

## **ASX ANNOUNCEMENT**

### **Update on Winter Trading**

**8 October 2018**

#### **A mild winter and benign flu season combine to impact InvoCare Limited's (ASX:IVC) trading performance.**

In August, IVC reported that the funeral case volume for H1 (in the markets it operates in within Australia) had been soft (down 1.5% in Q2) and that if this situation continued in H2, it would negatively impact full year results. This trend has been confirmed throughout IVC's operations in Australia and New Zealand with volumes since June reflecting the very mild winter and effective flu vaccine campaigns undertaken in those regions.

Confirming the industry wide impact, the relevant state authorities have provided monthly data showing that the number of deaths in the Australian market has declined by 5.9% in the June to August period over the previous comparative period. IVC estimates that deaths during September have declined to an even greater extent.

Martin Earp, Chief Executive Officer of InvoCare, said, "We indicated at the half year that the number of deaths was lower than trend, but not outside normal year to year fluctuations. However, trading during the winter period has seen the number of deaths decline in the order of up to 8% in key markets. This variation is very unusual and, despite improving market share, there will be an impact on our full year results. I am pleased to say our strong progress in the Protect & Grow strategy and in identifying and executing strategic acquisitions will contribute to long term sustainable growth."

The estimated impact of these unusual, industry wide conditions on the IVC operating results is that every 1% decline in number of deaths equates to circa \$3m of funeral revenue on an annualised basis. The decline in deaths also impacts the Cemeteries and Crematoria division with a 1% decline in volume equating to an estimated \$0.7m in revenue. For clarity, IVC's funeral business has seen a decrease of circa 2,000 cases year to date (September 2018) over the prior calendar period for the comparable business. This equates to 5.8% decline in volume which represents circa \$17m decline in revenue related to volume decline.

In addition, as detailed at the half year, a declining market hampers IVC's ability to achieve prior case average price increases. IVC is managing its cost base to mitigate the impact of those factors on its results.

With respect to trading conditions over this period, IVC's Australian market share has increased despite the ongoing disruption associated with the Protect & Grow strategy. Protect & Grow continues to perform strongly and remains on track to deliver the target number of renovated locations in 2018 (40% of IVC portfolio).

IVC's acquisition activity to expand and consolidate its operating network continues with two acquisitions announced since the release of the half year results in August. This brings the number of acquisitions completed in 2018 to eight in Australia and three in New Zealand, contributing circa \$25m in additional revenue to the group on an annualised basis.

## **BACKGROUND**

InvoCare, headquartered in Sydney, is the largest provider of funeral services in Australia, New Zealand and in Singapore. It is also the largest operator of private cemeteries and crematoria in Australia.

For immediate release

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