



UBS

Australasia Conference

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1. Background to the Funeral Market

- 2. Introduction to InvoCare
- 3. Pillars of Growth for InvoCare
- 4. Moving Forward



The Market

Australia is IVC's major market - 1,000 businesses generating \$1bn revenues*. The market is split into three distinct categories:

- > Pre-Need business – funeral insurance and pre-arranged / paid funerals
- > At-Need business – funeral homes
- > Post-Need business – cemeteries and memorial parks

Private owner/operators dominate funeral services (very fragmented market)

Industry consolidation trends in most markets with traditional family owners progressively selling to corporates

Recommendations and referrals are main drivers of customer choice of funeral provider – service excellence and reputation critical for business success

Location also relevant, hence network of funeral homes generally widespread

* IBISWorld Industry Report S9520, Funeral Directors, Crematoria and Cemeteries in Australia, February 2016, IBIS World Pty Ltd



The Market (cont.)

- > Government and church dominate cemeteries (private ownership restricted)
- > Choice of cemetery commonly driven by family connections
- > Ethnic, religious and cultural considerations influence customer preferences for style of funerals and memorials
- > Barriers to entry:
 - Brand loyalty is high for funerals, with referrals and reputation driving business, so establishing a brand is a barrier, more so than statutory and capital requirements
 - Cemeteries and crematoria require higher capital costs and must satisfy environmental and other regulatory requirements



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Introduction to IVC

- > IVC is the largest funeral, cemetery and crematorium operator in Australia, New Zealand and Singapore, with recently established small presence in Southern California
- > Integrated funeral business operating in pre-need, at-need and post-need
- > Market capitalisation circa \$1.4bn, enterprise value circa \$1.7bn
- > Sales revenues \$436m in 2015, up 5.7% on 2014
- > Over 250 locations, including 16 cemeteries & crematoria
- > Over 1,500 full time equivalent employees
- > Only provider with national brands



WHITE LADY FUNERALS
a woman's understanding

 **Simplicity Funerals**



Introduction to IVC (cont.)

- > Business model delivers efficiencies by consolidation and shared services
- > Estimated 31% overall share of funeral markets in which it operates
- > Strong, consistent cash flows
- > Total assets at 31 Dec 2015 of \$1,009m
- > Debt at 31 Dec 2015 \$232m
 - Leverage ratio 2.1x (net debt/EBITDA)
 - Interest cover ratio 8.3x (EBITDA/net interest)
- > Dividend yield – approx. 3% (fully franked)



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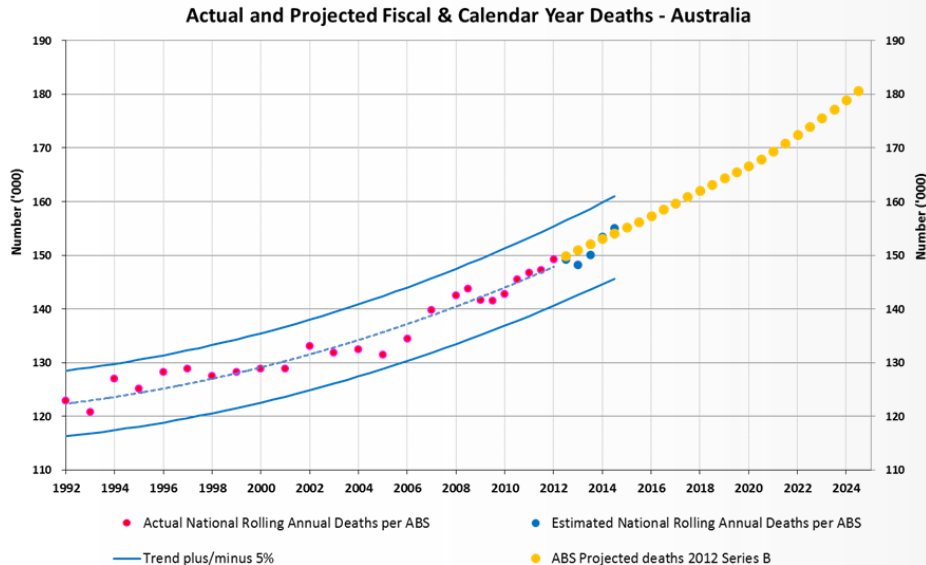
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Deaths

The average annual growth in the number of deaths (2010-15) is:

- > Australia +1.7% (fluctuating between low of 0.1% and high of 4.0%)
- > NZ +1.6% (fluctuating between low -1.8% to high 4.8%)



- > Australia growth peaking in 2034 at a growth rate of 2.8%



Case Average

Funeral case averages in the comparable business increase at levels above CPI.

The growth in sales due to the case average over the period is summarised by geographical region below:

- > Australia +3.4%
- > New Zealand +3.4%
- > Singapore +7.2%

The growth in Singapore has been driven by a focus upselling more product by the use of packages rather than headline rate increases.



Market Share

- > Over the last 10 years acquisitions have increased funeral market share
- > Improved market share from existing assets is critical to the long term performance, focus will be on utilising data to drive marketing decisions

	Now		10 years ago
	% of IVC Markets	% of Nation	% of Nation
Australia <ul style="list-style-type: none">- Sydney- Melbourne- SE Qld- Perth- Adelaide	34% 42% 30% 36% 45% 26%	25%	19%
New Zealand <ul style="list-style-type: none">- Auckland	30% 22%	18%	0%
Singapore	10%	10%	0%



Market Share Growth

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

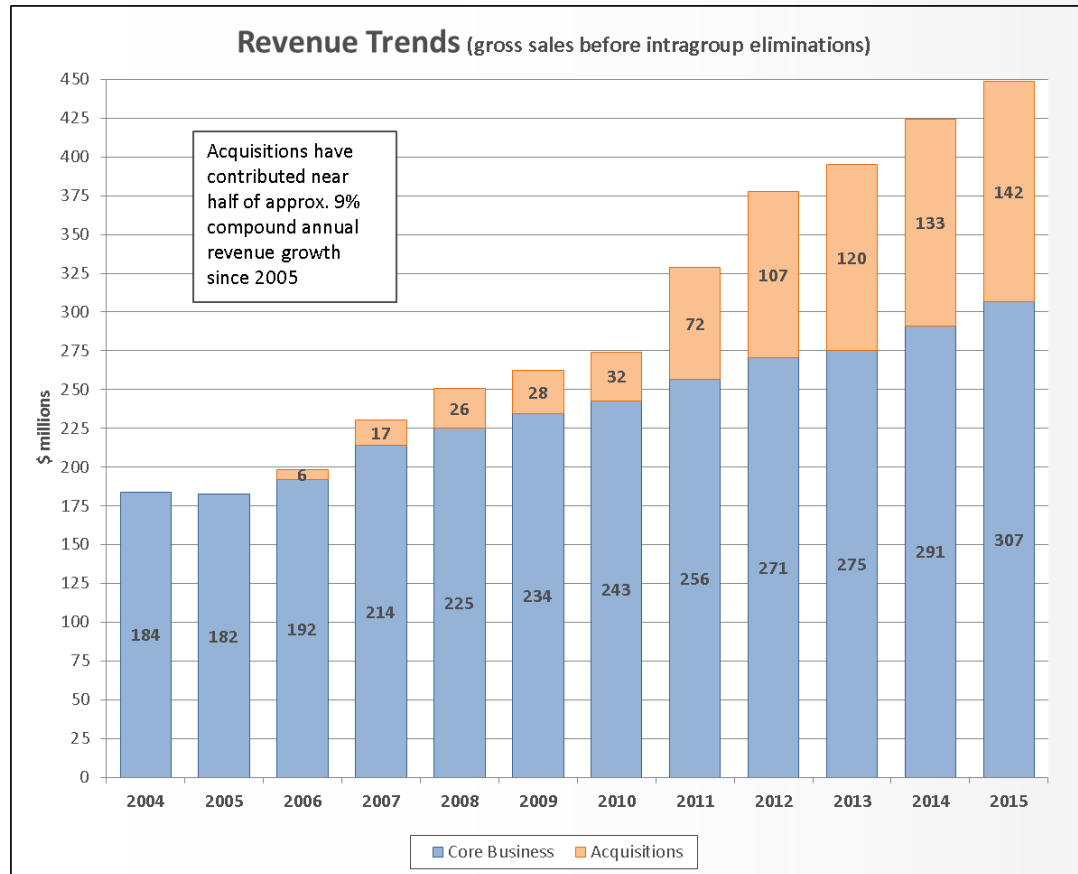
- > Melbourne
- > Adelaide
- > Auckland
- > Singapore

The company will also continue to undertake research into opportunities in new markets (other than the USA).

IVC is also undertaking a Network and Brand Optimisation review of its key markets which will identify in-fill opportunities within existing markets.



Market Share Growth



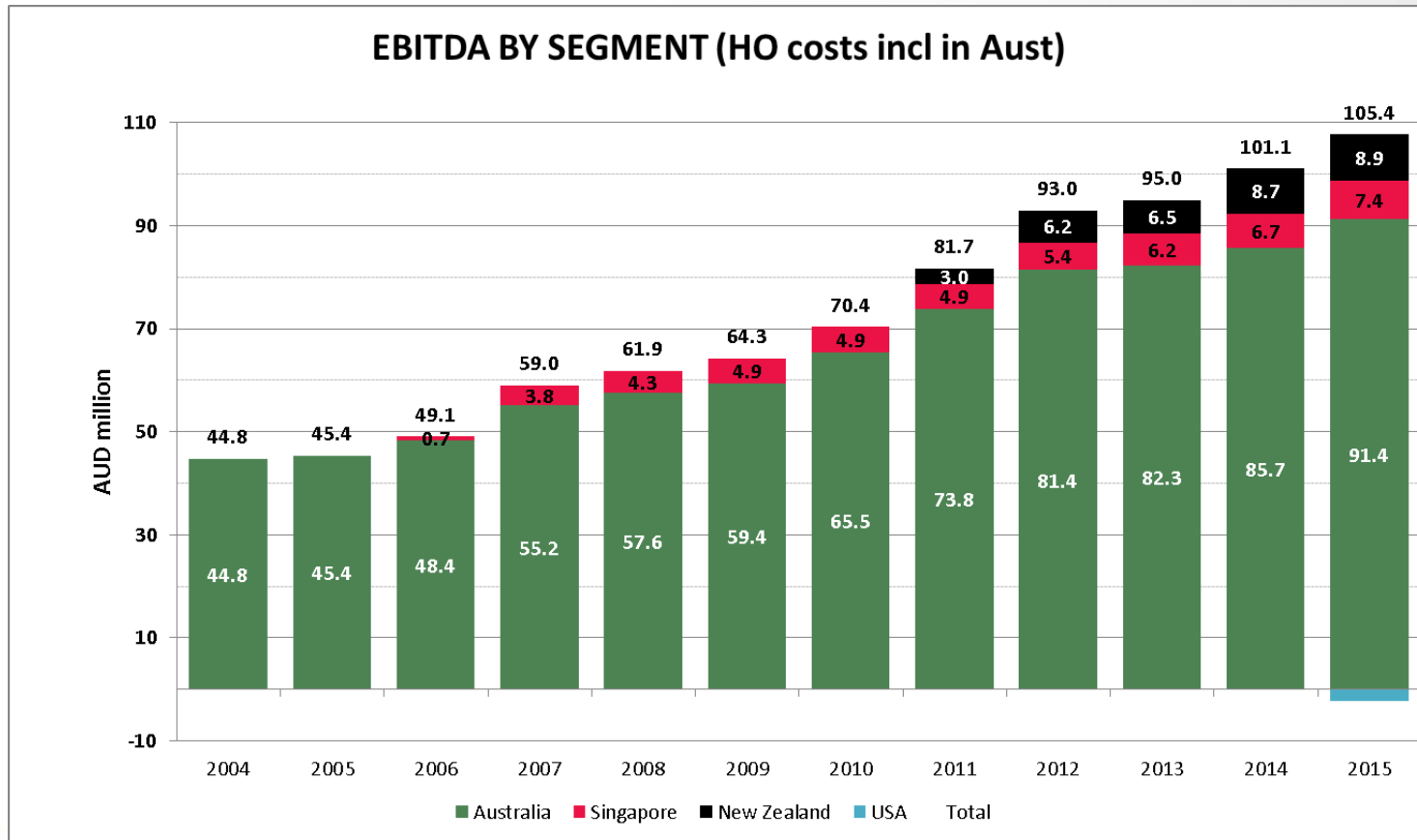
Operational Efficiency

- > Excluding acquisitions and USA, operating costs have grown at a compound annual growth rate of 5.9%
- > Administration costs have been the main driver of increases, due to a combination:
 - Bledisloe acquisition,
 - Up-skilling in digital business activities, marketing and HR
- > However recent focus has been on controlling costs. In Australia increased margin from 24.1% in 2014 to 24.7% in 2015
- > The focus on productivity and increased efficiency has continued into 2016 and will continue into 2017 and beyond as IVC invests in its business systems, processes and business intelligence



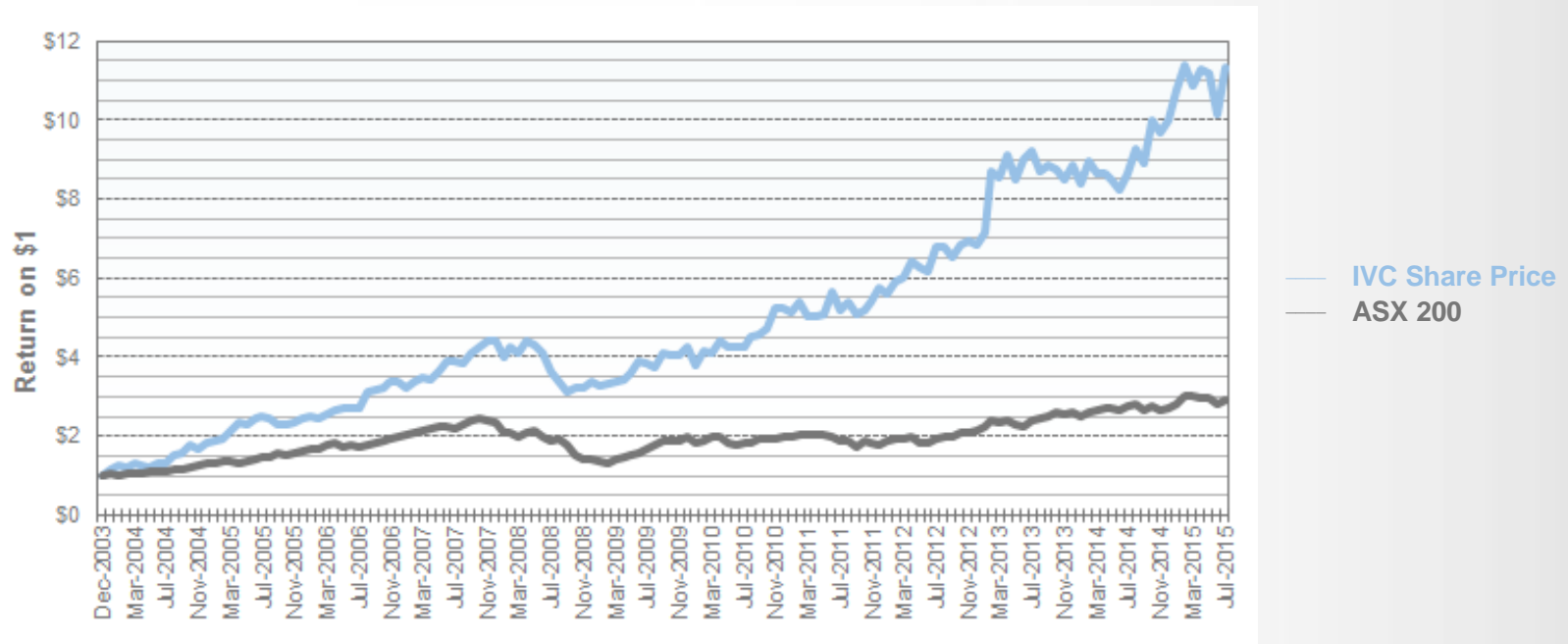
IVC Performance

- > Compound annual growth rate for sales 2010 to 2015 was 10.4%



IVC Performance (cont.)

- > Compound annual growth rate 2010 to 2015 was 8.4%
- > Investor reinvesting their dividends have been rewarded with a compound return in excess of 20% p.a.



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Moving Forward

- > Company reviewed Objective and Strategy in 2015
- > This review concluded that:
 - Objective remains to deliver historic levels of returns to investors
 - No fundamental change in strategy is required
- > 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
 - In-fill acquisitions need to be investigated



Moving Forward (cont.)

- > Out of this review the company is investing in a number of projects to deliver shareholder value in both the short and longer term
- > The focus for these projects in 2016 is on:
 - Increasing revenue from existing assets (market share and pricing)
 - Increased efficiencies (business systems, processes and organisational structure)
 - A network and brand optimisation review to ensure product and locations remain relevant



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.

