

Positive recovery and momentum in a year of disruption**FY2021 FINANCIAL HIGHLIGHTS**

- Statutory Revenue of \$532.5 million, up 11% on the prior corresponding period (PCP)
- Operating Revenue¹ up 11% to \$527.1 million
- Operating EBITDA¹ up 22% to \$125.5 million, with a return to positive operating leverage
- Operating EBIT¹ up 36% to \$77.8 million
- Reported Profit After Tax attributable to shareholders of \$80.2 million, compared to a restated² Reported Loss After Tax of \$11.5 million in the PCP
- Continued positive improvement in capital management metrics with strong cashflow conversion of 105%, ROCE¹ of 11.2%, up 2 points on the PCP and leverage ratio of 1.2x
- Operating EPS¹ of 31.6 cents, up 51% on PCP
- Final fully franked dividend of 11.5 cents per share, taking the Full Year dividends to 21.0 cents per share (66% dividend payout ratio)

Overview

InvoCare Limited (InvoCare or the Group) has reported a pleasing statutory profit after tax attributed to shareholders (“Reported Profit”) of \$80.2 million for the year ended 31 December 2021 (FY21), a strong turnaround from the \$11.5 million restated² reported loss in the PCP.

Recovery in the key value drivers of core operating earnings as well as a robust recovery in the market-to-market (MTM) valuation of Prepaid Funds Under Management (FUM) have driven this growth in Reported Profit.

InvoCare’s CEO, Mr Olivier Chretien said, “I am incredibly proud of our teams across Australia, New Zealand and Singapore, who have displayed resilience and flexibility in delivering great care and service to our client families. The actions and values of our teams have helped to make InvoCare a great place to work, a strong supporter of our communities, and a better, more sustainable business”.

Mr Chretien added, “The Group has successfully navigated another COVID-disrupted year. Despite these challenges, we have seen increased customer satisfaction and material improvement in safety outcomes, we have delivered growth, returned the business to positive operating leverage, maintained our strong balance sheet and cash conversion and embarked on a bold change agenda.”

Dividend

The Directors have determined to pay a fully franked final dividend of 11.5 cents per share, taking the full year dividend to 21.0 cents and representing a dividend payout ratio of 66%, within the Group’s preferred dividend payout range. The final dividend is payable on 8 April 2022 to shareholders who were on the Company’s register as at 4 March 2022, the record date for the final dividend. The Dividend Reinvestment Plan (DRP) continues to operate in respect of the final dividend. No discount will apply³.

Operational Performance Review

The Group saw recovery in the key value drivers of funeral case average (up 3.8%) and funeral case volume (up 2.2%); continued growth in memorialisation sales in the Australian Cemeteries & Crematoria business (up 9.7%); and a strong contribution from the enlarged Australian Pet Cremations business. Operating revenue increased 11% to \$527.1 million, with acquisitions executed in H2 2020 contributing \$26.7million to the increase. Controlling cost growth has been a particular feature across the year and

¹ See page 4 for definitions of these Operating and Non-Operating non-IFRS financial measures. ROCE is defined as Operating EBIT/Average of opening & closing capital employed.

² Restated for the impact of the change in accounting policy with respect to Software-as-a-service arrangements

³ Share issuance under DRP to be satisfied by on-market purchases

is reflected in some of the improved profit metrics, including 22% growth in Operating EBITDA to \$125.5 million and a return to positive operating leverage (of 2.1x).

Australia

Funerals

The benefits of our diverse brand portfolio and geographical footprint, combined with the strategic momentum established in the year, were evident in the strong recovery in earnings of the Funerals business. Funeral case average recovered to pre-COVID levels, despite persistent disruptions to operations across the country at varying times of the year. Operating revenue grew in all markets, which combined with cost discipline delivered strong operating leverage and a 29% increase in Operating EBITDA to \$80.5 million.

Pre-paid Funerals

Strong equity and property value returns resulted in a net \$44.1 million unrealised revaluation gain for the year compared with the COVID-impacted net \$16.6million unrealised revaluation loss recognised in the prior year. Importantly, FUM asset headroom⁴ remained strong at \$109 million.

Cemeteries & Crematoria

The business continues to deliver strong growth in memorialisation sales, up 9.7% on the PCP. After a strong first half, growth momentum stalled in the third quarter due to significantly reduced foot traffic in our NSW memorial parks, with several of our key parks located in locked down Local Government Areas (LGAs). Operating revenue grew by 6.4%, while Operating EBITDA grew by 7.7% to \$61.4 million, after factoring increased cost investment in safety and compliance, as well as park maintenance. This result includes \$14.2 million (FY20: \$15.3 million) in relation to the unwind of deferred revenue and costs recognised upon adoption of AASB 15 in 2018.

Pet Cremations

The Pet Cremations business benefited from the scale and expertise provided by the acquisitions made towards the end of 2020, conducting over 87,000 private cremations and generating Operating EBITDA of \$7.0 million for the full year, a significant step up on the PCP of \$0.5 million.

International

Like the Australian funerals business, the New Zealand business has experienced continued recovery in funeral case averages to pre-COVID levels when Government restrictions were lifted. Government restrictions imposed during COVID outbreaks in the second half tempered Operating Revenue growth to 2.6%, but disciplined cost control led to a return to positive operating leverage, with Operating EBITDA increasing 27% to NZ\$11.8 million.

In Singapore, the success of new client packages and the impact of securing a contract with the Singapore police led to a 12% increase in funeral case volumes. However, ongoing Government restrictions continued to impact funeral case averages, which, combined with a higher cost to serve associated with the COVID environment, contributed to a 4.6% decline in Operating EBITDA to S\$8.4 million.

Change in Accounting Policy for Software-as-a-service (SaaS) Implementation Costs

Work has been completed on the Group's assessment of the IFRS Interpretations Committee (IFRIC) guidance on the accounting treatment of costs incurred in implementing SaaS arrangements. This has resulted in a change in accounting policy with respect to such costs and InvoCare has recognised \$4.6 million in 'SaaS arrangements' cost in its FY21 financial results as a Non-Operating Significant item. This change in accounting policy is to be applied retrospectively resulting in the need to restate the comparative financial statements for the year ended 31 December 2020⁵.

⁴ Prepaid FUM assets less Prepaid contract liabilities

⁵ Further details are provided in Notes 12B and 13 of the accompanying financial statements and supplementary information included as an Appendix to the FY21 results Investor Presentation

Balance Sheet Strength and Liquidity

The Group continues to benefit from a strong balance sheet and cash flow generation reflecting strong operating earnings and driving a cash conversion ratio of 105%. Net debt finished the year at \$144 million, representing a leverage of 1.2x, a slight improvement on the PCP.

Strategy

In May 2021, we set out our refocused purpose and reset five-year strategy to investors, with an initial focus on 'Raising the Bar'. Operating conditions may have been disrupted, particularly in the second half, but the strategic momentum persisted during the year, and the Group achieved some important foundational strategic initiatives, which are key to supporting future business growth:

- *Customer Led, People Empowered*: Exceeding NPS of +80, successfully onboarding new talent in key strategic areas of the business and conducting a new look employee engagement survey, which led to new initiatives to ensure InvoCare is a great place to work
- *Operational Excellence*: Implementing an enhanced Enterprise Reporting Platform (ERP) system in Funerals and selecting a new ERP system for Cemeteries & Crematoria to be implemented in 2022; successfully completing a debt refinancing; and improving capital investment discipline across the Group.
- *Stronger Core Growth*: Completing 40 network projects including 4 best-in-class shared service centres to build operational efficiencies and completing a new long-term Funerals network optimisation plan, as well as master plans for select key memorial parks.
- *New Growth Platforms*: Commencing the Group's new digital and innovation journey with the establishment of an innovation hub, investing and partnering with digital legacy business Memories, going live with a first stage customer digital self-serve portal and pet cremations e-commerce offering; and signing key commercial agreements across our businesses.
- *Sustainable Leadership*: Investing in and increasing focus on safety, reducing our LTIFR by 22% in the year to 9.8; conducting an inaugural environmental, social and governance (ESG) materiality assessment and establishing the Group's enhanced sustainability strategy: 'People, Place, Planet'.

Outlook⁶

The impact that COVID continues to have on our workforce, supply chain, operations, and client families is difficult to predict and presents an ongoing risk through 2022.

Notwithstanding these short-term headwinds, the Group remains confident about the near and long-term potential of the business. Population and ageing trends in our markets support future growth, with mortality rates tracking back to long term trends in Australia and New Zealand after COVID-attributed reductions in the prior year; pet ownership is growing in Australia; and the foundational strategic initiatives achieved in the first year of our 5-year strategy have created positive momentum.

Mr Chretien said, "As we move into the growth phase of our strategy, I am confident that we do so on more solid foundations. Whilst the COVID environment can change quickly and deliver shocks to consumer confidence, evident in the past two months, our first half 2021 result demonstrated the potential of the business under 'normal' conditions. I wish to thank our teams in Australia, New Zealand and Singapore for their exceptional commitment, care, and service to our client families. In what remains a fast-changing environment, I am confident in our teams' ability to build on the momentum we have created together".

This announcement has been authorised by the Board of InvoCare Limited.

-ENDS-

⁶ Refer to page 4 for information regarding forward looking statements

BACKGROUND

InvoCare, headquartered in Sydney, is a leading provider of funeral services in Australia, New Zealand, and Singapore, and operates private memorial parks and crematoria in Australia and New Zealand. It is also a leading provider of pet cremation services in Australia.

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Operating vs Non-Operating classification:

InvoCare results are reported under Australian Accounting Standards. This release includes certain non-IFRS measures including reference to Operating/Non-Operating measures of profitability and associated performance measures that are used internally to assess the performance of the business.

InvoCare considers Operating EBITDA and NPAT as key performance measures. These measures are considered to provide more useful indications of the Group's recurring earnings base and exclude the impact of significant items such as material impairments, asset sales gains/losses, SaaS costs expensed as incurred and costs of restructuring operations that are considered to be material and one-off in nature. Operating measures also exclude the impact of accounting for the Group's Funds Under Management and Prepaid Funeral business which requires net gains and losses from undelivered prepaid contracts to be included in Reported profit; these gains and losses are non-cash and do not impact on InvoCare's business operations.

Forward looking information:

This document contains certain forward-looking statements which can be identified by the use of the words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. These forward-looking statements, opinions and estimates are based on assumptions and contingencies that are subject to change without notice and involve known and unknown risks and uncertainties and other factors that are beyond the control of InvoCare, its directors and management and which may cause actual outcomes to differ materially from those expressed or implied in this document. Undue reliance should not be placed on these forward-looking statements. Except as required by law or regulation (including the ASX Listing Rules) InvoCare undertakes no obligation to update any forward-looking statements.

Attachment A: Summary of Group Financial Performance

	Operating FY21 \$000	Non- Operating FY21 \$000	Statutory FY21 \$000	Restated Operating FY20 \$000	Restated Non- Operating FY20 \$000	Restated Statutory FY20 \$000	Change* %
Revenue	527,096	5,357	532,453	476,249	1,403	477,652	11%
Expenses	(401,619)	(5,860)	(407,479)	(373,684)	(6,350)	(380,034)	7.5%
EBITDA	125,477	(503)	124,974	102,565	(4,947)	97,618	22%
Depreciation & Amortisation	(47,759)	(7)	(47,766)	(42,553)	(12)	(42,565)	12%
SaaS arrangements	(654)	(4,594)	(5,248)	(750)	(10,376)	(11,126)	(13%)
Business acquisition costs	(743)	-	(743)	(1,918)	-	(1,918)	(61%)
Net gain/loss on prepaid contracts	-	44,085	44,085	-	(16,618)	(16,618)	-
Net gain on lease modifications/terminations	1,517	-	1,517	-	-	-	n/a
Asset sales gain	-	6,530	6,530	-	7,383	7,383	-
Net impairment gain/(loss) on non-current assets	-	4,000	4,000	-	(13,324)	(13,324)	-
EBIT	77,838	49,511	127,349	57,344	(37,894)	19,450	36%
Net finance costs	(15,262)	(1,225)	(16,487)	(20,484)	(3,386)	(23,870)	(25%)
Tax	(17,320)	(13,271)	(30,591)	(8,699)	1,744	(6,955)	99%
Non-controlling interest	(113)	-	(113)	(167)	-	(167)	(33%)
NPAT attributable to ordinary equity holders of InvoCare Limited	45,143	35,015	80,158	27,994	(39,536)	(11,542)	61%
EPS (cents per share)	31.6	24.5	56.1	20.9	(29.5)	(8.6)	51%
Interim Dividend (cents per share)			9.5			5.5	73%
Final Dividend (cents per share)			11.5			7.0	64%
Full Year Dividend (cents per share)			21.0			12.5	68%

*: % change relates to movement in Operating columns