



Investor Presentation 2009 Half Year Results

August 2009

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2009 Half Year Highlights

Overall Performance

- Sales revenues increased 9.6% to \$123.5m
- Operating EBITDA increased 7.9% to \$29.3m
- Reported profit after tax increased 16.4% to \$14.3m
- Operating profit after tax increased 10.8% to \$13.6m
- Interim ordinary dividend increased 1.0 cent to 11.5 cents per share
- Strong financial position in current economic climate



2009 Half Year Highlights (continued)

Summary of effects from growth pillars:

1. Favourable demographics with increase in the death rate
2. Pricing – normal annual price increases successfully introduced, plus favourable mix effect on where deaths occur
3. Market share growth from core business
4. Annualisation effects from new locations opened in 2008 & 2009
5. Annualisation effects from the 2008 acquisitions
6. Prepaid funeral contributions were down but memorialisation rates showed signs of improvement in Q2



Key Performance Indicators - Half Year

	2009 H1	2008 H1	Movement %
Funeral Revenues	\$96.1m	\$87.5m	9.8%
Cemetery & Crematoria Revenues	\$30.5m	\$28.2m	8.5%
Elimination of intra-group sales	(\$3.1m)	(\$3.0m)	6.1%
Total Sales Revenues	\$123.5m	\$112.7m	9.6%
Operating EBITDA (i)	\$29.3m	\$27.2m	7.9%
Operating Margin (ii)	23.7%	24.1%	(0.4%)
Operating Profit After Tax	\$13.6m	\$12.2m	10.8%
Prior period tax adjustment	\$0.2m		
After tax effect on swap movements	\$0.8m	\$0.1m	
After tax effect on the profit from sale of assets	(\$0.2m)	\$0.0m	
After tax effect on the loss from asset impairments	\$0.0m	\$0.0m	
Minority Interest	(\$0.0m)	(\$0.0m)	
Profit After Tax	\$14.3m	\$12.3m	16.4%
Basic Earnings (cents per Share)	14.2 cents	12.3 cents	15.4%

(i) EBITDA excluding asset sales & asset impairments

(ii) Operating EBITDA/ sales revenues



Operational Highlights

Funeral Revenues

<u>Sales revenue growth coming from:</u>	2009 v 2008		2008 v 2007	
	H1		H1	
	\$	%	\$	%
Volume	\$1.7m	1.9%	\$1.4m	1.7%
Pricing & Mix	\$5.8m	6.6%	\$3.3m	4.0%
Prepaid Surplus/ (loss)	(\$1.1m)	(1.2%)	(\$1.0m)	(1.2%)
Australian Acquisitions*	\$1.3m	1.5%	\$3.2m	3.9%
Singapore	\$0.9m	1.0%	(\$0.0m)	(0.0%)
Total	\$8.6m	9.8%	\$6.8m	8.4%

*Australian acquisitions:

- 2009 v 2008 includes Christian & Southern Cross only
- 2008 v 2007 includes Liberty & Chippers only



Operational Highlights (continued)

Funeral Market

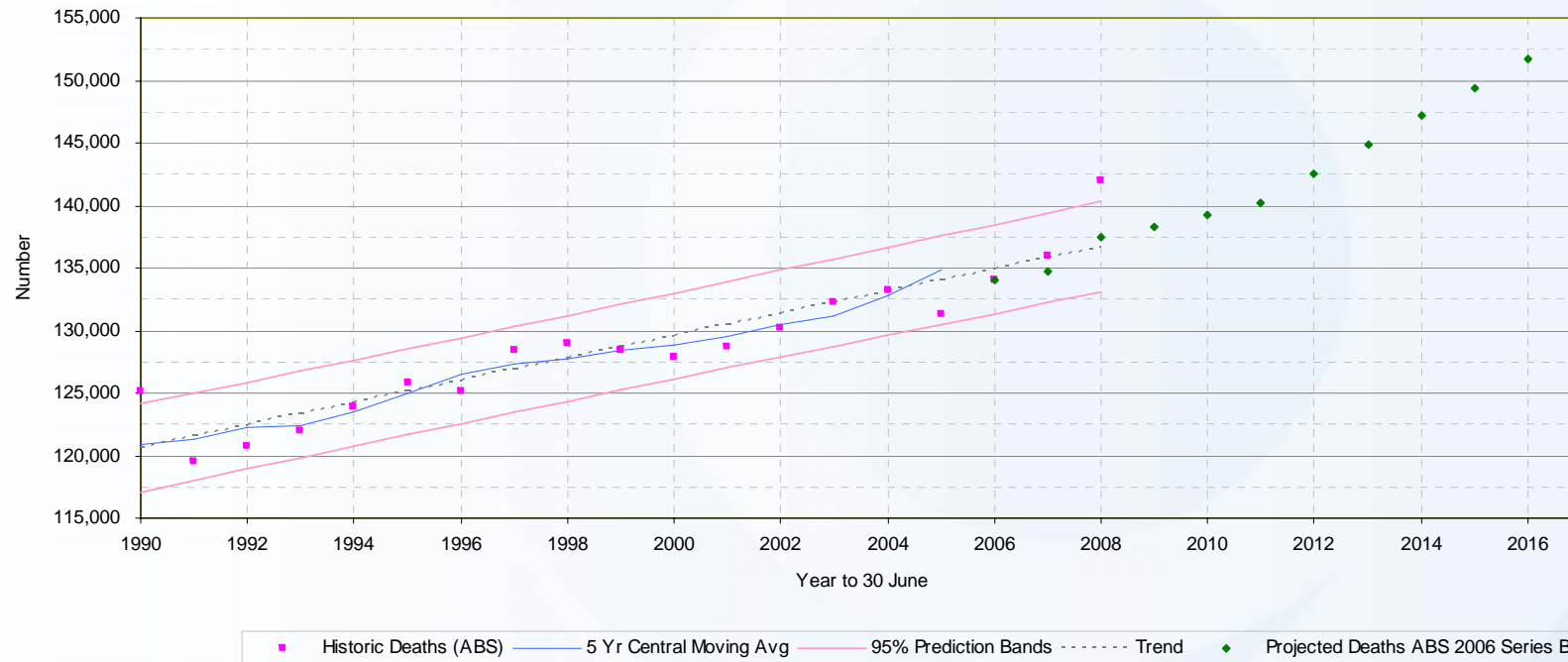
- IVC estimates deaths increased 1.4% in H1 in its Australian markets (2008: 1.9%); or on rolling 12 month basis 1.7% (2008: 4.3%)
- 0.3% increase estimated in IVC's share of its markets since 31 December 2008, due primarily to acquisitions (comparable 0.1% market share gain)
- Preliminary ABS data for full 2008 year indicates total Australian deaths increased 3.6%, compared to IVC guidance of 2.1% in its markets. This is reverse of FY 2007 when ABS estimate was 3.3% compared to IVC 4.4%.
- Reason for difference between ABS data and IVC guidance estimates is likely to be timing



Operational Highlights (continued)

Revised Australian Death Projections

Actual and Projected Deaths - Australia



Operational Highlights (continued)

Singapore Casket Company

- Singapore Casket Company revenues increased 23.1% to AUD4.8m
or 3.2% to SGD5.1m
- Case volume increased 4.8% with some market share gains
- Average sales value decreased 1.5% in SGD
- EBITDA increased AUD0.7m to AUD2.5m
or SGD0.3m to SGD2.7m
- Benefited from exchange rate movements



Operational Highlights (continued)

Funeral Acquisitions

- Launched Simplicity Casket brand in Singapore in May 2009
- Small business in Singapore trading as Casket Company Embalming and Funeral Services acquired in July 2009
- Simplicity Casket and Casket Company Embalming and Funerals Services operate from one location
- All acquisitions since listing are performing to plan
- EBITDA margins are improving but are still lower than group average
- 2008 Acquisitions contributed \$1.3m to sales revenue and \$0.3m to EBITDA



Operational Highlights (continued)

New Funeral Locations

- 4 new locations opened in H1 2009 (6 in H1 2008)
 - Generated revenues (comparable) of \$0.2m

- 26 new locations opened during 2006, 2007 and 2008
 - Generated H1 revenues of \$5.4m (2008: \$3.4m)
 - Difficult to accurately quantify incremental revenue

- EBITDA margins improve as new locations become established - more quickly when serviced by local shared service centres



Operational Highlights (continued)

Cemeteries & Crematoria Revenues

<u>Sales revenue growth coming from:</u>	2009 v 2008		2008 v 2007	
	H1		H1	
	\$	%	\$	%
Sales before deferred revenue movement*	\$1.6m	5.5%	\$1.4m	5.1%
Movement in deferred revenue	\$0.8m	2.9%	(\$1.0m)	(3.6%)
Total	\$2.4m	8.5%	\$0.4m	1.5%
Services growth (at need case volume)		1.3%		1.1%

*Includes the impact of changes in pricing and pre-need and at-need volumes



Operational Highlights (continued)

Cemeteries & Crematoria Market

- H1 sales up 8.5%, despite April YTD being down 0.9% on prior period.
- H1 growth assisted by approximately \$2.0m in accelerated deliveries of memorials.
- Memorial sales and averages improved in May & June
- Overall cemeteries & crematoria at need case volume up by 1.3%, estimated death numbers were up 0.5% and small market share improvement
- Rookwood crematorium recommenced full operations in May 2009



Operational Highlights (continued)

Prepaid Funeral Sales & Redemptions

	2009	2008
■ Number of contracts sold	↑ 10.9%	↑ 17.3%
■ Average contract value	↑ 6.6%	↑ 6.1%
■ % by which new contracts exceed redemptions	↑ 18.5%	↑ 3.5%
■ % of IVC's Australian funerals that were prepaid	12.4%	13.3%
■ % of total sales revenue (including prepaid funeral contributions) coming from the performance of prepaid funerals	8.8%	10.3%



Financial Highlights

Operating EBITDA

	H1 2009 %	H1 2008 %	Change %
Core operating EBITDA margin	24.1%	23.8%	↑ 0.3%
Impact of prepaid surplus	(0.4%)	0.3%	
Overall operating EBITDA margin	23.7%	24.1%	↓ (0.4%)

Generating operating leverage continues to be a priority, but is adversely impacted by:

- Lower prepaid funerals returns
- Higher sales growth from the lower operating margin funerals business
- New locations with lower margins
- Acquisitions, again initially with lower margins



Financial Highlights (continued)

Employee costs

	2009	2008		Var
■ Employee costs	\$38.4m	\$35.2m		9.1%
Scale efficiencies:				
■ As a % of sales revenue	31.1%	31.3%	↑	0.2%
■ As a % of core revenue (i)	37.5%	38.0%	↑	0.5%

Impacted by:

- Base labour rate increases generally contained to between 3% to 4%
 - Staff turnover (ii) reduced from 20% at December 2008 to 15% at June 2009
 - Some headcount additions to improve service levels to client families
- (i) Excludes funeral disbursements, prepaid funeral fund contributions and intra group eliminations
- (ii) Calculated on rolling 12 month data



Financial Highlights (continued)

■ Occupancy costs

Increased 14.3% to \$8.1m (2008: \$7.1m), with key increases being:

- Land tax \$0.2m
- Repairs & Maintenance associated with building refurbishments \$0.3m
- Acquisitions and new locations \$0.2m

■ Depreciation and amortisation expense

Increased 17.2% to \$5.3m (2008: \$4.6m), mainly attributable to:

- new capital expenditure; and
- accelerated depreciation on certain plant and equipment following reassessment of useful lives in H2 2008



Financial Highlights (continued)

Finance costs

	2009	2008	Var
■ Interest & other finance costs	\$5.4m	\$5.6m	↓ 3.0%
■ Non cash Interest rate swap expense/ (gain)	(\$1.2m)	(\$0.1m)	
■ Finance costs	\$4.3m	\$5.5m	↓ 22.2%

Income Tax

	2009 H1	2008 H1	2008 FY
■ Effective tax rate*	29.3%	29.3%	29.2%

*After adjusting reported tax expense for prior period credits (2009 H1 \$0.2m, 2008 H1 \$nil, 2008 FY \$0.6m) and investment allowance benefit on qualifying capital expenditure (only 2009 H1 \$0.2m)



Financial Highlights (continued)

Capital Management

Dividends

- Fully franked interim dividend of 11.5 cents per share (2008: 10.5 cents) declared
 - Ex dividend date 14 September 2009
 - Record date 18 September 2009
 - Payable date 9 October 2009

- DRP remains activated for interim dividend and has been extended to New Zealand resident shareholders. No discount to market price and not underwritten. Shares will be issued.

- Dividend payout ratio is 81%, exceeding Board's annual dividend payout policy of at least 75%



Financial Highlights (continued)

Capital Management (continued)

Cash flows highlights

	2009	2008
■ Net cash inflows from operations	\$15.3m	\$11.7m
■ Purchase of property, plant & equipment	(\$5.6m)	(\$6.2m)
■ Purchase of subsidiaries & businesses	-	(\$4.1m)
■ Net increase/(decrease) in borrowings	\$1.0m	\$7.0m
■ Payment of dividends	(\$10.3m)	(\$12.6m)
■ Conversion of EBITDA to ungeared, pre-tax cash flow	96%	88%



Financial Highlights (continued)

Capital Management (continued)

Banking Facility & Hedges

- Net debt \$154.0m (June 2008: \$156.5m; December 2008: \$152.2m)
- Total debt facility is \$185.0m, inclusive of a \$5m overdraft facility, maturing January 2011
- 96% (2008 H1: 94%) of debt hedged with floating to fixed interest rate swaps to January 2011
- Effective rate of interest on drawings, including margin, at balance date was 6.3% (31 Dec 2008: 6.4%)



Financial Highlights (continued)

Capital Management (continued)

Banking Facility & Hedges (continued)

- Key ratios have remained healthy:
 - Leverage ratio (Net debt/Operating EBITDA)
 - 2.4x (H1 2008: 2.7x; 31 Dec 2008: 2.5x)
 - Interest cover (Operating EBITDA/Net Interest)
 - 6.3x (H1 2008: 5.8x; 31 Dec 2008 6.0x)
- Banking covenants comfortably satisfied & small improvements in ratio calculations year on year



Financial Highlights (continued)

Prepaid funds under management

	30 Jun 2009	31 Dec 2008	Movement	
	\$'m	\$'m	%	
Prepaid Funeral Funds	244	237	3.0%	
Gross Annual Returns	%	%	%	
6 months ended	3.5%	(6.4%)	9.9%	
12 months ended	(3.3%)	(14.1%)	10.8%	(i)
3 years ended	2.9%	4.0%	(1.1%)	
5 years ended	7.9%	8.6%	(0.7%)	
7 years ended	7.6%	6.8%	0.8%	

- Gross returns exclude investment management fees and administration fees (currently 1.6%)
- (i) Refer Appendix 5 - One Year Prepaid fund benchmark comparison



Financial Highlights (continued)

Prepaid funds under management (continued)

- Note IVC's balance sheet excludes prepaid funds under management
- Prepaid revenue, including the surplus, is only recognised on delivery of products and services.
- Exposure to equities was reduced by tactical tilts to cash in 2008 and again in early 2009
- Market conditions improved towards end of H1, resulting in reconsideration of asset allocations
- At 30 June 2009 the funds were estimated to approximate the retail price of delivering all services at that time – that is, surplus had recovered from negative \$3 million on 1 January 2009



Attractive Business Model

- Growth pillars evident in H1 2009:
 - Favourable demographics ✓
 - Pricing / Average cem crem contract values ✓ / ✓
 - Market share improvements ✓
 - Prepaid surpluses ✗
 - New locations ✓
 - Business acquisition annualisations / New acquisitions ✓ / ✓

- Business model is re-affirmed

- Accordingly, no shift in strategic direction warranted



2009 Outlook & Beyond

- Despite strong H1, sales revenue from 1 July to 17 August 2009 estimated 5% above corresponding 2008 period
- Australian funeral sales up 3%, with case volume down 1% - death rate related – and prepaid contract sales down by similar amount
- Cemeteries and crematoria sales up 11% - continuing improved trading conditions since April 2009 - management currently reconsidering extent of accelerated memorial construction for remainder of 2009
- Singapore sales up 23% (13% in local currency) with case volume up 16%



2009 Outlook & Beyond (continued)

- Focus on managing major operating expenses, especially personnel & marketing, to improve operating margins
- Fixed interest rate swap gains expected over next eighteen months totalling \$1.6 million (\$1.1 million after tax) – H2 2009 likely to have gain, unable to predict amount, but opposite of \$1.5 million (\$1.0 million after tax) loss recorded in H2 2008
- Australian dollar appreciated against Singapore dollar in H1 and post 30 June 2009 - opposite of H2 2008 when AUD depreciated - so FX translation losses likely during remainder of H2
- No major capital management initiatives planned for 2009, but preparations underway for refinancing of debt facilities maturing January 2011
- No change to dividend policy (minimum 75% payout)



2009 Outlook & Beyond (continued)

Strategic focus to remain on core long term growth pillars:

- Ageing population trend
- Consistent annual 3-4% pricing increments
- Promote cemetery/crematorium memorialisation and improve contract averages
- Market share growth from existing business through:
 - continual service level enhancements, maintaining mid to high 90% recommendation rates
 - further human resource development & investment
 - improving already high brand awareness (eg. Guardian up 7% to 56%)
 - facilities and other asset upgrades (capex spend \$15-17million in 2009)
 - ongoing support of local communities



2009 Outlook & Beyond (continued)

Strategic focus to remain on core long term growth pillars (continued):

- Opening new funeral locations to improve overall market penetration:
 - in both existing and new markets
 - opened 4 in H1
 - further 3 expected in H2
 - potential 2 to 4 annually

- Pursue acquisition opportunities:
 - both in Australia and internationally, in particular Asia-Pacific region
 - small Singapore business acquired to complement Singapore Casket
 - no major acquisitions expected in 2009



2009 Outlook & Beyond (continued)

Strategic focus to remain on core long term growth pillars (continued):

- Invest in prepaid funeral business to secure future revenues and, with improving equity markets, to grow operating margins:
 - Prepaid funeral fund asset switches back to equities have commenced
 - In mid-August, 49% in equities (55% in main fund), up from low of 17% (15% main fund) in February 2009
 - Prepaid surplus grown by mid-August to cover new year price increases
 - Each 1% improvement in ASX index will generate estimated \$1.4million additional surplus once equities are 65% of prepaid funds
 - Actual profit impact in any future period depends on asset allocations, investment returns, future selling price increases and length of time monies have been held in prepaid funds before funeral service is performed



Summary

- Another strong operational performance
- InvoCare's attractive and solid business model has again been proven
- Long term growth likely to continue from growth pillars



Appendix 1 – Profit after Tax

	2009	2008	Movement
	\$'m	\$'m	%
Operating activities	20.9	19.2	9.2%
Other – interest, borrowing costs etc	(7.4)	(6.9)	6.2%
Operating Profit After Tax	13.6	12.2	10.8%
Prior period tax adjustment	0.2	-	
Profit/(loss) on swap movements	0.8	0.1	
Profit/(loss) on sale of assets	(0.2)	0.0	
Asset Impairment Losses	-	-	
Minority Interest	(0.0)	(0.0)	
Profit After Tax	14.3	12.3	16.4%



Appendix 2 – Net Operating Results (excluding asset sales, depreciation & interest)

6 months ended	Jun 2009	Sales	Jun 2008	Sales	Movement
	\$'m	Revenues %	\$'m	Revenue %	
Sales revenues (Excluding Funeral Prepaid Surplus)	124.0		112.2		10.6%
Prepaid Surplus	(0.6)		0.5		(220.1%)
Other Revenue	2.5		2.1		22.2%
Finished Goods	36.9	29.8%	33.2	29.6%	11.3%
Employment	38.4	31.0%	35.2	31.4%	9.1%
Advertising & PR	3.8	3.1%	3.8	3.4%	0.9%
Occupancy Costs	8.1	6.5%	7.1	6.3%	14.3%
Motor Vehicle Costs	2.6	2.1%	2.6	2.3%	1.2%
Other	6.8	5.5%	5.7	5.1%	18.7%
Total net expenses	96.7	77.9%	87.6	78.1%	10.4%
Operating EBITDA	29.3	23.6%	27.2	24.2%	7.9%
Operating EBITDA (Excluding Funeral Prepaid Surplus)	29.9	24.1%	26.7	23.8%	12.1%



Appendix 3 – Working Capital Management

	Jun 2009 \$'m	Dec 2008 \$'m	Mvmt %	Jun 2008 \$'m	Dec 2007 \$'m	Mvmt %
Receivables	18.6	16.6	11.9%	18.9	16.8	12.0%
Prepayments	2.5	1.8	40.2%	2.2	1.7	28.5%
Asset sale consideration receivable	0.0	0.0	-	0.0	0.0	-
Inventories	13.9	13.7	1.8%	13.6	13.2	3.5%
Other current assets	0.5	0.5	0.6%	0.6	0.5	2.2%
Payables	(23.9)	(20.7)	15.5%	(18.8)	(22.0)	(14.6%)
Deferred purchase consideration payable	(0.3)	(0.3)	(1.9%)	(1.1)	(3.6)	(68.5%)
Other current liabilities	(8.5)	(8.5)	(0.8%)	(8.5)	(8.1)	5.8%
Deferred revenues	(2.9)	(2.9)	(1.1%)	(3.0)	(3.0)	1.3%
Current tax liability	(2.4)	(4.7)	(48.1%)	(3.3)	(4.7)	(29.1%)
Net working capital	(2.4)	(4.5)	46.8%	0.5	(9.0)	105.9%



Appendix 4 – Balance Sheet Indicators

	Jun 2009 \$'m	Dec 2008 \$'m	Mvmt %	Jun 2008 \$'m	Dec 2007 \$'m	Mvmt %
Net working capital	(2.4)	(4.5)	46.8%	0.5	(9.0)	105.9%
Fixed assets	222.4	222.2	0.1%	213.8	212.7	0.5%
Intangibles	59.4	62.0	(4.1%)	56.2	56.5	(0.5%)
Other assets	17.0	17.1	(0.5%)	16.8	16.7	0.9%
Derivative financial instruments	(5.7)	(12.5)	(54.8%)	6.5	5.3	23.7%
Other creditors & provisions	(1.9)	(1.9)	2.0%	(1.4)	(1.3)	8.0%
Deferred revenues	(39.9)	(40.4)	(1.1%)	(41.9)	(41.4)	1.3%
Deferred tax liabilities	(28.9)	(26.9)	7.6%	(33.6)	(33.4)	0.7%
Capital employed	220.1	215.2	2.3%	216.8	206.0	5.2%
Net Debt	(154.0)	(152.2)	1.2%	(156.5)	(145.6)	7.5%
Shareholder equity	66.1	63.0	4.9%	60.4	60.5	(0.2%)



Appendix 5 – Prepaid Funds

	One Year Prepaid Fund Performance			Asset Allocation	
	Jun 2009	Dec 2008	Increase/ (Decrease)	Jun 2009	Dec 2008
Australian Equities	(20.1%)	(38.4%)	18.3%	28.4%	28.4%
International equities	(16.2%)	(24.9%)	8.7%	1.5%	1.6%
Property	(42.3%)	(54.0%)	11.7%	1.0%	1.1%
Fixed interest	10.8%	14.9%	(4.1%)	9.3%	10.1%
Cash	5.5%	7.6%	(2.1%)	59.8%	58.8%
Overall Benchmark before Admin Costs	(5.6%)	(16.3%)	10.7%		
Actual performance before Admin costs	(3.3%)	(14.1%)	10.8%		



Appendix 6 – Capital Expenditure

	2009	2008
■ Property purchases	-	-
■ Refurbishments and facility upgrades	\$1.8m	\$2.4m
■ Motor Vehicles	\$1.0m	\$1.3m
■ Cremators	\$0.2m	\$0.6m
■ Other Assets	\$2.6m	\$1.9m
Cash paid for purchase of property, plant & equipment	\$5.6m	\$6.2m
■ Add unpaid amounts for property, plant & equipment purchases included in creditors at 30 June	\$1.9m	
Total Capex	\$7.5m	\$6.2m



Disclaimer

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