin % on Sales revenue</i>		22.8%		22.5%		0.3%



Operating Results Summary – Comparable Only

	2014 Actual \$'m	% of Gross Sales	2013 Actual \$'m	% of Gross Sales	Variance Act V LY \$'m	%
Total - all lines of business						
Sales Revenue	193.6	100.0%	183.1	100.0%	10.5	5.7%
Other Revenue	3.5	1.8%	3.4	1.9%	0.1	2.9%
Finished Goods, Consumables & Funeral Disbursements	(56.2)	29.0%	(53.7)	29.3%	(2.5)	(4.7%)
Personnel	(63.0)	32.5%	(59.8)	32.7%	(3.2)	(5.4%)
Advertising & Public Relations Expenses	(7.5)	3.9%	(6.8)	3.7%	(0.7)	(10.3%)
Occupancy & Facility Expenses	(13.0)	6.7%	(12.6)	6.9%	(0.4)	(3.2%)
Motor Vehicle Expenses	(4.1)	2.1%	(4.0)	2.2%	(0.1)	(2.5%)
Other Expenses	(9.0)	4.6%	(8.4)	4.6%	(0.6)	(7.1%)
Operating Expenses	(152.7)	78.9%	(145.3)	79.4%	(7.4)	(5.1%)
Operating EBITDA	44.4	22.9%	41.2	22.5%	3.2	7.8%
<i>Operating Margin % on Sales revenue</i>	22.9%		22.5%			0.4%



Disclaimer

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