



INVESTOR PRESENTATION

For the 52 week period ended 29 December 2017

Financial highlights



	52 week period ended 29 December 2017	53 week period ended 30 December 2016	Increase/ (decrease) (per cent)
Revenue (£million)	324.0	313.6	3
Underlying operating profit ^(a) (£million)	104.6	101.7	3
Underlying profit before tax ^(a) (£million)	77.8	75.2	3
Underlying earnings per share ^(b) (pence)	128.3	119.8	7
Cash generated from operations ^(c) (£million)	115.4	121.1	(5)
Operating profit (£million)	98.0	97.7	-
Profit before tax (£million)	71.2	71.2	-
Basic earnings per share (pence)	115.8	115.3	-
Interim dividend paid in the period (pence)	8.64	7.85	10
Final dividend proposed in respect of the period (pence)	15.74	15.74	-
Number of deaths	590,000	590,000	-

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, acquisition related amortisation 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, acquisition related amortisation, external transaction costs and exceptional taxation 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.

2017 highlights

- Financial performance in line with market expectations
- Deaths flat at 590,000 (2016: 590,000)
- Focus remains on customer service, which continues to be high, with 98 per cent of clients saying they would recommend us
- Portfolio expanded through acquisition of 24 funeral locations and one small crematorium in the period
- Total acquisition activity investment of £28.3 million (net of cash acquired)
- Another good year of pre-arranged funeral plan sales, with active pre-arranged funeral plans increasing to 450,000 (2016: 404,000), helped by trust and insurance based sales

January 2018 trading update

- Decisive action taken to address the continuing acceleration of price competition facing our funeral business
 - Simple funeral reduced by an average of approximately 25% to £1,995* in England and Wales and £1,695* in Scotland
 - Price freeze implemented for Group's traditional funerals
- In 2017, our funeral mix was:
 - 60% traditional full service at an average of £3,800
 - 7% simple at an average of £2,700
 - 27% pre-arranged at an average of £1,650
 - 6% other at an average of £500
 - Other ancillary revenues equate to approximately £280 per funeral
- Anticipated that this action would increase the proportion of simple funerals to 20%, with a consequential reduction in the proportion of full service funerals
- Anticipated spending an additional £2 million on digital and other promotional activities, building on work started in 2017

*Plus disbursements

Update on 2018 initiatives

- Following 19 January announcement reducing some of our funeral prices and holding others in response to changing market conditions, we have engaged L.E.K. Consulting to work with us in developing our plan for the funeral business. We will be focusing on three fronts:
 - (1) Understanding the relationship between price, service and volume to develop a broader proposition for customers across a number of market segments;
 - (2) Developing a more streamlined network operating model that can consistently deliver these propositions at a lower cost; and
 - (3) Developing a modern, efficient, central operating model to support the reconfigured network

Update on 2018 initiatives

- Initial analysis of funeral mix in first seven weeks since simple funeral price reduction indicates a 15 per cent run rate, less than 20 per cent assumed. Early days
- Actively developing other trials of price and service combinations to launch during Q2 2018
- Continue to develop online presence. Together with work on price enquiries will help us be more competitive
- Simplicity Cremation business now operating at a run rate of approximately 1,000 cremations per year
- Crematoria business continues to perform well, providing a robust underpinning to the Group's financial performance
- Pre-arranged business continues to grow active planholders, now stands at 450,000

Timeline of 2018 investor updates

- **March 2018**
 - Brief update on changes to funeral mix in first seven weeks since pricing changes
 - Confirmation of approach to 2018
- **May 2018 – Q1 trading update**
 - Changes to funeral mix
 - Early indication on market share protection
 - Further details on additional testing of new prices and services and early results
 - Update on digital and promotional work being performed
 - No update on the Group's review of the funeral operating model
- **August 2018 – Interim results**
 - Update on all revenue initiatives and impact
 - Update on digital and promotional work
 - Anticipate conclusions of funeral operating model review and timetable for implementation of conclusions

Outlook

The business model for the Group's funeral business is changing as the Board focuses on protecting market share by introducing new service offerings and price points. As indicated in January, the Board believes that whilst the combination of action being taken will lead to substantially lower profits in 2018, it should create a new platform to allow many years of further stable growth.

The Office for National Statistics anticipates approximately 580,000 deaths in 2018, a small decrease of 10,000 on the actual deaths in 2017. However, the number of deaths in the first two months of 2018 are approximately seven per cent higher than the prior year.

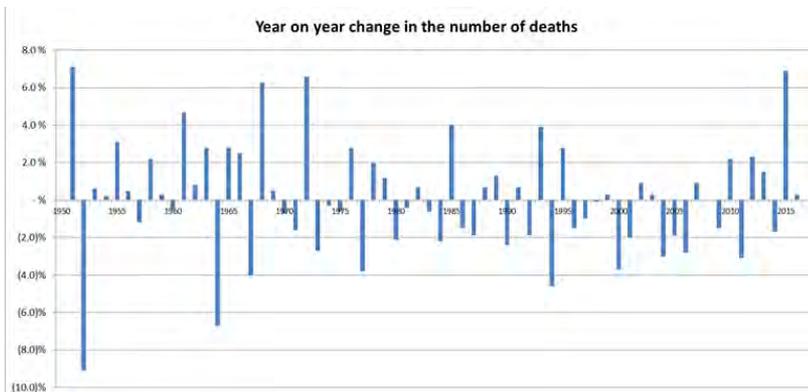
CEO statement

“We are the only business with a national network of funeral and crematoria locations, giving us a unique position in the evolving funeral market. Following the trading update in January 2018, we have now begun a new chapter for Dignity and for the funeral business in particular. It does not change our focus on excellent client service, which remains core to how we operate. We will also continue to demonstrate industry leadership by seeking the regulated market that will be good for clients and society and which plays to our strengths as a compliant and well managed business.”

Mike McCollum

Chief Executive

Deaths



Source : Office for National Statistics (ONS)



- Deaths in 2017 were flat on 2016 at 590,000
- The ONS expects 580,000 deaths in 2018

Summary data

	52 wks 29-Dec 2017	53 wks 30-Dec 2016	Change
Deaths (Great Britain)	590,000	590,000	0.0%
Funeral			
Funeral volume (United Kingdom)	68,800	70,700	(2.7)%
Market Share (Great Britain)	11.5%	11.8%	
Average revenue per funeral	£3,222	£3,082	4.5%
Cremation			
Cremation volume	63,400	59,500	6.6%
Market Share	10.7%	10.1%	
<i>Average cremation fee</i>	<i>£895</i>	<i>£861</i>	3.9%
<i>Average memorial & other revenue</i>	<i>£271</i>	<i>£274</i>	(1.1)%
Average revenue per cremation	£1,166	£1,135	2.8%

- Deaths were flat in the period. ONS expectations are for lower deaths in 2018
- Crematoria market share has increased, principally reflecting the effect of recent acquisitions

Barriers to entry

Funeral services

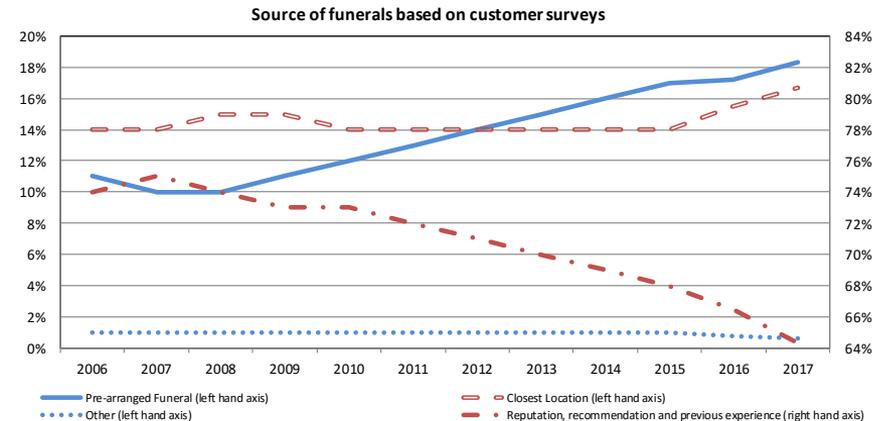
- Reputation, recommendation and previous experience, together with pre-arranged funerals, represent 82% of the Group's business
- Whilst our single biggest source of business remains previous experience and word of mouth, the chart demonstrates the ongoing decline of this traditional source of business in the face of competition from an increasing trend towards pre-arranged funerals and other competitors

Crematoria

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



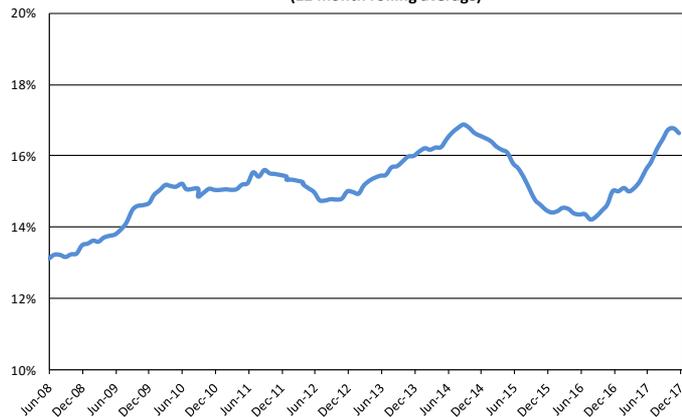
- We have received approximately 160,000 responses to our client surveys in the last five years
- The survey is completed by the family after they have received the final invoice

- 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

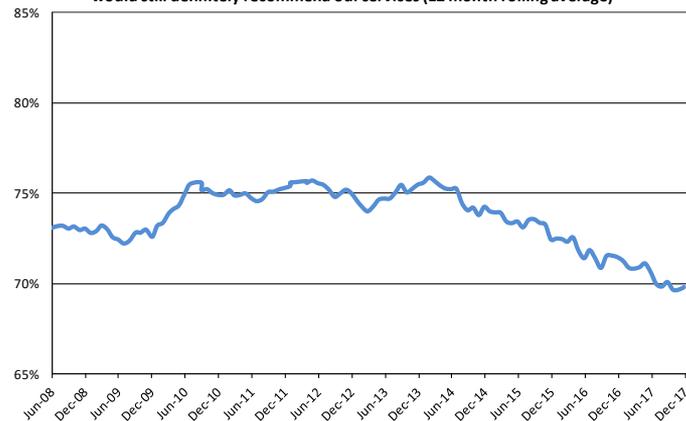
Funeral services – client satisfaction is key



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



Percentage of clients who thought the cost 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 70%

Funeral services: location summary

Number of locations at December 2016	792
Acquisitions - Leasehold	19
Acquisitions - Freehold / Long Leasehold	5
Satellite openings - Leasehold	14
Branch closure - Leasehold	(1)
Branch closure - Freehold	(3)
Number of locations at December 2017	826

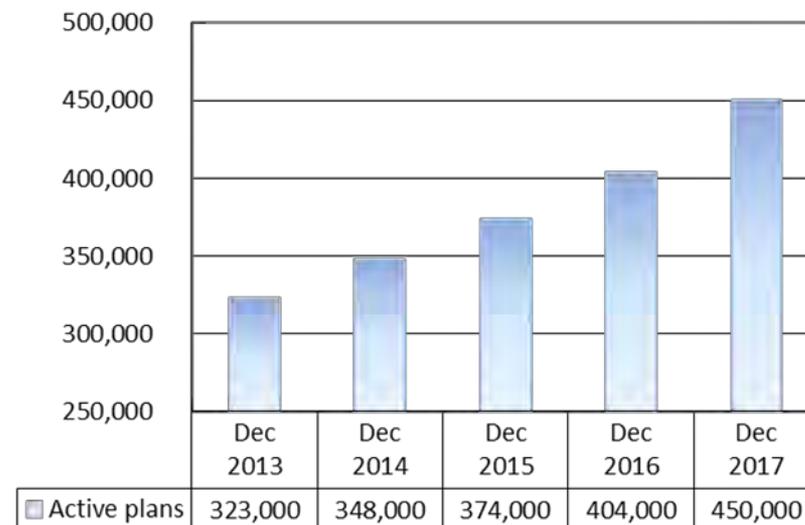
- Group has acquired 24 funeral locations for an investment of £26.3 million and opened 14 satellite locations in the period
- 2018 so far, the Group has acquired one funeral location

Crematoria

- Three new crematoria under construction
- One due to open in Q2 2018 and the other two in 2019
- Total capital commitment of approximately £13 - £14 million
- The Group's remaining two planning applications have not been successful. The Group is planning on appealing one of these applications
- One small crematorium acquired in 2017
- Positive outlook for crematoria remains

Pre-arranged funeral plans

- We sell pre-arranged funeral plans to attract people who would not otherwise have used a Dignity funeral location
- 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 or backed by an insurance policy
- Whilst pre-arranged plans are competitive, the outlook remains positive
- Insurance plans are likely to represent a higher proportion of plan sales in future



Underlying operating profit



- Year on year reduction in pre-arranged profitability reflects incremental costs incurred on digital and other promotional activities
- Central overheads are lower, driven by reduction in LTIP and other bonus costs following the trading update

	52 wks 29-Dec 2017	53 wks 30-Dec 2016	Change
Revenue (£m)			
Funeral services	221.8	217.8	1.8%
Crematoria	74.0	67.5	9.6%
Pre-arranged funeral plans	28.2	28.3	(0.4%)
Revenue	324.0	313.6	3.3%
Underlying Operating Profit (£m)			
Funeral services	79.5	79.0	0.6%
Crematoria	40.0	37.6	6.4%
Pre-arranged funeral plans	8.0	8.5	(5.9%)
Central overheads	(22.9)	(23.4)	(2.1%)
Underlying Operating Profit	104.6	101.7	2.9%
Profit on sale of fixed assets (£m)	(0.1)	0.1	
External transaction costs (£m)	(4.7)	(4.1)	
Amortisation of acquisition related intangibles (£m)	(1.8)	-	
Operating Profit (£m)	98.0	97.7	0.3%
Underlying operating profit margin			
<i>Funeral services</i>	35.8%	36.3%	
<i>Crematoria</i>	54.1%	55.7%	
Underlying Operating Profit Margin	32.3%	32.4%	

Underlying earnings per share



- Lower effective tax rate due to prior year tax items not expected to recur

	52 wks 29-Dec 2017	53 wks 30-Dec 2016	Change
Revenue (£m)	324.0	313.6	
Underlying Operating Profit (£m)	104.6	101.7	2.9%
Underlying net finance costs (£m)	(26.8)	(26.5)	
Underlying Profit before tax (£m)	77.8	75.2	3.5%
Taxation (£m)	(13.8)	(15.8)	
Underlying Earnings (£m)	64.0	59.4	7.7%
Weighted average number of ordinary shares in issue during the period (million)	49.9	49.6	
Underlying EPS (pence)	128.3p	119.8p	7.1%

Cash conversion

- Strong cash generation
- 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

£m (except for amounts per share)	2017 Profit	2017 Cash	2016 Profit	2016 Cash
EBITDA	121.7		117.8	
Cash generated from operations		115.4		121.1
<i>Depreciation and Amortisation</i>	<i>(17.1)</i>		<i>(16.1)</i>	
<i>Maintenance capital expenditure</i>		<i>(20.2)</i>		<i>(19.6)</i>
Underlying Operating Profit	104.6		101.7	
Operating cash flow after capital expenditure		95.2		101.5
<i>Underlying net finance costs</i>	<i>(26.8)</i>		<i>(26.5)</i>	
<i>Net finance payments</i>		<i>(25.6)</i>		<i>(25.5)</i>
Underlying Profit before Tax	77.8		75.2	
Cash generated before tax		69.6		76.0
<i>Tax on underlying earnings</i>	<i>(13.8)</i>		<i>(15.8)</i>	
<i>Tax paid</i>		<i>(11.9)</i>		<i>(10.6)</i>
Underlying earnings	64.0		59.4	
Cash after tax		57.7		65.4
Underlying earnings per share	128.3p		119.8p	
Cash per share		115.6p		131.9p

Securitisation structure

- Main source of debt funding continues to be from the Group's securitisation structure, which was restructured in 2014
- £565.7 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
- Given the trading update in January 2018, the Group does not need to take any remedial action in respect of the Secured Notes in issue

Other debt facilities

- £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

- This facility continues be available to the Group following the trading update

Net debt

	29-Dec 2017 £m	30-Dec 2016 £m
Net amounts owing on Secured Notes	(565.1)	(573.9)
Add: unamortised issue costs	(0.6)	(0.7)
Gross amounts owing on Secured Notes	(565.7)	(574.6)
Net amounts owing on Crematoria Acquisition Facility	-	(15.7)
Add: unamortised issue costs on Crematoria Acquisition Facility	-	(0.1)
Gross amounts owing	(565.7)	(590.4)
Accrued interest on Secured Notes	(0.3)	(0.3)
Accrued interest on other debt facilities	(0.2)	(0.1)
Cash and cash equivalents	49.3	67.1
Net debt	(516.9)	(523.7)

- At the balance sheet date, the market value of Secured Notes was £686.5 million compared to a balance sheet value of £565.7 million. Whilst the Group has no plans to do so, should it wish to repay all amounts due under the Secured Notes, the cost to do so at the year end would have been approximately £764 million.

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.



APPENDIX

Appendix 1

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	£m															
Capital structure																
Interest on Class A & B Notes	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	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	33.3	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															
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	16.0	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	33.2	33.4	33.3	33.3	33.3	33.3	33.3	33.2								



INVESTOR PRESENTATION

For the 52 week period ended 29 December 2017
