

2019 Interim results: message from Sam Tyrer

Dear colleague

As you may have already noticed, this morning we've announced our Interim results.

I want to share a little more about our Funeralcare results and what this means for us.

It won't come as a great surprise to any of us that our results are not where we'd like them to be. We've had to contend with a reduced number of deaths in the UK, our customers' needs are changing significantly, and the funeral market has become even more competitive.

Funeral and Life Planning Interim results 2019



The numbers

£163m ↓

sales down 6%

£13m ↓

Total underlying operating profit
(2018: restated £28m)

15.4% ↓

at need market share
down 0.2% YoY

11,676 ↑

number of private client legal
cases opened
up 13% YoY from 2018. Probate
cases have increased 16% YoY

48,423 ↓

funerals conducted
down 9% YoY

29,513 ↓

funeral plans sold
down 3.2% YoY

The numbers:

- We've seen an unexpected fall in the UK death rate which has led to a £15m (30%) fall in overall operating profit on a like-for-like basis in the first half of the year
- Our market share has declined slightly to 15.42%, however we still remain the market leaders
- We sold 29,513 pre-need funeral plans in the first half of the year, this is 962 lower than last year, but still ahead of our expectations

So it's been a challenging first half, however we can still be proud of the work we've delivered and progress we are making as a business.

If we take a look at what's happened in our business and the sector in the first half of 2019:

- We can see customer trends are shifting faster than ever before – our customers want more choice, a greater focus on end of life celebration and they want more affordable funeral options and more competitive pricing
- To ensure we're meeting changing customer needs, we've completed a full strategic review of our Funeralcare business and have now started to deliver the strategy
- We've been working closely with the CMA (Competition and Markets Authority) on their investigation into the funerals market.

We also worked closely with Her Majesty's Treasury (HMT) on plans to regulate the pre-need and funeral planning sector. We are firmly in support of the decision for the FCA to regulate this sector from 2021, giving all customers greater protection and assurance in this market.

- We successfully lobbied Government and seen the introduction of the Children's Funeral Fund – giving parents across England access to financial support at the most difficult of times
- We've also seen our FES and complaints begin to stabilise and whilst it's great to see some progress in the right direction, there's still so much more we can all do to improve further in these areas. We only have one chance to get this right

And when we look forward... there are exciting times ahead in Funeralcare!

We're working on new and innovative at need propositions including eco funerals and more affordable options, meaning we will offer exactly what customers want and when they need it most. Some of you will be aware that we've been running trials in Glasgow, and more recently Sheffield. It's too early for final results, but the results indicate that better prices combined with great marketing and the wonderful work our colleagues do every day are proving very attractive to more customers. We will continue to track the trials performance for the next few months and then roll out elements that are successful to more areas.

We know our peak trading time is approaching and Matthew and the Operations team are working hard to plan for this and make sure we're at our best for our customers and families everywhere we operate, when they need us the most.

And you, our amazing colleagues are at the heart of this - we know the incredible job you do every single day - we want to look after you and recognise the wonderfully unique care and service that you provide to the bereaved and the deceased. We have trials planned that will really step change what we do here for you in particular in terms of wellbeing and training.

We have an exciting future ahead of us as we mobilise our new strategy which will see us make the most of our Co-op difference. We know our customer needs are changing quickly, along with the whole of the funeral sector and so will we!

It's clear we have a challenging and yet exciting second half of the year ahead of us. We're expecting the market to remain tough. But that shouldn't stop us giving the very best personal and team performances we can. We've all got a part to play.

I'm up for the challenge and I know you will be too!

Thanks for your hard work and support.

Very best wishes,

Sam