



2020 Half Year Results

19 August 2020

Martin Earp, CEO

Damien MacRae, Deputy CEO

Josée Lemoine, CFO



AGENDA

Investor Presentation HY 2020

HY 2020 overview

Martin Earp, CEO

Operational update

Damien MacRae, Deputy CEO

HY 2020 financial performance

Josée Lemoine, CFO

Growth initiatives

Martin Earp, CEO

Looking ahead

Martin Earp, CEO

Questions?



HY 2020 overview

Martin Earp, CEO



OVERVIEW

Overview of group performance HY 2020

- InvoCare (IVC) impacted by COVID-19 but continuing demand shows the resilience of the funeral services and memorial sector with revenue down 6.2%
- Four key priorities of InvoCare during the pandemic have been:
 - Safety of staff, suppliers and client families
 - Measured approach to cost savings, retaining field staff expertise in order to maintain service levels
 - Digitally-focused solutions allow families to continue to arrange a service which honours the deceased (reflected in strong NPS of +78*)
 - Strengthened balance sheet (\$274m capital raise, \$200m debt refinance, improved cash collection) allows funding for existing operations and key growth projects
- Our desire to maintain the highest levels of customer service, combined with the fixed cost nature of our facilities and the front loading of marketing all contributed to a decline in EBITDA of 22.7%
- Protect and Grow (P&G) remains critical to reversing long term decline in core market share, but recent customer behaviours demonstrate the need for additional product development to meet client families' evolving needs
- InvoCare has determined to pay the FY 2019 deferred dividend and pay HY 2020 interim dividend of 5.5cents



Operational update

Damien MacRae, Deputy CEO



PILLARS OF GROWTH

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Operating  Financial Summary⁺

REVENUE
\$226.5m
↓ 6.2%

OPERATING EBITDA
\$48.6m
↓ 22.7%

OPERATING EARNINGS AFTER TAX
\$11.7m
↓ 47.8%

EPS
9.2c
↓ 53.5%

+ On PCP

Underlying EBIT  Business Lines⁺

FUNERALS
\$20.2M
↓ 43.5%

MEMORIAL PARKS*
\$18.5m
↓ 6.8%

PREPAID FUNERALS
5.4%
↓ FUM decline

* Excludes Pets

Pillars  of Growth⁺

DEATHS¹
↓ **2 - 4%**

MARKET SHARE¹
↓ **0 – 100bps**

FUNERAL CASE AVERAGE
↓ **6.6%**

OPERATING MARGIN
↓ **440 bps**

NPS²
= +78

1 Internal estimate, IVC Group
2 Australia & New Zealand R12

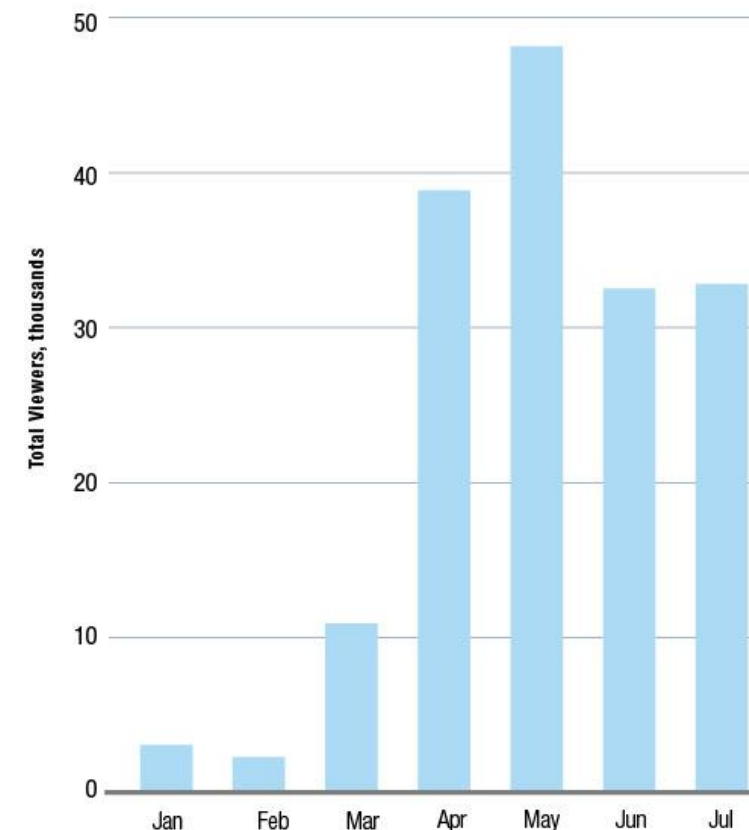


COVID-19 IMPACTS

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- Restrictions on attendees across all operational zones for Funerals, Memorial Parks visitation and Pre-Need consultations
- Client families choosing lower value brands and direct cremation offerings due to Government imposed attendance restrictions and economic uncertainty
- Indicative data / qualitative feedback suggest number of deaths have contracted 2-4%¹ on prior corresponding period (PCP)
- Client family shift towards innovation that facilitates remote attendance (thus the need for streaming)
- Various product offerings (catering, limousines, stationary) temporarily suspended

Total Streaming Viewers



¹ Internal estimate, IVC Group

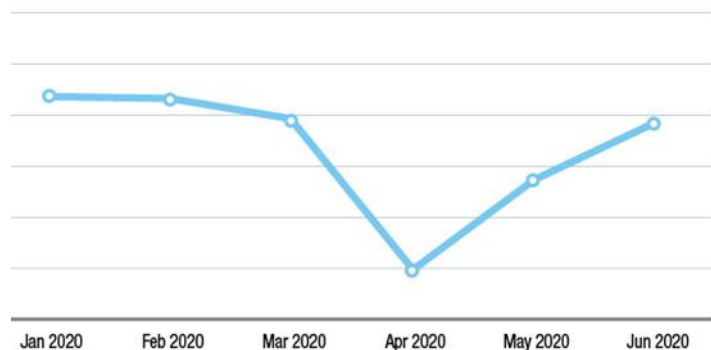


COVID-19 RESPONSE

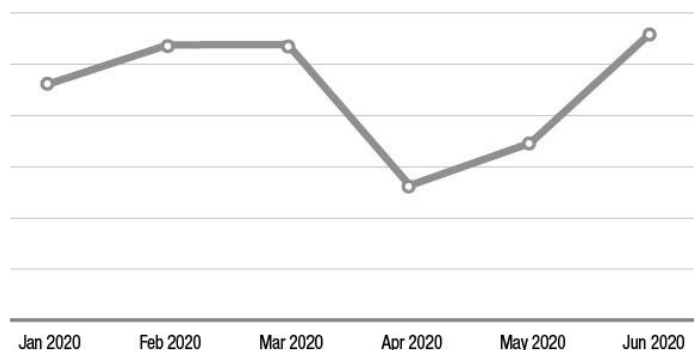
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- Agile processes implemented in real time to ensure the safety of team and client families
- Innovative customer solutions partially offset client family impact and revenue outcomes
- Expenses were managed appropriately to support client family experiences and ensure the business is well positioned for post-COVID trading
- Balance sheet strengthened through equity raise and strong focus on cash conversion
- Encouraging signs of recovery being experienced in key performance indicators as Government restrictions eased

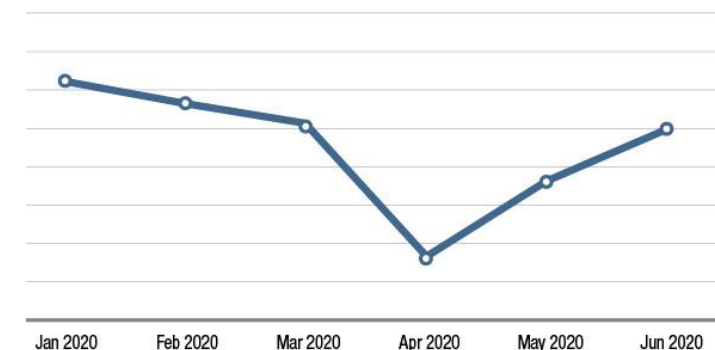
COVID-19 Case Average



Pre-Need Contract Sales



Quota Sales Memorial Parks





FUNERALS PERFORMANCE

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Funerals

- Our key customer satisfaction measure (NPS+78) has been maintained during the COVID-19 period
- Softer case volume across all zones; shift in brand mix experienced due to limitations on service levels (White Lady Funerals and Traditional contracting, Simplicity and Value growing)
- IVC Group case average declined by ~6.6%, driven by brand mix and product offering availability; New Zealand hit hardest during April lock down (where direct cremation only offering available)
- Ongoing focus on service quality for client families necessitates a high fixed cost base, therefore sales decline flows to EBITDA

Underlying* performance	HY 2020	HY 2019	Var.	Movement %
Case volume	22,077	22,855	(778)	(3.4)
Revenue (\$m)	167.4	184.8	(17.4)	(9.4)
EBITDA (\$m)	34.9	49.5	(14.6)	(29.5)
EBITDA margin	20.9%	26.8%	(5.9)	(5.9) ppts
EBIT (\$m)	20.2	35.8	(15.5)	(43.5)

* Excludes AASB15 transition adjustments

MEMORIAL PARKS PERFORMANCE

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Memorial Parks

- NPS has remained at the +68 during HY 2020
- Quality product inventory has mitigated COVID-19 impact with May and June sales returning to pre-COVID levels
- Investments in 2019 (crypts, niches and park restoration) continue to provide solid tail winds for future sales growth
- Cremation and burial numbers have declined PCP in line with market contraction witnessed in Funerals division

Underlying* performance	HY 2020	HY 2019	Var.	Movement %
Revenue (\$m)	48.8	51.3	(2.5)	(5.0)
EBITDA (\$m)	21.6	23.5	(1.9)	(8.1)
EBITDA margin	42.2%	45.7%	(1.5)	(1.5) ppts
EBIT (\$m)	18.5	19.9	(1.4)	(6.8)

* Excludes AASB15 transition adjustments



PREPAID FUNERALS PERFORMANCE

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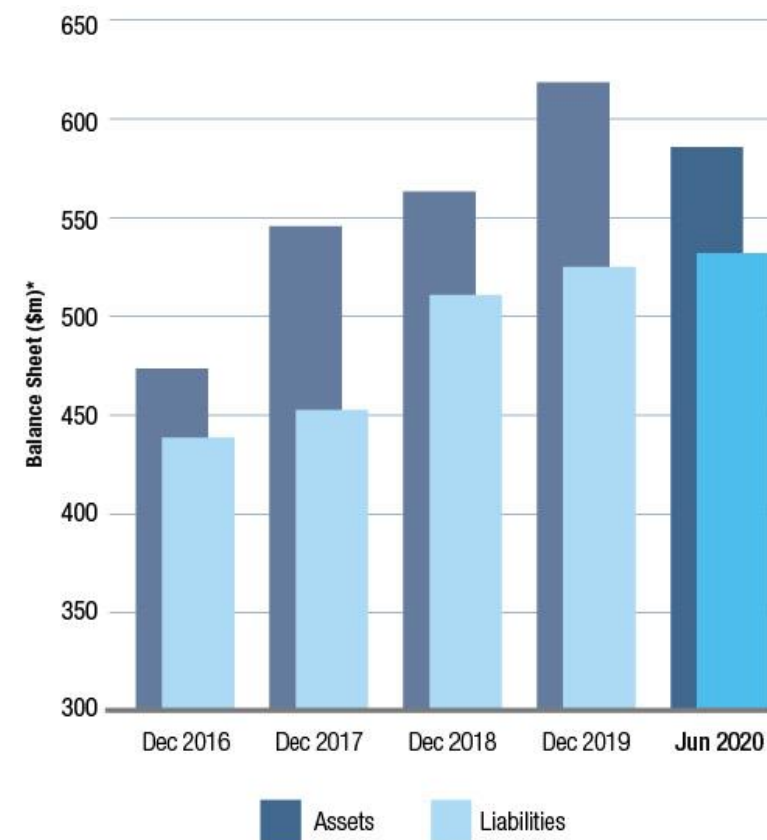
Prepaid Funerals

- The independently controlled funds under management reduced by a net 5.4% over HY 2020
- Assets provide headroom of \$52.3m over liabilities
- COVID-19 restrictions had significant impact on new business, however encouraging signs in later months have new flow in line with pre COVID-19 expectations
- % of funerals through Pre Need remained consistent on PCP (14%)

Investment portfolio mix	HY 2020 %	FY 2019 %
Equities	44	43
Property	28	27
Cash and fixed interest (includes hybrid securities)	28	30

Funds under management are controlled independently of InvoCare

HY 2020 funds under management



* The jump in liability from Dec 2017 to Dec 2018 resulted from the adoption of accounting standard (AASB 15)



HY 2020 financial performance

Josée Lemoine, CFO



GROUP PERFORMANCE

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↓ **6.2%**

Operating
revenue

98%

Cash
conversion

↑ **\$253m**

Net
assets

	HY 2020 \$'000	\$'000	Movement %
Operating revenue	226,469	241,493	(6.2)
Operating EBITDA	48,553	62,832	(22.7)
Operating EBIT	27,018	43,634	(38.1)
Operating earnings after income tax	11,657	22,321	(47.8)
Net profit after income tax attributable to equity holders	(18,005)	41,083	(143.8)
Underlying sales revenue	216,892	236,369	(8.2)
Underlying EBITDA	41,295	59,068	(30.1)
Underlying EBIT	19,760	39,870	(50.4)

	HY 2020 cents	HY 2019 cents	Movement %
Basic earnings per share (EPS)	(14.4)	36.5	(139.5)
Operating EPS	9.2	19.8	(53.5)
Interim dividend	5.5	17.5	(68.6)
Dividend payout ratio ¹ %	60%	88%	(28ppts)

¹ Dividend payout ratio is calculated based on operating earnings

The Board has determined to pay the deferred 2019 final dividend of 23.5 cents (100% franked) and an interim 2020 dividend of 5.5 cents (100% franked) on 5 October 2020



EBITDA PERFORMANCE

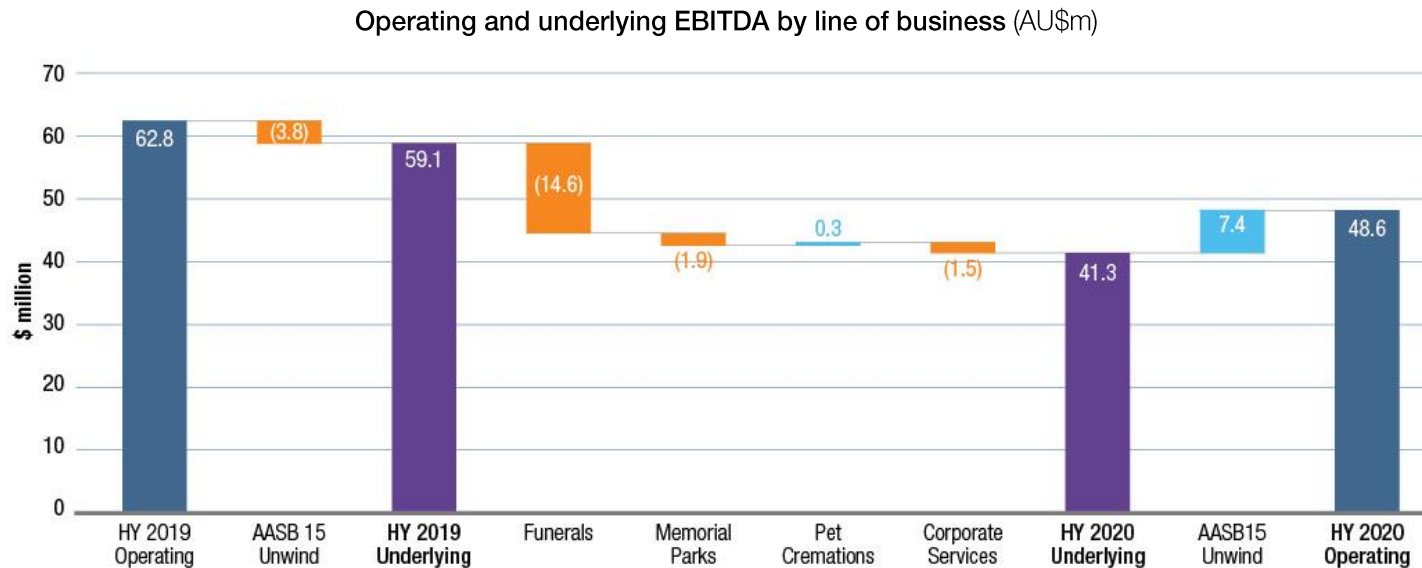
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Operating EBITDA ↓22.7%

- Net increase of +\$3.6m from AASB15 unwind on PCP in line with final instalment payments
- AASB16 now included in Underlying results with comparative across 2020 and PCP

Underlying EBITDA ↓30.1%

- Decline of \$17.8m mostly due to:
 - -\$4.3m funeral volume variance
 - -\$8.2m funeral case average variance





OPERATIONAL EFFICIENCIES

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- Underlying expenses declined by 1.1%
- When excluding cost of sales and H2 2019 acquisitions, expenses increased by 3.6% reflecting impact of personnel, facilities and phasing of marketing expenditure
- Initiatives such as cross-company annual leave drive and workforce optimisation helped mitigate increased cost such as personal protection equipment for our employees and client families, cleaning and streaming costs

Underlying expenses	HY 2020 \$'000	HY 2019 \$'000	Movement %
Finished goods, consumables and funeral disbursements	55,565	63,357	12.3
Employee benefit expense	82,418	81,488	(1.1)
Advertising and public relations expenses	8,670	6,290	(37.8)
Occupancy and facilities expenses	11,109	9,760	(13.8)
Motor vehicle expenses	4,541	4,075	(11.4)
Technology	6,263	6,245	(0.3)
Other	8,517	7,922	(7.5)
Total underlying operational expenses	177,083	179,137	1.1
% to underlying revenue	81.6%	75.8%	5.8ppt



GROUP FINANCIAL POSITION

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Cash flow

- 98% conversion from operating EBITDA to cash
- Improved 16ppts from December 2019



Capital management

- All core debt metrics improved following institutional and share placement plan in April-May 2020
- Well-supported capital raise with tight discount provides improved balance sheet flexibility



Assets and liabilities

- Net assets increased by \$253m following capital raise, reduction in net debt offset by decrease in funds under management during the pandemic

Cash flow summary

	HY 2020 \$'000	HY 2019 \$'000
Operating EBITDA	48,533	62,832
Statutory ungeared, tax free operating cash flows	41,663	40,805
Receipts from prepaid contracts performed	24,723	19,964
Receipts from prepaid contract sales	(19,419)	(16,185)
Other cash flows related to the prepaid contracts	514	639
Ungeared, tax free operating cash flows	47,481	45,223
Proportion of operating EBITDA converted to cash	98%	72%

Capital management

	30 Jun 2020	31 Dec 2019	Movement	Covenant
Net debt (\$'000)	81,256	352,379	(271,123)	
Leverage ratio	0.62x	2.52x	(1.90x)	< 3.5 x
Interest coverage ratio	8.23x	9.54x	(1.29x)	> 3 x

Assets and liabilities

	30 Jun 2020 \$'000	31 Dec 2019 \$'000	Movement %
Total assets	1,727,337	1,600,763	7.9
Total liabilities	1,177,069	1,303,784	(9.7)
Net assets	550,268	296,979	85.3



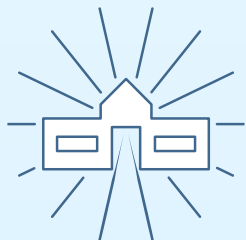
Growth initiatives

Martin Earp, CEO



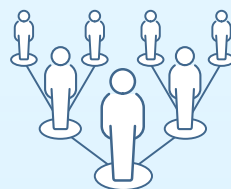
PROTECT AND GROW

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NETWORK BRAND OPTIMISATION

- 121 locations renovated to date
 - Quality of facilities that are being delivered are market leading
 - Volume - renovated sites outperforming unrenovated sites
 - Case average – impact of government imposed restrictions greater at renovated sites



PEOPLE AND CULTURE

- Sustained high level of client families' satisfaction and employee commitment
- Net Promoter Score +78¹
- Shift of training focus to COVID-19 safe practices



OPERATIONAL EFFICIENCIES

- ERP – focus shifted from implementation to optimisation in Australia and New Zealand
- More frequent, focused and accurate feedback now driving operational decision making
- Improvement in cash collection and identification of operational efficiencies



PROTECT AND GROW

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Year completed / due for completion	2017	2018	2019	HY 2020	H2 2020 [#]	2021 ^{>#}
Refresh (inc relocations)	26	32	15	10	46	16
Enhance	0	7	2	3	4	13
Growth	4	16	4	2	-	15
Total	30	55	21	15	50	44
Total investment (\$m)	29	43	34	18		

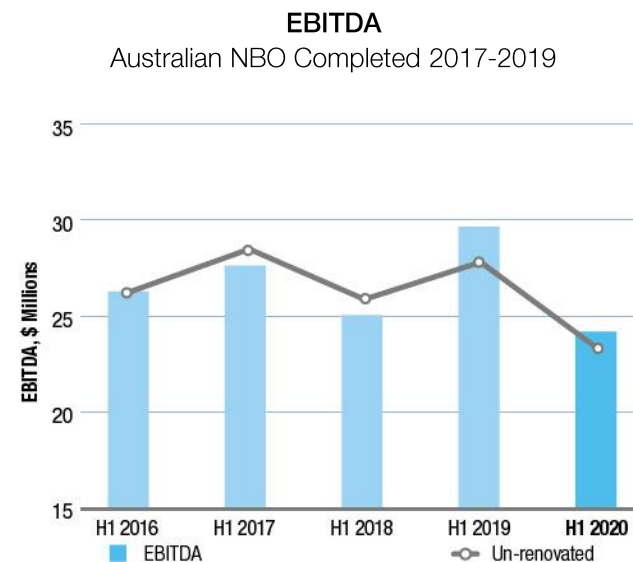
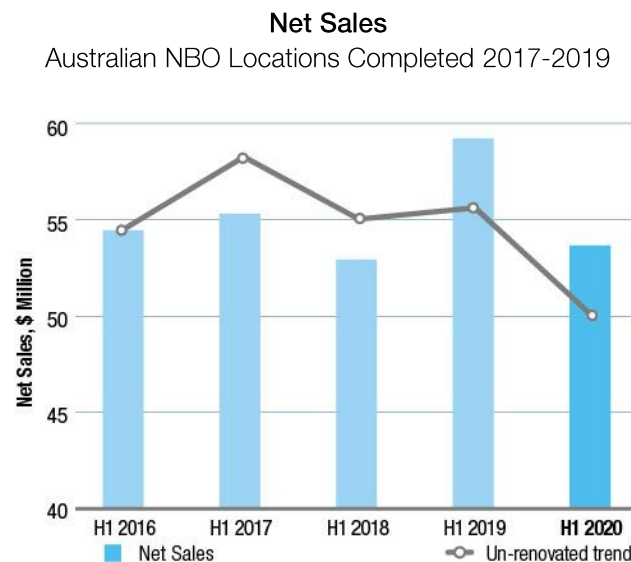
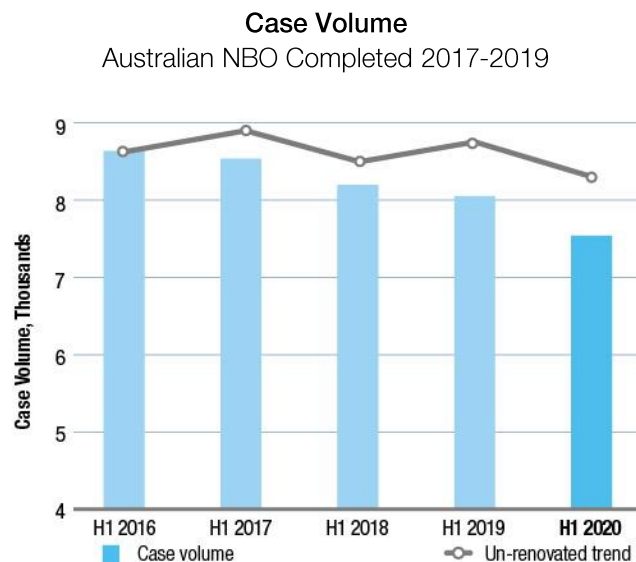
Number of projects are approximate and subject to change



PROTECT AND GROW OUTCOMES

Investor Presentation HY 2020

- NBO locations continue to out-perform the unrenovated locations
 - Case volume 7% greater in HY 2020 vs the do-nothing scenario
 - Case average more impacted by restrictions in NBO locations in HY 2020 due to attendance restrictions
 - Overall sales revenue from NBO locations ahead of the do-nothing scenario by 4%
 - EBITDA is 1% ahead of the do-nothing scenario, down from +5% for 2019





OTHER GROWTH LEVERS

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REGIONAL EXPANSION STRATEGY

- Recent acquisitions performance in line with expectations given market fluctuations
- Acquisition pipeline opportunities reactivated post-capital raise after initial hold due to unfolding pandemic
- Leveraging national brands into regional markets



PET CREMATIONS

- Remains in ramp-up phase with strong H1 growth (up \$482k, 175% increase)
- EBITDA remains negative (\$312k) yet delivers ~48% increase YoY
- Second greenfield development launched (Morrisset, NSW), complementing Greater Sydney Region presence
- IVC continue to assess opportunities within pet cremations sector



ADDITIONAL GROWTH LEVERS

- Continued customer needs research is present day and future-focused
- Technological innovation catering to evolving customer needs
- Utilise big/ thick data to understand customer insights and ensure relevance
- Development of targeted, segmented offerings



Looking ahead

Martin Earp, CEO

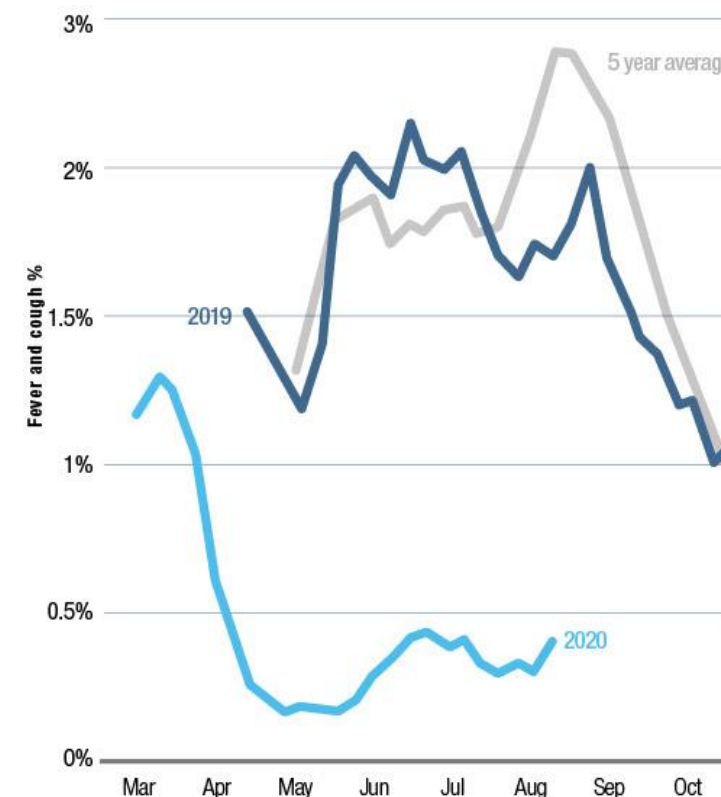


OUTLOOK

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- It is always difficult for InvoCare to provide full year guidance before the critical winter trading period, but more so this year given the uncertainty remaining over the trajectory of the COVID-19 pandemic
- Current influenza trend reflects social distancing measures introduced to mitigate the impact of COVID-19
- Whilst case average recovered encouragingly after the lifting of attendance restrictions, the current restrictions in Victoria and New Zealand place some level of uncertainty for case average in H2
- We will continue to apply prudent cost control measures whilst ensuring that we do not impact our ability to provide the highest level of customer service

Influenza-like illness activity Australia
Fever and cough: 0.5% this week (flu-like illness is historically low)



Source info.flutracking.net/reports-2/australia-reports



SUMMARY

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- Our staff have excelled by responding innovatively to the operational constraints that the COVID-19 crisis has imposed on the sector thus minimising revenue loss
- InvoCare has responded appropriately to the challenges of the pandemic with regard to balance sheet strength and cost control
- The market has proven to be resilient and customers returned to pre COVID-19 purchasing patterns upon the lifting of Government restrictions
- H2 trading conditions remain uncertain but market and business fundamentals remain strong in the longer term
- Moving forward IVC will leverage investment in P&G and ensure a relevant and innovative customer experience is delivered





Questions?



Appendices



UNDERLYING FINANCIAL PERFORMANCE

Appendix to Investor Presentation HY 2020

	HY 2020 \$'000	HY 2019 \$'000	Movement %
Underlying revenue	216,892	236,369	(8.2)
Other revenue	1,486	1,836	(19.1)
Operational expenses	(177,083)	(179,137)	1.1
Underlying EBITDA	41,295	59,068	(30.1)
<i>Underlying EBITDA margin (%)</i>	<i>19.2%</i>	<i>25.0%</i>	<i>(5.8ppt)</i>
Depreciation and amortisation	(20,677)	(18,592)	11.2
Business acquisition costs	(858)	(606)	(41.6)
Underlying EBIT	19,760	39,870	(50.4)
<i>Underlying EBIT margin (%)</i>	<i>9.2%</i>	<i>16.9%</i>	<i>(7.7ppt)</i>
Finance costs	(10,568)	(11,333)	6.8
Interest income	363	756	(52.0)
Underlying earnings before income tax	9,555	29,293	(67.4)
Income tax expense on underlying earnings	(2,618)	(8,860)	70.5
Underlying earnings after income tax	6,937	20,433	(66.1)

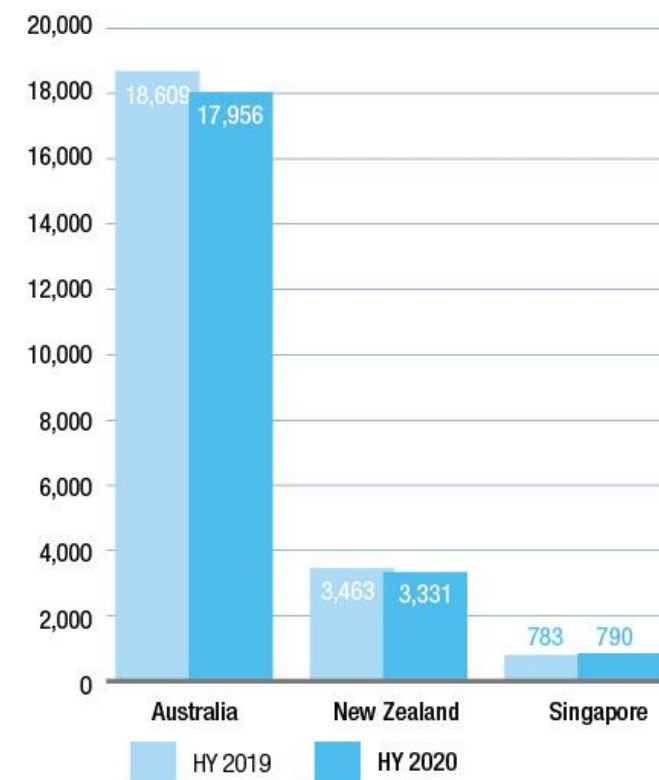
COUNTRY SEGMENT RESULTS

Appendix to Investor Presentation HY 2020

Underlying revenue by region and revenue type

		HY 2020 \$'000	HY 2019 \$'000	Movement %
By regions	Australia	181,897	198,724	(8.5)
	New Zealand	24,842	27,753	(10.5)
	Singapore	10,153	9,892	2.6
	Total	216,892	236,369	(8.2)
By revenue types	Funeral services	167,367	184,779	(9.4)
	Memorial Parks	48,767	51,314	(5.0)
	Pet cremations	758	276	174.6
	Total	216,892	236,369	(8.2)

Case Volumes by Country
HY2020 vs PCP



COUNTRY SEGMENT RESULTS

Appendix to Investor Presentation HY 2020

Underlying EBITDA and EBIT by region and revenue type

		Underlying EBITDA			Underlying EBIT		
		HY 2020	HY 2019	Movement	HY 2020	HY 2019	Movement
		\$'000	\$'000	%	\$'000	\$'000	%
By regions	Australia	32,006	48,423	(33.9)	13,725	32,659	(58.0)
	New Zealand	4,460	5,822	(23.4)	1,826	3,119	(41.5)
	Singapore	4,829	4,823	0.1	4,210	4,092	2.9
	Total	41,295	59,068	(30.1)	19,760	39,870	(50.4)
By revenue types	Funeral services	34,905	49,510	(29.5)	20,226	35,767	(43.5)
	Memorial Parks	21,564	23,471	(8.1)	18,529	19,881	(6.8)
	Pet cremations	(312)	(595)	(47.6)	(663)	(748)	11.4
	Corporate services	(14,862)	(13,319)	11.6	(18,332)	(15,030)	22.0
	Total	41,295	59,068	(30.1)	19,760	39,870	(50.4)



CAPITAL EXPENDITURE

Appendix to Investor Presentation HY 2020

		HY 2020	HY 2019	Variance to 2019	
		B/S	\$'m	\$'m	%
By Category	Facilities	21.6	24.1	(2.6)	(10.7)
	Information technology	6.2	4.0	2.2	55.8
	Motor vehicles	0.4	1.5	(1.1)	(72.7)
	Other assets	1.1	0.5	0.6	110
	Property acquisitions	-	-	-	-
	Total capital expenditure	29.3	30.1	(0.8)	(2.7)
By Strategy	Business as usual	5.9	5.7	0.2	3.5
	Protect and Grow	23.4	24.4	(1.0)	(4.1)
	Facilities	20.3	21.0	(0.7)	(3.3)
	Information technology	3.1	3.4	(0.3)	(8.8)
	Total capital expenditure	29.3	30.1	(0.8)	(2.7)



This presentation contains forward looking statements, which may be subject to significant uncertainties outside of IVC's control. No representation is made as to the accuracy or reliability of these forecasts or the assumptions on which they are based. Actual future events may vary from these forecasts.