

**ASX Announcement  
InvoCare Limited (ASX:IVC)****Friday, 26 May 2023****2022 Annual General Meeting - Addresses by the Chairman and the Managing Director & CEO**

Included below are copies of the addresses to be given by the Chairman and the Managing Director & CEO at the InvoCare Limited 2022 Annual General Meeting and should be read in conjunction with InvoCare's Annual General Meeting Presentation (available on the ASX and at [www.invocare.com.au/investor-relations/share-info/](http://www.invocare.com.au/investor-relations/share-info/)).

**Chairman's Address**

Ladies and gentlemen, I am pleased to now present the Chairman's address for this 2022 Annual General Meeting.

Before I speak about our results for the past year, I want to reflect for a minute on our reason for being.

As we meet here today, right now, well over a thousand InvoCare employees are meeting with and supporting client families as they prepare for or deliver funeral, burial, memorial or cremation services of their loved ones. We provide an essential service with compassion, with expertise and care to communities in over 300 locations across Australia, New Zealand and Singapore.

Your board and management understand the deep sense of duty felt to our client families and the communities we serve, and our responsibility to the employees who have chosen InvoCare as their employer of choice in this unique industry.

We also understand that our industry leadership places an additional obligation on us to lift quality of service, improve safety standards and provide transparency to assist client families in their difficult moments.

If we do all these things well, and I believe we have, then our shareholders are the beneficiaries.

**2022 Results**

Turning now to our results for the year 2022. Last year we delivered solid results and maintained strategic momentum. In 2022 InvoCare's revenue was up 12% to \$ 588.5 million, Operating EBITDA increased by 9% to \$136.1 Million, Operating earnings before interest and tax was up 9% to \$ 84.6 million, and Operating Earnings per share was up 11% to 35.1 cents compared to 2021.

This year's growth in operating earnings and solid cash conversion enabled the Board to determine a final fully franked dividend of 11 cents per share, which brought the full-year 2022 dividend to 24.5 cents per share, an increase of 17% in our distributions to shareholders compared to 2021.

As shareholders understand, InvoCare holds around \$600million in pre-paid funds under management on our balance sheet. These funds are managed by independent fund managers. Volatility in global equity markets, particularly in the first half of last year, caused a net unrealised loss on the revaluation of these

funds to be recognised through our P&L, which resulted in an overall \$ 1.8 million reported loss for the year. Three things I want to say about this:

- Firstly, this is a point in time accounting revaluation of these independently managed assets, it is a non-cash accounting-driven outcome;
- Secondly, we are comfortable that there remains material headroom between our prepaid funds under management and the related contract liabilities on our balance sheet; and
- Finally, because of the valuation volatility, we exclude these outcomes from the Group's operating earnings measures when we report our results, and they have no bearing on our approach to dividends, which are based on operating earnings per share.

### **Our Investments and Strategy Execution**

We are two years into our five-year strategy, having substantially completed our 'Raising the Bar' strategic phase. In those two years:

- Customer satisfaction, measured by NPS, has lifted;
- Employee engagement has improved;
- We have delivered solid operating earnings growth and return on capital employed and distributions to shareholders have almost doubled;
- Injuries to our people have nearly halved; and
- Our commitment to our ESG goals deepened, with the establishment of our People, Place & Planet sustainability strategy last year.

When the Board reflect on recent years, we believe the investments we have made and the key strategic initiatives our teams have delivered have made InvoCare a stronger, more resilient and more customer-focused organisation as we enter the next phase of our strategy.

### **InvoCare's inherent strengths creating long term value**

We hope that the short video provided further insight into InvoCare's inherent strengths, summarised here, that we believe support long-term value creation.

#### ***Passionate and caring team***

At our core, we are a business of passionate and caring teams that live our purpose every day of honouring life, celebrating memories for generations. They play a critical part in the social infrastructure of each of the communities we serve. To all our employees, on behalf of the board, I thank you for your commitment and support.

#### ***Leading market position with hard to replicate footprint***

Today our business has market-leading positions in our three key markets of Australia, NZ and Singapore with a quality property portfolio and stable of brands and assets. Importantly, in the three sectors in which we operate (Funerals, Cemeteries & Crematoria and Pet Cremations) we have built integrated operating models which include integrated training, recruiting, and remuneration, safety and operational standards, financial and operating systems.

### ***Distinct competitive advantages preserving market leading position***

As a business, we have key competitive advantages that preserve our leading market positions.

Firstly, we are the only operator with scale in Pre, At and Post Need services, with the ability to assist customers along the entire cycle of their needs.

Secondly, we have a broad portfolio of brands that speak to all demographics, price points, geographies and cultures - with our three national brands in Australia supported by important local and niche cultural brands.

Thirdly, with our large networks and approach to clustering our locations around best-in-class operational shared service centres that include mortuary care, we ensure that we offer our client families contemporary facilities that meet their needs in all key markets in Australia, NZ and Singapore.

And finally, our strategic review undertaken last year reiterated the key advantage that our pre-need funeral business provides to the Group in underpinning future demand for our services.

### ***A digitally enhanced, integrated offering***

We have recognised that in a digitally enabled world, there are greater opportunities for us to grow our revenues and improve our productivity through an accelerated digital presence.

A key investment in the first phase of our strategy, 'Raising the bar', was to refresh our brand websites, enable e-commerce to unlock additional revenue streams and create new self-service functionality for our customers. That functionality now allows families more flexibility to undertake some of the activities that go into planning a loved one's funeral or memorial at any time, day or night.

### ***Historical investment to drive future growth***

Shareholders will recall that about 6 years ago, the business commenced a systematic program of upgrading our physical funeral facilities. The facilities we have now are modern, better located and reflect the needs of our diverse communities. Going forward our asset management investment will be more programmatic.

The second part of our investment focus has been to create a platform for growth. This has been achieved through investment in shared service facilities in each of the major cities we serve, through investment in our brands and websites and through the creation of digital self-help functionality, which will be an ongoing investment.

Implementation of new enterprise resource planning (or ERP) systems into our two major businesses, and the planned projects in 2023 are also important foundational projects. These new systems will enable data insights, efficient reporting and control and will form the foundation of some of our key efficiency and growth projects going forward.

Finally, we have invested for growth in new diversified earnings streams. At the end of 2020, we invested in creating a national pet cremation business in Australia, which has diversified the Group's earnings into a high-growth sector. We have also established an Innovation Hub that is focused on advancements in all aspects of the death care industry.

## Update on TPG Non-Binding Indicative Offer

On March 7th, the Board received an unsolicited Non-Binding Indicative Offer (NBIO) from TPG to acquire the issued capital of the business. TPG acquired 19.9% of the shares on market at the time of making the offer and remains a 19.9% shareholder. As you will have seen through our announcements to the ASX, we initially concluded that \$12.65 did not provide compelling value for shareholders.

On the 15th May TPG provided a revised conditional NBIO of \$13.00 per share inclusive of a fully franked special dividend of up to 60 cents per share.

On the basis of this revised offer, your Board agreed to grant TPG the opportunity to conduct due diligence on an exclusive basis for the next 5 weeks. That process commenced this week.

If TPG provides a binding proposal at no less than \$13.00 per share, the InvoCare Board unanimously intends to recommend that shareholders vote in favour of the proposed scheme of arrangement.

There is no certainty that the Revised Proposal will result in a Scheme for consideration by shareholders but if it did, subject to regulatory approvals, the completion of a transaction should occur during the second half of this year.

Finally, as indicated in our recent ASX release, TPG have requested us to consider the candidacy of Genevieve Gregor as an independent director to serve on the InvoCare board. My fellow directors and I have met with Ms Gregor. Additionally, Russell Reynolds, a global recruitment firm, are currently undertaking an assessment and are conducting reference and background checks that are usual for such an appointment, in the exact same manner they have for many of the directors at this table.

I'll now pass on to Olivier for his CEO's address.

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## Managing Director & CEO's Address

Thank you, Mr Chairman, and good morning everyone.

Firstly, and echoing Bart's message, I would like to thank our teams in Australia, New Zealand & Singapore for their tireless service to our client families. I am extremely proud of our teams and the important work they do for our communities. Without a doubt, they live our CARES values everyday through their professionalism, extraordinary resilience and commitment to a single-minded service ethos, always ensuring the best possible care to our client families.

I also wish to thank my Executive Leadership Team for their dedication and support, leading their teams in delivering solid results and positive change, in often challenging circumstances.

In that context I will provide you with:

- a summary of our performance & strategic direction; and
- a brief trading update for our first Quarter & outlook.

### Record number of client families served

In 2022 we again lifted our financial performance while continuing to improve our service delivery to client families, our team engagement and safety outcomes, as well as the quality of our processes, systems and facilities.

Bart has already touched on the key financial highlights for 2022 but it is fair to say that many more client families needed us compared to the years before, with some strong peaks in demand during the year. This demand underpinned solid growth in revenue and operating earnings year-on-year.

- Our **funeral business in Australia** saw growth in all markets. Demand for higher service funerals continued and the benefits of our diverse footprint, brand portfolio and increased product and service offerings contributed to a 12% growth in Operating revenue and EBITDA.
- In our east coast-based **Cemeteries and Crematoria business**, sales were impacted in the first half by weather conditions severely limiting memorialisation activity and increasing our cost of doing business. Drier weather in the second half allowed for some catch up in sales and memorialisation construction. On a pre-AASB 15 basis, Operating revenue and EBITDA increased 9% and 7% respectively on the previous year.
- Double digit growth in **pet cremation** volumes and continued growth in the number of vets serviced has contributed to a strong 19% growth in Operating revenue. We took the step to operationally integrate all brands into one national business to set it up for accelerated growth. This initially led to an increase in costs in the first half as we invested in capability; importantly this allowed us to implement a national service, product and pricing approach in the second half, driving benefits in case average, up 7% year-on-year. This business is well set up for continued growth; and
- Pleasingly in our **international** markets, we continued to see a return to full-service farewells mid-year, following the lifting of gathering restrictions. This was particularly evident in Singapore,

which experienced a 23% increase in funeral case average. Both countries delivered double-digit growth in Operating revenue, and the smaller size of the operations also meant they had a greater latent capacity to service additional volumes, delivering strong operating leverage and improved margins.

Hence, while we faced disruptions to our operations and margins last year, we maintained our long-term focus, investing in our businesses and platforms to enable future growth. Pleasingly overall, we continued to improve our long-term measures of success, being ROCE and EPS, which enabled us to lift our dividends per share by 17% year-on-year.

### **Key achievements during 'Raising the Bar' strategic phase**

As mentioned earlier, we are two years into our five-year strategy and we have made significant progress in the initial phase focused on 'raising the bar' operationally and simplifying business foundations, which is now largely complete. A lot has been achieved across each pillar of our strategy. Each lays the platform for growth in the next phase of the strategy and supports our confidence in our ability to execute on those.

#### **In Customer led, people empowered,**

- We have a new organisational Purpose, Vision and enhanced Values including Safety;
- We have invested in our customer platform with a National Customer Care Centre and seen further increase in NPS; and
- We improved leadership and employee experience, with Employee Engagement growing by 8 points to 64%.

#### **In Operational Excellence:**

- We implemented common IT systems in our two largest businesses and plan to do the same in New Zealand and Pet Cremations this year;
- We completed 12 Shared Service Centre Upgrades, established operating standards, implemented a new payroll system, and over the past 2 years negotiated 9 new EBAs, providing the foundations for enhanced workforce flexibility; and
- We established in-house IT, digital, data, strategy and transformation, risk and legal teams as part of our support centre of excellence initiative to support the business with the right capability and ensure successful strategy execution.

#### **In stronger core growth:**

- We completed network projects in Australia and New Zealand, refreshed our Network Plan and recommenced in-fill M&A in our Funeral businesses;
- We have invested in pet cremators and crematoria to expand our network reach with more efficient cremation capacity;
- Brand Value Propositions and collaterals have been reviewed and refreshed;
- We completed a strategic review of our pre-paid funeral business; and

- We launched our 'Park as a Destination' strategy with masterplans developed for our major Sydney metropolitan parks.

#### **In new growth platforms:**

- We have re-built our key brand websites and launched E-Commerce and our digital customer self-service portal;
- In Pet Cremations, we achieved national scale and continue to execute regional in-fill M&A; and
- We established our innovation hub in 2021, and I will come back to this.

#### **And finally our last pillar, **sustainable leadership**:**

- In 2021 we launched our People, Place, Planet sustainability strategy and work is underway to establish our greenhouse gas emissions baseline and reduction opportunities;
- I am proud to say that our focus on safety has seen reductions of c.40% to 50% respectively in our Lost Time and Total Recordable Injury Frequency Rates over 2 years; and
- Importantly, we are engaging more proactively with our stakeholders, including state governments on price transparency and industry associations, and we have implemented a community engagement framework to manage and optimise the efficacy of the important work we do within our local communities.

### **Strategy horizons**

This slide may be familiar to some of you, it shows the three phases of our 5-year strategy.

As it stands today, as Bart alluded to, we have scale with leading positions and strategic assets in three countries. Our 2025 strategy is aimed at extracting greater value from the business that InvoCare has today through our diverse range of products, services and brands, leveraging the investments made in recent years, and then, using this as a strong and sustainable foundation for growth. The focus continues throughout all stages of reset, expand and diversify.

### **Transform, Accelerate, Grow**

We have run through our achievements in the first 'Raising the bar' phase of the strategy. The focus of the next phase of our strategy – '**Transform, Accelerate, Grow**' is on growth and expansion.

The plan has a bias towards digital and embedding that into the business, increasing our market share in profitable segments and a restart to our M&A program, both domestically and abroad.

I believe that the steps we have taken to address our foundations over the past two years have positioned us well, and we'll continue to challenge ourselves on customer, people & operational excellence as we increasingly focus on growth.

### **Priority transformation and growth opportunities**

The priority initiatives are set out on this page and pleasingly this program of work is well underway:

- **Program Harmony** is a key project operational efficiency project to simplify our Funerals operating model, reducing our cost-to-serve and increasing productivity. This includes workforce planning,



rostering, capacity management and resource booking automation.

- We have completed the foundational work on our **brand value propositions** but are investing further in our Simplicity brand – as this segment is growing quickly – both digitally and through our network, as well as refreshing and enhancing our White Lady brand.
- In our Cemeteries & Crematoria business, our **Park as a destination strategy** is firstly about investing in our parks to ensure they better cater to client families and local communities. It is also about increasing foot traffic and effective community engagement to ultimately drive greater memorialisation and ancillary revenues such as on-site catering, cafes and flowers.
- **Pet Cremation expansion** aims at leveraging our national footprint to grow our veterinary partnerships and continue regional in-fill opportunities. Through a hub and spoke model we have targeted areas, particularly in NSW and QLD, to better service our veterinary partners.

And finally, as I mentioned, we are enhancing our digital and omnichannel offering through a multi-year program of work to introduce new services and improve customer experience.

## Growth investments

It is great to be in a position to talk about more ways in which we can grow:

- Now that we have stronger foundations, we have recommenced our bolt-on acquisitions with a new acquisition in Lilydale, in outer Metropolitan Melbourne in the second half of last year, and rebuilt a pipeline of opportunities.
- We continue to see great activity through our Innovation Hub, with a new investment in 2022 in Parting Stone, a business that pioneered a new category of solidified cremated remains – this follows our investment in Memories for digital memorialisation in 2021 which is now deployed across Australia and New Zealand.
- We continue to partner with aligned Non-For-Profit and Research groups such as Violet and the University of Melbourne, enabling us to raise the innovation capability of our organisation for the benefit of our client families and communities.
- And we are evaluating larger M&A and partnership opportunities to diversify further our sources of revenues.

This investment trend is continuing in 2023 with terms agreed for transactions in all three of our businesses:

- Firstly **Picaluna**, an investment we are making through our Innovation hub. Supported by a group of committed professional celebrants, Picaluna is positioned as a unique, bespoke funeral provider for families across Greater Sydney, NSW and Greater Melbourne. We have become a 30% shareholder and formed a partnership to expand their geographic offering.
- In our Cemeteries & Crematoria business we have agreed terms to acquire the minority 17% interest in **Lake Macquarie Memorial Park**, after which it will become wholly owned.
- And finally in our Pet Cremation business we have agreed terms to acquire **Pets at Peace Illawarra**, a regional in-fill opportunity to strengthen our network in NSW.



## Market Share

Since we released our 2022 financial results at the end of February the Australian Bureau of statistics and Births deaths & marriages have released more market information. The graph on this page shows our quarterly Australian funeral market share from 2020 to end of Q1 2023.

It is clear that market share had declined over recent years, due to a combination of factors. When restrictions lifted at the end of 2021, the number of deaths 'spiked' to extreme levels by historical standards. This exhausted the latent capacity of many mature operators, including InvoCare. Customers had to choose between the funeral home of their choice (and face a delay of up to 3 weeks in some cases) and the date of their choice (often at a 'briefcase operator').

We are now seeing less week-to-week volatility in demand for our services compared to the same period last year, and what this graph is showing, is that since the death rate has stabilised, InvoCare market share has been stabilising and indicatively trading up.

## Long run demand

The forward picture in all three markets is strong due to ageing populations, including baby boomers in this decade. These underlying trends give us confidence to plan and invest in the long run.

## Q1 trading update and outlook

In terms of trading update, the Group has had a positive start to the year, consistent with our message when we released our Full Year 2022 results at the end of February 2023.

- As I noted earlier, provisional year-to-date data point to a decline in market deaths compared to the same period last year. We started to see this trend towards the end of last year, with mortality rate tracking back to long-term trends. This is most evident in our east-coast cemeteries, with double-digit year-on-year declines in burial and cremation volumes;
- Pleasingly, over the first quarter the group has not been experiencing the same level of decline in funeral case volume which leads us to believe that indicatively, the upward trend in funeral market share has continued from the second half of last year;
- We are also seeing strong growth in our funeral case average, with greater services as well as incremental price rises implemented at the end of 2022 to offset cost inflation;
- In our parks, dry conditions have allowed for memorialisation construction as we meet past demand and build up inventory for future sales, particularly over the winter period; and
- Our pet cremation business is also benefiting from the national pricing strategy implemented in the second half of last year, with pet case average up 7% on the same period last year.

In terms of our results for the first quarter:

- The business continues to cycle the contribution from AASB 15, which totalled \$7.1million EBITDA in the first half of last year.
- Excluding AASB 15, operating EBITDA is broadly in line with expectations. Notwithstanding the encouraging market share performance, reduced volumes, combined with continued cost of doing business pressures, are impacting operating leverage.

- Operating net profit after tax continues to be impacted by the reduced AASB15 contribution, increasing depreciation & amortisation expense and rising interest rates.

As we look to the remainder of the year, the timing of the flu season, and its impact on Q2 and Q3, remains uncertain.

Overall, I am confident that the agility of our teams, the strength of our businesses, as well as our strategic momentum will enable us to create strong value into the future. As announced recently by Bart, we are also exploring structural opportunities to unlock value through property.

I firmly believe that the growth potential of our business is underpinned by the investments we have made in our people, customer service, facilities, brands and foundational systems, and the strong commitment of my team behind our strategy - so that InvoCare can deliver more services to more customers into the future, to meet the long-term demand inherent to our stable industry.

Finally, I would like to take this opportunity to thank our customers, our employees and importantly, our shareholders, for their ongoing support.

**-ENDS-**

## **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.

For more details, contact:

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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.