DIGNITY PLC
INVESTOR PRESENTATION

For the 52 week period ended 27 December 2019

Agenda

- 2019 results
- CMA & HM Treasury
- Transformation Plan
- Looking Ahead
- Q&A

2019 RESULTS

2019 Financial Performance

	52 week period ended 27 December 2019	52 week period ended 28 December 2018 restated	Decrease per cent
Underlying revenue (£million)	**301.3**	315.6	5
Underlying operating profit (£million)	**63.3**	80.2	21
Underlying profit before tax (£million)	**37.7**	54.4	31
Underlying earnings per share (pence)	**60.6**	85.8	29
Underlying cash generated from operations (£millior	**71.8**	101.9	30
Revenue (£million)	**338.9**	353.7	4
Operating profit (£million)	**44.8**	75.9	41
Profit/ (loss) before tax (£million)	**44.1**	(18.0)	
Basic earnings/ (loss) per share (pence)	**69.8**	(34.0)	
Cash generated from operations (£million)	**64.6**	104.2	38
Interim dividend paid in the period(pence)	**-**	8.64	
Final dividend proposed in respect of the period (pen	**-**	15.74	
Number of deaths	**584,000**	599,000	3

Prior year adjustments

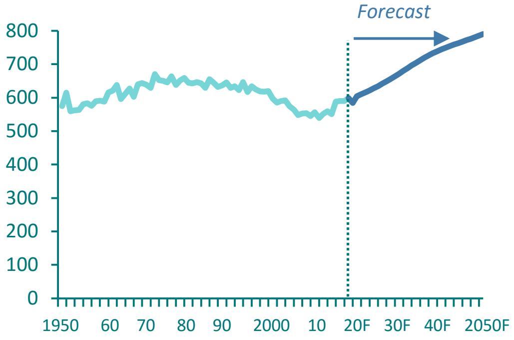
The Group has changed its accounting policy in respect of certain pre-arranged funeral plan trusts and the adoption of IFRS 15. This has been applied retrospectively and therefore certain statutory amounts have been restated.

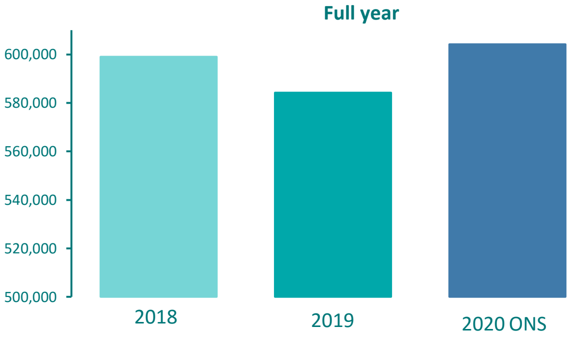
2019 key points

- Operating performance consistent with market expectations
- Crematoria and pre-need divisions performing well
- Number of deaths lower than anticipated at the start of the year
- Changing competitive landscape has lowered average income per funeral as expected
- Further downward pressure on average income per funeral and cremation expected
- The CMA investigation could materially impact the industry and the Group
- Funeral market share showing positive response to changes in proposition
- Group welcomes proposed regulation of pre-arranged funeral plans
- Accounting policy changes impacting statutory results, but alternative performance measures unaffected
- The Group is adapting and pausing certain aspects of the Transformation Plan pending the outcome of the CMA investigation which will delay anticipated cost savings

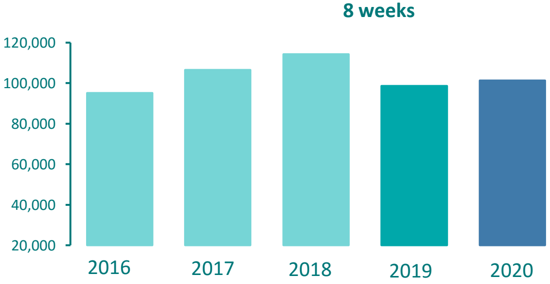
Number of deaths

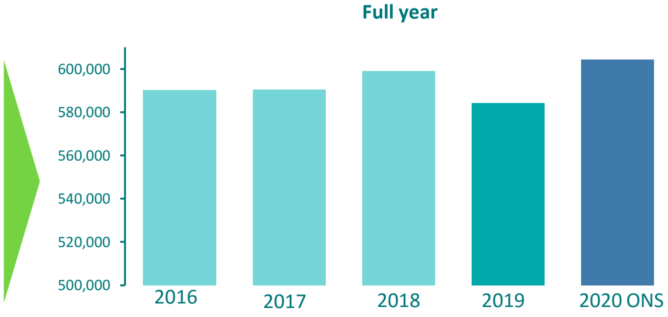
- 2019 was 3% lower than 2018





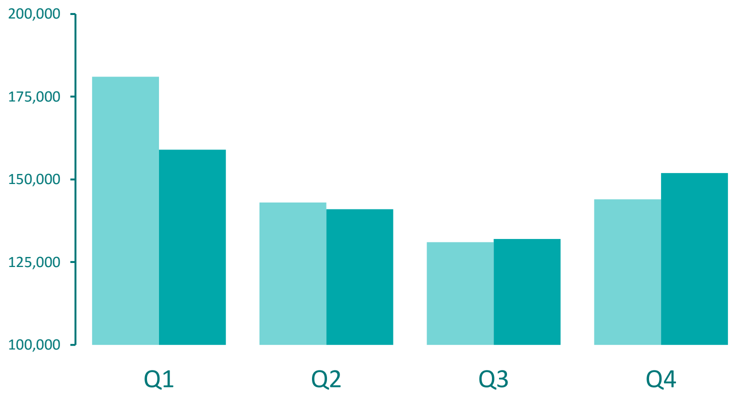
- 2020 has started stronger with 3% higher deaths in the first 8 weeks compared to 2019



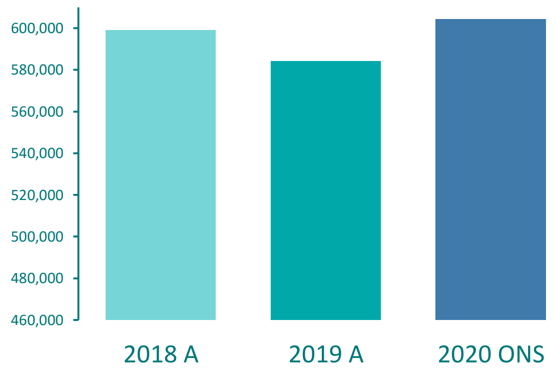


Number of deaths

- 2018 versus 2019 by quarter

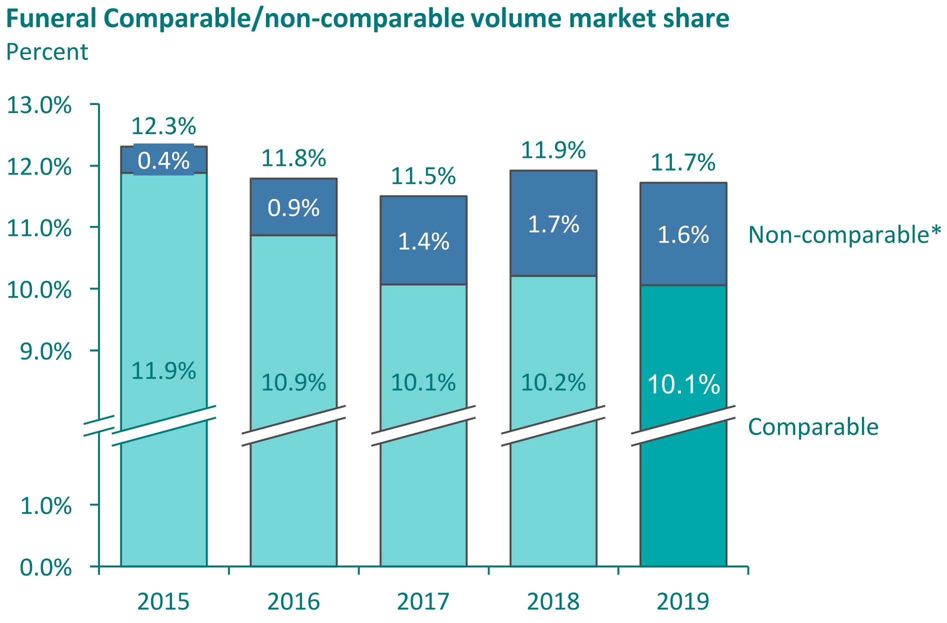


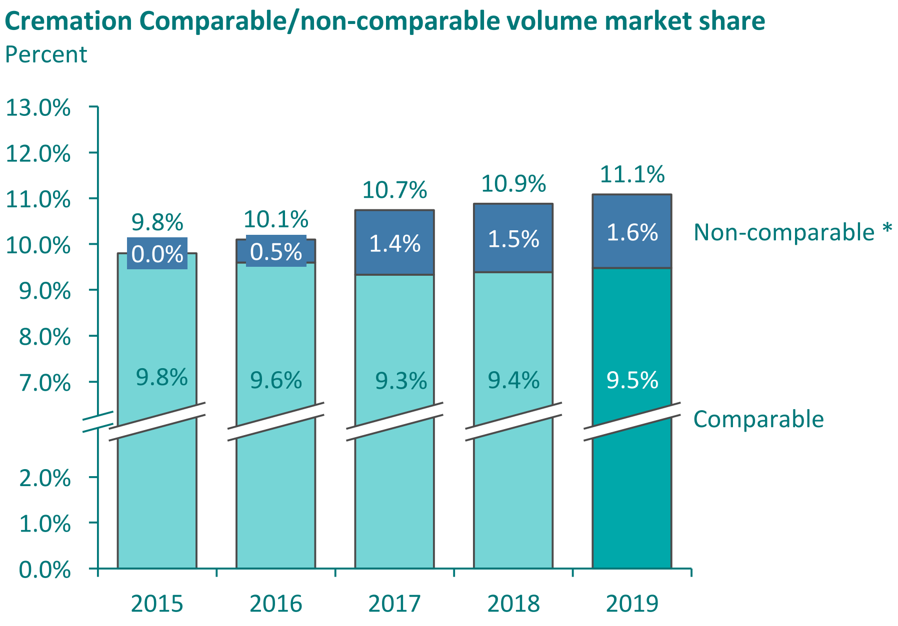
- Full Year 2018 versus 2019, 2020 ONS deaths



- Fourth quarter of 2019 witnessed deaths 5.7% higher than 2018
- The ONS expects long-term increases in the number of deaths, reaching approximately 740,000 per year by 2040 – increasing from 604,000 in 2020

Market share





Note: * Non-comparable includes volumes from All Acquisitions 2015 to 2019

Funeral mix and average income

	Funeral type	Q4 2017 Actual	FY 2018 Actual	H1 2019 Actual	Q3 2019 Actual	Q4 2019 Actual	H2 2019 Actual	FY 2019 Actual
Average underlying income (£)	Full service	3,910	3,735	3,558	3,608	3,613	3,605	3,578
	Simple and Limited service	2,659	2,350	2,089	2,000	1,995	1,996	2,047
	Pre-need	1,707	1,705	1,806	1,879	1,899	1,890	1,846
	Other (including Simplicity)	537	570	756	772	780	774	770
Volume mix (%)	Full service	59	48	52	52	52	52	52
	Simple and Limited service	8	19	14	14	13	13	14
	Pre-need	27	27	28	27	28	28	27
	Other (including Simplicity)	6	6	6	7	7	7	7
Weighted average (£)		3,024	2,734	2,694	2,717	2,724	2,717	2,699
Ancillary underlying income (£)		250	239	225	227	214	224	231
Average income per funeral (£)		3,274	2,973	2,919	2,944	2,938	2,941	2,930

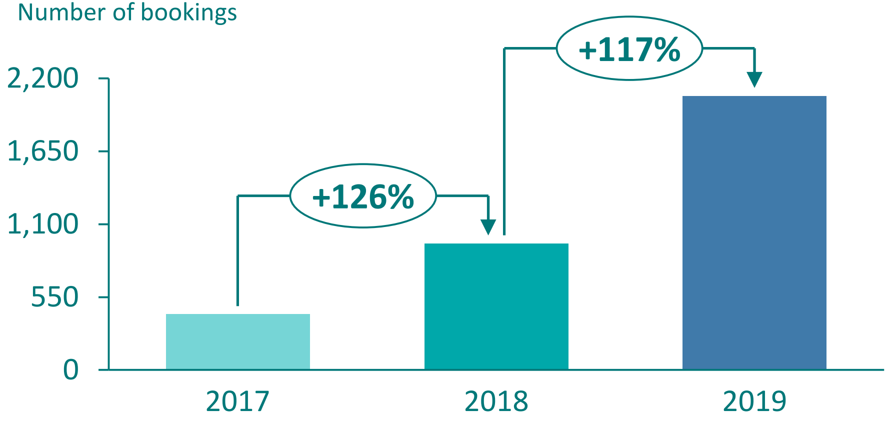
Average income per funeral in line with expectations

Downward pressure anticipated from trials, competitor pressure and CMA outcome

Simplicity Cremations

- Good performance
- Volumes continue to increase
- Continue to trial different campaigns

Simplicity Service Bookings
Number of bookings



A growing segment of the market

Dignity can benefit from its scale

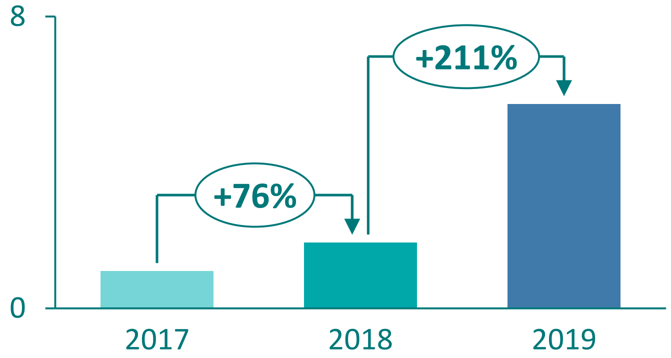
3,000 services expected in 2020

Approximately one third are attended

Digital and marketing update

- Approximately 5.6 million visits to our website in 2019 compared to 1.8 million in 2018
- 45% of our clients now find us online, compared to 38% in 2018

Traffic to Dignity Funerals website
Thousands of hits



Crematoria & Memorial Group

- 11.1% share of all deaths: grown slightly as a result of new locations maturing and direct cremations
- Average income broadly flat on prior year
- Memorial income per cremation flat £275 vs £276
- Should benefit from technological advances developed during Transformation Plan
- 3 sites with planning consent on pause pending CMA outcome

Solid operating performance

Average income stable but CMA may cause reduction

Pre Need Operations

- 523,000 active plans
- Strong market presence
- A stable source of incremental funerals
- Working on response to likely HM Treasury outcome

Retain focus on selling high quality business

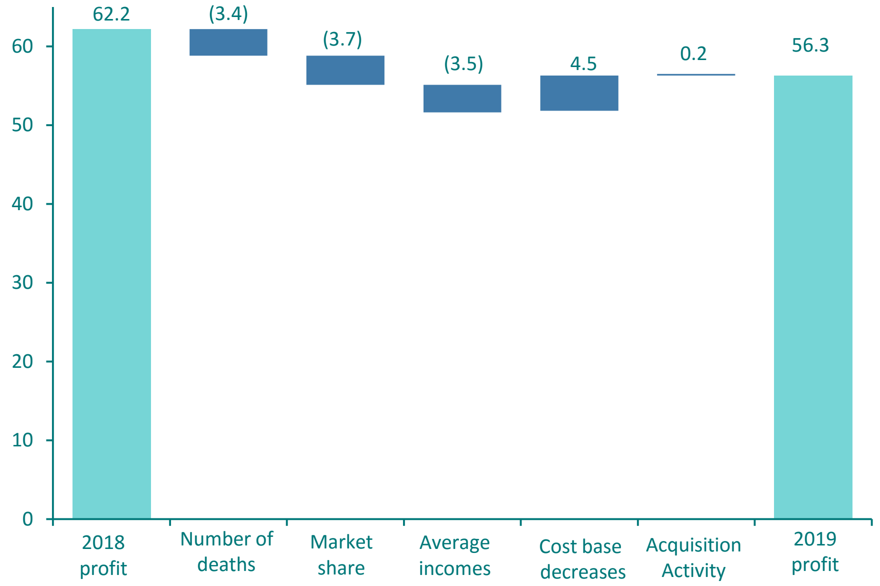
Regulation is an opportunity

Supported by Trusts in healthy financial position

Financial performance – Funeral services

Funeral services financial performance (2018 – 2019)

Millions of pounds



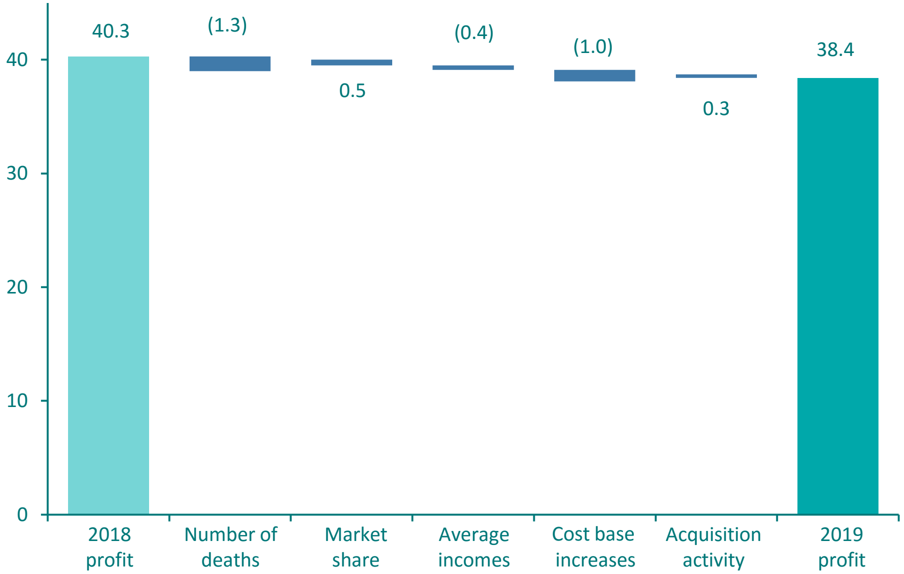
Financial summary	52 week period ended 27 December 2019	52 week period ended 28 December 2018	% Change
Underlying operating profit (£m)			
Funeral services	56.3	62.2	(9.5)
Crematoria	38.4	40.3	(4.7)
Pre-arranged funeral plans	-	2.8	(100.0)
Central overheads	(31.4)	(25.1)	25.1
Underlying operating profit (£m)	**63.3**	**80.2**	**(21.1)**

- Further trials needed to understand price/ market share relationship
- Strong cost control has reduced operating expenses

Financial performance – Crematoria

Crematoria financial performance (2018 – 2019)

Millions of pounds



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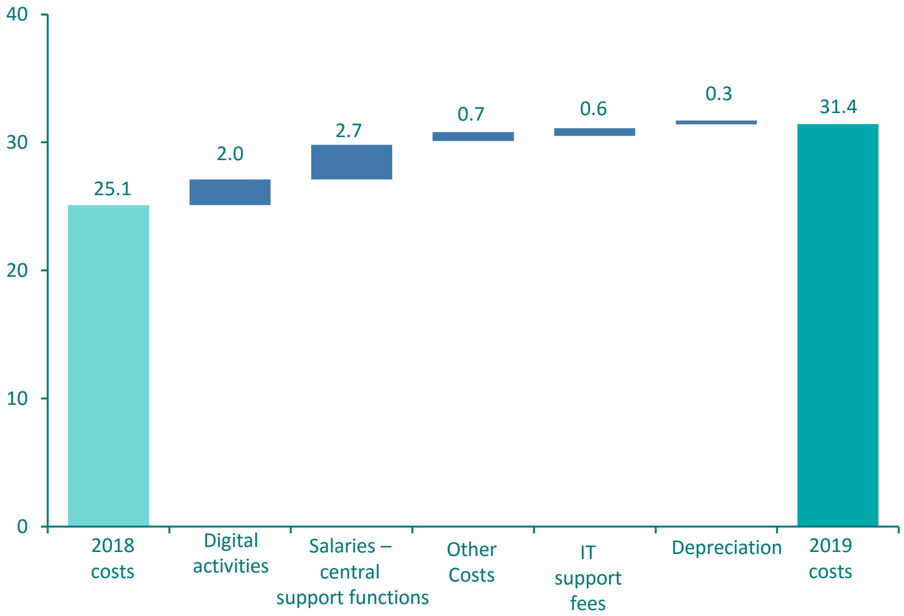
- Average income broadly flat
- Memorial incomes consistent
- Costs as anticipated

Financial performance – Central overheads

Central overheads financial performance (2018 – 2019)

Millions of pounds



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- Marketing activity continues to intensify
- Central resource required to realise operational savings

Pre need accounting change

- For statutory reporting, the Group has now concluded that it controls the two main pre-need trusts and therefore they have been consolidated in the Group's results
- Results in £1.0bn of assets and £1.3bn of contract liabilities on balance sheet
- Not equal and opposite
- Assets move based on investment performance – finance income (or cost)
- Liabilities move by fixed rate of interest based on date sold – finance cost
- Liability released as revenue when funeral is performed
- Separately, as previously announced, IFRS 15 requires us to defer commissions paid to partners for plans sold. These are expensed when funeral is performed
- APMs are unaffected
- Cash received from the trust is unaffected

Cash conversion

- Cash generation remains strong
- Timing differences on working capital
- Lower capex as the Group plans Transformation activities

Cash generation summary £m (except for amounts per share)	52 wks 27-Dec 2019 Profit	52 wks 27-Dec 2019 Cash	52 wks 28-Dec 2018 Profit	52 wks 28-Dec 2018 Cash
Underlying EBITDA	**82.6**		**99.2**	
Underlying cash generated from operations		**71.8**		**101.9**
Underlying depreciation and amortisation	(19.3)		(19.0)	
Maintenance capital expenditure		(9.8)		(16.1)
Underlying operating profit	**63.3**		**80.2**	
Underlying operating cash flow after capital expenditure		**62.0**		**85.8**
Underlying net finance costs	(25.6)		(25.8)	
Net finance payments		(24.5)		(24.9)
Underlying profit before tax	**37.7**		**54.4**	
Underlying cash generated before tax		**37.5**		**60.9**
Tax on underlying earnings	(7.4)		(11.5)	
Tax paid		(7.9)		(11.6)
Underlying earnings	**30.3**		**42.9**	
Underlying cash after tax		**29.6**		**49.3**
Weighted average number of ordinary shares in issue during the period (million)	50.0	50.0	50.0	50.0
Underlying earnings per share ***(pence)***	**60.6**		**85.8**	
Cash per share ***(pence)***		**59.2**		**98.6**

Capital structure

Securitisation

- Main source of debt funding continues to be from the Group's securitisation structure, which was restructured in 2014
  - £551.9 million principal outstanding publicly traded investment grade securitised debt in issue, £238.9 million issued at c.3.5% and £356.4 million issued at c.4.7%, overall cost c.4.2%
  - Fixed coupon and fully amortising – equates to annual cash debt service of £33.2 million per annum
  - Governed by EBITDA: DSCR ratio – at least 1.5:1
  - Approximately 85% of EBITDA of group is within securitisation as at end of December 2019
  - No remedial action required in respect of the Secured Notes in issue despite lower rating by S&P and Fitch

Revolving credit facility

- £50 million revolving credit facility 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

	27-Dec 2019 £m	28-Dec 2018 £m
Net amounts owing on Secured Notes	(551.3)	(560.6)
Add: unamortised issue costs	(0.6)	(0.6)
Gross amounts owing	**(551.9)**	**(561.2)**
Accrued interest on Secured Notes	(12.2)	(12.3)
Accrued interest on other debt facilities	-	(0.2)
Cash and cash equivalents - Trading Group	57.9	66.9
Net debt	**(506.2)**	**(506.8)**

- 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 £791.9 million (Class A Notes: £231.4 million; Class B Notes: £560.5 million).

CMA & HM Treasury

CMA

- On 28 March 2019 the CMA confirmed a full market investigation
- We have established a strong working group of internal and external resource and will seek to focus on these key areas:
  - Quality of service provided to meet customer needs
  - Regulation of the industry to protect customers
  - Capital employed in the crematoria
- We are currently responding to several working papers on the qualitative aspects of funeral and crematoria provision
- We are also responding to a number of working papers on regulation remedies and increased price transparency
- We have continued to highlight the capital intensive nature of building new crematoria
- Initial indications are that price controls for both funeral and crematoria remain on the table
- Release of Provisional Decision Report due April/ May 2020

HM Treasury

- In June 2019, HM Treasury announced its opinion that pre-arranged funeral plans should be regulated via the FCA
- We support that view
- Regulation could materially change the business model and would likely increase costs
- The Group continues to anticipate regulation in approximately two years time is planning accordingly

TRANSFORMATION PLAN

Components of the Transformation Plan

1 Modernise the client proposition

- Implement more client-centric service model
- Launch new product and pricing structure
- Build national brands (Dignity and Simplicity)

2 Invest in and simplify the operating model

- Separate front and back of house
- Right-sized branch network
- Scale operating networks

3 Streamline central support and invest in technology to centralise and automate administrative processes

- Simplified, focused management structure
- Invest in support capabilities and IT systems

Progress in 2019

1 Modernise the client proposition

- Piloted new Dignity branding in NW region
- Continued tailored pricing refinement
- Improved on-line presence
- Simplicity cremations supported by further TV advertising

2 Invest in and simplify the operating model

- Property acquisitions, disposals and refurbishments progressed in line with plans
- Piloted proposed operating model and new ways of working in 3 Networks

3 Streamline central support and invest in technology to centralise and automate administrative processes

- Streamlining of Business admin – e-remittances, Supplier payments by BACs, Customer payment
- New IT Leadership
- Procurement team in place

The Board has decided to pause or adapt aspects of our plan pending completion of the Chairman's review and the outcome of the CMA investigation

Looking ahead

Looking ahead

"We have a strong business that is ready and willing to adapt to the challenges ahead. However, the challenges are significant. Average income per funeral and cremation are likely to reduce further; the CMA investigation could materially impact our plans; our Transformation Plan is strong however timing needs to be amended pending the outcome of the CMA investigation, thereby delaying anticipated savings.

The impact of these challenges is currently unclear. For example, the draft report from the CMA is not anticipated until April or May 2020, with their final report currently due by the end of September 2020. The Board anticipates making further comment on the Group's outlook following the release of the Provisional Decision Report."

Chairman’s statement

“2019 witnessed a year of unprecedented change in the funeral industry. Whilst we were pleased with the progress we made and the financial performance we delivered in light of the competitive environment, we need to be cautious in the coming months until the CMA’s conclusions are finalised.

Their report could materially impact the industry and the size and shape of our business. We are therefore for now, delaying key aspects of our Transformation Plan. However, the need to maintain the highest levels of customer service through modern, efficient ways of working remains.”

QUESTIONS

Alternative performance measures

Prior year adjustments

The Group has changed its accounting policy in respect of certain pre-arranged funeral plan trusts and the adoption of IFRS 15. This has been applied retrospectively and therefore certain statutory amounts have been restated.

Alternative performance measures (APMs)

The Board believes that whilst statutory reporting measures provide financial performance of the Group under GAAP, APMs are necessary to enable users of the financial statements to fully understand the trading performance and financial position of the business. The APMs provided are aligned with those used in the day-to-day management of the business and allow for greater comparability across periods. For this reason, the APMs provided exclude the impact of consolidating the Trusts and the changes which relate to the adoption of IFRS 15, both of which are considered to mask the underlying trading performance of the Group, as well as non-underlying items comprising certain non-recurring and non-trading transactions.

See preliminary announcement for further details.

Forward-looking statements

This presentation and the Dignity plc investor website may contain certain 'forward-looking statements' with respect to Dignity plc (the "Company") and the Group's financial condition, results of its operations and business, and certain plans, strategy, objectives, goals and expectations with respect to these items and the economies and markets in which the Group operates.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'should', 'will', 'would', 'expects', 'believes', 'intends', 'plans', 'targets', 'goal' or 'estimates' or, in each case, their negative or other variations or comparable terminology. Forward-looking statements are not guarantees of future performance. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Many of these assumptions, risks and uncertainties relate to factors that are beyond the Group's ability to control or estimate precisely. There are a number of such factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in the economies and markets in which the Group operates; changes in the legal, regulatory and competition frameworks in which the Group operates; changes in the markets from which the Group raises finance; the impact of legal or other proceedings against or which affect the Group; changes in accounting practices and interpretation of accounting standards under IFRS, and changes in interest and exchange rates.

Any forward-looking statements made in this presentation or the Dignity plc investor website, or made subsequently, which are attributable to the Company or any other member of the Group, or persons acting on their behalf, are expressly qualified in their entirety by the factors referred to in this statement. Each forward-looking statement speaks only as of the date it is made. Except as required by its legal or statutory obligations, the Company does not intend to update any forward-looking statements.

Nothing in this presentation or on the Dignity plc investor website should be construed as a profit forecast or an invitation to deal in the securities of the Company.

APPENDICES

Non-underlying items

Income statement

52 week period ended 27 December 2019	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
Non-trading					
Amortisation of acquisition related intangibles	4.2	0.5	0.1	-	4.8
External transaction costs	-	0.7	0.1	0.1	0.9
Profit on sale of fixed assets	(1.0)	-	-	-	(1.0)
Non-recurring					
Transformation Plan costs	-	-	-	12.1	12.1
Operating and competition review costs	-	-	-	3.5	3.5
Trade name impairment	6.8	-	-	-	6.8
	10.0	1.2	0.2	15.7	27.1
Group's share of loss of associated undertakings					0.6
Impairment of investment in associated undertakings					5.4
Taxation					(4.9)
					28.2

52 week period ended 28 December 2018	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
Non-trading					
Amortisation of acquisition related intangibles	4.4	0.4	0.1	-	4.9
External transaction costs	0.6	-	-	0.2	0.8
Loss on sale of fixed assets	0.3	-	-	-	0.3
Non-recurring					
Transformation Plan costs	-	-	-	2.7	2.7
Operating and competition review costs	-	-	-	2.7	2.7
GMP past service cost	1.0	0.3	0.1	-	1.4
Trade name write-off	1.1	-	-	-	1.1
	7.4	0.7	0.2	5.6	13.9
Taxation					(2.5)
					11.4

Cash Flow

	27-Dec 2019 £m	28-Dec 2018 £m
External transaction costs	0.8	1.7
Transformation Plan costs	11.2	2.6
Operating and competition review costs	2.8	2.7
	14.8	7.0

Secured Notes amortisation

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Capital structure															
Interest on Class A & B Notes	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	17.2
Principal repayments on Class A & B Notes	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	16.0
Cash cost	**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**	**33.2**

	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
Capital structure															
Interest on Class A & B Notes	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	16.9	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	**33.4**	**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**

EBITDA reconciliation

	27-Dec 2019 £m
EBITDA per covenant calculation - securitisation group	72.3
Add: EBITDA of entities outside securitisation group	11.6
Add: Non cash items	(1.3)
Underlying operating profit before depreciation and amortisation – Group	**82.6**
Underlying depreciation and amortisation	(19.3)
Non-underlying items	(27.1)
Effect of IFRS 15	8.6
Operating profit	**44.8**