



2021 Half Year Results

30 August 2021

**Positive profit recovery and
strategic momentum**

 **InvoCare**

1H21 Highlights

Olivier Chretien, CEO

Operations

Olivier Chretien, CEO

Financials

Adrian Gratwicke, CFO

Strategy & Outlook

Olivier Chretien, CEO

Questions

Appendices



Chief Executive Officer
Olivier Chretien



Chief Financial Officer
Adrian Gratwicke

1H21 Highlights

Olivier Chretien, CEO

1H21 Highlights: Measures of success



Customer & Team

NPS

+79.3

↑ 1.5 on PCP

LTIFR

11.8

↓ 2% on PCP



Operational Excellence

Operating Leverage

2.4

Return to positive

Leverage ratio r12

1.1 x

↓ 0.2 x on FY20

Cashflow Conversion

102%

↑ 4 pts on PCP



Growth: Operational

Funeral Case Volumes

22,092

↑ 0.1% on PCP

Funeral Case Average²

\$8,191

↑ 6.7% on PCP

Memorialisations

+12%

On PCP sales



Growth: Financial¹

Operating Revenue

\$257.3M

↑ 13% on PCP

Operating EBITDA

\$63.6M

↑ 31% on PCP

Operating EBIT

\$39.4M

↑ 46% on PCP



Sustainable Leadership

Sustainability Report

‘Leading’

ACSI rating

Operating EPS

14.4c

↑ 57% on PCP

ROCE r12

10.4%

↑ 1.8 pts on FY20

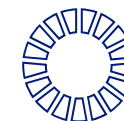
¹N.B.: Definition of terms and measures used in this report included in the glossary on page 32.

¹: For reconciliation of operating to statutory results see page 29

²: Group gross funeral case average, including disbursements

Strategy – 1H21 Update

Raising the bar



Customer Led People Empowered

- Renewed purpose
- ‘Voice of the customer’ dashboard
- Your Say Employee Engagement Survey
- Evolve Management Development Program
- Pet Cremations National Leadership Team

Operational Excellence

- 12 NBO projects and 1 Shared Service Centre
- Enhanced Funerals ERP platform launched
- Externally led revenue & cost optimisation review
- AFSL implemented in Prepaid Funerals
- Debt refinance commenced

Stronger core growth

- New 5-year strategic plan
- Funerals network optimisation review underway
- Brand Value Proposition & website enhancement program underway
- Investments in new Pet Cremators in WA/VIC

New growth platforms

- Investment in digital memorialisation company, Memories
- Launched eCommerce Patch & Purr platform
- Cemeteries & Crematoria community agreement
- Pet Cremations B2B vet networks agreements

Sustainable Leadership

- COVID safety protocols embedded
- New HSE strategy
- Capability investment in Safety, Compliance & Stakeholder Engagement

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Operations

Olivier Chretien, CEO

1H
21

- With lockdowns less prevalent during the half, customers embraced a return to gatherings, driving case average and operating revenue growth in all markets
- Steady growth in volumes in some states more than offset declines in others
- Tight cost control drove improved OPEX % Sales and positive operating leverage
- Continued improvement in NPS
- ERP enhancement go-live
- Brand Value Proposition and website enhancement program underway

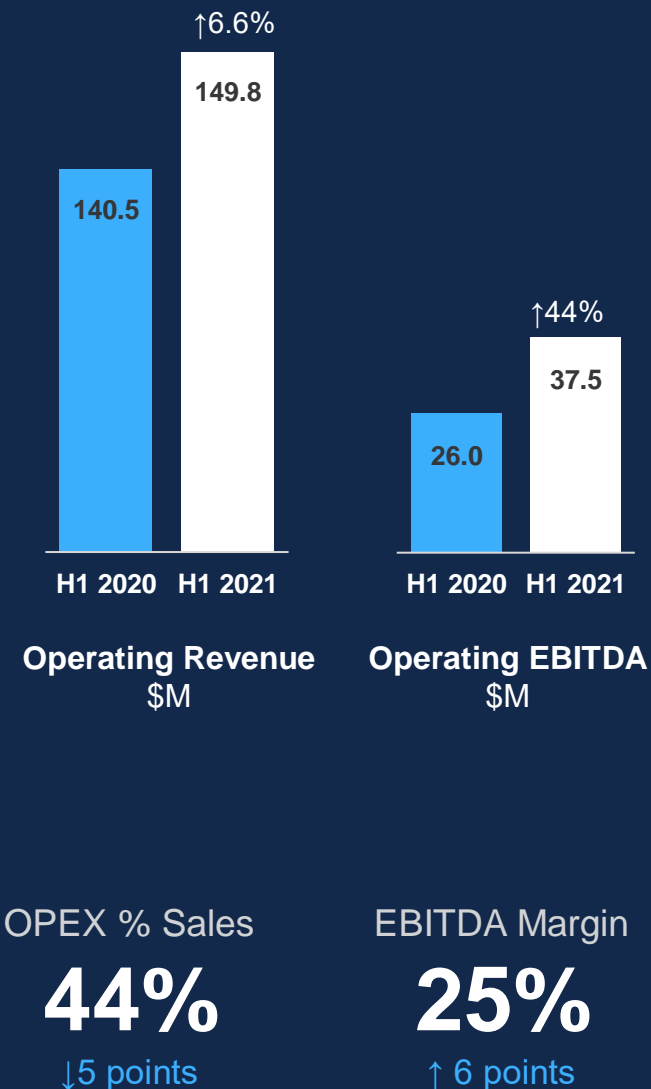
NPS
+79.7
↑ 1.8 on PCP

Funeral case volumes
17,960
Flat on the PCP

Funeral case average¹
\$8,230
↑ 6.7%

- Impact of COVID restrictions on funeral case average (extent & persistence uncertain)
- Ongoing focus on cost base efficiency
- Completion of NBO projects pipeline
- Completion of network optimisation review

Outlook



¹: Gross Funeral case average, including disbursements

Prepaid Funerals Australia

1H
21

- Strong equity and property returns driving revaluation gain on Prepaid FUM
- Compound annual growth in assets continues to exceed liabilities
- Asset headroom¹ has increased 36% to \$98 million
- 20% growth in volume of contracts sold, assisted by easing of COVID restrictions
- AFSL implemented to ensure compliance with revised ASIC guidance for the industry

Prepaid % of
At Need Funerals

14.1%

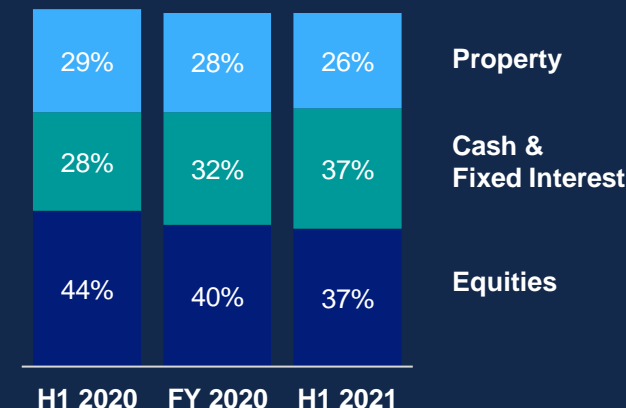
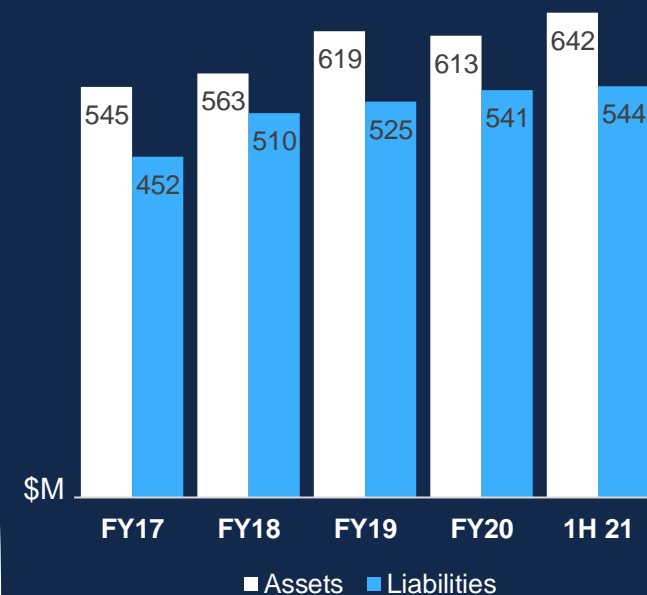
↓0.1points

	1H20 \$M	FY20 \$M	1H21 \$M
MTM impact through Non-Operating earnings			
Gain/(loss) on pre-paid contract FUM	(29.3)	3.7	38.6
Change in provision for pre-paid contract liabilities ²	(10.2)	(20.3)	(10.6)
Net gain/(loss) on undelivered contracts	(39.5)	(16.6)	28.0

- Impact of COVID restrictions on access to customers and discretionary consumer spending (extent & persistence of impact on prepaid contract sales uncertain)
- Marketing collateral and sales team training refresh
- Strategic review to maximise opportunity

¹: Pre-paid contract FUM (i.e., assets) less Contract liabilities

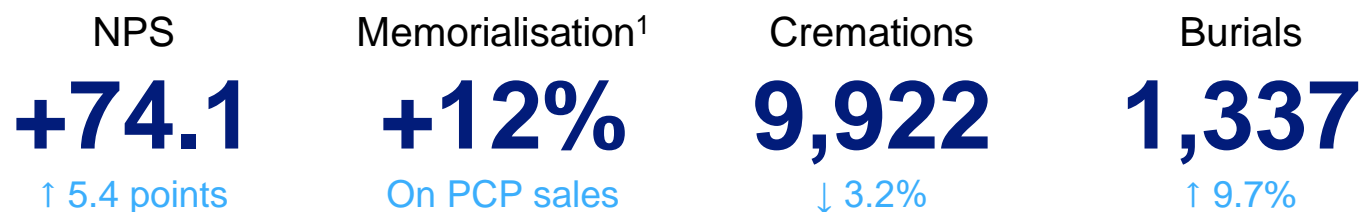
²: Revaluation of contract liabilities to reflect financing charge from liability discount unwind for the time value of money



Cemeteries & Crematoria Australia

1H
21

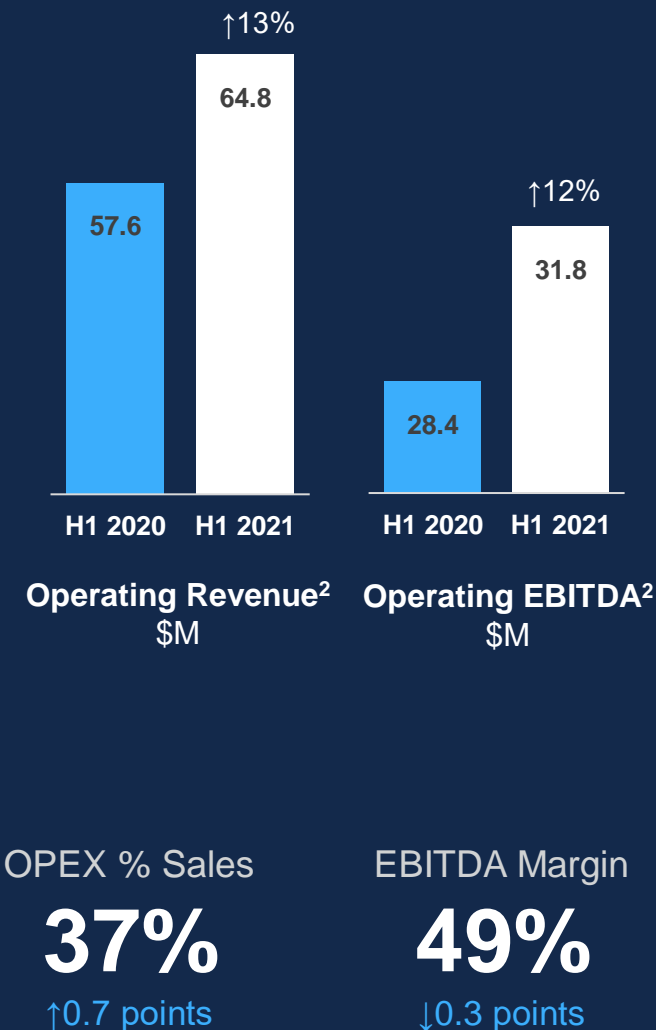
- Strong memorialisation sales growth across NSW and QLD parks
- Lifting of COVID restrictions has seen growth in traditional burials in many parks
- Continued uplift in park maintenance and associated costs
- Delivered highest ever NPS score for this business to date
- Significant multi-year burial agreement signed in NSW with local community group
- ERP replacement project commenced



- Impact of COVID restrictions on customer access to memorial parks and discretionary consumer spending (extent & persistence of impact on memorialisation sales uncertain)
- Ongoing monitoring of regulatory environment
- Continue to broaden community relationships to drive opportunities
- Product and service initiatives for expanded park services underway

¹: Sale of memorials, plaques, burial plots etc.

²: Includes impact of deferred revenue adjustments required under AASB15. See page 31 for further information on the impact of this standard on operating results of this business.



Pet Cremations Australia

1H
21

- Successful early integration of acquired businesses delivering earnings uplift
- National Pet Cremation leadership group established
- Launched eCommerce Patch & Purr platform
- Leveraging national footprint, agreements signed with key national vet businesses
- Investments in two new Pet Cremators in WA and VIC to increase operational capacity
- Acquired small pet cremation business in metro Sydney

Pet Cremation
volumes

41,160

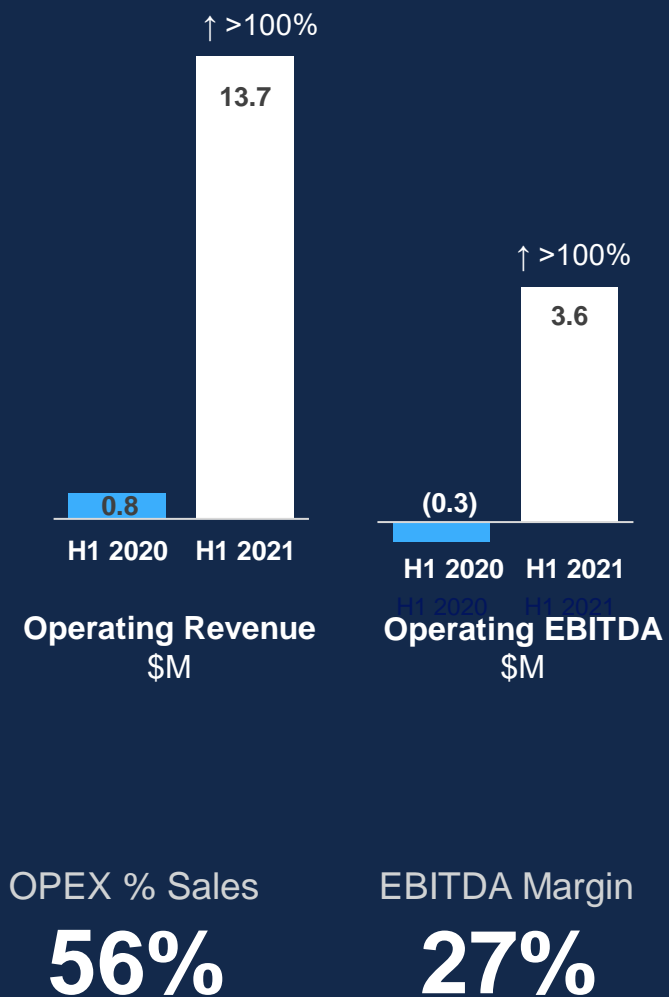
Including +67% in Patch & Purr

Pet Case
Average

\$332

↑ 12% on the PCP

- Increased pet ownership during COVID supports this high growth segment
- Continued integration and pipeline of bolt-on acquisitions
- Continue to pursue vet agreement opportunities
- Product and service innovation opportunities



New Zealand

- Continued recovery in funeral case average to pre-COVID levels despite sustained competition from low-cost operators
- Growth in Auckland and Wellington, hardest hit by restrictions in the PCP
- Lifted community engagement, reflected in continued growth in NPS

NPS
+86.7
↑ 2.3 points

Funeral case volumes
3,289
↓ 1.3%

Singapore

- Persistent COVID restrictions
- Diversified offering, strong uptake of packages drove volume growth
- Strong cost control has maintained positive operating leverage
- Awarded Singapore Police contract, effective 1 July

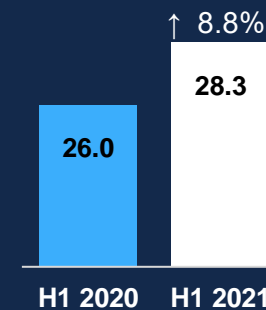
Customer recommendation
99%

Funeral case volumes
843
↑ 6.7%

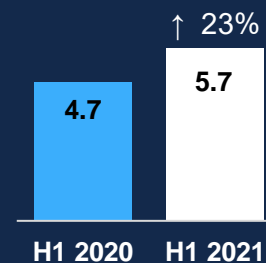
- Impact of COVID restrictions (extent & persistence uncertain)
- Network review ongoing
- Delivery of slated NBO projects
- Improving breadth of brand portfolio and increased marketing efforts

- Phased lifting in Government restrictions, positive impact of increased vaccination rate
- Continued service and value-add focus
- Commencement of new Police contract

New Zealand



Operating Revenue
NZ\$M

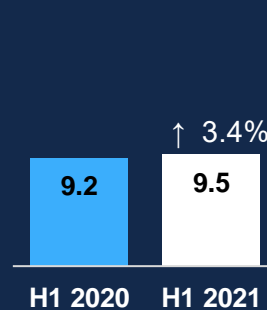


Operating EBITDA
NZ\$M

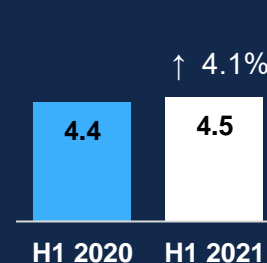
OPEX % Sales
48%
↓ 4 points

EBITDA Margin
20%
↑ 2.4 points

Singapore



Operating Revenue
S\$M



Operating EBITDA
S\$M

OPEX % Sales
32%
↑ 1 point

EBITDA Margin
48%
↑ 1 point

Patch & Purr Illawarra,
New South Wales

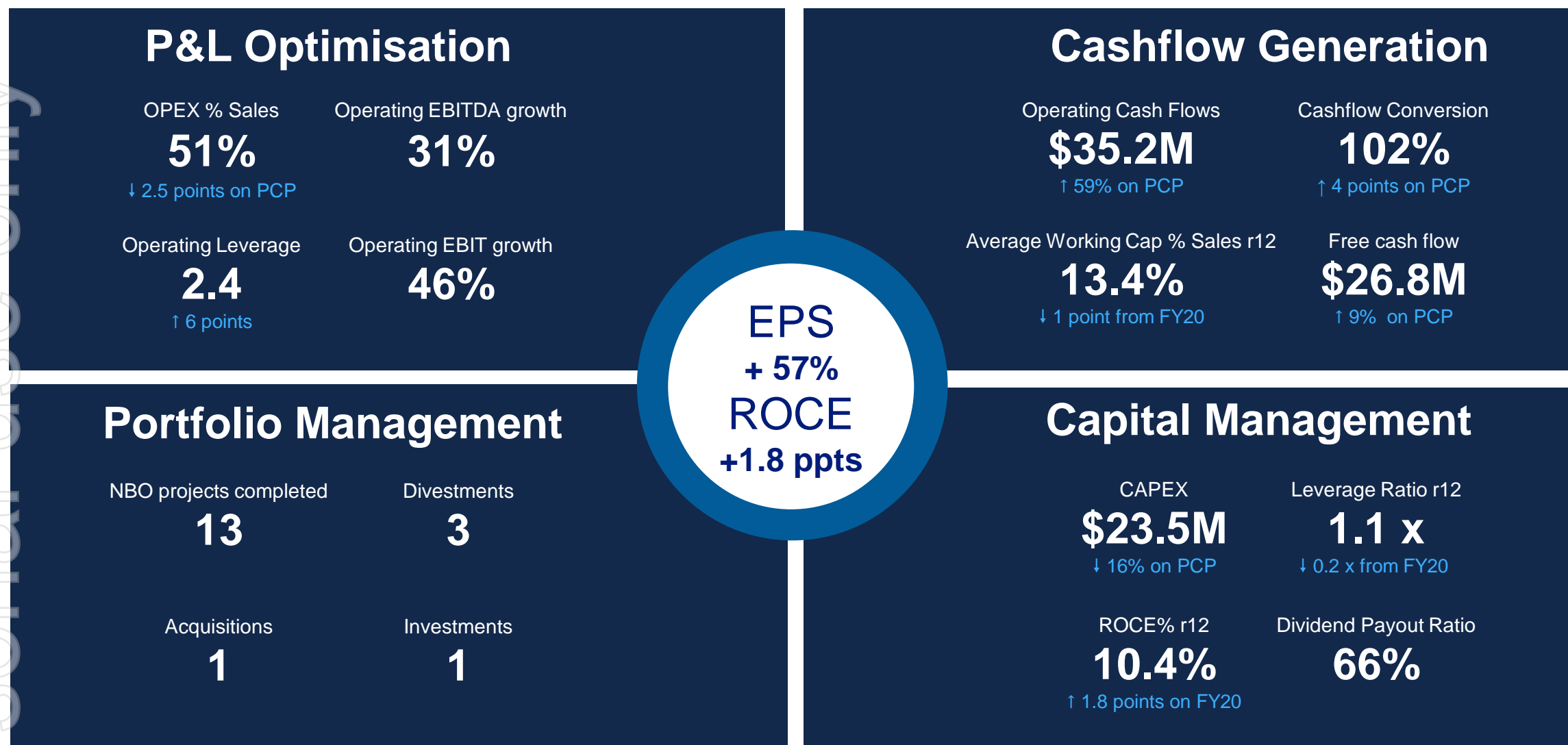
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Financials

Adrian Gratwicke, CFO

 InvoCare

1H21 Financial Management Scorecard



N.B. Definitions of these financial measures are provided in the Glossary on pages 32-33



1H21 Profit & Loss

	1H21 \$000	1H20 \$000	CHANGE \$000	CHANGE %
Operating Revenue	257,344	227,995	29,349	13%
Operating Expenses*	(193,794)	(179,402)	(14,392)	8.0%
Operating EBITDA	63,550	48,553	14,997	31%
Funerals Australia	37,475	26,003	11,472	44%
Cemeteries & Crematoria Australia	31,835	28,441	3,394	12%
Pet Cremations	3,649	(312)	3,961	>100%
New Zealand ¹	5,337	4,463	874	20%
Singapore ¹	4,414	4,831	(417)	(8.6%)
Support Costs*	(19,161)	(14,873)	(4,288)	29%
Depreciation & Amortisation expense	(24,953)	(20,677)	(4,276)	21%
Business acquisition costs	(714)	(858)	144	(17%)
Gain/(loss) on termination/modification of lease	1,493	-	1,493	100%
Operating EBIT²	39,376	27,018	12,358	46%
Non-Operating EBIT^{2*}	34,398	(39,095)	73,493	>100%
Net finance costs	(9,113)	(14,026)	4,913	(35%)
Tax	(20,758)	8,190	(28,948)	>100%
Non-controlling interest	(49)	(92)	43	(47%)
Reported Profit/(Loss) After Tax	43,997	(18,005)	62,002	>100%

- 46% increase in Operating EBIT and healthy operating leverage, driven by:
 - Growth in revenue
 - Improved cost constraint
- Acquisitions contributed:
 - \$14.4 million to Operating Revenue
 - \$9.8 million to Operating Expenses
- Singapore EBITDA impacted by depreciation of SGD (-\$0.5 million)
- Increased D&A expense driven by:
 - Prior year capital investment program (NBO + ERP)
 - \$1.1 million accelerated depreciation from Support Office relocation
- Termination of Support Office lease following relocation in June resulted in non-cash accounting gain
- Financing costs decline reflecting prior year debt repayment and improved debt leverage
- Return to Reported Profit

N.B. Definitions of these financial measures are provided in the Glossary on pages 32-33

1: This is the AUD equivalent of Operating EBITDA for these international businesses. Local currency equivalent earnings are set out and explained on page 11 of this presentation

2: Reconciliation of operating to statutory results is included on page 29

Operating Expenses & Non-Operating EBIT

OPERATING EXPENSES	1H21 \$000	1H20 \$000	CHANGE \$000	CHANGE %
Finished goods, consumables and funeral disbursements	(61,649)	(56,660)	(4,989)	9%
Employee benefits expense	(92,933)	(83,642)	(9,290)	11%
Advertising and public relations expenses	(7,296)	(8,670)	1,374	(16%)
Occupancy and facilities expenses	(11,878)	(11,109)	(769)	7%
Motor vehicle expenses	(4,800)	(4,541)	(259)	6%
Technology expenses	(6,740)	(6,263)	(478)	8%
Other expenses	(8,498)	(8,524)	26	(0.3%)
Total operating expenses - OPERATING	(193,794)	(179,408)	(14,385)	8%

NON-OPERATING EBIT	1H21 \$000	1H20 \$000	CHANGE \$000	CHANGE %
Revenue ¹	3,512	2,369	1,143	48%
Expenses ²	(2,882)	(3,230)	348	(11%)
EBITDA – NON OPERATING	630	(861)	1,491	>100%
Depreciation & Amortisation	(5)	(6)	1	(12%)
Asset sales gain/(loss)	5,780	1,306	4,474	>100%
Net gain/(loss) on undelivered pre-paid contracts	27,994	(40,036)	67,502	>100%
EBIT– NON-OPERATING	34,398	(39,095)	73,493	>100%

¹: Primarily admin fee revenue earned on prepaid contracts when service is performed

²: Costs incurred to run the Pre-paid funeral business including employee benefit expenses and advertising expenses

Operating

- Cost constraint ensuring cost growth less than revenue growth
- Acquisitions contributed:
 - +\$2.8 million finished goods, consumables
 - +\$5.3 million employee expenses
- Remaining increase in Employee benefits expense from change in accrual rate for STI/ LTI vs PCP and increased sales commissions expense
- Advertising expense front-loaded in H1 2020

Non-Operating

- Higher admin fees and other income earned on redemptions reflecting increased volume vs PCP
- Tighter cost control
- Net gain on sale of three locations
- Strong returns on equities and property valuations yielded significant MTM gain on Prepaid FUM



Support Costs

	1H21 \$000	1H20 \$000	CHANGE \$000	CHANGE %
SUPPORT – CORPORATE				
Employee benefits expense	(6,222)	(6,205)	(17)	0.3%
Occupancy and facilities expenses	(136)	(211)	75	(36%)
Technology expenses	(380)	(586)	205	(35%)
Other expenses	(1,620)	(987)	(633)	64%
Total operating costs	(8,358)	(7,988)	(370)	5%
Sundry income	141	599	(458)	(76%)
Incentive cost accruals	(2,030)	(626)	(1,404)	>100%
Total EBITDA - Support – Corporate	(10,247)	(8,015)	(2,232)	28%

SUPPORT – FIELD				
Employee benefits expense	(2,705)	(2,109)	(596)	28%
Incentive cost accruals	(271)	(145)	(126)	87%
Advertising and public relations expenses	(669)	(418)	(251)	60%
Technology expenses	(165)	(160)	(5)	3%
Other expenses	(229)	(427)	198	(46%)
Total EBITDA – Support – Field	(4,039)	(3,258)	(781)	24%

SUPPORT – IT				
Employee benefits expense	(1,607)	(1,252)	(355)	28%
Technology expenses	(592)	(667)	75	(11%)
Software licence fees	(2,645)	(1,603)	(1,042)	65%
Other expenses	(30)	(78)	48	(61%)
Total EBITDA – Support - IT	(4,875)	(3,600)	(1,274)	35%

Support - Corporate

- Corporate support functions (e.g. Finance, Legal, listed company costs and office of the CEO/CFO)
- Includes LTI accruals for the Group
- Capability investment in new EPMO, Stakeholder Engagement and Compliance functions
- One-off consultant expense (cost benchmarking and optimisation review) in Other Expenses

Support – Field

- Marketing, Field HR staff, Health Safety & Sustainability, Procurement and Property & Facilities teams
- Capability investment in Safety & Sustainability and Marketing (digital in particular) and Field HR

Support – IT

- Significant capability investment commenced (incl. new CITO)
- Increase in software licence fees reflecting ERP deployments



Balance Sheet

	1H21 \$000	FY20 \$000	CHANGE \$000	CHANGE %	1H20 \$000
Trade and other receivables	81,089	82,582	(1,492)	(1.8%)	72,014
Inventories	42,957	44,117	(1,161)	(2.6%)	46,054
Trade and other payables	(57,546)	(60,514)	2,969	(4.9%)	(49,186)
Working Capital	66,500	66,185	316	0.5%	68,883
Property, plant and equipment	467,081	464,277	2,804	0.6%	438,477
Intangibles	246,609	243,515	3,094	1.3%	211,918
Net Prepaid Funds/liabilities – Prepaid Funerals	97,777	71,822	25,956	36%	52,301
Net right of use asset and lease liabilities ¹	(11,334)	(11,346)	13	(0.1%)	(9,388)
Net Deferred costs and revenue	(92,882)	(95,940)	3,057	(3.2%)	(93,791)
Net tax items	(45,443)	(34,513)	(10,930)	32%	(22,967)
Other items ²	(36,527)	(34,632)	(1,894)	5.5%	(17,074)
Total Capital Employed	691,780	669,368	22,413	3.3%	628,359
Net Debt	(124,741)	(137,468)	12,726	9.3%	(78,090)
Net Assets	567,039	531,900	35,140	6.6%	550,269
Average working capital as a % of sales r12	13.4%	14.0%		(0.6 ppts)	13.2%
ROCE % r12	10.4%	8.6%		1.8 ppts	14.2%

- Continued improvement in timeliness of debtor collections
- Decrease in inventory from sale of developed crypts and memorials
- Increase in Property Plant & Equipment and Intangibles from continued facilities and ERP/ IT CAPEX
- Increase in headroom of Prepaid FUM reflecting MTM revaluation gains significantly exceeding increase in associated liability
- Net increase in Deferred Tax Liabilities from movement in Prepaid FUM

Outlook

- Impact of recent IFRIC Update (treatment of capitalised software development costs) under review

¹: Lease liabilities excludes finance leases included within Net Debt, see page 20 for breakdown

²: Includes derivative financial instruments, deferred/contingent consideration liabilities arising from acquisitions, provisions for employee entitlements, other financial assets and assets held for sale

Cash Flow

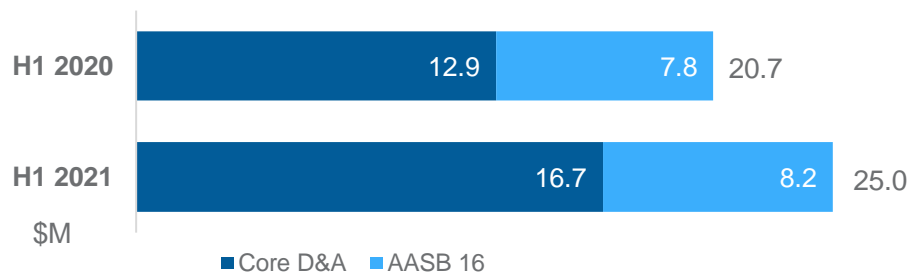
	1H21 \$000	1H20 \$000	CHANGE \$000	CHANGE %
Operating EBITDA	63,550	48,553	14,997	31%
Net change in working capital ¹	(10,608)	(6,890)	(3,718)	54%
Net Finance costs paid ¹	(7,254)	(12,432)	5,178	(42%)
Tax paid	(10,488)	(7,151)	(3,337)	47%
Operating Cash Flows	35,200	22,080	13,120	59%
(Acquisitions)/ Divestments	7,850	3,959	3,891	98%
Capital Expenditure	(23,540)	(28,010)	4,470	(16%)
Net Funds from prepaid contracts	11,888	5,304	6,584	>100%
Investing Cash Flows	(3,802)	(18,747)	14,945	(80%)
Dividends paid	(10,084)	-	(10,084)	100%
Equity raise (net of issue costs)	-	270,912	(270,912)	(100%)
Net draw down/(repayment) of borrowings	-	(106,761)	106,761	(100%)
Net lease payments	(9,020)	(6,210)	(2,810)	45%
Other	-	(70)	70	(100%)
Financing Cash Flows	(19,104)	157,871	(176,975)	(112%)
Change in Cash Held	12,294	161,204	(148,910)	(92%)
Cash conversion %	102%	98%		4 ppt
Free Cash Flow	26,843	24,616	2,227	9%

- Strong operating cashflow increase reflecting both underlying earnings growth and continued strong cash conversion
- (Acquisitions)/divestments includes \$9.4 million proceeds received from disposal of three locations
- CAPEX lower than PCP reflecting increased capital discipline and delayed NBO deployments
- FY19 final dividend deferred and paid in H2 2020 rather than H1 2020
- Lease payments higher due to new NBO facilities and acquisitions
- Healthy free cash flow growth

¹: Net working capital movement and net finance costs disclosed exclude non-cash movements and therefore will not reconcile to disclosures of working capital in the balance sheet and net financing costs included in the profit or loss respectively

		1H21 \$000	1H20 \$000	CHANGE \$000	CHANGE %
By Nature	Maintenance CAPEX	9,531	6,423	3,108	48%
	Investment – Platform ¹	5,830	3,988	1,842	46%
	Investment – Growth/Facilities	8,179	17,599	(9,386)	(52%)
	TOTAL	23,540	28,010	(4,470)	(16%)
By Category	Facilities	14,439	21,406	(6,967)	(33%)
	Information Technology	6,928	5,636	1,292	23%
	Motor Vehicles	698	462	236	51%
	Other assets	1,475	506	969	192%
	TOTAL	23,540	28,010	(4,470)	(16%)
By Business	Funerals Australia	10,810	18,401	(7,591)	(41%)
	Cemeteries & Crematoria Australia	1,316	1,812	(496)	(27%)
	Pet Cremations	1,226	602	624	>100%
	New Zealand	1,613	837	776	>100%
	Singapore	79	37	42	>100%
	Support Office	8,496	6,321	2,175	34%
	TOTAL	23,540	28,010	(4,470)	(16%)

Depreciation & Amortisation expense



- Maintenance CAPEX moving toward D&A 'rule-of-thumb'
- Platform investments include ERP enhancements, commencement of new payroll system implementation and Shared Service Centre CAPEX
- \$8.2 million of Facilities spend = NBO projects, 12 delivered in the half (see Appendix for further details)
- \$1.9 million of leasehold improvements from office relocation contributed to Support Office CAPEX increase

Outlook

- COVID-delay in some planned NBO projects has pushed spend to H2
- Continued platform investment on new payroll system and extension of ERP into Cemeteries & Crematoria business and NZ

	1H21 \$000	FY20 \$000	CHANGE \$000	CHANGE %	1H20 \$000
Cash and cash equivalents	131,151	118,781	12,370	10%	180,743
Borrowings	(246,355)	(246,039)	(316)	0.1%	(247,590)
Finance lease liabilities	(9,537)	(10,210)	673	(6.6%)	(11,243)
Net Debt	(124,741)	(137,468)	12,727	(9.3%)	(78,090)
Lease liabilities ¹	(171,152)	(164,808)	(6,344)	3.8%	(165,924)
Total Lease Adjusted Debt	(295,893)	(302,276)	6,383	(2.1%)	(244,014)
Total shareholders' equity	567,038	531,900	35,138	6.6%	550,269
Leverage ratio r12	1.1 x	1.3 x		(0.2 x)	0.6 x
Interest cover ratio r12	11.2 x	8.3 x		2.9 x	9.5 x

	1H21	1H20	CHANGE %
Weighted average # shares (millions)	142.9	125.2	14%
Operating EPS (cents)	14.4	9.2	57%
Interim Dividend (cents)	9.5	5.5	73%
Dividend payout ratio	66%	60%	6 ppts

Debt

- Continued strong cash generation has increased cash on hand
 - Reducing net debt
 - Reducing lease adjusted net debt
 - Improving leverage ratio
 - Assisted by capex reduction
- Improved operating earnings and reduced finance costs driving further improvement in interest cover

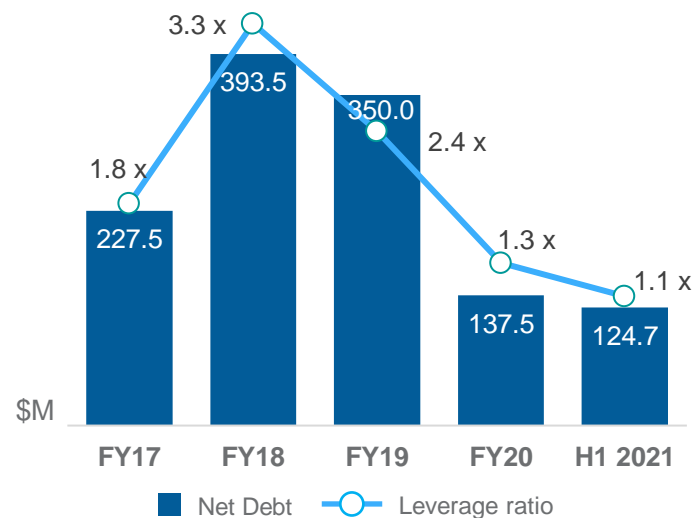
Equity

- Increase in # shares driven by prior period equity raise
- 78% increase in Operating Earnings After Tax has delivered 57% increase in Operating EPS
- Interim Dividend of 9.5 cents, within preferred dividend payout range

Debt facilities

Debt facilities	Tenor remaining	CURRENT		FUTURE	
		Drawn \$M	Limit \$M	Tenor Remaining	Limit \$M
Note Purchase Agreement	7 years	100.0	100.0	7 years	100.0
Syndicated debt – multi currency term loan	2 years	148.7*	150.0*	-	-
Syndicated debt – multi currency revolving cash advance	2 years	-	200.0	3 years	275.0
Total available debt		248.7	450.0		375.0

Net Debt & Leverage



- The Group has access to debt facilities with varying tenor and capability:
 - 10yr Note Purchase Agreement
 - Shorter-term Syndicated Debt Facility
- Syndicated Debt Facility refinanced in August 2021:
 - To repay fully drawn A\$67.5 million, NZ\$50 million and S\$35 million Term Loans
 - Increased limit of Multi Currency Revolving Cash Advance Facility to \$275 million
 - Extended tenor to end of August 2024
 - Agreed simplified and more favourable common pricing grid
- Debt leverage ratio well within bank covenant and at low point of cycle

*:Includes NZ \$50million and S\$35million draws in NZD and SGD and therefore drawn balance moves due to FX fluctuations

Northern Suburbs Memorial Park,
New South Wales

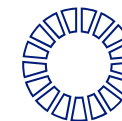
Strategy & Outlook

Olivier Chretien, CEO

 InvoCare

Strategy – continuing this momentum into H2

Raising the bar



Customer Led People Empowered

- Action plans from 'Your Say' survey to lift employee engagement
- Optimise customer channels - digital & phone
- Lift Leadership capabilities - acquisition & development

Operational Excellence

- Deliver NBO project pipeline
- Continue Cemeteries & Crematoria ERP project
- Implement new payroll system
- Complete debt refinance

Stronger core growth

- Complete funeral network reviews
- Assess bolt-on acquisition opportunities
- Review Simplicity Brand Value Proposition
- Develop digital offering

New growth platforms

- Embed Memories partnership in the business
- Explore new value-add services
- Continue to pursue B2B opportunities

Sustainable Leadership

- Embed safety & clinical excellence initiatives
- Develop long term sustainability strategy
- Enhance community engagement
- Address evolving industry regulatory requirements across our jurisdictions

Partnership and Investment in Memories

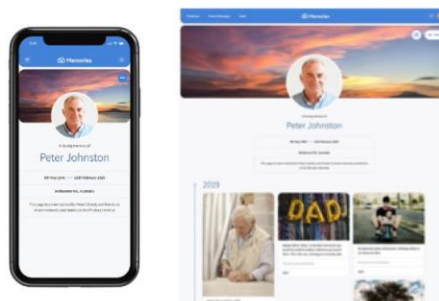
InvoCare embraces digital by partnering with **Memories**,
a market leader in online memorials

 InvoCare



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 Memories



 InvoCare

- Partnership with an emerging global leader in digital memorialisation
- New offering to support client families
- Aligned to global trends - digital platforms and transient nature of people
- Particularly powerful while travel and attendance at memorials are challenged

- **H1 financial results provide evidence of the operational performance potential of the business**
- **Return to lockdown conditions in the second half**
 - renewed softening of the funeral services sector expected, but the extent and duration remain uncertain
 - likely short-term impact in terms of funeral case average and sales opportunities at memorial parks
 - case volumes still below pre-COVID levels, minimal winter flu season expected in Australia
 - no earnings guidance provided
- **Confidence remains about the longer-term potential:**
 - Underlying population growth and ageing trends
 - Strong growth platform, with experienced teams, quality national/local brands, asset base, and leading market positions
 - Expected benefits from optimising network, expanding into growth segments and adjacent markets, including Pet Cremations
 - Positive momentum in execution of the '*Raising the bar*' phase of our 5-year strategy

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Thank you –
Questions?

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Non-IFRS financial information

To support an understanding of comparable business performance, this 2021 Half Year Results Presentation presents results on a statutory and Operating/Non Operating (non-IFRS) basis when presenting measures of profitability. InvoCare considers Operating EBITDA, EBIT and NPAT as key performance measures. These measures are adjusted earnings before interest, tax, depreciation and amortisation as applicable after excluding the following items:

- The financial impacts of the prepaid funeral business;
- Other non-operating activities, including asset sales gain/loss, impairment loss and restructuring costs as applicable.

Balance sheet and cash flow information presented is consistent with the information disclosed in the statutory presentation in the Appendix 4D Half Year Financial Report.

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

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Appendices

Reconciliation: Operating to Statutory Earnings

	Operating Results	Non-Operating	Statutory Results	Operating Results	Non-Operating	Statutory Results
	1H21 \$000	1H21 \$000	1H21 \$000	1H20 \$000	1H20 \$000	1H20 \$000
Revenue	257,343	(A) 3,512	260,855	227,955	2,369	230,324
Expenses	(193,793)	(B) (2,882)	(196,675)	(179,402)	(3,230)	(182,632)
EBITDA	63,550	630	64,180	48,553	(861)	47,692
Depreciation & Amortisation	(24,953)	(6)	(24,959)	(20,677)	(6)	(20,683)
Business acquisition costs	(714)	-	(714)	(858)	-	(858)
Net gain/loss on prepaid contracts	-	(C) 27,994	27,994	-	(39,534)	(39,534)
Gain/(loss) on lease modifications/terminations	1,493	(D) -	1,493	-	-	-
Asset sales gain/loss	-	(E) 5,780	5,780	-	1,306	1,306
EBIT	39,376	34,398	73,774	27,018	(39,095)	(12,077)
Net Finance Costs	(8,585)	(F) (527)	(9,112)	(11,417)	(2,609)	(14,026)
Tax	(10,190)	(G) (10,567)	(20,757)	(3,944)	12,134	8,190
Non-controlling interest	(49)	-	(49)	(92)	-	(92)
Reported (loss)/profit	20,552	23,304	43,856	11,565	(29,570)	(18,005)
EPS (cents per share)	14.4	16.3	30.7	9.2	(23.6)	(14.4)

Item	Explanation
(A) Revenue	Relates to admin fees and other income received in the pre-paid funeral business
(B) Expenses	Costs related to running the pre-paid Funerals business including employee and marketing costs
(C) Net gain/loss on Pre-paid contracts	Impact of fair value accounting for pre-paid funeral assets/liabilities, non-cash MTM movements
(D) Gain/(loss) on lease modification/termination	Non-cash gain arising under AASB 16 from modification or termination of leases as original adjustment on transition to the standard assumed taking up of all lease roll over periods in the calculation of the present value of the lease liability
(E) Asset sale gain/loss	Non-cash net profit or loss on disposal of assets
(F) Net Finance costs	Finance charges (non-cash) arising from customer advance payments in the pre-paid funerals business
(G) Tax	Tax impact of all adjustments excluded from operating result

Network Update – projects delivered

		FY17	FY18	FY19	FY20	1H21	2H21 ²
# Sites delivered	Refresh/recurring	26	32	15	54	7	14 - 21 sites
	Enhance/Growth	4	23	6	9	5	8 - 14 sites
	Total Facilities	30	55	21	63	12	22 - 35 sites
	Shared Service Centres	-	-	1	1	1	2 - 4 sites
	Total	30	55	22	64	13	24 - 39 sites
CAPEX \$M	Facilities ¹	(21.0)	(39.2)	(26.5)	(39.5)	(8.2)	
	Shared Service Centres	-	(2.2)	(7.9)	(1.2)	(0.8)	
	Acquired property	(8.3) ³	(1.2)	-	-	-	
# Sites Sold	Total	2	1	3	6	2	0 - 1 site
Proceeds \$M	Total	6.1	0.7	3.1	12.0	7.4	

Status 1H21

- Delivered 12 projects in Australia in the half
- Cairns Shared Service Centre went operational in the half
- 10 projects subsequently delivered in July/August, including 3 in NZ

Outlook

- Pause on projects in Q1 whilst undertaking strategy reset – enhanced capital discipline, delayed DA approval and potential COVID construction delays have pushed some projects into H2 completion and early FY22
- Refresh projects will be captured as part of recurring maintenance CAPEX post FY21

¹ : Excludes spend on shared service centre projects and acquired properties presented separately on this page

² : Number of projects approximate and subject to change

³ : Includes acquisition of Singapore location

Impact of AASB 15 and 16 on operating results

	AASB 15 impact	1H18 \$M	FY18 \$M	1H19 \$M	FY19 \$M	1H20 \$M	FY20 \$M	1H21 \$M	FY21 est \$M	FY22 est \$M	FY23 est \$M
Unwind of deferred revenue when revenue recognition criteria met e.g. control of property/interment right	Operating Revenue	10.5	21.6	5.1	16.3	9.6	20.3	11.4	16.0 – 19.0	12.0 – 15.0	1.0 – 3.0
Unwind of deferred selling costs including inventory movements and commissions paid to sales staff	Operating Expenses	(3.0)	(5.7)	(1.4)	(3.9)	(2.3)	(5.0)	(2.8)	(4.0) – (5.0)	(3.0) – (4.0)	(0.2) – (0.5)
	Operating EBITDA	7.5	15.9	3.8	12.4	7.3	15.3	8.6	12.0 - 14.0	9.0 – 11.0	0.8 – 2.5
Financing cost from receiving customer payments in advance, increases deferred revenue to reflect current selling price	Interest	(1.8)	(3.5)	(1.1)	(2.9)	(1.2)	(2.0)	(0.5)	(1.0) - (2.0)	(0.5) - (1.0)	0 – (0.5)
	Profit before tax	5.7	12.4	2.7	9.5	6.0	12.3	8.1	11.0 - 12.0	8.5 – 10.0	0.8 – 2.0
	AASB 16 impact	1H18 \$M	FY18 \$M	1H19 \$M	FY19 \$M	1H20 \$M	FY20 \$M	1H21 \$M	FY21 est \$M		
Impact of reversal of operating lease rental expense, increases EBITDA	Operating EBITDA	-	-	6.7	14.2	7.3	15.5	8.1	16.0 – 17.0		
Depreciation of Right to Use Asset, in lieu of rent expense	Depreciation	-	-	(5.5)	(11.4)	(7.8)	(16.4)	(8.2)	(16.0) – (17.0)		
Unwind of discount rate on present value of lease liabilities	Interest	-	-	(2.3)	(4.8)	(2.8)	(5.3)	(2.8)	(5.0) – (6.0)		
	Profit before tax	-	-	(1.1)	(1.9)	(3.4)	(6.2)	(2.9)	(5.0) – (6.0)		

Term	Definition
AFSL	Australian Financial Services Licence
Average capital employed	Average of opening and closing Capital Employed
Average working capital % of sales	Average of opening and closing Working Capital divided by Operating Revenue for a 12 month period
B2B/B2C	Business to business/Business to consumer
CAPEX	Capital expenditure
Capital employed	As used in ROCE % calculation. Calculated as Total Equity + Net Debt
Cashflow conversion %	Ungeared, tax free operating cash flows divided by Operating EBITDA
CITO	Chief Information Technology Officer
COVID	COVID-19 pandemic
D&A	Depreciation & amortisation expense
Dividend payout ratio	Dividend per share divided by Operating EPS
EBITDA Margin	Operating EBITDA divided by Operating Revenue
EPMO	Enterprise Project Management Office
EPS	Earnings per share, calculated as Reported profit/(loss) divided by weighted average number of shares
ERP	Enterprise Resource Planning, the main Oracle general ledger financial system used by the business
Free cash flow	Operating cash flow + interest paid less Maintenance CAPEX less Investment – Platform CAPEX
Funeral Case Average	Calculated as gross funeral revenue (including disbursements) divided by funeral case volume
Funeral Case Volume	Number of funeral services undertaken
FUM	Funds under management in the pre-paid funerals business
HSE	Health, Safety & Environment
Interest cover ratio	Calculated as Operating EBITDA divided by Net finance costs excluding AASB 16 interest, merchant fees and interest on customer advance payments. Interest cover calculation used for bank covenant testing purposes uses an Adjusted EBITDA measure (primarily adjusted to include proforma earnings from acquisitions and costs arising from restructuring initiatives)
Investment CAPEX	CAPEX undertaken to expand existing operations or further growth prospects, includes platform investments (IT and Shared Service Centre projects)
IFRIC	IFRS Interpretation Committee

Glossary

Term	Definition
Leverage ratio	Calculated for disclosure purposes as Net debt divided by Operating EBITDA. Leverage calculation used for bank covenant testing purposes uses an Adjusted EBITDA measure (primarily adjusted to include proforma earnings from acquisitions and costs arising from restructuring initiatives). r12 measure uses rolling 12-month Operating EBITDA
LTI	Long term incentives for employees, i.e. share based payments
LTIFR	Lost Time Injury Frequency Rate
Maintenance CAPEX	Recurring annual CAPEX required to maintain facilities, capital works, IT hardware and software and plant & equipment
Memorialisation revenue	Revenue earned from the sale of memorials, plaques, burial plots etc. in the Cemeteries & Crematoria business
MTM	Mark-to-market, revaluation of assets and liabilities held at fair value on the Group's balance sheet
NBO	Network & Brand Optimisation program of projects as part of previous Protect & Grow Strategy
Net debt	Cash and cash equivalents + Borrowings + Finance leases
NPS	Net Promoter Score, calculated based on customer feedback with Group score representative of Australia and New Zealand only
Operating Earnings After Tax	Reported profit excluding non-operating items and associated tax
Operating EBITDA	Operating earnings before business acquisition costs, gain/loss on lease modification/termination, interest, tax, depreciation & amortisation
Operating EBIT	Operating earnings before interest and tax
Operating EPS	Operating net profit after tax divided by weighted average number of shares
Operating leverage	Means the percentage growth in Operating EBITDA divided by the percentage growth in Operating Revenue
Operating Revenue	Revenue for the Group excluding revenue earned from pre-paid funerals business
OPEX % Sales	Operating expenses (excluding finished goods, consumables and funeral disbursements) divided by Operating Revenue
PCP	Prior corresponding period
Pet case average	Pet Cremation revenue divided by Pet cremation volume, average revenue earned from pet cremation cases conducted
Pet cremation volumes	The number of pets cremations conducted
ROCE %	Calculated as Operating EBIT divided by Average Capital Employed. r12 measure uses rolling 12-month Operating EBIT and Average Capital Employed using prior June balances
STI	Short term incentives for employees, i.e. cash based bonuses
Ungeared, tax free operating cash flows	Calculated as operating cash flow excluding net finance costs paid and tax paid adjusted by net funds from prepaid contracts (Payments to funds under management for pre-paid contract sales and receipts from funds under management for pre-paid contracts performed) sourced from investing cash flows and other cash flows related to pre-paid contracts
Working capital	Inventories + Trade & Other Receivables + Trade & Other Payables

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