



INVESTOR PRESENTATION

For the 26 week period ended 30 June 2017

Financial highlights

	26 week period ended 30 June 2017	26 week period ended 24 June 2016	Increase/ (decrease) per cent
Revenue (£million)	169.8	158.0	7
Underlying operating profit ^(a) (£million)	59.5	55.6	7
Underlying profit before tax ^(a) (£million)	46.1	42.4	9
Underlying earnings per share ^(b) (pence)	74.1	67.7	9
Cash generated from operations ^(c) (£million)	61.9	64.6	(4)
Operating profit (£million)	58.7	54.7	7
Profit before tax (£million)	45.3	41.5	9
Basic earnings per share (pence)	72.5	65.9	10
Number of deaths	308,000	302,000	2
Interim dividend (pence)	8.64	7.85	10

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, 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.

Trading update

- Following a very strong start to the year, with the number of deaths seven per cent higher than last year in the first quarter, the half year concluded with the number of deaths two per cent higher than the same period in 2016
- The Group's results for the first half of 2017 were in line with the Board's expectations with underlying operating profits increasing seven per cent to £59.5 million (2016: £55.6 million)
- The Group has acquired 14 funeral locations and one crematorium for an aggregate investment of £23.4 million and has opened seven satellite locations in the period to 30 June 2017. Since this date, the Group has acquired three funeral locations and opened one satellite location
- Work has continued in the period to develop the Group's digital strategy. The Group anticipates incremental costs of up to £1.0 million in 2017 in relation to the implementation of this evolving strategy
- Whilst Dignity chooses to compete on quality and service, the Group has noted some aggressive pricing activity from competitors on both funerals and pre-arranged funeral plans

Digital developments

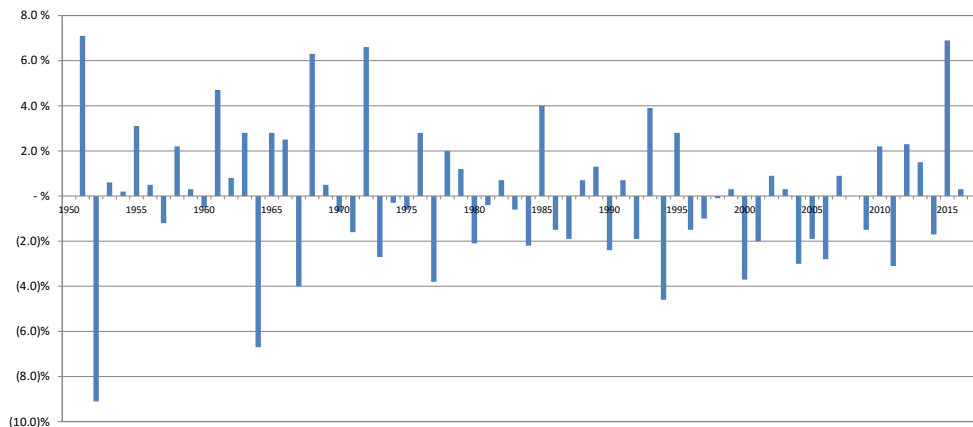
- Work has been ongoing to increase the Group's online presence in respect of its funeral locations, with the results of this work due to launch in the second half of this year
- The Group is also launching a new service for customers that makes it easier for them to notify family members through social media and the internet of funeral arrangements. This service also allows families to arrange flowers and make donations online
- The Group is well placed to respond to the impact of the internet, as it is the only operator with a national network of both funeral locations and crematoriums

Leading the call for regulation

- At the beginning of July, independent consumer group Fairer Finance, in partnership with the Group, published a report looking at whether the funeral planning market works well for the consumer. Although the report was commissioned by Dignity, Fairer Finance retained full editorial control
- By commissioning this research and asking Fairer Finance to review the market with clear recommendations as to how outcomes can be improved for consumers, the Group is demonstrating its commitment to improving standards across the whole funeral sector
- Fairer Finance concluded that the Funeral Planning Authority doesn't have enough resource or powers and recommends that the market should be regulated by the Financial Conduct Authority
- Whilst the Group believes regulation would be a benefit to the industry, it would most likely result in additional costs and perhaps changes to the Group's business model
- This report marks the beginning of work by the Group to lead calls within the industry for higher standards and regulation in an appropriate way

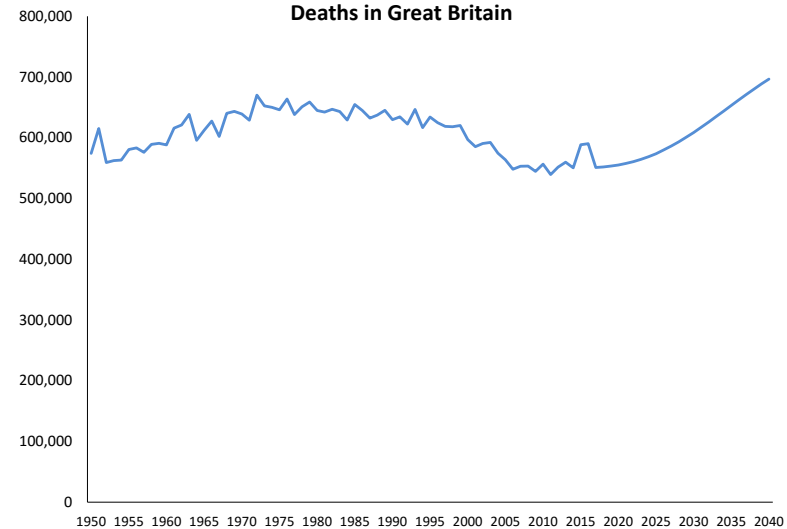
Deaths

Year on year change in the number of deaths



Source: Office for National Statistics (ONS)

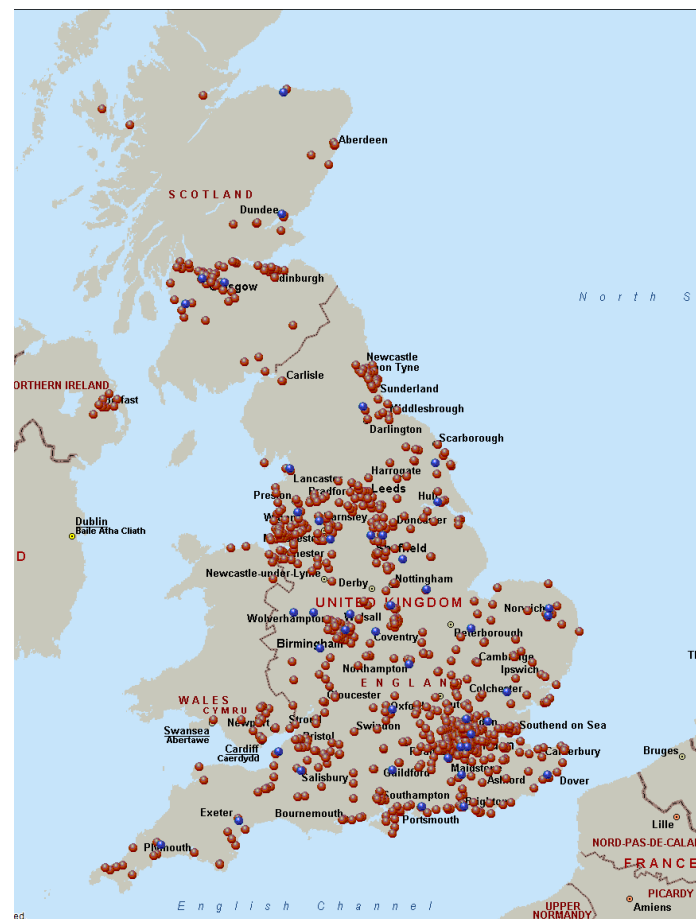
Deaths in Great Britain



- 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

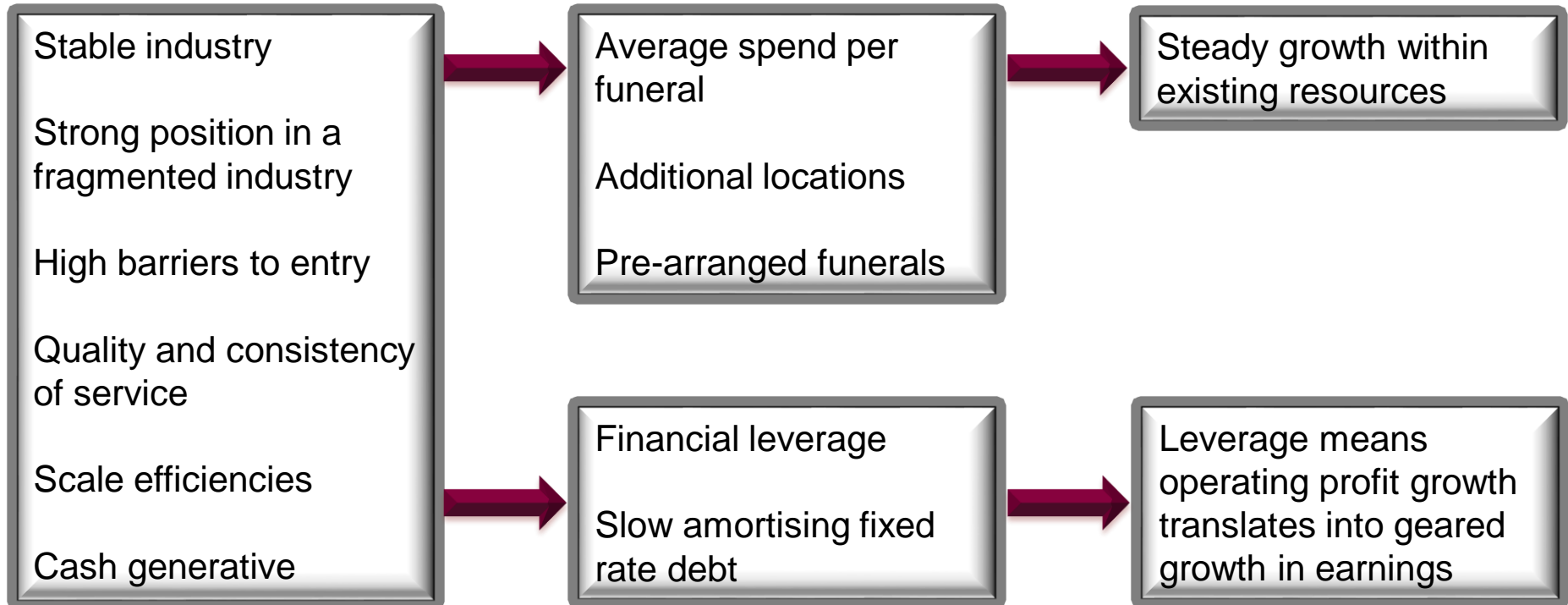
Overview of the Group

- Dignity's operations are focused on three businesses:
- Funeral services
 - 811 funeral locations (June 2017)
 - 70,700 funerals in 2016
 - 12% of deaths in Britain in 2016
 - 63% of operating profit in 2016
- Crematoria
 - 45 locations (June 2017)
 - 59,500 cremations in 2016
 - 10% of deaths in Britain in 2016
 - 30% of operating profit in 2016
- Pre-arranged funerals
 - 427,000 active plans (June 2017)
 - Marketed through affinity partners and Dignity branches
 - 7% of operating profit in 2016



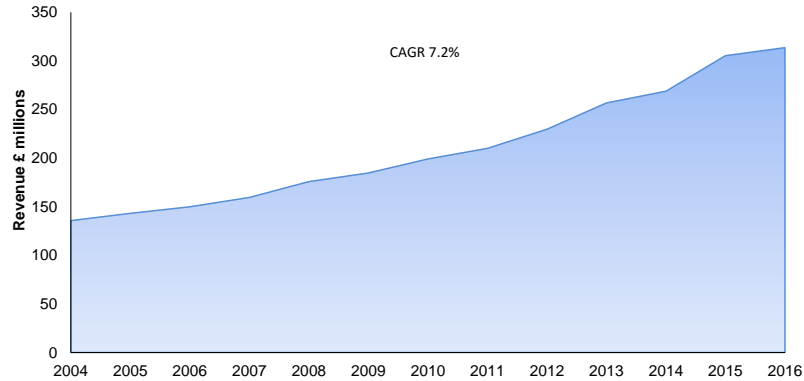
● Dignity funeral locations ● Dignity crematoria locations

Business model

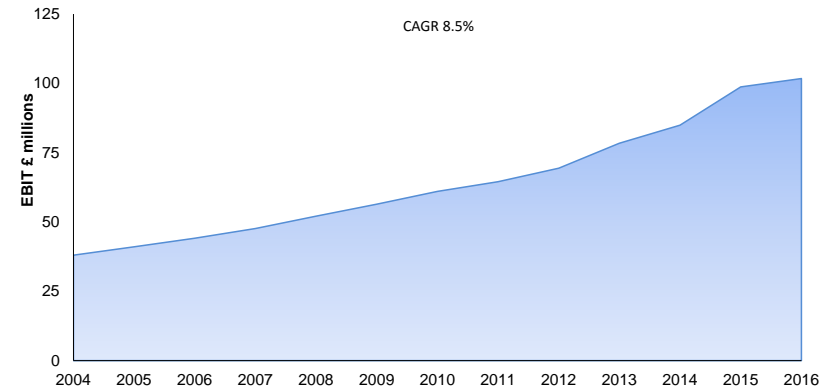


Performance since IPO has been strong

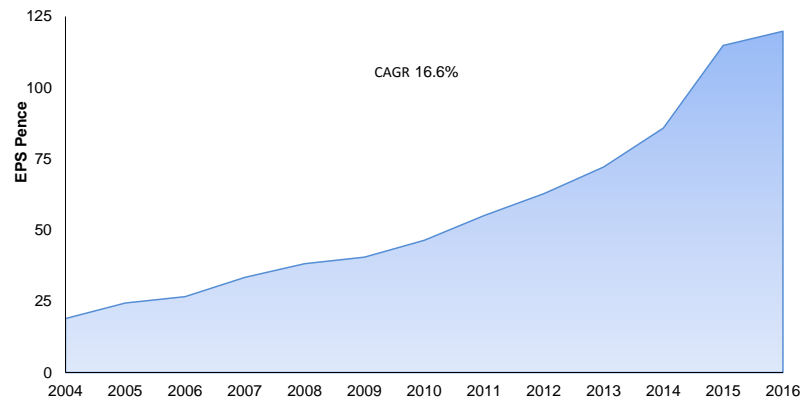
Historic Revenue



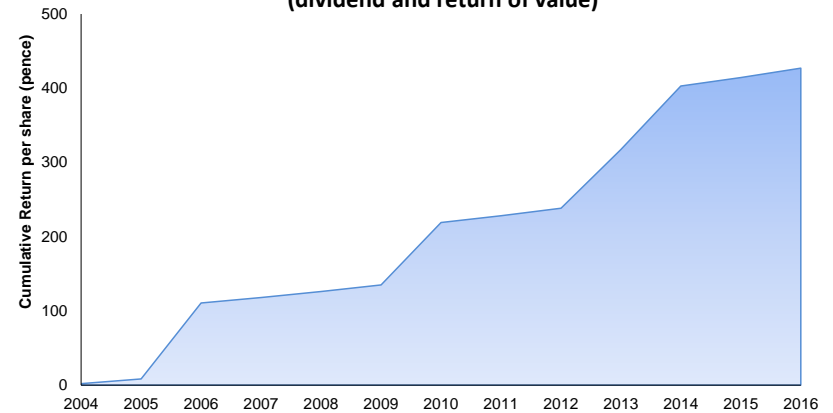
Historic EBIT



Historic EPS



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



Summary data

	26 wks 30-Jun 2017	26 wks 24-Jun 2016	Change
Deaths (Great Britain)	308,000	302,000	2.0%
Funeral			
Funeral volume (United Kingdom)	36,700	36,700	-
Market Share (Great Britain)	11.8%	12.0%	
Average revenue per funeral	£3,182	£3,041	4.6%
Cremation			
Cremation volume	33,700	28,900	16.6%
Market Share	11.0%	9.6%	
<i>Average cremation fee</i>	<i>£884</i>	<i>£854</i>	3.5%
<i>Average memorial & other revenue</i>	<i>£255</i>	<i>£270</i>	(5.5)%
Average revenue per cremation	£1,139	£1,124	1.3%

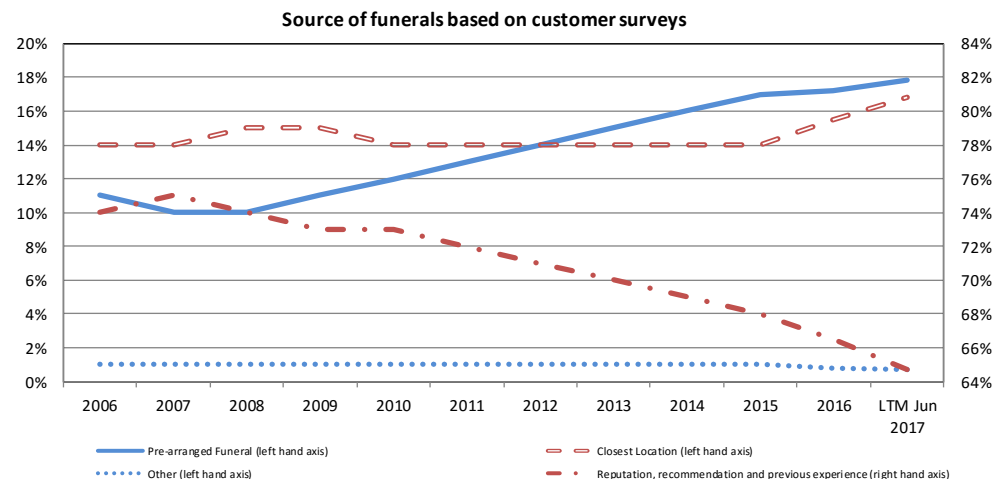
- The Group continues to keep market share under review, with reductions in the first half of the year slightly worse than anticipated
- The reduction in average memorial revenue reflects lower activity at the recently acquired crematoria

High barriers to entry

- Funeral Services
 - Reputation, recommendation and previous experience, together with pre-arranged funerals, represent 82% of the Group's business
 - This has been broadly constant for the last 10 years

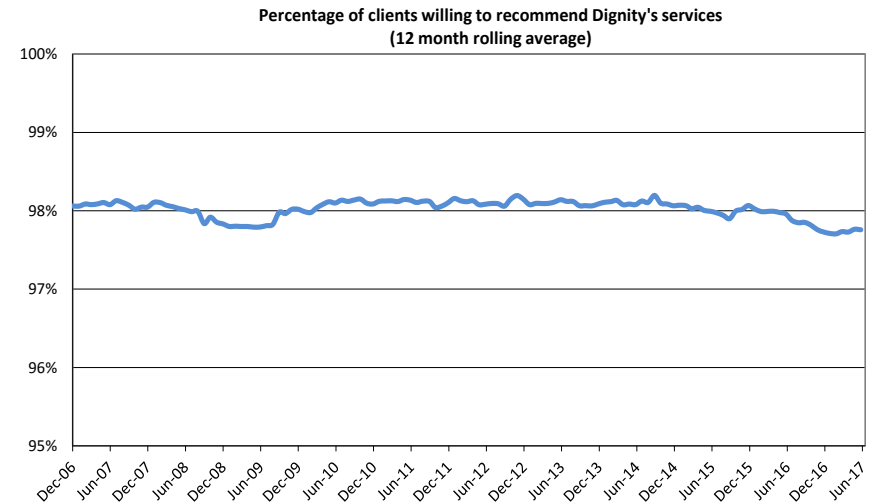
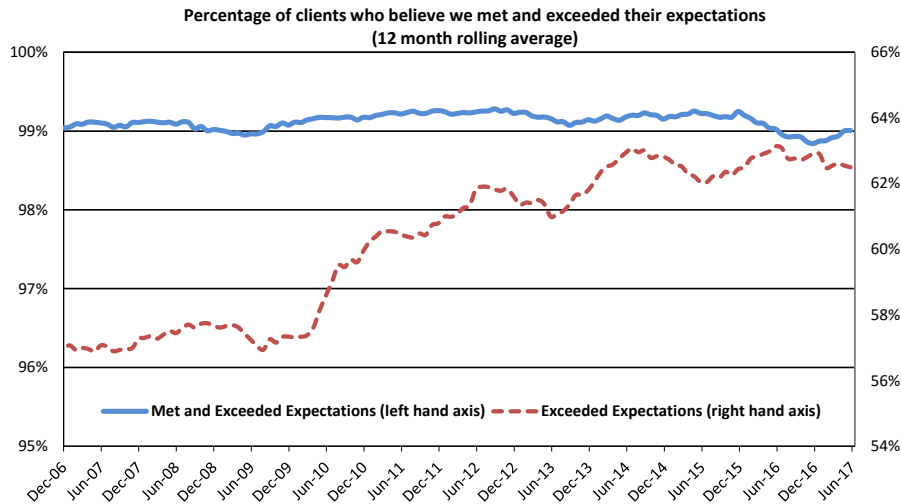
- Crematoria
 - Criteria for new crematoria are very demanding:
 - Must show proof of need
 - Public resistance to new builds
 - Relatively high building costs – at least £4 million

- Pre-arranged funerals
 - Nationwide presence key for life assurers / insurance firms for affiliate programmes



Source: Dignity surveys

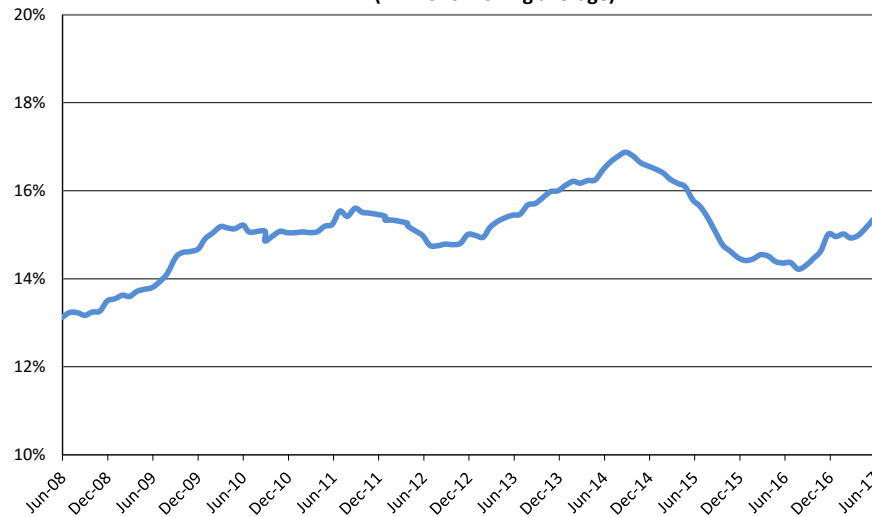
Funeral services – client satisfaction is key



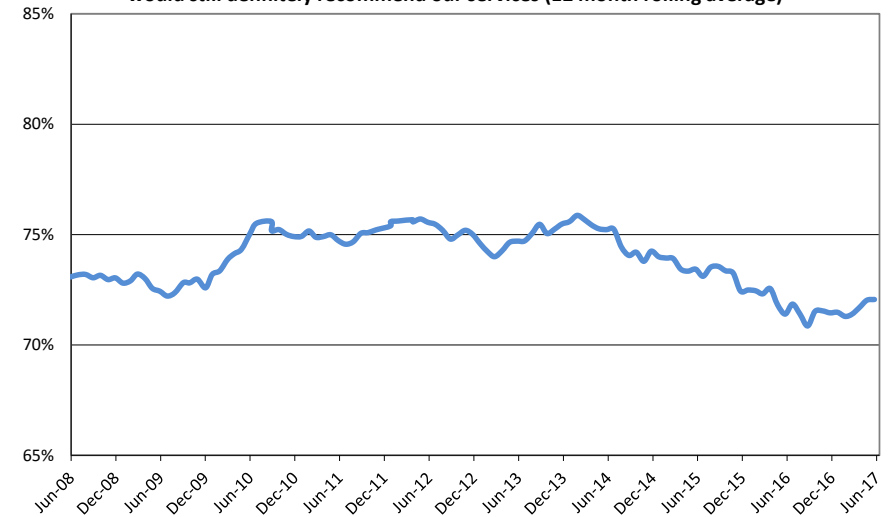
- We have received approximately 160,000 responses to our client surveys in the last five years
- The survey is completed by the family after they have received the final invoice
- On average over the last five years:
 - approximately 60% have said we exceeded their expectations
 - approximately 90% 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

Number of locations at December 2016	792
Acquisitions - Leasehold	12
Acquisitions - Freehold / Long Leasehold	2
Satellite openings - Leasehold	7
Branch closure - Leasehold	(1)
Branch closure - Freehold	(1)
Number of locations at June 2017	811

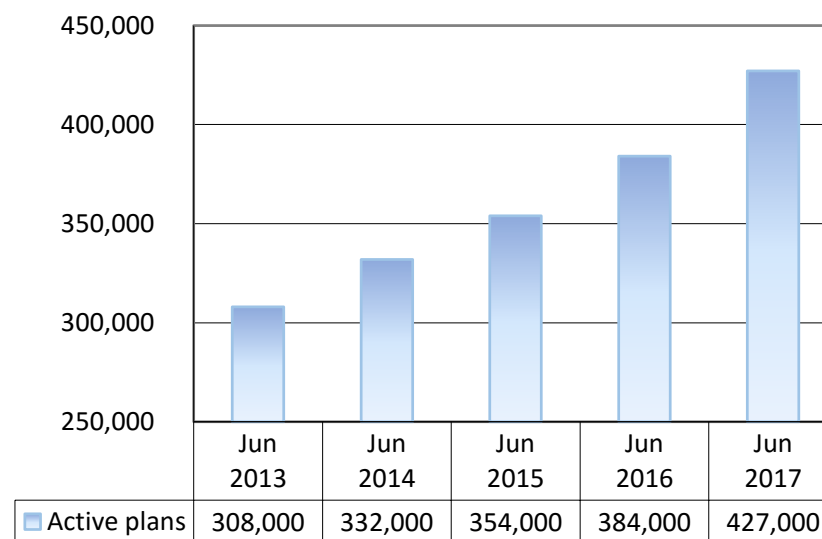
- The Group has acquired 14 funeral locations for an investment of £23.4 million, opened seven satellite locations and closed two locations in the period

Crematoria developments

- The Group continues to progress the three locations with planning permission for new crematoria
- These locations are due to open in 2018/2019
- Total capital commitment of approximately £13 - £14 million
- The Group also has one live planning application and one appeal, with decisions expected later in 2017
- 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

- Continued investment in central overheads to support the business as a whole
- Work has been ongoing to increase the Group's online presence in respect of its funeral locations, with the effects of this work due to launch in the second half of this year. The Group anticipates incremental costs of up to £1.0 million in 2017 in relation to the implementation of this evolving strategy

	26 wks 30-Jun 2017	26 wks 24-Jun 2016	Change
Revenue (£m)			
Funeral services	116.7	111.6	4.6%
Crematoria	38.4	32.5	18.2%
Pre-arranged funeral plans	14.7	13.9	5.8%
Revenue	169.8	158.0	7.5%
Underlying Operating Profit (£m)			
Funeral services	45.1	44.1	2.3%
Crematoria	20.9	18.3	14.2%
Pre-arranged funeral plans	4.9	4.0	22.5%
Central overheads	(11.4)	(10.8)	5.6%
Underlying Operating Profit	59.5	55.6	7.0%
Profit on sale of fixed assets (£m)	-	0.1	
External transaction costs (£m)	(0.8)	(1.0)	
Operating Profit (£m)	58.7	54.7	7.3%
Underlying operating profit margin			
<i>Funeral services</i>	38.6%	39.5%	
<i>Crematoria</i>	54.4%	56.3%	
Underlying Operating Profit Margin	35.0%	35.2%	

Underlying earnings per share

	26 wks 30-Jun 2017	26 wks 24-Jun 2016	Change
Revenue (£m)	169.8	158.0	
Underlying Operating Profit (£m)	59.5	55.6	7.0%
Underlying net finance costs (£m)	(13.4)	(13.2)	
Underlying Profit before tax (£m)	46.1	42.4	8.7%
Taxation (£m)	(9.2)	(8.9)	
Underlying Earnings (£m)	36.9	33.5	10.1%
Weighted average number of ordinary shares in issue during the period (million)	49.8	49.5	
Underlying EPS (pence)	74.1p	67.7p	9.5%

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
- Increase in adverse working capital movement principally reflects timing differences

	26 wks 30-Jun 2017 Profit	26 wks 30-Jun 2017 Cash	26 wks 24-Jun 2016 Profit	26 wks 24-Jun 2016 Cash
£m (except for amounts per share)				
EBITDA	68.4		63.4	
Cash generated from operations		61.9		64.6
<i>Depreciation and Amortisation</i>	<i>(8.9)</i>		<i>(7.8)</i>	
<i>Maintenance capital expenditure</i>		<i>(9.5)</i>		<i>(5.9)</i>
Underlying Operating Profit	59.5		55.6	
Operating cash flow after capital expenditure		52.4		58.7
<i>Underlying net finance costs</i>	<i>(13.4)</i>		<i>(13.2)</i>	
<i>Net finance payments</i>		<i>(12.8)</i>		<i>(12.8)</i>
Underlying Profit before Tax	46.1		42.4	
Cash generated before tax		39.6		45.9
<i>Tax on underlying earnings</i>	<i>(9.2)</i>		<i>(8.9)</i>	
<i>Tax paid</i>		<i>(5.4)</i>		<i>(5.3)</i>
Underlying earnings	36.9		33.5	
Cash after tax		34.2		40.6
Underlying earnings per share	74.1p		67.7p	
Cash per share		68.7p		82.0p

Securitisation structure

- Main source of debt funding continues to be from the Group's securitisation structure, which was restructured in 2014
- £570.2 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**
 - 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 and £26.25 million RBS debt facility refinanced in July 2017
- New £50 million revolving credit facility
 - Available until July 2021
 - Option to renew for a further year with RBS agreement
 - Margin of 150 – 225 basis points over LIBOR (depending on leverage)
 - Whilst undrawn, the facility will incur a non utilisation fee of circa £0.3 million per annum

Net debt

	30-Jun 2017 £m	24-Jun 2016 £m
Net amounts owing on Secured Notes	(569.5)	(582.4)
Add: unamortised issue costs	(0.7)	(0.7)
Gross amounts owing on Secured Notes	(570.2)	(583.1)
Net amounts owing on Crematoria Acquisition Facility	(15.8)	(15.7)
Add: unamortised issue costs on Crematoria Acquisition Facility	-	(0.1)
Gross amounts owing	(586.0)	(598.9)
Accrued interest on Secured Notes	-	(12.7)
Accrued interest on other debt facilities	(0.2)	-
Cash and cash equivalents	65.4	120.7
Net debt	(520.8)	(490.9)

- At the balance sheet date, the market value of Secured Notes was £684.6 million compared to a balance sheet value of £570.2 million

Outlook

“The year has started well for the Group, with good operational performance, continued excellent customer survey results and further acquisitions of established funeral businesses. The Group’s expectations for the full year remain unchanged.

As a Board, we remain alert to the strategic challenges facing the Group in a changing and increasingly competitive environment. This is reflected in the ongoing development of our digital strategy and the leadership we have demonstrated in calling for proper regulation of pre-arranged funeral plans. We will continue to review the scope of our service offering in the light of changing consumer demands and build on our strong market-leading position.”

Mike McCollum
Chief Executive

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 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
Capital structure																	
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
Capital structure																
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	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Capital structure																	
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
Cash cost	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	33.2
	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	
Capital structure																	
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	
Cash cost	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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For the 26 week period ended 30 June 2017