



# Annual General Meeting

Held at:  
PricewaterhouseCoopers  
201 Sussex Street Sydney  
Friday 20 May 2016 at 11:00am



# Chairman's Overview

20 May 2016  
Richard Fisher

# Strategy proven again in 2015

- > Company grew again in 2015, confirming integrity of core strategy
- > Strategy was reviewed and confirmed during 2015
- > Possible acquisition opportunities will continue to be explored in existing markets, albeit more constrained than previously
- > New greenfield development opportunities will continue to be identified, including through the network and brand optimisation project currently underway across Australia and New Zealand
- > Disciplined approach to pursue new core markets, evidenced by current investigation of Southern California
- > Ongoing activity to improve returns on existing assets in core markets
- > Compound annual TSR growth since listing has been 21%, compared to 9% for ASX200



# Board and Corporate Governance

- > Strong commitment to best practice corporate governance
- > Succession planning to refresh Board composition
  - Six Directors, with five being Independent, Non-executive Directors
  - New Managing Director appointed in 2015
  - Two Independent Directors left the Board in 2015
  - Two new Independent Directors have been appointed in last 2 years
  - Two longest serving Directors will be reviewing their position over the next two years
- > Committee structure changed early 2016 to better reflect Company needs in next phase of growth
- > Remuneration policies and practices, in particular LTI, were reviewed and revised





# CEO's Overview

20 May 2016

Martin Earp

# Contents

## **1. Summary of 2015 Results**

- 2. Pillars of Growth
- 3. Strategic Review
- 4. Q1 Performance & Outlook



# Summary of 2015 Results

	Comparable Business			Consolidated Business		
	Actual 2015	Variance to 2014	Variance to 2014	Actual 2015	Variance to 2014	Variance to 2014
Sales revenue	\$433.6m	\$20.6m	5.0%	\$436.4m	\$23.4m	5.7%
Operating expenses	\$333.8m	\$14.8m	4.6%	\$340.5m	\$21.4m	6.7%
EBITDA	\$108.8m	\$7.7m	7.6%	\$105.4m	\$4.3m	4.3%
Margin on sales	25.1%	n/a	0.6%	24.2%	n/a	(0.3%)
Operating earnings (after tax)	\$53.3m	\$6.8m	14.5%	\$49.4m	\$3.2m	6.9%
Net profit (after tax)	\$58.8m	\$3.9m	7.2%	\$54.8m	\$0.3m	0.6%
Operating EPS	48.7c	6.1c	14.3%	45.1c	2.9c	6.9%
EPS BASIC	53.7c	3.5c	7.0%	50.1c	0.3c	0.6%
Dividend	n/a	n/a	n/a	38.0c	1.5c	4.1%





# Summary of 2015 Results

- > 2015 performance met budget expectations
- > Results demonstrate the on-going strength of business
- > On-going projects to deliver sustainable returns into the future





# 2015 Results – Australia

The Australian business performed strongly in all divisions.

Year on year comparable results are:

- > Sales were up 4.8% (\$373m) on the previous year
- > Operating EBITDA was up 7.7% (\$92.3m)
- > Margins up to 24.7% (2014: 24.1%)
- > Cemeteries and crematoria sales increased by 9.1%



# 2015 Results – Singapore / NZ

## Singapore

- > Increase in sales of 8.2% (S\$17.0m)
- > Operating EBITDA up 7.4% (S\$8.2m)
- > Case volume was up by 6% v increase in deaths of 1.8%

## New Zealand

- > Comparable Sales revenue being up 1.4% on the previous year
- > Comparable Operating EBITDA declined by 2.6% (NZ\$9.2m)



# 2015 Results – USA

- > Working on identifying new core market for a number of years
- > The focus is on Southern California (>100k deaths)
- > Operations began in February 2015
- > First year has been challenging but conducted over 350 funerals and >2,300 cremations
- > Operating EBITDA -US\$2.9m (v budget of \$-2m)
- > 2016 will see IVC continue to drive volume



# Contents

1. Summary of 2015 Results
- 2. Pillars of Growth**
3. Strategic Review
4. Q1 Performance & Outlook



# Pillars of Growth – Our People

Fundamental driver of performance is customer service which is delivered by our people.

Employee survey showed a very high level of engagement, loyalty and passion for both the industry and for InvoCare.

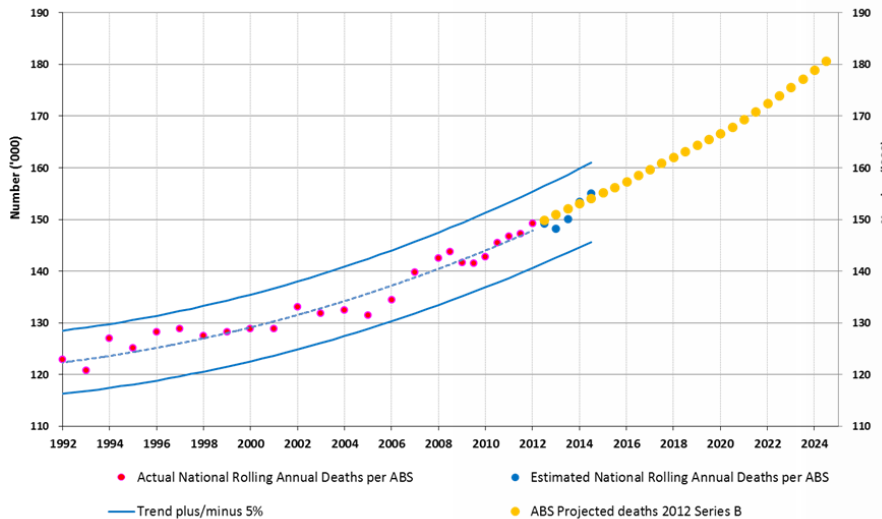
To formalise our culture IVC is rolling out a program of promoting our core values through the CARE program (Collaboration, Accountability, Responsiveness and Excellence)



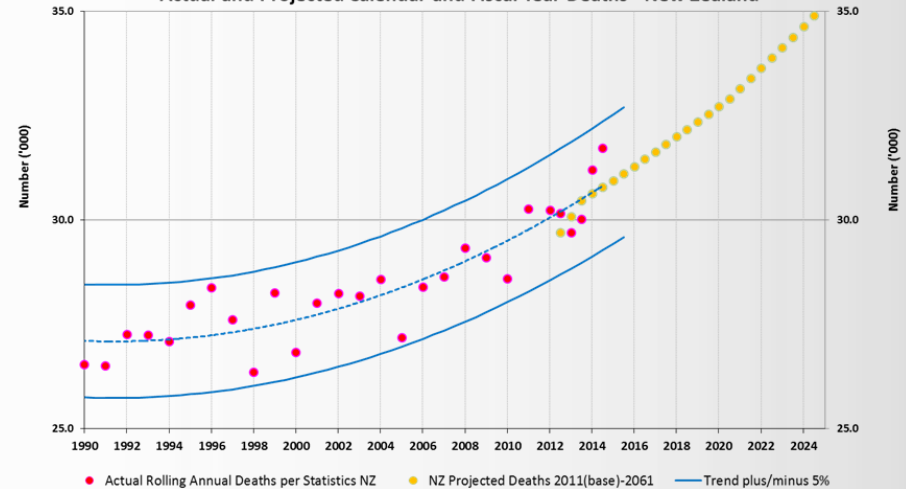
# Pillars of Growth – Deaths

- > Growth in death numbers set to continue
- > Australia growth peaking in 2034 at a growth rate of 2.8%

Actual and Projected Fiscal & Calendar Year Deaths - Australia



Actual and Projected Calendar and Fiscal Year Deaths - New Zealand



# Pillars of Growth – Market Share

Market share continues to remain strong in our key markets:

- > Australia 34%
- > NZ 34%
- > Singapore 10%

Improving market share from existing assets is both the key challenge and opportunity for the business

A key driver of this process is to utilise data to inform:

- > Marketing spend (traditional and digital)
- > Network decisions (reconfiguration including new sites)
- > Brand optimisation (right product / right price)





# Pillars of Growth – Case Average

Funeral case averages in the comparable business increased across all regions (in local currency)

- > Australia up 2.7%
- > New Zealand up 2.7%
- > Singapore up 2% without increasing headline price (packages)

Focus in 2016 is to educate the customer as to the importance of service in the grieving process.



# Pillars of Growth – Efficiency

- > Australia increased margin from 24.1% to 24.7% in 2015 - driven by focus on costs
- > New Zealand's margin was down from 20.2% in 2014 to 19.5% in 2015 - driven by increases in personnel and advertising
- > Singapore margin down from 48.5% to 48.3% in 2015
- > Ongoing focus on margin improvement



# Pillars of Growth – Acquisitions

Two acquisitions contributed to 2015 results:

- > Charles Crawford and Sons (Victoria) completed in December 2014
- > Two memorial parks in Christchurch in July 2015

Acquisitions will continue to be an important driver of growth for InvoCare.

Key existing markets are Melbourne, Adelaide, Auckland and Singapore

The company will continue to research opportunities in new markets



# Pillars of Growth – Pre-Paid Funerals

- > Approx. 15% of IVC Australian funerals performed were prepaid
- > Prepaid contract funds managed externally - \$422m at end 2015
- > Asset allocation:
  - Cash & Hybrids 57%
  - Property 26%
  - Shares 17%
- > New contracts exceeded redemptions by 15%
- > Undelivered prepaid funeral contracts returned a \$7.5m net pre-tax gain



# Contents

1. Summary of 2015 Results
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# Strategic Review - Overview

- > CEO focused on the key drivers of value generation within the business
- > Group Executive confirmed key challenges that face the business and the strategies in place to address these challenges
- > Board separately addressed these issues and confirmed alignment between Management and the Board on the way forward
- > This review concluded that no fundamental change in strategy is required, but there is potential to extract greater benefit from existing assets



# Strategic Review – Key Findings

Specifically the review identified:

- > Business fundamentals of the core markets remain strong
- > Greater potential for operational efficiencies
- > Opportunity for market share improvements from existing assets
- > Opportunity to deliver more efficient deployment of capital
- > Acquisition opportunities still exist in core markets





# Strategic Review – Key Findings

Out of this review the company is undertaking a number of projects to deliver shareholder value in both the short and longer term.

The focus for these projects in 2016/17 is on:

- > Capital allocation
- > Increasing revenue from existing assets (market share and pricing)
- > Increased efficiencies (systems, processes and organisational structure)
- > A network and brand optimisation review to ensure our product and locations remain relevant into the future



# Contents

1. Summary of 2015 Results
2. Pillars of Growth
3. Strategic Review
- 4. Q1 Performance & Outlook**



# Q1 2016 Performance

- > Deaths declined by estimated 2.4% in Q1 2016 (still up on rolling 12 months basis by 1%)
- > Adverse fluctuation in funeral mix impacting averages (but improving)
- > These two factors have impacted the funeral business
- > Focus on cost control continues
- > Market share remaining in line with 2015.
- > Strong performance in Cemeteries and Crematoria division in Q1



# Outlook

- > Despite short term challenge of lower deaths in Q1, the fundamentals of the business remain strong
- > Short Term - the business should continue to deliver growth in key metrics in line with recent years, allowing for fluctuations in deaths
- > Longer Term - the investment in projects should deliver additional value to shareholders over the coming years





# Ordinary Business

20 May 2016

# Financial Statements and Reports

- > To receive and consider the Financial Report, Directors' Report and Independent Audit Report of InvoCare Limited and its controlled entities for the year ended 31 December 2015
- > Mr Brett Entwistle, partner from PricewaterhouseCoopers, InvoCare's external auditor, is in attendance
- > Questions to the Board or InvoCare's external auditor are now invited



# Resolutions summary

- > Each resolution will be decided by a poll
- > Adoption of the remuneration report
- > Election of directors
- > Approval of LTI grants to CEO
- > Approval of termination benefits to former CEO





# Resolution 1

## Remuneration Report

That the Remuneration Report (which forms part of the Directors' Report) for the year ended 31 December 2015 be adopted.

*Note: The vote on this resolution is advisory only and does not bind the directors or the Company.*



# Resolution 2

## Re-election of Richard Fisher

That Richard Fisher, who retires by rotation in accordance with the Company's Constitution, be re-elected as a director of the Company.



# Resolution 3

## **Election of Joycelyn Morton**

That Joycelyn Morton, being a director appointed by the Board since the last Annual General Meeting, and who retires by rotation in accordance with the Company's Constitution, be elected as a director of the Company.



# Resolution 4

## **LTI Grants to CEO, Martin Earp**

That approval be given, for the purposes of Rule 10.14 of the ASX Listing Rules, and for all other purposes, for the Company to grant to Mr Martin Earp, currently the Chief Executive Officer and Managing Director of the Company (Mr Earp), Performance Rights and Options to a value of \$513,000 for the 2016 financial year in accordance with the rules of the Performance Long Term Incentive Plan and as set out in the Explanatory Notes accompanying this Notice of Annual General Meeting.



# Resolution 5

## **STI Termination Benefits to former CEO, Andrew Smith**

That approval be given, for the purposes of Sections 200B and 200E of the Corporations Act and for all other purposes, for the Company to pay and provide to Mr Andrew Smith, the Company's former Managing Director and Chief Executive Officer (Mr Smith), in connection with his cessation of employment with the Company, termination benefits being a short term incentive cash payment of \$44,072, as described in the Explanatory Notes accompanying this Notice of Annual General Meeting.

# Resolution 6

## **LTI Termination Benefits to former CEO, Andrew Smith**

That approval be given, for the purposes of Sections 200B and 200E of the Corporations Act and for all other purposes, for the Company to pay to Mr Smith, in connection with his cessation of employment with the Company, termination benefits being cash in lieu of long term incentive shares as calculated and described in the Explanatory Notes accompanying this Notice of Annual General Meeting.



# Other business

- > To transact any other business that may be lawfully brought forward in accordance with the Constitution and Corporations Act 2001



# Meeting Close - Thank You





# Disclaimer

This presentation contains forward looking statements, which may be subject to significant uncertainties outside of IVC'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.

