

2 May 2018

The Manager
ASX Market Announcements
ASX Limited
Level 4, Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

**ASX Announcement
InvoCare Limited (IVC)
Performance Update Macquarie Conference**

Please find attached presentation slides titled "Performance Update Macquarie Conference" for release to the market.

The slides will be presented by Martin Earp, Chief Executive Officer, at a Macquarie Conference today. Importantly, the slides include an update on 2018 first quarter performance and a revised outlook for 2018 half-year and full-year results.

For and on behalf of the Board



Phillip Friery
Company Secretary

Performance Update Macquarie Conference

Martin Earp, CEO

2 May 2018

Contents

- > Re-cap on Industry Trends
- > Re-cap on IVC's Strategic Response
- > Update on Protect & Grow
- > Update on Q1 Performance
- > Update on 2018 Outlook

Segmentation of Funeral Market

- > Australia's funeral businesses have offered different price points for many years, albeit that the "offering" has been largely standardised
- > The Traditional market segment remains the largest, but demand for both premium and simple funerals has been increasing over many years
- > IVC's multi brand strategy allows it to serve all market segments

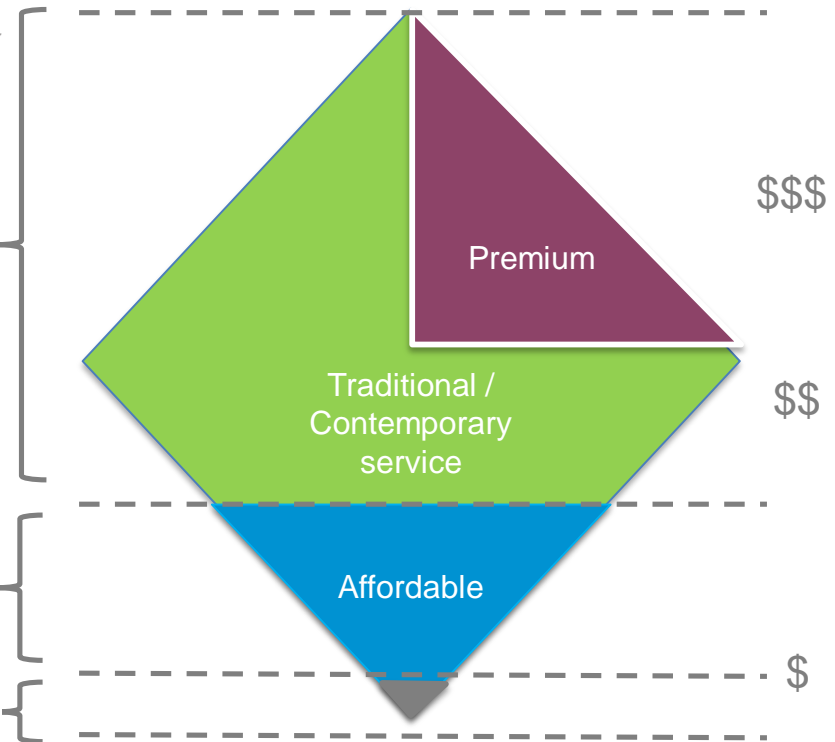
> Simplicity Funerals (est. 1979)



> White Lady Funerals (est. 1988)

> IVC market breakdown is:

- 20% Simplicity
- 60% Traditional
- 20% White Lady



Customer Needs are Changing

2002

2018

“celebrate the life” as the purpose of a funeral was the minority view

Now almost everyone thinks this is the purpose of the funeral

Some (a minority) were interested in more expressive funeral services

Now most will accept more expressive services in various forms

Only some (a minority) wanted more involvement in organising the funeral

Now most want more say, more choice, more knowledge

Few had any knowledge about how to organise a funeral

Now most have an idea of what they prefer – consumers are more empowered

Few wanted to know or talk about dying, especially their own funeral

Now most people contemplate their death and make their wishes known

What do we Need to Change

IVC total compound annual shareholder return has exceeded 18% since listing in 2003 under-pinned by IVC's detailed understanding of the ANZ funeral industry.

IVC's response to industry trends has been a data driven approach to understanding customer needs. Key results are summarised below.

Traditional and Premium customers are seeking:

- > A trusted funeral advisor and arranger – not a funeral “director”
- > Technology to assist in planning and delivering a bespoke funeral (digital info / AV)
- > A modern and contemporary location which is uplifting, local and has ample parking
- > A one-stop-shop which allows for both the service and the celebration of life
- > Local arrangements (15 mins) but will travel further for the service (30 mins)

Great opportunity to grow market share and revenue by meeting these customer needs, however IVC is aware that the change in customer needs is progressive, and will continue to provide traditional service offering in parallel with contemporary offering.

Strategy for Growth

IVC announced its \$200m Protect & Grow plan in February 2017 as a way of delivering sustainable double digit EPS growth.

The plan incorporates both defensive spend to protect existing market position and growth capex to drive market share increases.

1. **Upgrade Existing Funeral Homes** - grow market share at full service funeral locations (hubs) by improving the level of product offering to exceed customer needs
2. **Grow Revenue Per Case** - by using upgraded facilities to provide more services (food and beverage / memorialisation)
3. **New Locations** - grow market share by opening new locations (mainly shop-fronts) in our core markets that will feed the upgraded funeral homes (hubs)

Augmenting these actions will be a focus on improving efficiency and a focus on our people

Regional Markets - Over and above the Protect and Grow plan IVC will actively enter the regional markets of Australia and NZ where IVC is under-represented.

Funeral Home of the Future (concept)



Funeral Home of the Past

Chapel



Condolence lounge



Dandenong Funeral Home (chapel)



Dandenong Funeral Home (celebration



Dandenong Funeral Home (kerb appeal)



Dandenong Funeral Home (twilight services)



Protect & Grow – Q1 Progress

Refresh & Enhance	
2018 Key Deliverables	Q1 2018 Update
Refresh <ul style="list-style-type: none">> 41 sites due to be delivered (incl. 12 relocations)> 13 additional sites due to be commenced	Refresh <ul style="list-style-type: none">> 2 sites delivered in Q1> 15 sites due for delivery in Q2> 24 sites due for delivery in Q3/Q4> 13 additional sites due to be commenced in 2018
Enhance <ul style="list-style-type: none">> 12 sites due to be delivered> 8 sites due to be commenced	Enhance <ul style="list-style-type: none">> 2 sites delivered in Q1> 10 sites underway and due for delivery in Q4> 8 additional sites due to be commenced in 2018
Growth	
2018 Key Deliverables	Q1 2018 Update
<ul style="list-style-type: none">> 15 sites commenced in 2017 and to be delivered in 2018	<ul style="list-style-type: none">> 4 sites delivered in Q1> 9 sites due for delivery in Q2> 2 sites with DA approvals with local council

Growing revenue per case

- > IVC will increase revenue per case by:

- Broadening the range of professional services
- Increasing revenue from post service events (food & bev.)
- Providing greater options for memorialisation

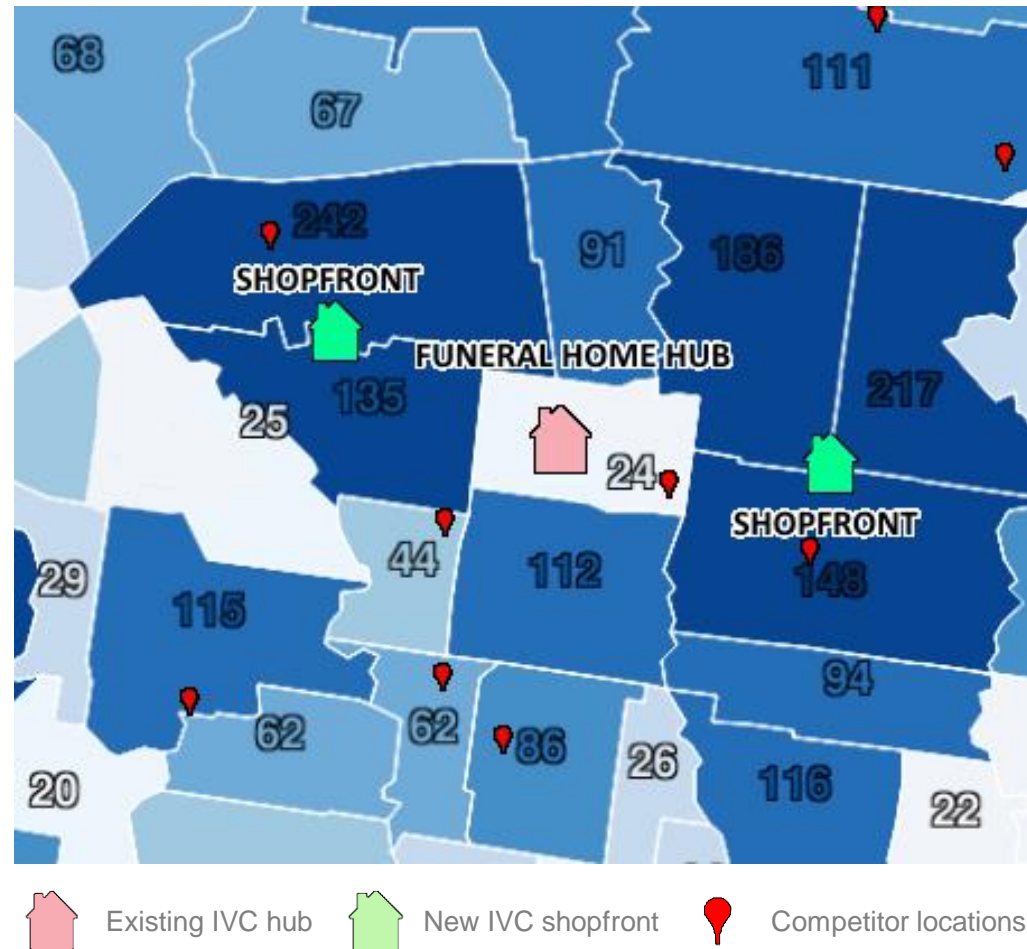
- > This requires IVC to invest in its staff to ensure that they can provide the appropriate levels of customer service

- > IVC is implementing leadership development and recruitment strategies to address this need



New Locations – Shopfront Strategy

- > Image shows number of cases not serviced by IVC
- > IVC is under-represented in many areas of its core market
- > People arrange locally (15mins) but travel for funeral (30mins)
- > Shopfronts to be established in areas where cases >300 (capex \$300k per site)
- > IVC anticipates getting 30% of market in new areas
- > Strategy reliant on a network of renovated hubs to provide point of difference for shopfronts
- > Divest locations where modelling indicates duplication



Protect & Grow - Key Assumptions

The Protect & Grow plan envisages work on 221 funeral locations:

	Number
Refreshed Shopfronts	58
Refreshed Funeral Homes	72
Enhanced Funeral Homes	34
New Growth Shopfronts	57

The projected CAGR growth rate (cases) for the location types are shown below:

	5 Year	10 Year
Refreshed Shopfronts	4.9%	3.5%
Refreshed Funeral Homes	5.5%	3.9%
Enhanced Funeral Homes	9.4%	5.7%
New Growth Shopfronts	28.0%	13.0%

Case average growth is forecast to be 3-4% in the next five years.

Modelled Impact / Initial Findings

- > Overall market share (in the markets that IVC operates) is modelled to increase from 33% to circa 40% over a ten year period
- > Pilot sites undertaken in early 2017 continue to deliver case average growth well above the assumptions identified above:
 - **Pilot Site A:** Shopfront (relocation/refresh): 11 months of post renovation performance showing 38% growth in case volume
 - **Pilot Site B:** Funeral Home (refresh): 11 months of post renovation performance showing 29% growth in case volume
 - **Pilot Site C:** Funeral Home (refresh): 12 months of post renovation performance showing 10% growth in case volume
- > Initial indications from the sites that have been renovated since Q4 2017 (excl. pilot sites) are positive, but this is with very limited trading data

Regional Markets

- > Deaths in the Australian regional / rural markets is circa 50,000 pa
- > IVC current case volume in this market is circa 5%
- > IVC will enter the regional markets in Australia and NZ through a mix of acquisition and green field development
- > Acquisitions in regional areas will also provide the opportunity to apply the Protect & Grow model, further growing market share and increasing volume
- > Initial discussions have indicated interest amongst regional operators to engage with IVC
- > On the back of these discussions IVC has developed a strong pipeline of opportunities which it is hoping to bring to fruition over the balance of 2018/2019
- > IVC has already completed one acquisition in Q1 with Dunns Funerals in Launceston

H1 Performance Update

- > As foreshadowed in February IVC's performance in 2018 will be impacted by the Protect & Grow plan due to decreased volume following the temporary closure of renovated sites and increased depreciation / finance costs
 - Q1 gross sales were down \$6.6m (6.0%) year on year
 - Q1 year on year funeral case volume is down by 721 cases or 6.7%

- > The volume decline was mainly driven by:

	% of Volume Decline
Planned closure of the Singapore, re-opening May 2018	16%
Closure of the US business	20%
Closure of sites in Australia for renovation (net of growth)	21%
Lower volumes in the core Australian / NZ funerals business	43%
Total	100%

- > Market intelligence suggests number of deaths in Q1 is down year on year. This will be confirmed by data from Birth, Deaths & Marriages
- > Performance in Q2 will improve as Singapore location re-opens in May and as further Protect & Grow sites come on-line in Australia and NZ
- > H1 Operating EBITDA Forecast is circa 12% year on year decline with more than half as a result of new operational and one-off Protect & Grow related expenses

Revised Outlook 2018

- > 2018 performance is forecast to be stronger in the second half of the year
- > H2 improved performance will be driven by:
 - Case average increases
 - Impact of COGS savings
 - Singapore trading for full six months v partial trading in Q4 2017
 - Impact of refurbished and new locations coming online
 - Realisation of acquisition pipeline
- > These factors and the impact of changing customer needs, mean that IVC has updated its outlook for 2018 (excl. impact of AASB15):
 - Operating EBITDA: in line with 2017
 - Operating EPS: low single digit decline (year on year)

Questions

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.