CHAIRMAN'S ADDRESS & CEO's ADDRESS

INVOCARE LIMITED

2020 ANNUAL GENERAL MEETING

Friday 28 May 2021

Chairman's Address

Introduction

2020 was a challenging year for everyone and the Board would like to extend our thanks and gratitude to our shareholders for their continuing support and to our employees for their hard work and dedication.

In 2020, our teams across our Funeral Services, Cemeteries & Crematoria and Pet Cremations businesses, as well as our support office teams, stepped up to the significant challenge of the COVID-19 pandemic.

They have committed to our mission, serving families when they need us most, focusing on the highest standards of care, safety and service. They showed resilience, agility, and a readiness to do things differently to support families across Australia, New Zealand and Singapore. They have had to navigate border and travel restrictions, personal safety measures, as well as funeral attendee limits that differed between geographies and states.

In 2020, our client families showed their satisfaction with these efforts recording a strong Net Promoter Score of +79, an exceptional result in difficult circumstances. We are incredibly proud and so grateful for everything our teams have achieved in such a demanding year.

Responding to COVID-19

First and foremost, the business took immediate measures to provide operational safety for our staff and our client families.

We also made the decision to maintain our frontline workforce capacity to ensure we could continue to support the needs of our client families. We also looked to optimise alternative and relevant products such as live streaming to support our client families.

As a provider of essential community services, InvoCare was challenged to remain fully operational throughout all phases of the various national and state-based lock-downs. Despite the massive disruption and considerable risks to employees exposed to affected communities, to date no one at InvoCare has contracted COVID because of work exposure.

Finally, after reviewing the detailed modelling of the impact of COVID, the Board made the prudent decision to defer the 2019 final dividend and undertake an equity raise. That was done to increase liquidity, provide balance sheet flexibility and continue the momentum of investment growth strategies. We also took immediate steps to pause non- essential capital expenditure and cut operational costs.

FY20 Financial Performance

COVID and the associated government restrictions had a significant impact on both InvoCare's ability to deliver full-service funeral arrangements and on the mortality rate in the countries in which we operate.

Both of which can be seen in the 3% drop in Funeral case volumes and the 4.5% decline in gross funeral case average in the year.

Many of our locations, particularly those that have undergone Enhance-type NBO works, were not able to operate at their full capacity or offer their normal range of services.

As restrictions eased in some markets, we saw steady recovery in the second half, which held the decline in operating revenue to 4.7% for the year. However, our relatively fixed cost structure and our decision to maintain our front-line workforce saw our Operating EBITDA dropping 29% to $102.6million.

On the positive side, we saw growth in our post need memorialisation activities, with revenue up 4.4% on the year before and our Pet Cremations business continued to grow and was largely untouched by COVID.

The greenfield Pet Cremation development on the existing NSW Lakeside Memorial Park continued to ramp up and the second greenfield development on the NSW Central Coast had reached practical completion in June. Towards the end of the year, the Group also acquired two well-established pet cremation businesses, Family Pet Care and Pets in Peace, which both contributed only one month's trading results in the year. This provides a strong platform for a more meaningful contribution to the Group results in this higher growth segment.

Overall, the Group delivered operating earnings per share of 20.4 cents, 61% below last year. This was driven by the decline in operating earnings in the year and the dilutive impact of the increased number of shares on issue following our successful equity raising completed in April and May 2020.

Notwithstanding the earnings reduction, the Group was able to maintain strong cash conversion which enabled the Board to determine a final fully franked dividend of 7 cents per share, which brought the full year dividend to 12.5 cents per share.

The reduction in the dividend payout ratio to 61% last year reflects a more prudent approach to capital management. The board considered ongoing uncertainty in the short-term outlook and another year of heightened capital spend as the Group seeks to complete the NBO program of works.

Despite an initial pause due to the pandemic, the team were able to progress on some key strategic initiatives. This included:

- completing 63 NBO renovation projects,
- continuing the ERP implementation in the Funeral Services business,
- executing two pet cremation business acquisitions and
- extending our price transparency initiatives nationally, just to mention a few.

The statutory net loss after tax attributed to shareholders was $9.2 million for the year. As we disclosed to the market on 17th February, this includes the impact of a net $26.5 million charge of significant operating and non-operating items. The largest item in this was a further $19.3 million impairment in our NZ investment.

The New Zealand funeral services market is characterised by strong regional differences, price competition and a trend to simpler funerals and cremations.

During 2020, severe government restrictions on the number of funeral attendees and economic pressure on household incomes accelerated this change.

These factors led to a 32% decline in Operating EBITDA in New Zealand, which was not anticipated at the end of 2019.

Its inclusion as the base year for long term projections had a material impact on the recoverable amount of this CGU for accounting purposes and we were required to impair its goodwill.

Despite this goodwill impairment, we continue to have confidence in the experience of our teams in New Zealand to deliver a high quality of service to their client families and respond to these market challenges, while working on our network, brand portfolio and cost base there.

As I touched on earlier, InvoCare successfully completed a $274 million capital raise in April and May 2020 via an institutional placement and share purchase plan. We were delighted with the strong support shown by participants in the raise.

The net proceeds of the capital raise have been used to reduce net debt, increase liquidity, and provide balance sheet flexibility for acquisitions and ongoing capital investment.

I thank all our shareholders on behalf of the Board for their participation in the equity raise and for your continued support.

Management also successfully re-negotiated an extension of the undrawn $200 million debt tranche due to mature in February 2021. This funding line, along with the additional capital, will provide InvoCare with increased flexibility to strengthen its balance sheet, accelerate the roll out of NBO projects and take advantage of new growth opportunities.

Environmental, Social and Governance

In terms of sustainability achievements, in 2019 we announced our aim of leading the way in our field for delivering Environmental, Social and Governance outcomes.

2020 was the second year in our initial three-year plan, with an initial focus on developing the operational and reporting model ideal for our core sectors and building on established and globally recognised frameworks such as the GRI Index.

COVID lockdown regulations had a dual impact. On the one hand we had to pull resources away from planned activities, such as masterplan development for the memorial parks. On the other hand, we accelerated our operational readiness for managing infectious disease risks, which we were able to be rapidly deploy during the year.

Heightened awareness of safety backed by increased resources around safety risk evaluation and best practices were realised through online safety training and other initiatives.

These initiatives contributed to a 11.6% reduction in Lost Time Injury Frequency Rates (LTIFR) from 2019 to 2020, which was ahead of our proposed target of 10.0%.

Another key initiative in 2020 was to provide our client families much greater online access to our employees, product and service information and live events. Whilst we have more to do, our digital platform innovations contributed to the positive customer engagement we enjoy.

As a business we are redoubling our efforts on sustainability and see this as a clear area where we can lead.

In this year's sustainability report, released to the market on 31 March, we were pleased to introduce the new leadership team that will be responsible for sustainability.

Led by our new CEO, Olivier Chretien, the executive leadership team was strengthened by the addition of an Executive General Manager dedicated to Health, Safety and Sustainability, Grace Westdorp and an Executive General Manager dedicated to Stakeholder Engagement, Fergus Kelly. Fergus brings a well-needed proactiveness to our engagement with key stakeholders, at a time of increased regulatory scrutiny.

For us, sustainable leadership involves a clear focus on safety, but we also want to lead on standards of care and clinical excellence. How we treat those in our care is fundamental to our reputation.

Secondly, our people are fundamental to customer advocacy and we are focusing on diversity and talent development and creating a support centre of excellence to support of our frontline staff. We will also continue to place a major focus on ensuring the wellbeing of our employees, with all facets of safety – including psychological safety, and inclusiveness amongst our top priorities.

We believe in the need to reduce the long-term impact of our operations on the environment. We already offer our client families some eco-friendly product options, but again there is more we can and will do.

We will also look at our physical networks of funeral homes, operational centres, crematoria and memorial parks to ensure that we not only minimise any potentially negative environmental impacts, but also manage them in ways that enhance and restore environmental values.

And lastly, garnering community trust in our brands and being a valued member of society's 'care' infrastructure is important to ensure this broader ecosystem actively directs their stakeholders to InvoCare.

Our good commercial reputation is therefore vital for long-term company sustainability. In all of our commercial and financial dealings we will ensure that our decision making and behaviour meets community expectations, compliance obligations and strategic risk management objectives as we pursue our fiduciary responsibility to shareholders for delivering sustained profitability.

As I noted earlier, our newly created role of Executive General Manager of Stakeholder Engagement is bringing a critical focus to this area. We have also recently re-joined our key industry associations for Funerals and Cemeteries & Crematoria in Australia and we are working in close collaboration with them.

Leadership

Finally, there are two areas of leadership renewal that the business has undertaken in recent times, the appointment of a new CEO and CFO of the Group and renewal at a Board level.

The InvoCare Board established and executed a leadership transition plan earlier in 2020 once we were aware of our previous CFO and CEO's decisions to leave the business.

After an extensive recruitment process, Adrian Gratwicke was appointed as InvoCare's new Chief Financial Officer from 3 August 2020 and on the 19th November we announced that Olivier Chretien would be joining the Company from 1 January 2021 as InvoCare's new Managing Director and Chief Executive.

Adrian is an experienced public company CFO, having worked across a broad range of sectors stretching into Oil & Gas, Mining, FMCG and most recently Agriservices.

Olivier brings to the role a proven record of value creation, strategic design and execution from his time at Wesfarmers and most recently at Ramsay Healthcare, and he has pleasingly hit the ground running.

In terms of Board renewal, Robyn Stubbs resigned as an independent Non-Executive Director effective 1 February 2021. Robyn has been a valued member of the Board since her appointment in 2017, especially in her role as Chair of the People, Culture & Remuneration Committee. On behalf of the Board we thank her for her commitment and contributions to the business.

In addition, sadly our fellow Board member Jackie McArthur will retire from the Board effective from this meeting.

Jackie has been a valued member of the Board and on their behalf I want to thank Jackie for her contribution and service to InvoCare. We are grateful for the invaluable insight and support she has provided as a member of the Board and as a member of the Investment committee and the Audit Risk and Compliance committee. It has been a pleasure to work alongside Jackie and we wish her well in her future endeavours.

There are also two resolutions for the election of directors before this meeting, firstly to re-elect Keith Skinner, our Audit Committee Chair and secondly to elect Kim Anderson to the Board to fill the position that was vacated following Robyn's resignation.

Kim is an experienced ASX listed company director with more than 30 years of experience as a CEO and senior executive in a range of companies including Southern Star Entertainment, PBL and Ninemsn.

With her strong track record in digital businesses and experience in the people and remuneration agenda, I am confident she will make a positive and substantial contribution to the Company.

I will now hand over to Olivier who will provide further detail on his ambitions for the business for the next 5 years.

CEO's Address

Thank you, Mr Chairman, and good morning everyone.

First, let me start by thanking the Board for entrusting me with the opportunity to lead this great Company, in what is a unique and essential industry.

I would also like to take this opportunity to thank my teams across Australia, New Zealand and Singapore for the great care and service they provide every day to our client families, as well as my Leadership team (most of which is here today) for the hard work and dedication and facilitating my smooth transition earlier this year.

I am committed to putting all my energy and passion into the service of InvoCare and ensuring with my team that we deliver long term value to our customers, team members and ultimately our shareholders.

In that context I will provide you with:

- a brief overview of our strategic direction; and
- a trading update for our first Quarter.

Our business is built on referrals, and we have the requisite building blocks for success:

- Our culture & people deliver a very high Net Promoter Score through exceptional customer service and care;
- Our brand portfolio addresses the largest and most valuable parts of the market;

- We have the scale to justify significant investments in quality and client experience;
- Our NBO (Network Brand Optimisation) program, which nears completion, has delivered us memorable facilities in which to celebrate life, as well as state-of- the-art back-of-house infrastructure to deliver a consistently high standard of care - which is a key building block in taking us forward; and
- We own scarce memorial park assets with a long useful life.

Our market is growing both in potential case numbers and averages, due to a growing and ageing population and the specific tastes of our customers – two examples include opportunities to expand into regional areas and for an expanded service offering, notably due to greater multiculturalism.

And finally, as the sector faces increased scrutiny, the investments we have made already (and continue to make) in standards, compliance and risk management have us well placed whilst many others play catch up.

Having said that, we are not complacent nor stopping there, and with my team we are committed to raising the bar on sustainability and challenging ourselves to lead the sector on ethics, standards of care, safety and community engagement.

Let me now move to our strategic focus over the next 5 years.

Our strategy to 2025 is designed to deliver on our purpose of Honouring life & celebrating memories for generations.

In setting our strategy, we saw the opportunity to first, extract greater value from the business we have today, and then, use this as a strong and sustainable foundation for growth.

There are five pillars to our strategy:

Firstly - being a Customer-led organisation, empowering our frontline teams. By better engaging and empowering our people we can lift an already high NPS and generate customer advocacy, while building a great, safe and inclusive place to work.

Secondly - a drive to operational excellence. This considers our operating model, our network performance, and our costs and capital discipline. We have done the hard yards on rejuvenating our facilities and now need to execute with a simpler operating model to extract efficiencies. We have also started on IT enablement and a digital journey.

Our third pillar is to drive stronger growth from our core business. We will be focusing on our share of value by expanding our range of services – rather than focusing on market share in volume. This includes a renewed focus on prepaid funerals to underwrite our future long-term growth.

Our fourth strategic pillar aims at expanding our addressable market into higher growth platforms. This includes expanding our pet cremation business and positioning ourselves to create value for customers along their lifetime journey.

So, we will invest in adjacencies, aim to become a partner of choice notably through more Business-to-Business opportunities, and innovate, including through digital channels.

Ultimately, we aim to make our business portfolio more defensible, through harder to replicate standards or investment in scarce assets; this will include looking at property options. I should note here that expansion does not necessarily mean M&A or international expansion, we have significant opportunities within our existing markets that we will be focusing on in the short to medium term, but we have a strong balance sheet and access to capital to be able to respond to opportunities in future years, if and when they arise.

Finally, our fifth pillar is our commitment to sustainable industry leadership – as mentioned earlier by Bart.

Throughout this plan, some of the key measures that will demonstrate our successful execution of this strategy will include:

- Continuing to deliver a very high NPS;
- Ensuring high levels of employee engagement and retention, as our people are fundamental to our clients' experience;
- Being recognised throughout the ‘care’ eco-system as a trusted industry leader and preferred partner; and
- EPS growth - whilst increasing the capital efficiency of the business and delivering a stronger return on capital employed.

When we presented our FY20 financial results back in February, we highlighted that given the COVID-19 uncertainty, at least in the short term, we would not be giving earnings guidance and that remains the case.

This being said, I would like to provide you with some highlights of our trading conditions in the first Quarter of the year.

Whilst the broader impact of COVID is subsiding, some disruption continues:

- We are still experiencing short-notice lockdowns and restrictions, which can cause disruption to our business and for our client families (as we have seen in Perth, Melbourne or Auckland);
- There are increasing government restrictions on gatherings in Singapore as they experience a surge in infections, and this is continuing to have an impact on case average in that market; and
- Sustained and improved hygiene standards and closed international borders are likely to influence a mild flu season this year, like that seen last year in 2020.

This last point in particular influences why we continue to see funeral case volumes that are below long-term averages. It is not lost on anyone that our business was significantly affected by COVID-19 in 2020 - both operationally but also its counter-intuitive impact on the death rate.

The extent of this impact is exacerbated when compared to the effect of the severe 2019 Flu season had on death rate and thereby our case volumes in that year.

So, when we look at expectations of future volumes in this sector we need to assess carefully how quickly we will return to pre-COVID market volume estimates, something that we acknowledge is very difficult to forecast.

Notwithstanding these impacts, the business has performed well in the first quarter and pleasingly I can report that the business has performed in line with plan:

- As we started to see towards the end of last year, gross funeral case averages have returned to pre-COVID levels, reflecting the importance of the 'gathering' element of funerals and anecdotally we are seeing instances of families gathering together for memorial services to celebrate the life of their loved one that they lost last year, now that the domestic borders in particular have reopened and they can start travelling more freely;
- Continuing the trend we saw last year, we are seeing continued growth in memorialisation revenues in our cemeteries & crematoria business;
- There is a strong contribution to date by the Pet Cremations business at both a revenue and EBIT level;
- We have had a disciplined approach to cost control, which combined with top line growth, has seen a pleasing return to positive operating leverage; and
- Finally, as we delivered in 2020, strong cash conversion has continued into the first quarter.

Thank you, this is the end of my address.

ENDS