InvoCare
Innovation Vocation Care

# 2016 Full Year Results

## 23 February 2017

**Martin Earp, CEO**
**Josée Lemoine, CFO**

# Summary of Performance 2016

## Financials

Sales Revenue
$450.7m ↑ 3.3%

Expenses
$348.6m ↑ 2.4%

EBITDA
$112.3m ↑ 6.5%

Operating Earnings after tax
$55.2m ↑ 11.9%

Reported profit
$70.9m ↑ 29.4%

## Pillars of Growth

Demographics
Deaths ↑ 0.3%

Funeral Market Share
Circa ↓ 77bps

Funeral Case Average ↑ 4%

Operating Margins
↑ 70 bps

Acquisitions/Greenfields
Nil

Prepaid FUM
↑ 12.0%

## EBITDA/Countries[1]

Australia
$100.1m ↑ 6.7%

New Zealand
$9.6m ↑ 2.4%

Singapore
$8.4m ↑ 2.0%

USA
$(2.3)m ↑ 19.8%

[1] in local currency

# Agenda

| | |
|---|---|
| Financial Results | Josée Lemoine |
| Growing Shareholder Value | Martin Earp |
| Capital Management | Josée Lemoine |
| Outlook | Martin Earp |
| Q&A | Martin Earp, Josée Lemoine |

# Financial Results

**Josée Lemoine, CFO**

# Group results – Income Statement

| | Comparable Business[1] | | | | Consolidated Business | | | |
|---|---|---|---|---|---|---|---|---|
| | Actual 2015 $m | Actual 2016 $m | Variance to 2015 | | Actual 2015 $m | Actual 2016 $m | Variance to 2015 | |
| **Sales revenue** | **$434.9** | **$447.6** | **$12.8** | **2.9%** | **$436.4** | **$450.7** | **$14.3** | **3.3%** |
| Other revenue | $9.5 | $9.7 | $0.2 | 2.2% | $9.6 | $10.2 | $0.6 | 6.3% |
| Operating expenses | $335.2 | $342.5 | $7.3 | 2.2% | $340.5 | $348.6 | $8.0 | 2.4% |
| **EBITDA** | **$109.1** | **$114.9** | **$5.7** | **5.2%** | **$105.4** | **$112.3** | **$6.9** | **6.5%** |
| Margin on sales | 25.1% | 25.7% | n/a | +0.6% | 24.2% | 24.9% | n/a | +0.8% |
| Operating earnings *(after tax)* | $53.6 | $58.7 | $5.1 | 9.6% | $49.4 | $55.2 | $5.9 | 11.9% |
| **Net profit** ***(after tax & non-controlling interest)*** | **$59.1** | **$74.5** | **$15.4** | **26.1%** | **$54.8** | **$70.9** | **$16.1** | **29.4%** |
| **Operating EPS** | **48.9c** | **53.5c** | **4.6c** | **9.4%** | **45.1c** | **50.4c** | **5.3c** | **11.8%** |
| EPS Basic | 53.9c | 67.9c | 14.0c | 26.0% | 50.1c | 64.7c | 14.6c | 29.1% |
| Dividend | n/a | n/a | n/a | n/a | 38.0c | 42.5c | 4.5c | 11.8% |

**Sales revenue's** growth ↑ 3.3% sustained by increased funeral case averages and strong memorial sales

**Other revenue** in line with pcp when excluding one-off non-refundable option fee of $0.6m from a prospective property buyer

**Operating leverage** reflects favourable product mix and the efforts on cost containment with **EBITDA margins** ↑ 0.8% or 8 bps

**Prepaid contract funds under management** improved returns are major contributor to reported statutory profit increase

**Dividend** increase in line with Operating earnings growth. **Payout ratio** of 84.7%

[1]excludes USA and two NZ Memorial Parks acquired in 2015

Refer to appendix for reconciliation from EBITDA to NPAT

Note that the data in the table above has been calculated in thousands and presented in millions. As a consequence some additions cannot be computed from the tables as presented.



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# Group results – Net Profit after Tax

| | 2015 | 2016 | Change | |
|---|---|---|---|---|
| | $'m | $'m | $'m | % |
| **Operating EBITDA[1]** | $105.4 | $112.3 | $6.9 | 6.5% |
| **Net profit** after tax attributable to ordinary equity holders of InvoCare | $54.8 | $70.9 | $16.1 | 29.4% |

(1) Non-IFRS financial information

**From EBITDA to NPAT growth of 6.5%** → **29.4%**

**Depreciation & amortisation** of $21.3m ↑ 5.7% supports increased investment in properties, motor vehicles & IT

**Finance costs** of $13.6m ↓ 8.3% following refinancing of interest swaps to improved rates

**Income tax on operating earnings** of $23.0m ↑ 6.0% with an effective tax rate of 29.4%

**Net gain on undelivered prepaid contracts after tax of** $16.0m ↑ $10.8m. Funds under Management (FUM) mark to market leads to volatility in IVC's reported profit with property investment revaluations being major contributor to improved FUM earnings

Refer to appendix for NPAT detailed P&L

# Group Operating Expenses *(as a % of gross sales)*

## Continued focus on cost control has driven further growth in operating margin

| | 2015 | | 2016 | | Variance | |
|---|---|---|---|---|---|---|
| | $'m | % of Gross Sales | $'m | % of Gross Sales | $'m | % |
| **Total – all lines of business** | | | | | | |
| **Sales Revenue** | **$436.4** | | **$450.7** | | **$14.3** | **3.3%** |
| Other Revenue | $9.6 | 2.2% | $10.2 | 2.2% | $0.6 | 6.3% |
| **Expenses** | | | | | | |
| Cost of Goods Sold | $(125.4) | (28.7)% | $(127.0) | (28.2)% | $(1.6) | (1.3)% |
| Personnel | $(142.3) | (32.6)% | $(150.8) | (33.5)% | $(8.4) | (5.9)% |
| *Personnel - Non-Sales* | *$(127.8)* | *(29.3)%* | *$(133.8)* | *(29.7)%* | *$(5.9)* | *(4.6)%* |
| *Personnel – Sales* | *$(14.5)* | *(3.3)%* | *$(17.0)* | *(3.8)%* | *$(2.5)* | *(17.3)%* |
| All Other Expenses | $(72.7) | (16.7)% | $(70.8) | (15.7)% | $1.9 | 2.6% |
| **Operating Expenses** | **$(340.5)** | **(78.0)%** | **$(348.6)** | **(77.3)%** | **$(8.0)** | **(2.4)%** |
| **Operating EBITDA** | **$105.4** | **24.2%** | **$112.3** | **24.9%** | **$6.9** | **6.5%** |
| Operating Margin | 24.2% | | 24.9% | | | 0.8% |

Note that the data in the table above has been calculated in thousands and presented in millions. As a consequence some additions cannot be computed from the tables as presented.

Equivalent table for comparable business is included in Appendix A

**Cost of Goods Sold** ↑ 1.3% but ↓ 5 bps as EBITDA % to sales due to product mix and better procurement prices

**Non-Sales Personnel Costs**
↑ $5.9m or 4.6% on pcp, lowest % increase in 5 years;
↑ *$4.1m or 3.2% when excluding one-offs: redundancies of $1.7m (2015: $0.5m) and $0.6m project costs*

**Sales Personnel Costs**
↑ $2.5m or 17.3% supports increase in pre-need funeral & memorial contract sales

**All Other Expenses** ↓ $1.9m or 2.6% with increased focus on discretionary costs including decrease in travel & motor vehicle costs

# Funds Under Management (FUM)

## Undelivered prepaid contracts FUM ↑ 12.0% to $473.1m with number of Pre-Need contracts sold ↑ 25% on pcp

| | 2015 | 2016 |
|---|---|---|
| **P&L impacts of undelivered contracts:** | | |
| FUM earnings | $19.8m | $39.4m |
| Service delivery liability increase | ($12.3m) | ($16.5m) |
| Net pre-tax gain/*(loss)* on undelivered contracts | $7.5m | $22.9m |
| **Total FUM** | **$422.3m** | **$473.1m** |
| % in equities | 17% | 13% |
| % in property | 26% | 32% |
| % in cash & fixed interest | 57% | 55% |

**FUM mark to market** creates volatility in IVC's reported profit

Property investment **revaluations** are the major contributor to improved FUM earnings

**Prepaid contracts volume increase** as a result of dedicated pre need marketing program launched in Q3 & Q4 generated increased demand

All Funds under Management are held in trust and independently managed.

# Cash flow

| | 2015 $'m | 2016 $'m |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipts from customers (incl GST) | $489.8 | $508.5 |
| Payments to suppliers and employees (incl GST) | $(395.0) | $(400.8) |
| Other revenue | $7.9 | $9.4 |
| **Ungeared pre-tax operating cash flows** | **$102.6** | **$117.1** |
| Interest received | $0.1 | $0.0 |
| Finance costs | $(14.4) | $(13.2) |
| Income tax paid | $(23.7) | $(25.3) |
| **Net cash inflow from operating activities** | **$64.6** | **$78.5** |
| **Cash flows from investing activities** | | |
| Proceeds from sale of property, plant & equipment | $1.1 | $4.5 |
| Purchase of subsidiaries and other businesses including acquisition costs, net of cash acquired | $(7.1) | $(1.3) |
| Purchase of property, plant & equipment | $(22.0) | $(30.3) |
| Payments to funds for pre-paid contract sales | $(35.3) | $(46.7) |
| Receipts from funds for pre-paid contracts performed | $37.0 | $39.3 |
| **Net cash outflow from investing activities** | **$(26.3)** | **$(34.5)** |
| **Net cash outflow from financing activities** | **$(40.2)** | **$(41.1)** |
| **Cash and cash equivalents at the end of the year** | **$8.7** | **$11.5** |

**EBITDA** to ungeared, tax free operating cash flow 104% (2015: 97%) driven by improved working capital management

**Capex** of $30.3m. Increase of $8.3m on pcp mainly due to on-site audio visual equipment and new H/O fit out. Details as follows:

> Property $11.0m
> M/V $ 6.8m
> IT $ 7.5m
> Other $ 5.0m

[1]Recurring/Investment capex

# Growing Shareholder Value

**Martin Earp, CEO**

# Key outcomes from the Strategic Review

**Summary of Current Position**

- InvoCare has built a fully integrated funeral business with critical market mass in the key cities of Australia, New Zealand and Singapore
- The business has delivered a total shareholder return since listing of >20% pa
- The fundamentals of value creation *(demand and market structure)* remain strong within the funeral services sector
- IVC cannot rely on acquisitions in core markets to drive growth to the same extent as it has done traditionally

**Key findings impacting the future**

- IVC is a customer focused business and must continue to address changes in customer needs
- Investment is required in business systems, processes and operational centres to meet the increasing demand and deliver efficiency gains
- Analysis reveals significant opportunity for in-fill developments in core markets which will augment ongoing acquisition activity

# Growing Value in a Changing Market

**Demographics**

> Population trends and number of deaths continues to underpin the business with increase in number of deaths continuing to grow circa 2.8% by 2034 (*Australia & New Zealand only)*

**Market Share**

> Improvements in product offering and branding, acquisitions, new locations and a renewed focus on local leadership offers significant opportunities to grow market share

**Case Averages**

> Market pricing environment remains favourable although customer preferences are changing and IVC offering needs to keep pace with consumer market direction

> The business needs to continue to focus on providing professional services that are responding to customer needs rather than increasing prices on products

**Operational Efficiency**

> Opportunity to deliver efficiencies and provide better service to customers by process automation, standardisation and taking advantage of efficiencies of scale

# Protect & Grow – 2020 Plan

The 2020 Plan aims to protect the existing network while driving sustainable growth into the future.  The cost and funding for the plan is addressed in the next section.

The plan is to implement over a four year period, which will allow the company to monitor performance of the early projects and adjust the plan accordingly

| Project | Aim / Objective | |
|---|---|---|
| Network & Brand Optimisation | Deliver the right product, in the right locations, at the right price | Integrated approach to deliver sustainable value growth over next 10-15 years |
| People & Culture | Greater focus on entrepreneurial ethos by encouraging local leadership | |
| Operational Efficiencies | Capture operational benefits of scale & standardise quality of service provision | |



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# Network & Brand Optimisation

An incremental capital investment is proposed to optimise the current asset base and provide the growth capacity for the next decade

## Refresh & Enhance

| Rationale | 2017 Key Deliverable |
|---|---|
| > Current expectations of service offerings have evolved e.g. customers want a "one-stop-shop" for all their needs<br><br>> Provide high quality "hub" locations that serve "satellite" shop fronts thereby increasing utilisation of core assets | **Delivered**<br>> 22 sites refresh<br>> 2 sites enhance<br><br>**Commenced**<br>> 25 sites refresh<br>> 8 site enhance |

## Growth

| Rationale | 2017 Key Deliverable |
|---|---|
| > Market analysis has highlighted opportunity for new sites in existing network<br><br>> These opportunities include both full service and satellite locations | **Commercial in Confidence** |

# People & Culture

InvoCare is transitioning to a geographic regional management structure with empowered local leaders supported by experienced technical experts

| **People & Culture** | |
|---|---|
| **Rationale** | **2017 Deliverable** |
| > Provide increased levels of responsiveness to the already strong culture of service delivery | > Complete review of existing culture<br>> Roll out culture program to all location managers<br>> Track customer satisfaction through net promoter score |

| **Organisation Structure** | |
|---|---|
| **Rationale** | **2017 Deliverable** |
| > Improved performance driven by managing geographic areas rather than by brand<br><br>> Market share gains driven by more empowered local managers | > Complete Regional Manager restructure |

# Operational Efficiencies

An investment in upgraded systems and business processes will drive both capacity and operational efficiencies within the Group for the next decade.

## Systems & Processes

| Rationale | 2017 Deliverables |
| --- | --- |
| > The projected volume growth over the next 10-15 years will require more sophisticated systems to enable full synergies to be extracted | > Finalisation of all in scope modules for the full project (2017 and beyond)<br>> Finalisation of the Implementation Schedule<br>> Implementation commencing in Q4 of 2017 |

## Dedicated Shared Service Centres

| Rationale | 2017 Deliverables |
| --- | --- |
| > Current operational centres will not cope with increasing volume<br>> Opportunity to extract additional operational benefits | > Optimal standardised design of a Shared Service facility<br>> Location of Shared Service facility for each region, mapped against the NBO Optimised Network |

# Protect & Grow - Indicative Returns

The plan will deliver a sustainable increase in the earnings rate growth for the business and add significant economic profit *(i.e. returns above WACC)*

**Earnings growth**

> The 2016 LTI program incentivises management to achieve compound Operational EPS growth of 10% p.a. over a rolling 5 year period - with a stretch target of 12% p.a. growth

> The plan will progressively drive improvements to deliver a growth rate of 10% whilst allowing for over performance without introducing high levels of risk to the primary objective

**Value Creation**

> All investment expenditure has been analysed using unlevered project level cash flows *(i.e. leverage has not been used to support the investment case)*

> The investment program is forecast to give rise to returns on invested capital consistent with historical levels

> The EBITDA benefit from the capital expenditure will commence in 2018 and will continue to ramp up through to 2022

> Forecast payback period is circa 6 - 7 years

# Capital Management

**Josée Lemoine, CFO**

# Capital Management Analysis

Current capital management metrics illustrate an extremely robust balance sheet with strong credit metrics.

| | | 2015 $m | 2016 $m |
|---|---|---|---|
| Gross Debt | | 230.7 | 234.5 |
| Net Debt | | 223.2 | 223.7 |
| Liquidity Buffer[1] | | 66.8 | 66.3 |
| | | | |
| Effective Interest Rate | | 5.38% | 4.64% |
| % of Drawn Debt[4] swapped to fixed rate | | 72% | 78% |
| Debt Maturing in < 12 months | | - | - |
| 12-24 months | | 170 | 170 |
| 24-36 months | | 120 | 120 |
| | | | |
| Core Debt Metrics | ***Preferred Range*** | | |
| Interest Cover[2] | >4 x | 8.3 x | 10.1 x |
| Gearing[3] | 3.0 - 3.5 x | 2.1 x | 2.0 x |

Notes
1 Committed undrawn lines less net debt (excluding overdraft facility)
2 EBITDA / Net Interest Expense
3 Net Debt / Adjusted EBITDA (to exclude non-cash items)
4 excludes Singapore debt of S$27m

**Liquidity Buffer:**
A liquidity buffer has been set at $25m

**Interest Rate Hedging:**
The Group continues to manage its interest rate exposure through swap contracts. Policy is to have 75% of Net Debt[4] covered by swap contracts

**Maturity Profile:**
Subject to pricing considerations, it is anticipated that debt maturities will be further extended over the following 12 months

**Gearing:**
The balance sheet currently has excess gearing capacity. It will be utilised to fund the Value Growth initiatives



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# Capital Management Framework

InvoCare's capital base will continue to be actively managed within a prudent financial framework

| | | | |
|---|---|---|---|
| Governing Financial Principles | **Financial Conservatism** | **Financial Flexibility** | **Financial Efficiency** |
| Objectives | > Minimise re-financing risk<br>> Target an implied Investment Grade rating | > Maintain ability to move rapidly on potential acquisition opportunities<br>> Maintain ability to optimise funding mix | > Maximise ROIC & ROE<br>> Maximise Investors Post Tax Return<br>> Maximise Franking Credit Payout |
| Financial Parameters | **Comfort Zone**<br>Interest Cover: > 4.0x<br>Net Debt / EBITDA 3.0-3.5x | > Liquidity Buffer of $25m | > Target Dividend Payout Ratio consistent with recent history<br>> Forecast Franking Ratio 100% |

# Funding for the 2020 Growth Plan

The Protect and Grow plan will require an incremental capital investment of circa $200m over four years. This will be split approximately $160m on refreshing and growing the existing network and $40m on funding operational efficiency projects.

InvoCare will fund this program from a combination of operational cash flow and additional debt facilities supported by a 2 stage funding strategy approach:

**Stage 1 - 2017 Funding**

> The Group's existing banking syndicate will increase the existing funding lines to cover 2017 funding needs

> Total committed facilities will increase to $350m (from $290m), which includes a conservative liquidity buffer of $25m

**Stage 2 - 2018 to 2020 Funding**

> A comprehensive review of InvoCare's debt structure will be undertaken to ensure the optimal mix of maturities, funding instruments and facility pricing

> The funding package for 2018-2020 will be put in place by end of 2017

# 2017 Outlook

**Martin Earp, CEO**

# Outlook

**Demographics** – reversion to trend

**Market Share** – 2017 stable / 2018 improving

**Case Averages** – growth consistent with recent history

**Operational Efficiency** – continued focus on productivity gains

- Outlook for 2017 is for high single digit operating EBITDA growth and mid single digit EPS (operating) growth
- Longer term outlook is for double digit EPS (operating) growth

# Q&A

Martin Earp, CEO
Josée Lemoine, CFO

# Appendices

# Appendices - Contents

# A: Group results – Net Profit after Tax

| | 2015 $'m | 2016 $'m | Change $'m | Change % |
|---|---|---|---|---|
| **Total sales to external customers** | $436.4 | **$450.7** | $14.3 | 3.3% |
| Other revenue | $9.6 | $10.2 | $0.6 | 6.3% |
| Operating expenses(1) | $(340.5) | $(348.6) | $(8.0) | (2.4)% |
| **Operating EBITDA(1)** | **$105.4** | **$112.3** | **$6.9** | **6.5%** |
| *Operating margin* | *24.2%* | *24.9%* | | *0.8%* |
| Depreciation and amortisation | $(20.2) | $(21.3) | $(1.2) | (5.7)% |
| Finance costs | $(14.8) | $(13.6) | $1.2 | 8.3% |
| Interest income | $0.7 | $1.0 | $0.2 | 33.6% |
| Business acquisition costs | $(0.1) | $(0.1) | $(0.0) | (11.8)% |
| **Operating earnings before tax(1)** | **$71.1** | **$78.3** | **$7.2** | **10.1%** |
| Income tax on operating earnings(1) | $(21.7) | $(23.0) | $(1.3) | (6.0)% |
| *Effective tax rate* | *30.6%* | *29.4%* | | *(1.1)%* |
| **Operating earnings after tax(1)** | **$49.4** | **$55.2** | **$5.9** | **11.9%** |
| *Operating earnings per share(1)* | 45.1 cents | 50.4 cents | 5.3 cents | 11.8% |
| Net gain on undelivered prepaid contracts after tax(1) | $5.3 | $16.0 | $10.8 | |
| Asset sales gain or (loss) after tax(1) | $(0.0) | $(0.1) | $(0.1) | |
| Impairment (loss)/gain after tax(1) | $0.3 | $(0.1) | $(0.5) | |
| Non-controlling interest | $(0.1) | $(0.1) | $0.0 | |
| **Net profit after tax attributable to ordinary equity holders of InvoCare** | **$54.8** | **$70.9** | **$16.1** | **29.4%** |
| **Basic earnings per share** | 50.1 cents | **64.7 cents** | 14.6 cents | 29.1% |
| **Interim ordinary dividend per share** | 15.75 cents | **17.00 cents** | 1.25 cents | 7.9% |
| **Final ordinary dividend per share** | 22.25 cents | **25.50 cents** | 3.25 cents | 14.6% |
| **Total ordinary dividend per share** | 38.00 cents | **42.50 cents** | 4.50 cents | 11.8% |

(1) Non-IFRS financial information

Note that the data in the table above has been calculated in thousands and presented in millions. As a consequence some additions cannot be computed from the table as presented.

**From EBITDA to NPAT growth of 6.5% → 29.4%**

**Depreciation** ↑ 5.7% supports increased capex spend

**Finance Costs** ↓ 8.3% with refinancing of interest swaps to improved rates

**Income tax on operating earnings** of $23.0m ↑ 6.0% with an effective tax rate of 29.4%

**FUM** mark to market leads to volatility in IVC's reported profit with property investment revaluations being major contributor to improved FUM earnings



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# B: EBITDA Components – Comparable Business

| | 2015 | | 2016 | | Variance | |
|---|---|---|---|---|---|---|
| | $'m | % of Gross Sales | $'m | % of Gross Sales | $'m | % |
| **Total – all lines of business** | | | | | | |
| **Sales Revenue** | **$434.9** | | **$447.6** | | **$12.8** | **2.9%** |
| Other Revenue | $9.5 | 2.2% | $9.7 | 2.2% | $0.2 | 2.2% |
| **Expenses** | | | | | | |
| Cost of goods sold | $(125.5) | (28.9)% | $(127.2) | (28.4)% | $(1.7) | (1.3)% |
| Personnel | $(139.8) | (32.1)% | $(147.8) | (33.0)% | $(8.0) | (5.8)% |
| Advertising & promotions | $(15.0) | (3.4)% | $(14.7) | (3.3)% | $0.3 | 1.8% |
| Occupancy & facility expenses | $(27.9) | (6.4)% | $(28.0) | (6.3)% | $(0.1) | (0.5)% |
| Motor vehicle expenses | $(8.7) | (2.0)% | $(7.7) | (1.7)% | $1.0 | 11.7% |
| Other expenses | $(18.4) | (4.2)% | $(17.1) | (3.8)% | $1.3 | 7.2% |
| Operating expenses | $(335.2) | (77.1)% | $(342.5) | (76.5)% | $(7.3) | (2.2)% |
| **Operating EBITDA** | **$109.1** | **25.1%** | **$114.8** | **25.7%** | **$5.7** | **5.2%** |
| Operating margin | 25.1% | | 25.7% | | | 0.6% |

Note that the data in the table above has been calculated in thousands and presented in millions. As a consequence some additions cannot be computed from the tables as presented.



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# C: Country Segment Results

| | 2015 | 2016 | Change | |
|---|---|---|---|---|
| | $'m | $'m | $'m | % |
| **Sales Revenue** | | | | |
| Australia | $374.4 | $387.3 | $13.0 | 3.5% |
| New Zealand | $43.5 | $42.2 | $(1.3) | (3.1)% |
| Singapore | $16.5 | $17.2 | $0.7 | 4.3% |
| Comparable Business | $434.4 | $446.8 | $12.3 | 2.8% |
| USA & Acquisitions | $2.0 | $3.9 | $1.9 | 99% |
| **Total** | **$436.4** | **$450.7** | **$14.3** | **3.3%** |
| **EBITDA** | | | | |
| Australia | $92.6 | $98.3 | $5.6 | 6.1% |
| New Zealand | $8.5 | $8.4 | $(0.1) | (0.9)% |
| Singapore | $8.0 | $8.2 | $0.2 | 2.3% |
| Comparable Business | $109.1 | $114.8 | $5.7 | 5.2% |
| USA & Acquisitions | $(3.7) | $(2.6) | $1.1 | 30.6% |
| **Total** | **$105.4** | **$112.3** | **$6.9** | **6.5%** |
| **Margin on Sales** | | | | |
| Australia | 24.8% | 25.4% | | 0.6% |
| New Zealand | 19.6% | 20.0% | | 0.4% |
| Singapore | 48.2% | 47.3% | | (0.9)% |
| Comparable Business | 25.1% | 25.7% | | 0.6% |
| USA & Acquisitions | | | | |
| **Total** | **24.2%** | **24.9%** | | **0.8%** |

Note that the data in the table above has been calculated in thousands and presented in millions. As a consequence some additions cannot be computed from the table as presented.

# D: Australian Operations Results Summary

| | 2015 | 2016 | Variance | |
|---|---|---|---|---|
| **Cases** | | | | |
| - Funerals | 39,050 | 38,384 | (666) | (1.7)% |
| - CemCrem | 24,065 | 23,509 | (556) | (2.3)% |
| **Gross Sales** | | | | |
| - Funerals *inc LifeArt* | $304.4m | $310.3m | $6.0m | 2.0% |
| - CemCrem | $88.7m | $97.7m | $9.0m | 10.1% |
| **Other Revenue** | **$7.7m** | **$7.7m** | | **(0.2)%** |
| **Total Australia Sales** | **$400.8m** | **$415.7m** | **$15.0m** | **3.7%** |
| **Expenses** | | | | |
| - Funerals *inc LifeArt* | $(229.9m) | $(231.0m) | $(1.1m) | (0.5)% |
| - CemCrem | $(50.3m) | $(55.2m) | $(5.0m) | (9.8)% |
| - Ops Head Office[1] | - | $(3.6m) | $(3.5m) | - |
| **Total Expenses** | **$(280.1m)** | $(289.8m) | **$(9.7m)** | **(3.4)%** |
| **Australian EBITDA** | **$120.6m** | **$125.9m** | **$5.3m** | **4.4%** |
| Operating Margin | 30.7% | 30.9% | - | 0.2% |
| Net Assets | $254.1m | $255.3m | $1.2m | 4.7% |

## Pillars of Growth

**Case Average**
Good performance in funerals business, driven by a mid year price adjustment

Cemetery & Crematoria delivered a strong increase driven by some high value memorial sales

**Demographics**
Below trend across the business with number of deaths increasing 0.77% against a forecast of 1.4%

**Market Share**
Market share was mixed across the group. QLD, WA and North NSW were most impacted driven by increased competitor activity and pricing

VIC & SA all achieved modest market share gains

**Operating Costs**
Tight control on both headcount and operating costs has seen a national reduction in growth rate of costs for the past 4 years

[1] Historically grouped with Corporate Services
Note that the data in the table above has been calculated in thousands and presented in millions. As a consequence some additions cannot be computed from the table as presented

# D: Australian Operations Results Summary cont.

## Funerals / General - At Need

- The Australian funeral business produced a reasonable financial results in the context of a year with lower than forecast death rate – particularly in QLD
- Refining the offerings of traditional brands *(e.g. Guardian)*, remains a core focus, to ensure InvoCare is delivering on customer expectations
- Case average performance was very good with an increase of 4.5% on PCP
- Regional management strategy has been largely rolled out with regional managers accountable for all brands within their region

## Cemetery & Crematoria - Pre/Post Need

- Cemetery and crematoria case volume lower than last year in line with lower funeral case volume. Impact on revenue offset by strong memorialisation sales which are often entered into on a pre-need basis.
- Ongoing investment into park development activity – opening new areas, introducing new memorial products

## Pre Need

- Pre need business had a record year writing over 7,724 contracts
- Key drivers were the changes to regional team structures with clearer accountabilities for sales and a dedicated pre need marketing program launched in Q3 & Q4 generated increased demand

# E: New Zealand Results Summary

| (NZD$) | 2015 | 2016 | Variance | |
|---|---|---|---|---|
| Case Volume | 5,831 | 5,578 | (253) | ↓ (4.3)% |
| Sales | $47.78m | $47.19m | $(0.60m) | ↓ (1.2)% |
| Expenses | $(39.19m) | $(37.83m) | $1.36m | ↓ 3.5% |
| EBITDA | $9.36m | $9.58m | $0.22m | ↑ 2.4% |
| Operating Margin | 19.6% | 20.3% | - | ↑0.7% |
| Net Assets | $30.9m | $32.4m | $1.4m | ↑4.7% |

## Performance

> Overall performance for the NZ business has been disappointing – albeit a challenging environment

> The lower number of deaths has seen some competitors respond with pricing discounts to hold volume

> Major upgrade of the Academy facility in Christchurch will be completed in March 2017, which will drive volume improvement

> NZ COO has transitioned to the Chair of InvoCare NZ and an internal appointment was made for the role of General Manager NZ

## Pillars of Growth

**Case Average**
Case average improved moderately, driven by professional fees but offset to a degree by lower monument sales

**Demographics**
Overall number of deaths in InvoCare's markets has been very soft, with number of deaths estimated to have decreased by circa 2.8% during 2016

**Market Share**
Market share has declined slightly; attributed to aggressive pricing from competitors

New regional leadership structure is focussing on market share as a top priority

**Operating Costs**
Focus on expenses in particular marketing expenditure has mitigated lower volume performance

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# F: Singapore Results Summary

| (SGD$) | 2015 | 2016 | Variance | |
|---|---|---|---|---|
| Case Volume | 1,739 | 1,643 | (96) | ↓ 5.5% |
| Sales | $17.05m | $17.71m | $0.67m | ↑ 3.9% |
| Expenses | $9.23m | $9.80m | $(0.57m) | ↑ 6.1% |
| EBITDA | $8.23m | $8.4m | $0.17m | ↑ 2.0% |
| Operating Margin | 48.3% | 47.4% | | ↓(1.8)% |
| Net Assets | $10.1m | $13.8m | $3.8m | ↑ 37.7% |

## Performance

> Competitive environment remains elevated with new parlours being developed by private operators

> InvoCare has acquired a neighbouring property to allow for an upgrade on its existing premises to occur in Q4 2017 / Q1 2018

> This upgrade will allow for additional parlours and improved customer service

## Pillars of Growth

**Case Average**
Case averages have been successfully increased through the effective use of packages

Market share loss was in lower priced categories, providing a boost to case averages

**Demographics**
Number of deaths has increased at an estimated 2.0%

Major competitor has invested significantly in advertising during 2016

**Market Share**
Singapore performance due to the lower price competition has seen share reduce to 9.5%

**Operating Costs**
Increase driven by packaged sales and demand for high value memorialisation items together with increased marketing spend

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# G: USA Results Summary

| (USD$) | 2015 | 2016 | Variance | |
|---|---|---|---|---|
| Case Volume | 2,700 | 3,175 | 475 | ↑17.6% |
| Sales | $0.86m | $1.38m | $0.52m | ↑60.1% |
| Expenses | $(3.79m) | $(4.03m) | $0.24m | ↑6.4% |
| EBITDA | $(2.88m) | $(2.31m) | $0.57m | ↑19.8% |
| Operating Margin | | n/a | | |
| Net Assets | $2.3m | $2.4m | $0.01m | ↑3.8% |

## Performance

> A focus on cost control has helped the business perform better than budget despite lower than anticipated sales

## Summary and Next Steps

> The US business had continued to drive volume growth but had been unable to achieve a sufficiently high case average to achieve a self sustaining operating mode by 2018

> Consequently the funeral business is being wound down in an orderly manner

> The original Macera cremation business will remain operational

> All existing clients will continue to benefit from InvoCare's high standards of customer service

> The Australian business will benefit from a number of digital marketing tools developed by the US team

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# 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.