



Full Year Results 2015

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Financial highlights – 52 Weeks to 25 December 2015

	52 week Period ended 25 December 2015	52 week Period ended 26 December 2014	Increase per cent
Revenue (£million)	305.3	268.9	14
Underlying operating profit ^(a) (£million)	98.7	84.9	16
Underlying profit before tax ^(a) (£million)	72.2	58.5	23
Underlying earnings per share ^(b) (pence)	114.8	85.8	34
Cash generated from operations ^(c) (£million)	125.2	104.4	20
Operating profit (£million)	95.5	82.9	15
Profit/(loss) before tax ^(d) (£million)	69.0	(67.7)	n/a
Basic earnings per share ^(d) (pence)	115.2	(104.0)	n/a
Interim dividend paid in the period ^(e) (pence)	7.14	6.49	10
Final dividend proposed in the period ^(f) (pence)	14.31	13.01	10
Return of Cash (£million)	-	64.4	n/a
Deaths	588,000	550,000	7

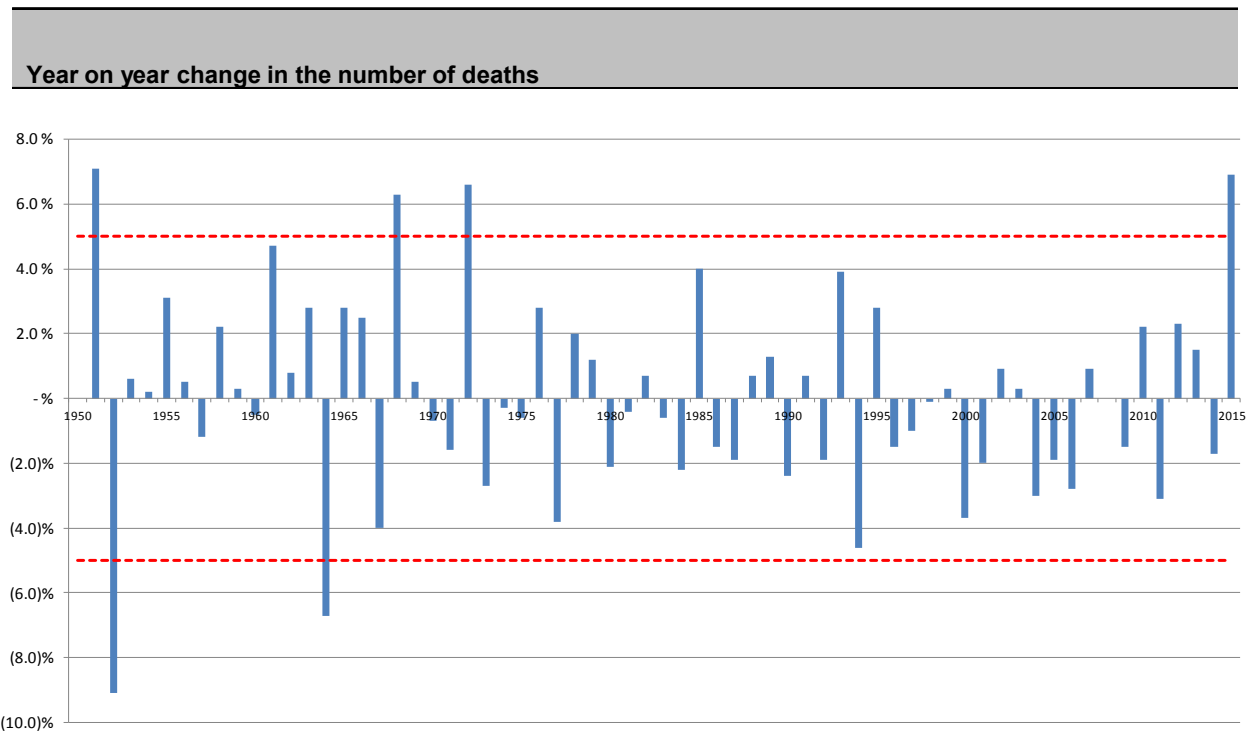
- (a) Underlying profit is calculated as profit (or loss) excluding profit (or loss) on sale of fixed assets, external transaction costs and exceptional items.
- (b) Underlying earnings per share is calculated as profit (or loss) on ordinary activities after taxation, before profit (or loss) on sale 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 and (in 2014) pension contributions made from the proceeds of debt issues.
- (d) Non-cash charges resulting from the refinancing in 2014 led to a reported statutory loss in the comparative period.
- (e) Interim dividend represents the interim dividend that was declared and paid in the period out of earnings generated in the same period.
- (f) The final dividend in 2015 is the proposed dividend expected to be approved at the annual general meeting on 9 June 2016. The 2014 final dividend is the dividend declared and paid in 2015.

Overview for the period

- Deaths were seven per cent higher than the comparative period, a rate of change not seen for over 60 years
- Strong operating performance by all three operating divisions
- Client satisfaction remained at very high levels, with 99 per cent of families saying we met or exceeded their expectations and 98 per cent saying they would recommend us
- Profits continued to be converted to cash
- The 36 funeral locations acquired from Laurel Funerals in July 2015 have integrated well and have performed in line with the Board's expectations
- £50 million invested in funeral acquisitions (including Laurel), adding a further 48 funeral locations to the Group's portfolio
- Three satellite locations opened within the funeral business
- Planning permission granted for two new crematoria due for opening by early 2018
- Another good year of pre-arranged funeral plan sales, with active pre-arranged funeral plans increasing to 374,000 (2014: 348,000)
- The Group expects the number of deaths in 2016 to revert to levels seen in 2014
- Outlook is consistent with the Group view provided throughout 2015

Deaths

- Largest year on year change since the 1950s
- Group expects reversion to trend in 2016



Source: Office of National Statistics (ONS)

Acquisition of 36 funeral locations from Laurel Funerals

- On 13 July 2015:
 - The Group acquired 36 of the 83 funeral locations operated by Laurel Funerals ('Laurel')
 - Consideration was £38 million on a debt free cash free basis paid in full on completion
 - In the year to December 2014, the locations being acquired generated EBITDA of £4.1 million

- Rationale
 - Opportunity to improve Laurel's services, facilities and financial performance
 - Locations do not breach any of the external linked tests used by the Competition and Markets Authority

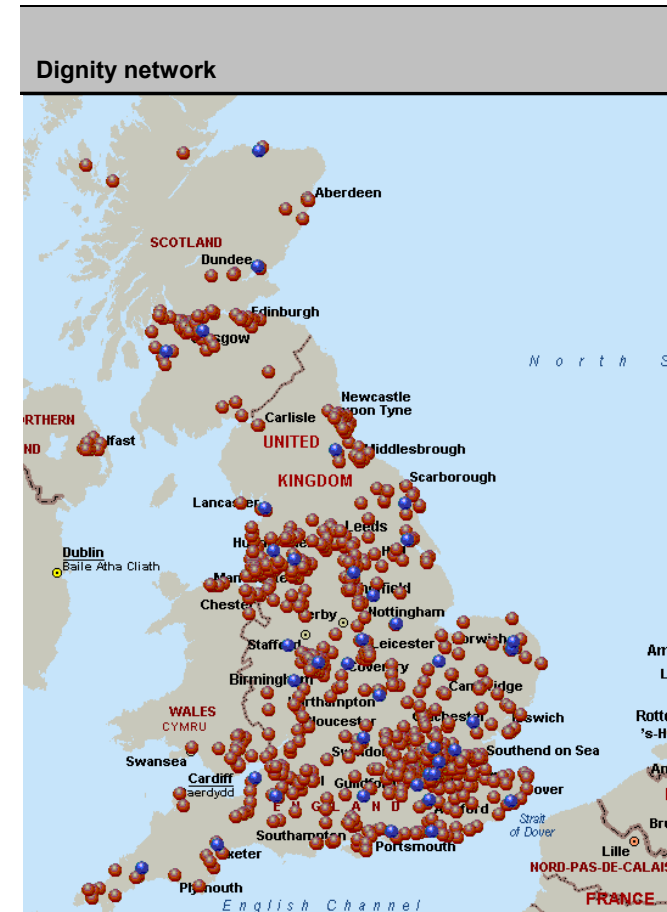
- Transaction funded from cash resources already held by the Group

- Performance in 2015 was in line with expectations

- EBITDA in 2016 from the assets acquired is expected to be broadly flat on the actual performance achieved in 2014. No cost savings have been assumed

Dignity: Company overview

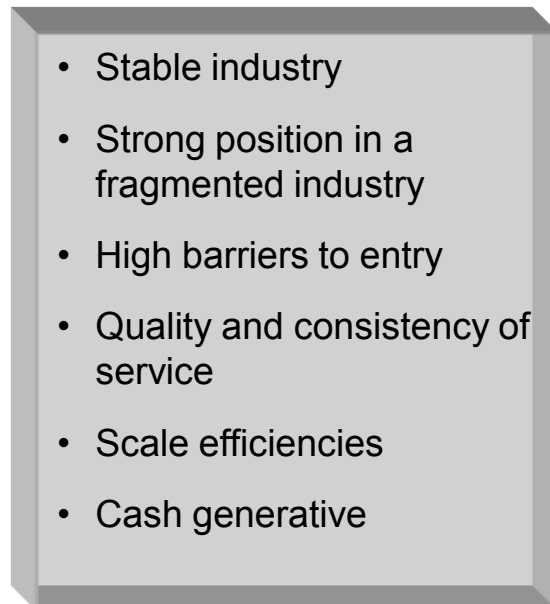
- Dignity's operations are focused on three businesses:
 - Funeral services
 - 767 funeral locations (Dec 2015)
 - 73,500 funerals in 2015
 - 12% of deaths in Britain in 2015
 - 64% of operating profit in 2015
 - Crematoria
 - 39 locations (Dec 2015)
 - 57,700 cremations in 2015
 - 10% of deaths in Britain in 2015
 - 29% of operating profit in 2015
 - Pre-arranged funerals
 - 374,000 active plans (Dec 2015)
 - Marketed through affinity partners and Dignity branches
 - 7% of operating profit in 2015



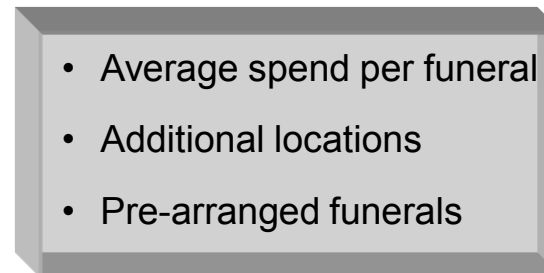
● Funeral services ● Crematoria

Business Model

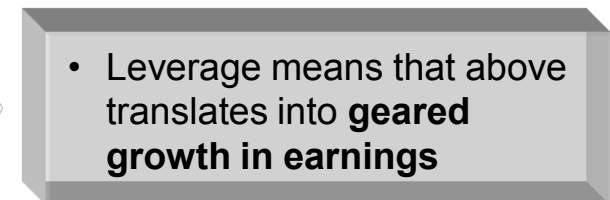
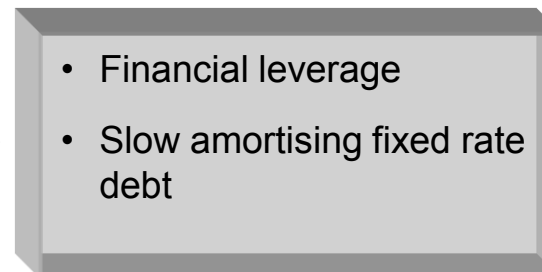
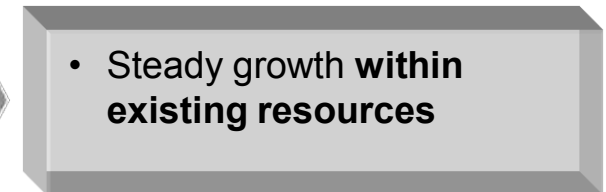
Solid Core Business



Growth Drivers

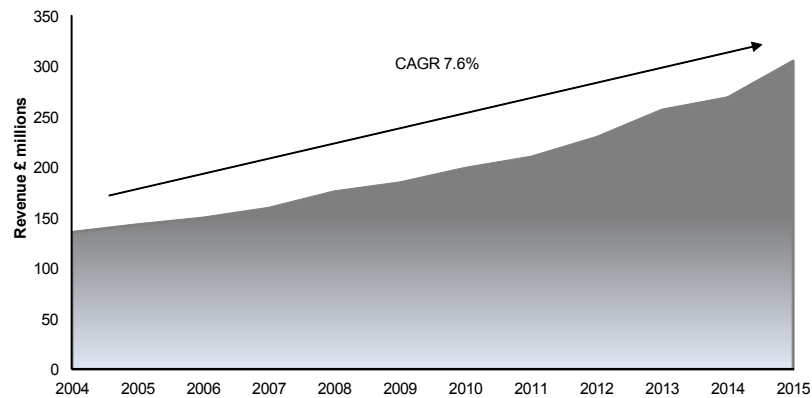


Objective

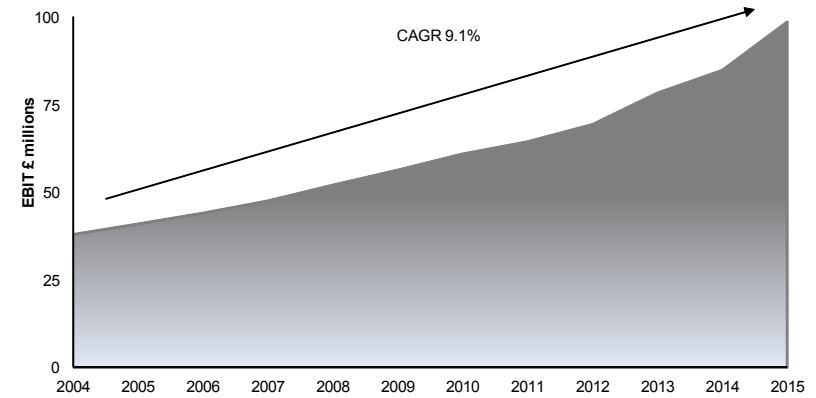


The company has performed strongly since IPO

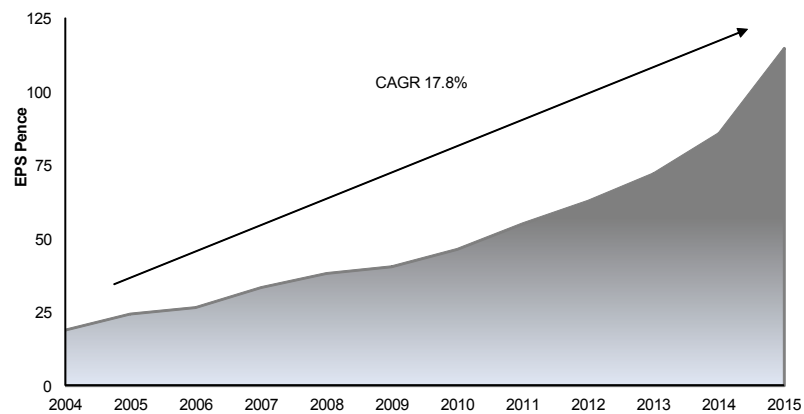
Historic Revenue



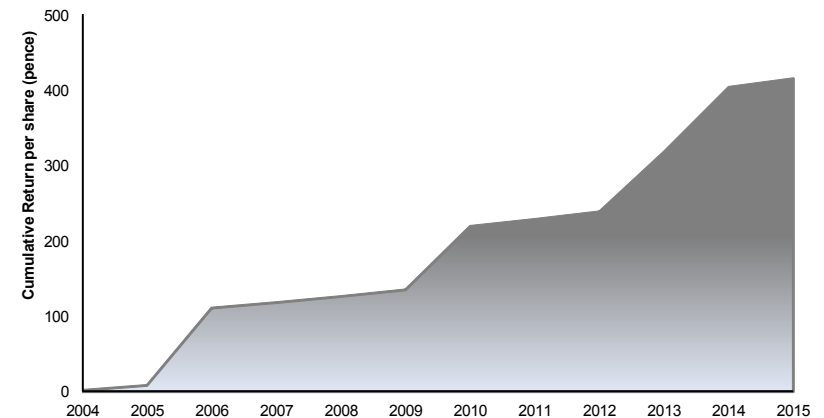
Historic EBIT



Historic EPS



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

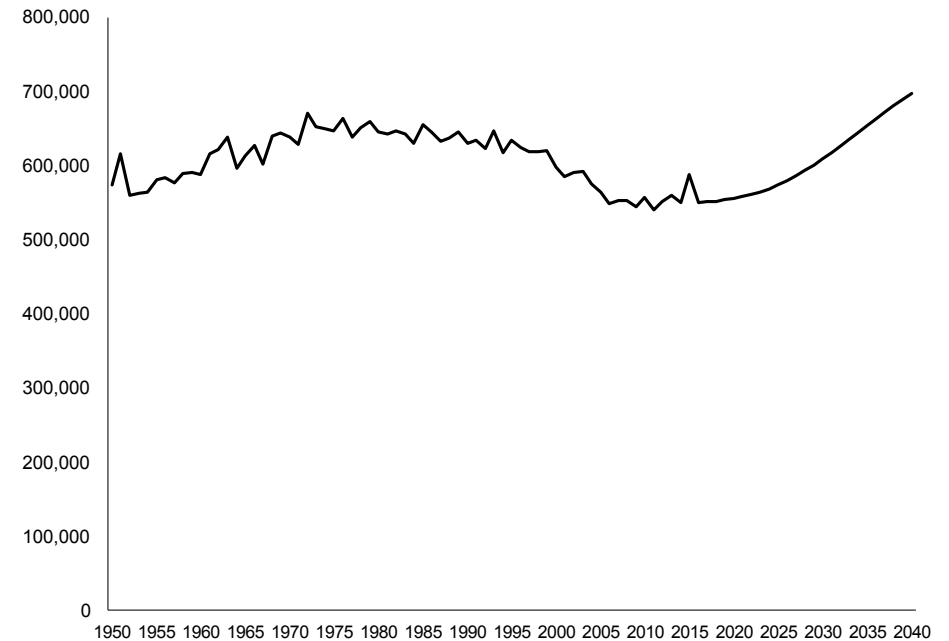


2004 EPS is estimated and assumes IPO occurred at the beginning of the year.

Summary data

	52 wks 25-Dec 2015	52 wks 26-Dec 2014	% change
Deaths (Great Britain)	588,000	550,000	6.9%
Funeral			
Funeral volume (United Kingdom)	73,500	65,600	12.0%
Market Share (Great Britain)	12.3%	11.7%	
Average revenue per funeral	£2,894	£2,811	3.0%
Cremation			
Cremation volume	57,700	53,400	8.1%
Market Share	9.8%	9.7%	
Average cremation fee	£819	£773	5.9%
Average memorial & other revenue	£276	£262	5.5%
Average revenue per cremation	£1,095	£1,035	5.8%

Deaths in Great Britain



Source: Office of National Statistics (ONS)

High barriers to entry

Funeral Services

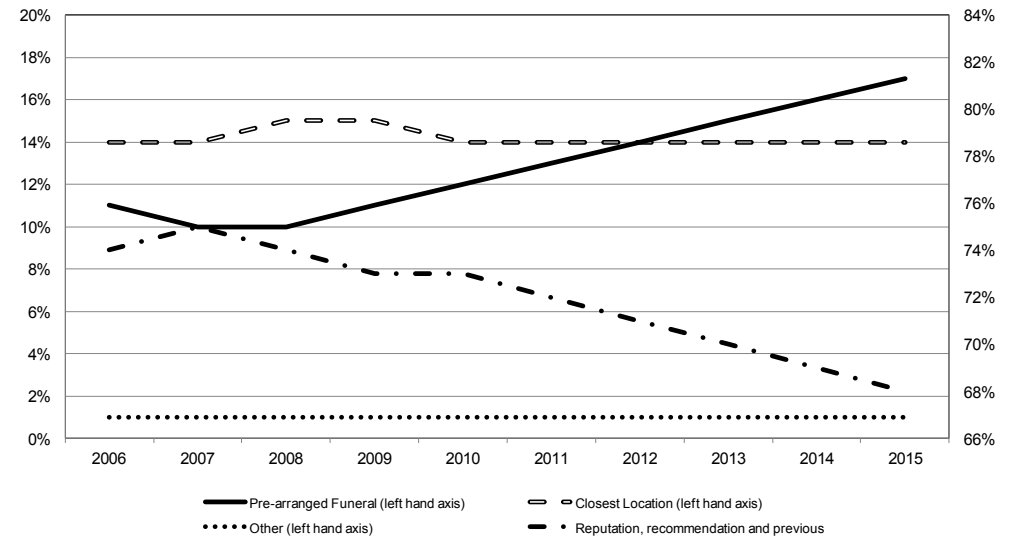
- Over 72% of people choose a funeral arranger based on personal experience or recommendation (source: OFT 2001)
- 92% of people approach just one funeral director (source: OFT 2001)

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

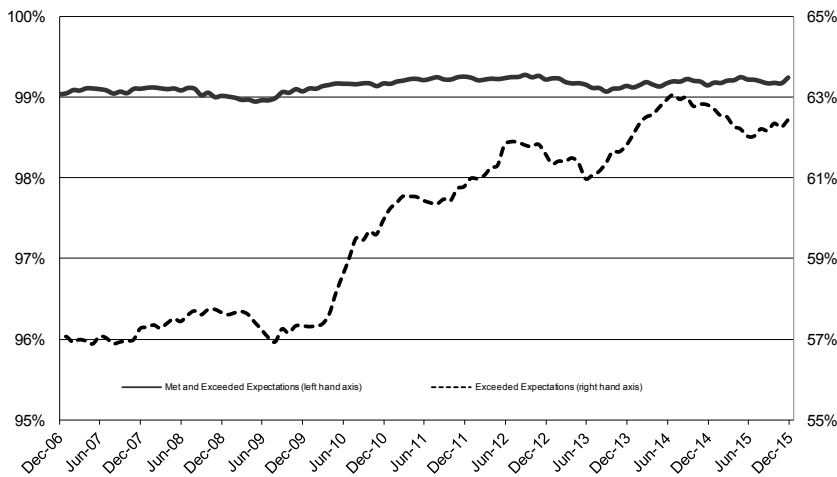
- Nationwide presence key for life insurers / insurance firms for affiliate programmes



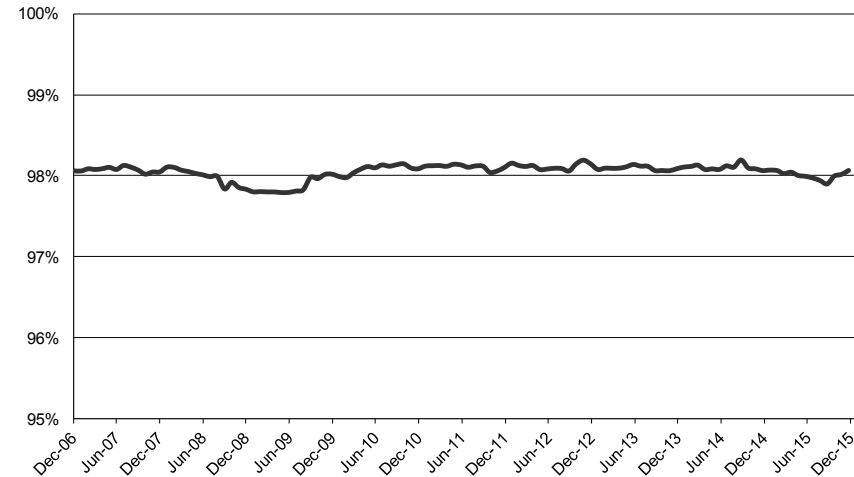
Source: Dignity surveys

Funeral Services – Client satisfaction is key

Percentage of clients who believe we met and exceeded their expectations (12 month rolling average)



Percentage of clients willing to recommend Dignity’s services (12 month rolling average)

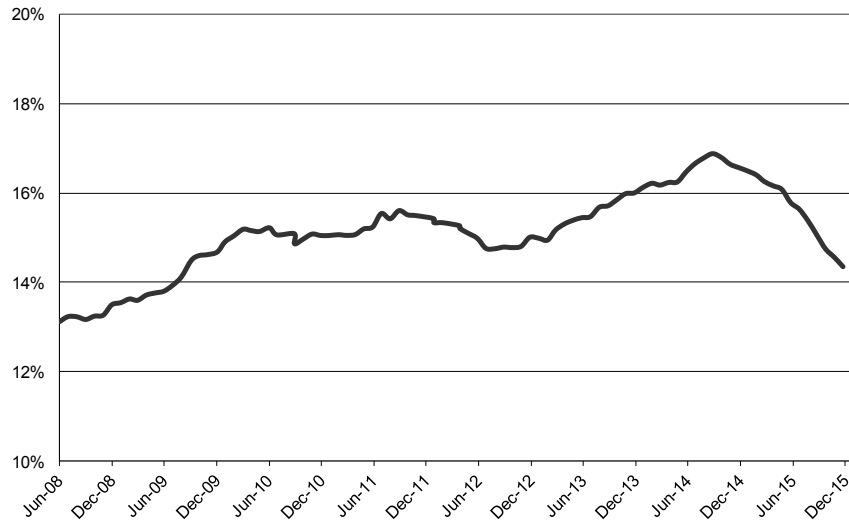


- We have received over 161,000 responses to our client surveys in the last five years
- The survey is completed by the family after they have received the final invoice

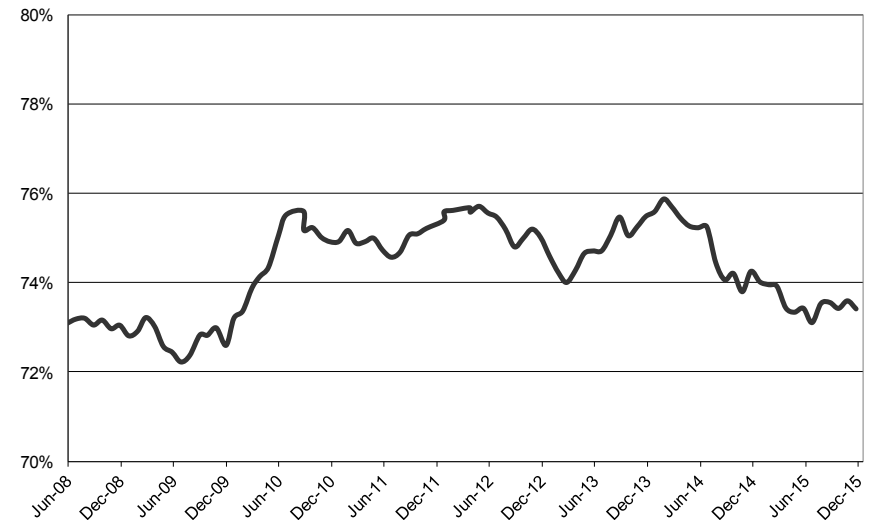
- On average over the last five years:
 - approximately 60% have said we exceeded their expectations
 - approximately 90% would definitely recommend Dignity’s services
- Maintaining this level of service is of key importance as approximately 70% of the Group’s funeral business has come from reputation 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 cost was higher than expected but would still definitely recommend us (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 73%

Funeral Services – Additional locations

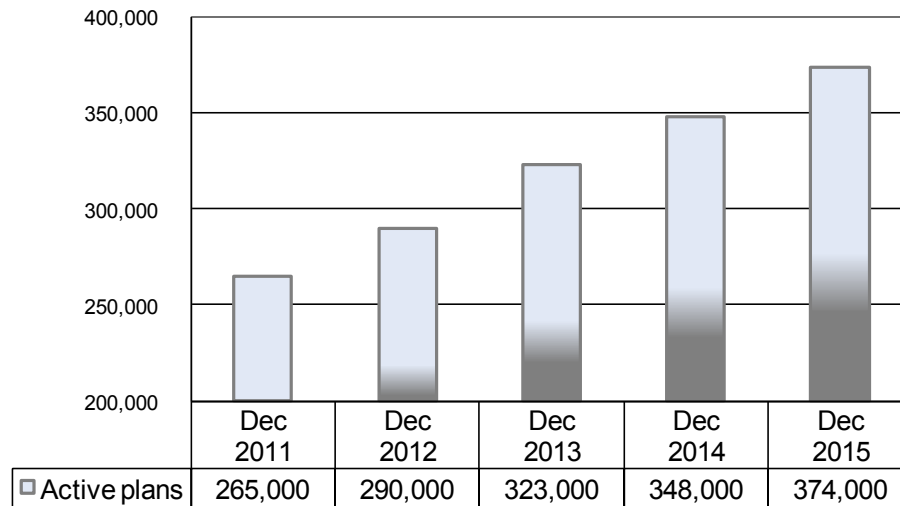
Number of locations at December 2014	718
Acquisitions - Leasehold	40
Acquisitions - Freehold / Long Leasehold	8
Satellite openings - Leasehold	3
Branch closure - Leasehold	(2)
Number of locations at December 2015	767

- The Group acquired nine funeral businesses representing 48 funeral locations during the period including 36 locations from Laurel in July
- In addition, three satellite locations were opened and two locations were closed, principally where it was considered commercially appropriate not to renew leases
- Including the Laurel acquisition the Group has made a net investment of £50 million

Crematoria developments

- The Group has planning permission for two crematoria in the United Kingdom. These are both in the early stages of development with the locations due to open mid-2017 or early 2018
- Two further planning applications are being progressed
- At December 2015, the Group operated 39 crematoria compared to 22 at the beginning of 2008
- The Group continues to identify further locations suitable for new crematoria and also to seek partnerships with local authorities

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
- Age UK remains a key affinity partner
- Monies are paid into independent trust funds which invest them in a variety of investments intended to generate a real return
- Efficient sales activity has translated into strong operational performance

16% increase in underlying operating profit on 7% higher deaths

- This strong operating performance is primarily a consequence of the high number of deaths
- Operational leverage resulted in higher growth in operating profit

	52 wks 25-Dec 2015	52 wks 26-Dec 2014	% change
Revenue (£m)			
Funeral services	212.6	184.4	15.3%
Crematoria	63.1	55.2	14.3%
Pre-arranged funeral plans	29.6	29.3	1.0%
Revenue	305.3	268.9	13.5%
Operating Profit (£m)			
Funeral services	76.8	66.3	15.8%
Crematoria	34.6	29.1	18.9%
Pre-arranged funeral plans	7.8	7.4	5.4%
Central overheads	(20.5)	(17.9)	14.5%
Underlying Operating Profit	98.7	84.9	16.3%
(Loss) on sale of fixed assets	-	(0.3)	
External transaction costs	(3.2)	(1.7)	
Operating Profit	95.5	82.9	15.2%
Underlying operating profit margin			
<i>Funeral services</i>	36.1%	36.0%	
<i>Crematoria</i>	54.8%	52.7%	
Underlying Operating Profit Margin	32.3%	31.6%	

34% increase in underlying earnings per share

- The number of shares reduced following the Return of Cash to shareholders in 2014
- This, together with a small reduction in effective tax rate, enhanced the rate of growth in underlying EPS

	52 wks 25-Dec 2015	52 wks 26-Dec 2014	%
Revenue (£m)	305.3	268.9	
Underlying Operating Profit (£m)	98.7	84.9	16.3%
Underlying net finance costs (£m)	(26.5)	(26.4)	
Underlying Profit before tax (£m)	72.2	58.5	23.4%
Taxation (£m)	(15.5)	(13.1)	
Underlying Earnings (£m)	56.7	45.4	24.9%
Weighted average number of ordinary shares in issue during the period (million)	49.4	52.9	
Underlying EPS (pence)	114.8p	85.8p	33.8%

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

Accounting profits convert to cash

- Cash generation remains strong
- The Group has generated sufficient free cash to fund:
 - Ongoing acquisitions of additional funeral and crematoria locations
 - Debt service
 - Dividends

	52 wks 25-Dec 2015 Profit	52 wks 25-Dec 2015 Cash	52 wks 26-Dec 2014 Profit	52 wks 26-Dec 2014 Cash
£m (except for amounts per share)				
EBITDA	113.3		98.4	
Cash generated from operations		125.2		104.4
<i>Depreciation and Amortisation</i>	<i>(14.6)</i>		<i>(13.5)</i>	
<i>Vehicle replacement programme and improvements to locations</i>		<i>(15.6)</i>		<i>(14.1)</i>
Underlying Operating Profit	98.7		84.9	
Operating cash flow after capital expenditure		109.6		90.3
<i>Underlying net finance costs</i>	<i>(26.5)</i>		<i>(26.4)</i>	
<i>Net finance payments</i>		<i>(25.7)</i>		<i>(28.4)</i>
Underlying Profit before Tax	72.2		58.5	
Cash generated before tax		83.9		61.9
<i>Tax on underlying earnings</i>	<i>(15.5)</i>		<i>(13.1)</i>	
<i>Tax paid</i>		<i>(3.7)</i>		<i>(6.9)</i>
Underlying earnings	56.7		45.4	
Cash after tax		80.2		55.0
Underlying earnings per share	114.8p		85.8p	
Cash per share		162.3p		104.0p

Main source of debt funding continues to be from securitisation

- £587.2 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 REQUIRED**
 - 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

- £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; any facility not drawn by June 2016 will be cancelled
 - Availability expected to be extended until December 2016
 - Whilst undrawn, the facility will incur a non utilisation fee of circa £150,000 per annum

Net debt

	52 wks 25-Dec 2015 £m	52 wks 26-Dec 2014 £m
Net amounts owing on New Notes	(586.5)	(594.6)
Add: unamortised issue costs	(0.7)	(0.7)
Gross amounts owing on Secured Notes	(587.2)	(595.3)
Net amounts owing on Crematoria Acquisition Facility	(15.7)	(15.6)
Add: unamortised issue costs on Crematoria Acquisition Facility	(0.1)	(0.2)
Gross amounts owing	(603.0)	(611.1)
Accrued interest on Secured Notes	(12.8)	(5.7)
Accrued interest on Crematoria Acquisition Facility	(0.1)	-
Cash and cash equivalents	98.8	86.5
Net debt	(517.1)	(530.3)

- At the balance sheet date, the market value of Secured Notes was £615.5 million compared to a balance sheet value of £587.2 million

Delivering on our strategy

Strategy	Action
Deliver high client satisfaction	98% of our clients would recommend our services and 99% said we have met or exceeded their expectations
Strong management of core portfolio, average income and operating costs	Revenue has increased 14% Underlying operating profit has increased 16%
Additional funeral locations	48 funeral locations acquired in the period Three satellite funeral location opened in the period
Develop, manage and acquire new crematoria	Further locations being identified and partnerships sought with local authorities
Increasing number of pre-arranged funeral plans	Number of active plans grew to 374,000

Outlook

The Group stated several times during 2015 that, based on long-term historical data, there is a strong possibility the number of deaths in 2016 may be significantly lower than 2015. The first two months of the new financial year have not changed this view and therefore the Group's financial expectations for 2016 and beyond continue to remain unchanged. As a result, current market expectations are that profit before tax in 2016 will be slightly lower than that reported in 2015.

Nevertheless, the Group notes that achievement of current market expectations in 2016 would mean earnings per share would have increased by approximately 30 per cent over the period 2014 to 2016, well ahead of the Group's continuing medium-term target of increasing earnings per share by 10 per cent per year.

Forward looking statements

- 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 new capital structure

	2016 £m	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
Income Statement Costs - prior to refinancing	23.6	22.7	22.0	20.9	19.9	18.8	17.6	16.2	14.8	13.0	11.0	9.0	6.7	4.3	1.9	-	-
New capital structure																	
Interest on Class A & B Notes	24.7	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
Income statement costs - after refinancing	24.7	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
	2033 £m	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
Income Statement Costs - prior to refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
New capital structure																	
Interest on Class A & B Notes	17.7	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
Income statement costs - after refinancing	17.7	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 2014 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 25 December 2015, the Group has 49.4 million shares in issue

Appendix 2

Cash flow analysis of new capital structure

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cash cost - prior to refinancing	40.3	40.5	40.5	40.5	40.8	41.1	41.4	41.0	39.1	40.9	38.7	36.6	40.7	37.9	35.2	-	-
New capital structure																	
Interest on Class A & B Notes	24.7	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
Principal repayments on Class A & B Notes	8.5	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
Cash cost - after refinancing	33.2	33.2	33.3	33.2	33.2	33.3	33.2	33.2	33.2	33.2	33.2	33.3	33.2	33.3	33.3	33.3	33.3

	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cash cost - prior to refinancing																	
New capital structure																	
Interest on Class A & B Notes	17.7	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	15.5	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
Cash cost - after refinancing	33.2	33.3	33.4	33.4	33.4	33.4	33.4	33.4	33.4	33.4	33.4	33.3	33.3	33.3	33.3	33.3	33.2



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