



# INVESTOR PRESENTATION

For the 53 week period ended 30 December 2016

# Trading update

	53 week period ended 30 December 2016	52 week period ended 25 December 2015	Increase/ (decrease) (per cent)
Revenue (£million)	313.6	305.3	3
Underlying operating profit <sup>(a)</sup> (£million)	101.7	98.7	3
Underlying profit before tax <sup>(a)</sup> (£million)	75.2	72.2	4
Underlying earnings per share <sup>(b)</sup> (pence)	119.8	114.8	4
Cash generated from operations <sup>(c)</sup> (£million)	121.1	125.2	(3)
Operating profit (£million)	97.7	95.5	2
Profit before tax (£million)	71.2	69.0	3
Basic earnings per share (pence)	115.3	115.2	-
Interim dividend paid in the period <sup>(d)</sup> (pence)	7.85	7.14	10
Final dividend proposed in respect of the period <sup>(e)</sup> (pence)	15.74	14.31	10
Deaths	590,000	588,000	-

## Non-GAAP measures

The Board believes that whilst statutory reporting measures provide a useful indication of the financial performance of the Group, additional insight is gained by excluding certain non-recurring or non-trading transactions. These measures are defined as follows:

- (a) Underlying profit is calculated as profit excluding profit (or loss) on sale of fixed assets and external transaction costs.
- (b) Underlying earnings per share is calculated as profit on ordinary activities after taxation, before profit (or loss) on sale of fixed assets and external transaction costs and exceptional items (all net of tax), divided by the weighted average number of Ordinary Shares in issue in the period.

- (c) Cash generated from operations excludes external transaction costs.

## Other notes

- (d) Interim dividend represents the interim dividend that was declared and paid in the period out of earnings generated in the same period.
- (e) The 2016 final dividend is the proposed dividend expected to be approved at the annual general meeting on 8 June 2017. The 2015 final dividend is the dividend approved for payment by shareholders at the annual general meeting on 9 June 2016.

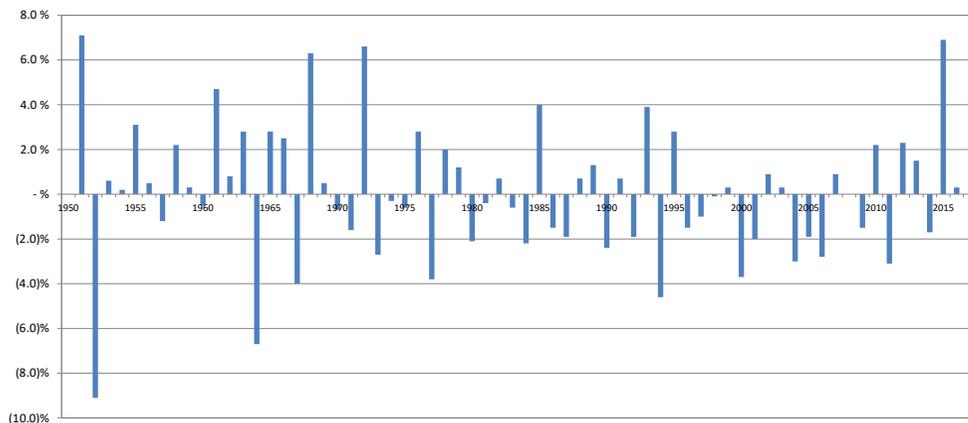
# Trading update

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- Financial performance better than expected at the start of the year, as guided in November 2016
- Deaths broadly flat at 590,000 (2015: 588,000) and higher than originally anticipated
- Funeral market share decline is larger than seen before, which follows better market share than anticipated in 2015
- Focus remains on customer service, which continues to be high, with 98 per cent of clients saying they would recommend us
- Portfolio expanded through the acquisition of a total of 16 funeral locations and five crematoria in the period
- Total acquisition activity investment of £56 million (net of cash acquired) funded from existing cash resources
- Satellite location programme ongoing with 11 locations opened in the year
- Since the last trading update, the Group has obtained planning permission for a third crematorium. They are all due to open in 2018/ 2019
- Another good year of pre-arranged funeral plan sales, with active pre-arranged funeral plans increasing to 404,000 (2015: 374,000), helped by trust and insurance based sales
- Starting to see potential opportunities from the use of digital technologies
- The Group has acquired three funeral locations and one small crematorium since the balance sheet date

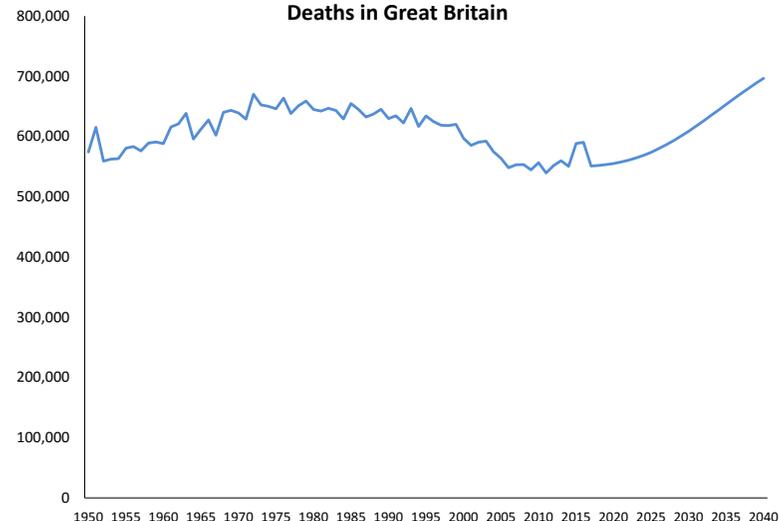
# Deaths

Year on year change in the number of deaths



Source: Office for National Statistics (ONS)

Deaths in Great Britain



- Deaths continued to be higher than expected in 2016
- Deaths could reduce significantly in 2017 compared to 2015 and 2016

- Long term expectations are for the number of deaths to reach 700,000 by 2040
- It is too early to conclude if the last two years marks the start of that trend

# Acquisition of five crematoria

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- Transaction summary
  - In 2016, the Group acquired five crematoria from Funeral Services Limited (trading as Co-op Funeralcare)
  - Three locations (Glasgow, Sheffield and Lichfield) are freehold and two (Shropshire and Stockport) are leased from and managed on behalf of Local Authorities
  - Consideration for the total acquisition was £44 million (including external transaction costs) which was satisfied in cash upon completion from existing cash held by the Group
  - The locations acquired generated earnings before deducting interest, taxation, depreciation and amortisation of £2.9 million in the year ended 3 January 2016. The unaudited gross assets of the locations being acquired as at 3 January 2016 were approximately £10.9 million
- Opportunity and Rationale
  - Prior to this transaction, Dignity operated 39 crematoria throughout the UK. Since flotation, Dignity has successfully acquired and integrated several crematoria locations into the Group. The locations acquired provide the opportunity to expand the Group's geographical footprint into markets that are currently not served by the Group's existing locations and will therefore complement its existing locations
  - Integration of the acquisition has involved limited reorganisation costs and minimal increase in overheads
  - Allowing for the integration, the Group anticipates the annualised EBITDA from the acquisition in 2017 to be broadly flat on the actual financial performance achieved in the 12 months to 3 January 2016. No cost savings have been assumed. The Group anticipates that the acquisition will be earnings accretive in financial year ending December 2017
- Completion timing
  - The three freehold locations completed in June 2016
  - The Shropshire location completed in July 2016
  - The Stockport location completed in October 2016

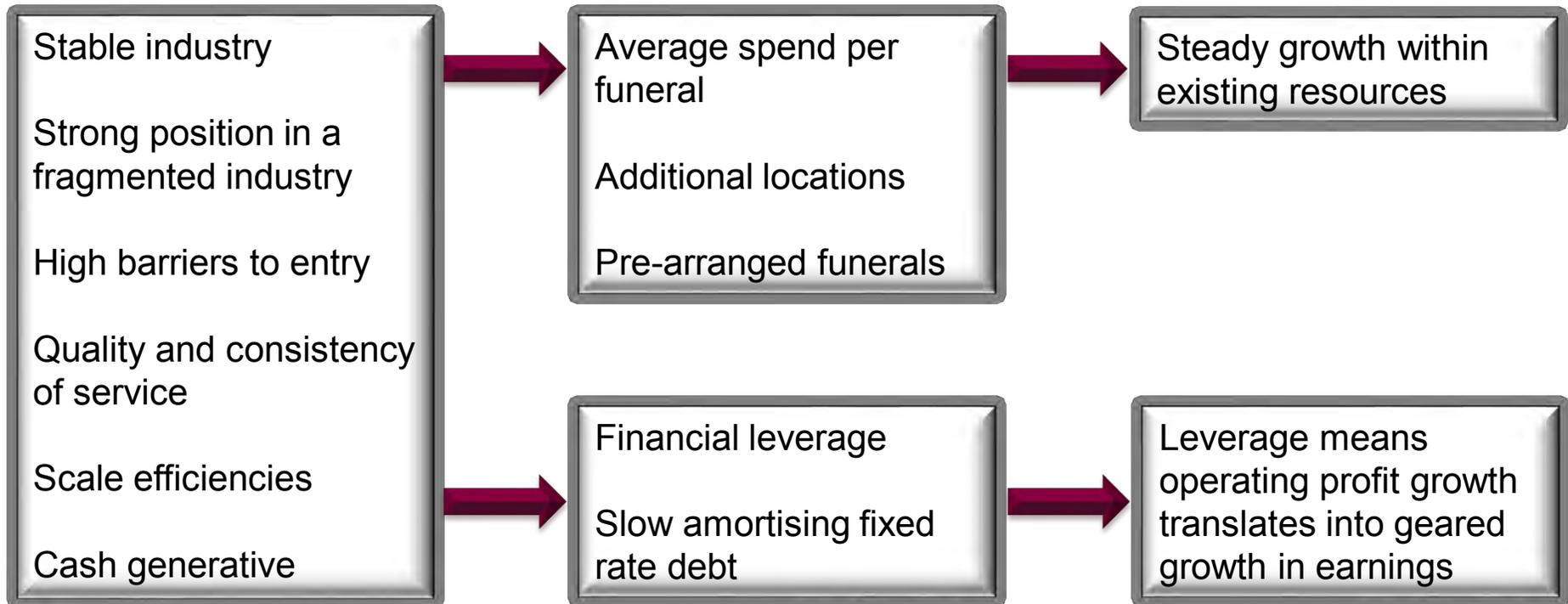
# Overview of the Group

- Dignity's operations are focused on three businesses:
- Funeral services
  - 792 funeral locations (December 2016)
  - 70,700 funerals in 2016
  - 12% of deaths in Britain in 2016
  - 65% of operating profit in 2016
- Crematoria
  - 44 locations (December 2016)
  - 59,500 cremations in 2016
  - 10% of deaths in Britain in 2016
  - 28% of operating profit in 2016
- Pre-arranged funerals
  - 404,000 active plans (December 2016)
  - Marketed through affinity partners and Dignity branches
  - 7% of operating profit in 2016



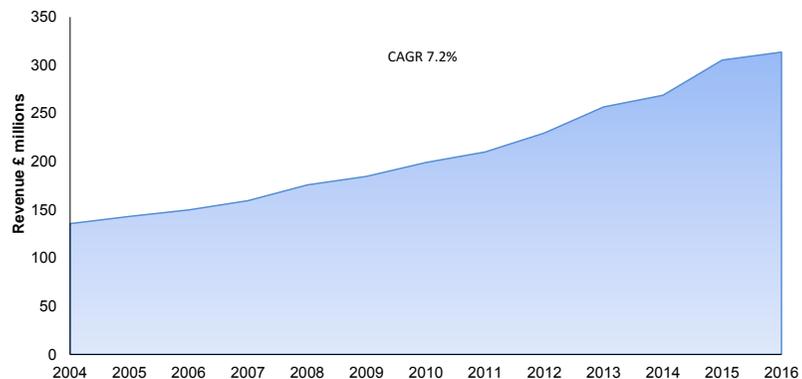
● Dignity funeral locations      ● Dignity crematoria locations

# Business model

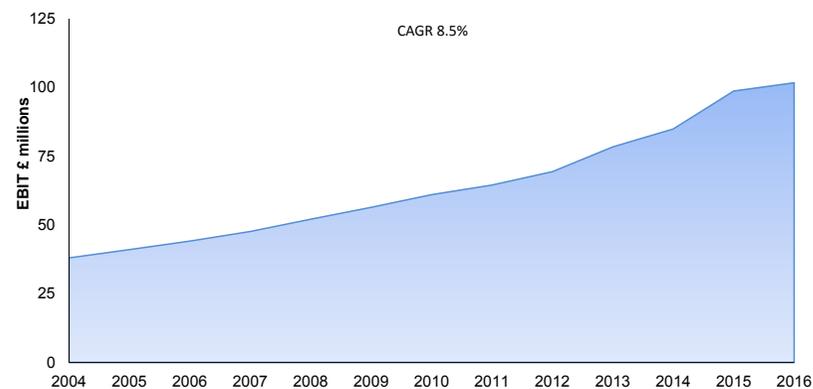


# Performance since IPO has been strong

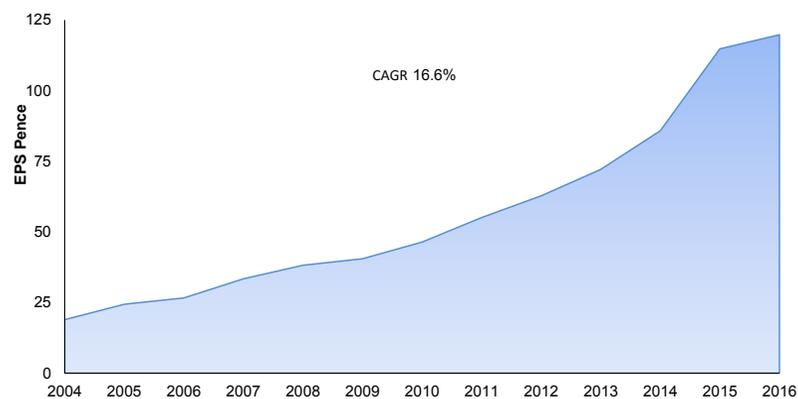
**Historic Revenue**



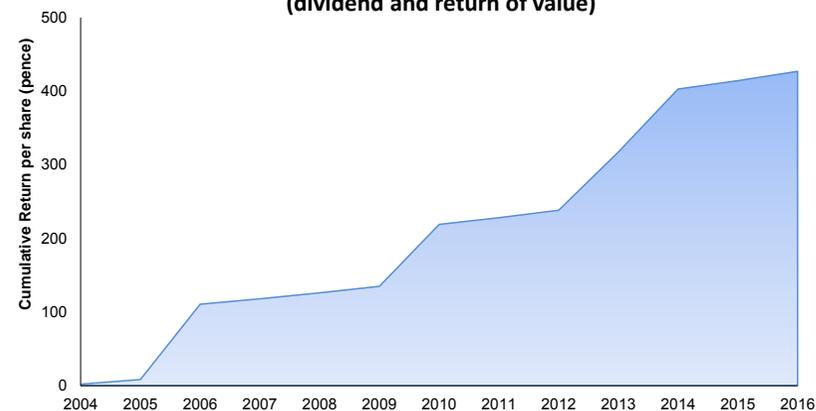
**Historic EBIT**



**Historic EPS**



**Total monies returned to shareholders on cumulative basis  
(dividend and return of value)**



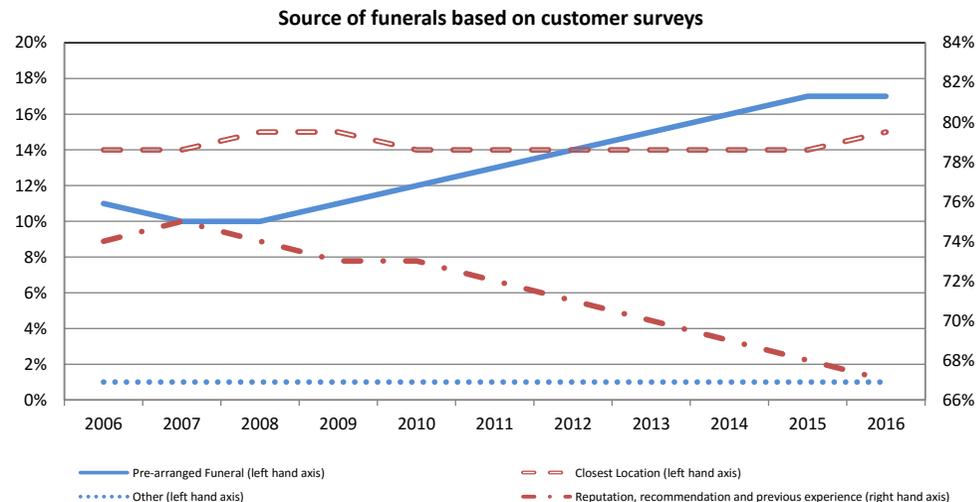
# Summary data

	53 wks 30-Dec 2016	52 wks 25-Dec 2015	% change
<b>Deaths (Great Britain)</b>	590,000	588,000	0.3%
<b>Funeral</b>			
Funeral volume (United Kingdom)	70,700	73,500	(3.8)%
Market Share (Great Britain)	11.8%	12.3%	
Average revenue per funeral	£3,082	£2,894	6.5%
<b>Cremation</b>			
Cremation volume	59,500	57,700	3.1%
Market Share	10.1%	9.8%	
<i>Average cremation fee</i>	<i>£861</i>	<i>£819</i>	<i>5.1%</i>
<i>Average memorial &amp; other revenue</i>	<i>£274</i>	<i>£276</i>	<i>(0.7)%</i>
Average revenue per cremation	£1,135	£1,095	3.7%

- The funeral market share decline follows stronger market share than expected in 2015
- 2017 has started well but we continue to keep this under review

# High barriers to entry

- Funeral Services
  - Reputation, recommendation and previous experience, together with pre-arranged funerals, represent 84% of the Group's business
  - This has been broadly constant for the last 10 years
  
- Crematoria
  - Criteria for new crematoria are very demanding:
    - Must show proof of need
    - Public resistance to new builds
    - Relatively high building costs – at least £4 million
  
- Pre-arranged funerals
  - Nationwide presence key for life assurers / insurance firms for affiliate programmes



Source: Dignity surveys

# Funeral services – client satisfaction is key

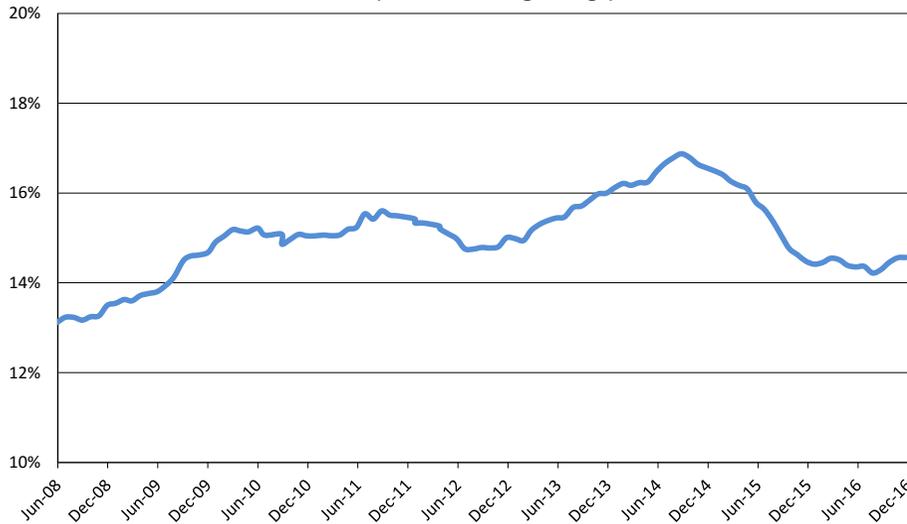


- We have received circa 160,000 responses to our client surveys in the last five years
- The survey is completed by the family after they have received the final invoice

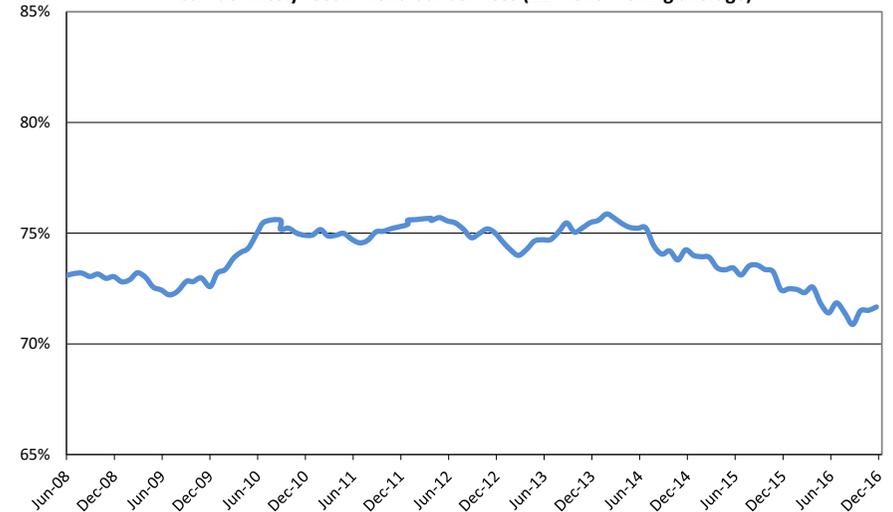
- On average over the last five years:
  - approximately 60% have said we exceeded their expectations
  - approximately 90% would definitely recommend Dignity's services
- Maintaining this level of service is of key importance as approximately 70% of the Group's funeral business has come from reputation and recommendation over the same period

# Funeral services – client satisfaction is key

Percentage of clients who thought the cost was higher than expected (12 month rolling average)



Percentage of clients who thought the costs was higher than expected but would still definitely recommend our services (12 month rolling average)



- As average income has increased with time, the percentage of people who say the invoice was more expensive than expected has increased slightly
- However, the proportion of those people who would nonetheless definitely recommend us is 72%

# Funeral services: location summary

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<b>Number of locations at December 2015</b>	<b>767</b>
Acquisitions - Leasehold	13
Acquisitions - Freehold / Long Leasehold	3
Satellite openings - Leasehold	11
Branch closure - Leasehold	(2)
<b>Number of locations at December 2016</b>	<b>792</b>

- The Group has acquired 16 funeral locations for an investment of £14.7 million and opened 11 satellite locations in the period
- In 2017 so far, the Group has acquired 3 funeral locations

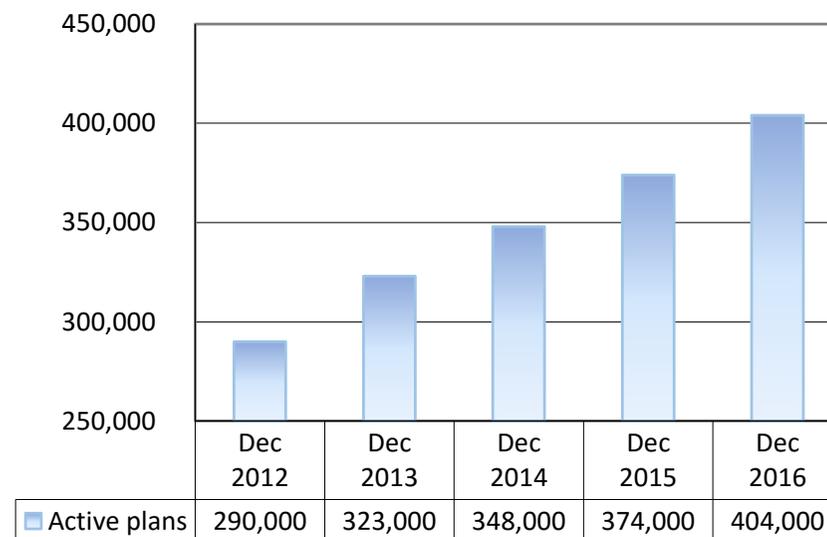
# Crematoria developments

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- The Group has planning permission for three new crematoria, with the most recent permission received in December 2016
- These locations are expected to open in 2018/2019
- Total capital cost approximately £13 - £14 million
- The Group has one further location where it is awaiting a decision on planning. No capital commitment exists if the planning is unsuccessful
- One small crematorium has been acquired in 2017

# Pre-arranged funeral plans

- We sell pre-arranged funeral plans to attract people who would not otherwise have used a Dignity funeral location
- Number of active plans continue to grow
- These are marketed through affinity partners, IFAs and Dignity branches
- Dignity expects to perform the majority of these funerals
- Monies are paid into independent trust funds which invest them in a variety of investments intended to generate a real return
- Activity also helped by plans linked to life assurance policies where the policy is charged to Dignity



# Underlying operating profit

- Higher number of deaths
- Good cost control has supported margins in funerals and crematoria
- Continued investment in central overheads to support the business as a whole
- Underlying operating profit growth is ahead of market's expectations

	2016	2015	Change
<b>Revenue (£m)</b>			
Funeral services	217.8	212.6	2.4%
Crematoria	67.5	63.1	7.0%
Pre-arranged funeral plans	28.3	29.6	(4.4%)
<b>Revenue</b>	<b>313.6</b>	<b>305.3</b>	<b>2.7%</b>
<b>Underlying Operating Profit (£m)</b>			
Funeral services	79.0	76.8	2.9%
Crematoria	37.6	34.6	8.7%
Pre-arranged funeral plans	8.5	7.8	9.0%
Central overheads	(23.4)	(20.5)	14.1%
<b>Underlying Operating Profit</b>	<b>101.7</b>	<b>98.7</b>	<b>3.0%</b>
Profit on sale of fixed assets (£m)	0.1	-	
External transaction costs (£m)	(4.1)	(3.2)	
<b>Operating Profit (£m)</b>	<b>97.7</b>	<b>95.5</b>	<b>2.3%</b>
Underlying operating profit margin			
<i>Funeral services</i>	36.3%	36.1%	
<i>Crematoria</i>	55.7%	54.8%	
<b>Underlying Operating Profit Margin</b>	<b>32.4%</b>	<b>32.3%</b>	

# Underlying earnings per share

	2016	2015	Change
Revenue (£m)	313.6	305.3	
<b>Underlying Operating Profit (£m)</b>	<b>101.7</b>	<b>98.7</b>	<b>3.0%</b>
Underlying net finance costs (£m)	(26.5)	(26.5)	
<b>Underlying Profit before tax (£m)</b>	<b>75.2</b>	<b>72.2</b>	<b>4.2%</b>
Taxation (£m)	(15.8)	(15.5)	
<b>Underlying Earnings (£m)</b>	<b>59.4</b>	<b>56.7</b>	<b>4.8%</b>
Weighted average number of ordinary shares in issue during the period (million)	49.6	49.4	
<b>Underlying EPS (pence)</b>	<b>119.8p</b>	<b>114.8p</b>	<b>4.4%</b>

- Shares in issue increased from LTIP and SAYE vesting, with 49.7 million in issue at the end of 2016

# Cash conversion

- Cash generation remains strong
- Cash tax will gradually build to be broadly equal to income statement
- Cash flow continues to fund all planned investment

<b>£m (except for amounts per share)</b>	<b>2016 Profit</b>	<b>2016 Cash</b>	<b>2015 Profit</b>	<b>2015 Cash</b>
<b>EBITDA</b>	<b>117.8</b>		<b>113.3</b>	
<b>Cash generated from operations</b>		<b>121.1</b>		<b>125.2</b>
<i>Depreciation and Amortisation</i>	<i>(16.1)</i>		<i>(14.6)</i>	
<i>Maintenance capital expenditure</i>		<i>(19.6)</i>		<i>(15.6)</i>
<b>Underlying Operating Profit</b>	<b>101.7</b>		<b>98.7</b>	
<b>Operating cash flow after capital expenditure</b>		<b>101.5</b>		<b>109.6</b>
<i>Underlying net finance costs</i>	<i>(26.5)</i>		<i>(26.5)</i>	
<i>Net finance payments</i>		<i>(26.5)</i>		<i>(25.7)</i>
<b>Underlying Profit before Tax</b>	<b>75.2</b>		<b>72.2</b>	
<b>Cash generated before tax</b>		<b>75.0</b>		<b>83.9</b>
<i>Tax on underlying earnings</i>	<i>(15.8)</i>		<i>(15.5)</i>	
<i>Tax paid</i>		<i>(10.6)</i>		<i>(3.7)</i>
<b>Underlying earnings</b>	<b>59.4</b>		<b>56.7</b>	
<b>Cash after tax</b>		<b>64.4</b>		<b>80.2</b>
<b>Underlying earnings per share</b>	<b>119.8p</b>		<b>114.8p</b>	
<b>Cash per share</b>		<b>129.8p</b>		<b>162.3p</b>

# Securitisation structure

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- Main source of debt funding continues to be from the Group's securitisation structure, which was restructured in 2014
- £574.6 million principal outstanding publicly traded investment grade securitised debt in issue, £238.9 million issued at circa 3.5% and £356.4 million issued at circa 4.7%, overall cost circa 4.2%
  - Principal amortises over life of loans and is scheduled to be repaid by 2049, therefore **NO REFINANCING OR ROLLOVER OF FACILITIES**
  - Interest rate on outstanding principal is fixed for the life of the loans
  - Certain covenants to preserve cash flows for benefit of bondholders
  - Total annual debt service (principal and interest) circa £33 million

# Other debt facilities

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- £15.8 million Crematoria Acquisition Facility
  - This debt was refinanced in February 2013 and is repayable in February 2018
  - The interest rate is fixed or capped at approximately 3.3% pre-tax
- £26.25 million RBS debt facility (currently undrawn)
  - Available for use as the Group sees fit
  - Secured against Laurel and other assets outside the securitisation group
  - Margin of 125 – 165 basis points over LIBOR (depending on leverage)
  - Repayable in June 2019
  - Whilst undrawn, the facility will incur a non utilisation fee of circa £150,000 per annum
  - Facility currently available until the end of March 2017
- It is anticipated that these facilities will be replaced with a revolving credit facility in 2017

# Net debt

	2016 £m	2015 £m
Net amounts owing on Secured Notes	(573.9)	(586.5)
Add: unamortised issue costs	(0.7)	(0.7)
<b>Gross amounts owing on Secured Notes</b>	<b>(574.6)</b>	<b>(587.2)</b>
Net amounts owing on Crematoria Acquisition Facility	(15.7)	(15.7)
Add: unamortised issue costs on Crematoria Acquisition Facility	(0.1)	(0.1)
<b>Gross amounts owing</b>	<b>(590.4)</b>	<b>(603.0)</b>
Accrued interest on Secured Notes	(0.3)	(12.8)
Accrued interest on Crematoria Acquisition Facility	(0.1)	(0.1)
Cash and cash equivalents	67.1	98.8
<b>Net debt</b>	<b>(523.7)</b>	<b>(517.1)</b>

- At the balance sheet date, the market value of Secured Notes was £678.0 million compared to a balance sheet value of £574.6 million

# Outlook

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- The number of deaths has been higher in 2016 than the Group originally anticipated following a significant increase in the number of deaths in 2015. Historical data would suggest that deaths in 2017 could be significantly lower than 2015 and 2016. Trading in the first few weeks of 2017 has however continued to be strong. As a result, the Board's expectations are unchanged for the year ahead
- The Board remains positive about the future prospects for the Group. However, given the increased size of the Group and increasing competition in each of our markets, the Board has revised its medium-term target underlying EPS growth rate to eight per cent per annum from the current 10 per cent. As with the previous target, this objective includes the benefit of the reinvestment of cash generated by the business and the Group's ability to re-leverage its balance sheet either to fund acquisitions or return capital to shareholders

# Forward looking statements

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- Certain statements in this presentation are forward-looking. Although the Board believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.



# APPENDICES

# Appendix 1

## INCOME STATEMENT ANALYSIS OF CAPITAL STRUCTURE

	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	2024 £m	2025 £m	2026 £m	2027 £m	2028 £m	2029 £m	2030 £m	2031 £m	2032 £m	2033 £m
<b>Capital structure</b>																	
Interest on Class A & B Notes	24.4	24.1	23.7	23.4	23.1	22.7	22.3	21.9	21.5	21.1	20.7	20.2	19.8	19.3	18.8	18.3	17.7

	2034 £m	2035 £m	2036 £m	2037 £m	2038 £m	2039 £m	2040 £m	2041 £m	2042 £m	2043 £m	2044 £m	2045 £m	2046 £m	2047 £m	2048 £m	2049 £m
<b>Capital structure</b>																
Interest on Class A & B Notes	17.2	16.5	15.7	14.9	14.0	13.1	12.1	11.1	10.1	9.0	7.8	6.6	5.3	4.0	2.6	1.1

- In addition to the costs detailed above, the Group incurred circa £2 million of additional net interest expense in 2016 which is anticipated to reoccur
- Issue costs totalling £0.7 million were capitalised and will be amortised over the life of the notes
- As at 30 December 2016, the Group has 49.7 million shares in issue

# Appendix 2

## CASH FLOW ANALYSIS OF CAPITAL STRUCTURE

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	£m																
<b>Capital structure</b>																	
Interest on Class A & B Notes	24.4	24.1	23.7	23.4	23.1	22.7	22.3	21.9	21.5	21.1	20.7	20.2	19.8	19.3	18.8	18.3	17.7
Principal repayments on Class A & B Notes	8.8	9.2	9.5	9.8	10.2	10.5	10.9	11.3	11.7	12.1	12.6	13.0	13.5	14.0	14.5	15.0	15.5
<b>Cash cost</b>	<b>33.2</b>	<b>33.3</b>	<b>33.2</b>	<b>33.2</b>	<b>33.3</b>	<b>33.2</b>	<b>33.2</b>	<b>33.2</b>	<b>33.2</b>	<b>33.2</b>	<b>33.3</b>	<b>33.2</b>	<b>33.3</b>	<b>33.3</b>	<b>33.3</b>	<b>33.3</b>	<b>33.2</b>
	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	
	£m																
<b>Capital structure</b>																	
Interest on Class A & B Notes	17.2	16.5	15.7	14.9	14.0	13.1	12.1	11.1	10.1	9.0	7.8	6.6	5.3	4.0	2.6	1.1	
Principal repayments on Class A & B Notes	16.1	16.9	17.7	18.5	19.4	20.3	21.3	22.3	23.3	24.4	25.5	26.7	28.0	29.3	30.7	32.1	
<b>Cash cost</b>	<b>33.3</b>	<b>33.4</b>	<b>33.3</b>	<b>33.3</b>	<b>33.3</b>	<b>33.3</b>	<b>33.3</b>	<b>33.2</b>									



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