

## **2021 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 2021 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 2021 Annual General Meeting.

### **Positive recovery & momentum in a year of disruption**

In 2021 we welcomed Olivier Chretien as our new Managing Director & CEO and this first year under his leadership has been a strong one for the Group. Olivier has certainly hit the ground running and with the Board's support and alongside his Executive Leadership Team, we have:

- reset our strategic vision for the next 5 years;
- embarked on a bold change agenda;
- delivered profit growth;
- returned the business to positive operating leverage;
- maintained our strong balance sheet and cash conversion; and
- improved customer satisfaction and safety outcomes for the Group

All against the backdrop of another year of COVID-driven disruption to our industry.

On behalf of the Board we would like to extend our thanks and gratitude to our employees. In 2021, our teams across our Funerals, Cemeteries & Crematoria and Pet Cremation businesses, as well as our support office teams, have continued to step up to the significant challenge of the COVID pandemic.

A year ago, I reported to you that 2020 had been a year of unprecedented challenge, and that our people were truly able to live our mission to support families at the most pivotal time of their lives. In 2021 our flexible COVID response plan is now embedded in the business and continues to serve us well. After near 'normal' operating conditions in most of our markets for much of the first half of the year, the arrival of the Delta variant in June and Omicron variant in December led to a tougher second half to navigate across our geographies.

Our teams dealt with various forms of lockdown and restrictions in all our key markets. Our memorial parks experienced dramatically reduced foot traffic, while our funeral teams managed the impacts of bans on funerals that spanned from seven days in South Australia to four weeks in Auckland. They also had to respond to the restrictions of various governments on attendee limits, vaccine mandates for mourners and the overall general fatigue of our workforce.

Despite these challenges, InvoCare reported statutory profit after tax attributed to shareholders of \$80.2million for the year, a strong turn-around from the \$11.5million restated reported loss in the prior year. Recovery in the key value drivers of core operating earnings, a strong performance from our expanded Pet Cremations business (which is proving to be a good business), as well as a robust recovery in the mark-to-market valuation of Pre-paid Funds Under Management have driven this growth in Reported Profit.

Given the strength of these results, your Board was pleased to determine a final fully franked dividend of 11.5 cents per share, which brought the full year dividend to 21.0 cents per share, an increase of 68% in our distributions to shareholders. The resulting dividend payout ratio of 66% reflected an appropriately prudent approach to capital management given the opportunities for investment in growth initiatives set out in our strategy.

## **Enhanced Sustainability Strategy**

During the year the Group reset its purpose – ‘Honouring life, celebrating memories for generations’ - and our strategy, taking a longer term view out to 2025.

As I outlined to you in our AGM held this time last year, the fifth pillar of this strategy is our commitment to industry leadership in sustainability, which has led to a redoubling of our efforts in this space.

The Board, alongside the Executive Leadership Team, has increased focus and investment in our Environment, Social and Governance (ESG) goals and our Sustainability strategy and its programs in 2021. This commenced with the appointment of a dedicated member of our Executive Leadership Team, Grace Westdorp, in March 2021 who is responsible for Safety & Sustainability, and in January this year Tim Higgins has been elevated to the role of Executive General Manager – International, Strategy and Innovation.

Adding a dedicated executive focus has added a new dimension to the Group’s approach to these areas of our strategy and we are pleased with the Group’s progress on innovation, safety and ESG initiatives.

Also during the year we conducted a materiality assessment as part of the new sustainability strategy, sharpening our focus on the priority areas where we think we can make a real difference and theming them around three key areas of ‘People, Place and Planet’. This strategy was officially launched in early 2022 and we recognise both the huge opportunities and the substantial challenges that go hand-in-hand with achieving genuine ESG progress. Our business includes an international footprint, hundreds of

premises and facilities, large vehicle fleets, energy-intensive operations, a diverse workforce with considerable safety responsibilities and our commitments to community.

As the sustainability strategy is multi-year, some of our activities and evaluation processes under each theme are still in development but I just wanted to highlight some key initiatives for the year ahead.

People are at the heart of our business — our team members, the clients and families we serve, and the communities in which we operate.

- Our overarching Health and Safety Strategy promotes team member peak performance and reduces injury, illness, and risk. We have grown our Safety and Injury Management teams and are introducing clearer targets and safety management plans.
- For a business centred on care and support for client families in times of need, having a genuine connection to the 'employee voice' is an integral aspect of our approach to wellbeing and planning. The first phase of our new look Your Say survey in 2021 gave us baseline data about employee experiences.
- Clients and families are at the heart of decision-making and our teams work hard to provide high-quality service, and we will continue to focus on service excellence, including NPS.

InvoCare businesses have long-term relationships with Place, with some of our brands having well over a century of service to their community. Our commitment to Place also comes through partnerships with socially responsible organisations and charities aligned to our business and ESG goals.

Your Board also believes that conserving and protecting the environment for future generations is likewise critically important. We believe that our business has an important role to play by:

- setting targets within our operations to reduce our greenhouse gas emissions
- increase recycling
- reducing waste and
- promoting responsible procurement.

We have performed an assessment of where our current emissions come from, both direct and indirect. Although the breadth of our network of facilities and the need to refrigerate 24 hours a day means electricity is the main source of our CO<sup>2</sup> emissions, the nature of our operations, particularly our crematoria, including in the Pet Cremation space, means that our LPG emissions are also a high proportion of our emissions, followed by natural gas and vehicle fleet emissions.

Understanding this mix is helpful in identifying our decarbonisation strategies, what can we do now and what technologies can we employ that may take a bit longer. We will provide more information on our goals in this space in our 2022 sustainability reporting. For more information on our business and our

sustainability focus areas and achievements I refer shareholders to our suite of corporate reporting documents for this year, available on our website or the ASX.

**Board renewal**

In terms of Board renewal, in May 2021 the Board announced the appointment of Kim Anderson as a Non-Executive Director and Chair of the People, Culture & Remuneration Committee with Kim being elected to the Board at last year’s AGM.

Additionally, in November 2021, the Board announced the appointment of Kee Wong as a Non-Executive Director of the Company. Kee’s technology industry experience and entrepreneurial background add real diversity to our Board, and his tenure as an ASX listed company director is evident in his contribution to our deliberations already.

Both of our new directors complement the Board’s depth and diversity of knowledge on-hand to support the Company in this next phase of our strategy with the aim of driving long term, sustainable growth and we welcome the contributions they have already made to the Board and InvoCare.

There are three resolutions before this meeting with respect to Directors, Resolutions 2 and 3 to re-elect Richard Davis and Megan Quinn, who both retire by rotation at this AGM and Resolution 4 to elect Kee Wong to the Board.

**Confident as we look to the future for this business**

And finally, given the challenges we have faced in recent times, I would like to thank my fellow Directors for their continued adaptability and ongoing commitment over the past year. I would also like to extend my gratitude to our CEO, Olivier, and his team.

The Board is confident about the strength of the business with future growth supported by both population and ageing trends in its markets. The refreshed Executive Leadership Team, led by Olivier, the reset strategy and the momentum achieved in this first year we believe sets the Company up well for its next phase in meeting the evolving needs of our client families and our aim of delivering predictable and growing returns to our shareholders.

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.

2021 marks my first year as Managing Director & CEO of InvoCare and I would like to thank the Board for placing their confidence in me and allowing me to lead such a great company.

As Bart touched on, 2021 was a year characterised by positive earnings recovery and momentum in our reset strategy, despite the challenges that the continuing pandemic had on our people and operations.

Echoing Bart's message, I would also like to thank my teams in Australia, New Zealand and Singapore for their tireless support of each other and our client families. I also wish to thank my Executive Leadership Team for their dedication, hard work and amazing support in my first year at the helm.

In that context I would like to provide you with:

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

### InvoCare at a glance

We included this slide in the February investor presentation covering our 2021 results. I think it encapsulates where we are as a Group very effectively, both in terms of some of the key metrics that define where we find the business at the end of 2021, but also some of the drivers for our strong results.

This platform underpins the confidence the Board, my Executive Leadership Team and myself have in the future success of our business, to seize the opportunities for growth in front of us and to meet the future needs of our customers.

As it stands today:

- We have a unique market position with scale and leading positions in Australia, New Zealand and Singapore; with access to scarce, strategic assets as well as exposure, through our diverse range of products, services and brands, to the entire customer lifetime journey, including their pets.
- We exist in an industry that competes largely on service and reputation, and crucially we have the requisite building blocks for success with a team over 1,900 delivering a world-class Net Promoter Score of +80
- We also retain a stable balance sheet supported by strong and reliable cash generation to enable us to invest in our key priorities. We maintain tight financial discipline with a focus on strong capital management, proactive portfolio management and operating leverage optimisation.

## **FY21 Highlights: Positive momentum on key measures of success**

I joined InvoCare because I was inspired by its people, values, and the opportunity to benefit the community at large.

In May 2021 we launched our reinvigorated Purpose and Strategy. Our Purpose - Honouring life, celebrating memories for generations - reflects the expanded role we play in meeting the needs of our client families. I believe there are still many more opportunities to improve and expand our services to client families and the community.

When we launched our five-pillar strategy in May last year we highlighted the key measures that will demonstrate our success in delivering on our strategic ambitions. These include:

- Continuing to deliver a very high NPS; and
- Ensuring high levels of employee engagement and being recognised as a trusted industry leader and preferred partner

And finally, if we do all of these things well:

- We will deliver our key financial measures of success, being sustained growth in earnings per share and a satisfactory enterprise return on capital employed.

As you can see, I am pleased to report positive performance against all these key performance indicators, including increased customer satisfaction and material improvement in safety outcomes, strong operational and financial growth outcomes, whilst continuing to maintain our strong balance sheet and levels of cash conversion.

The Group has successfully navigated another COVID-disrupted year with recovery in the key drivers of value. As a result, operating revenue increased 11% to \$527.1 million. Controlling cost growth has been a particular feature across the year and is reflected in some of the improved profit metrics, including 22% growth in Operating EBITDA to \$125.5 million and a return to a positive operating leverage of 2.1x.

Pleasingly, we saw positive momentum continuing in our key financial measures of success with Operating EPS up 51% to 31.6 cents and our enterprise return on capital employed up 2.4 percentage points to 11.2%.

## **Strategy: FY21 Update**

Operating conditions may have been disrupted, particularly in the second half of the year, but the strategic momentum during the year was pleasing, and the Group achieved some important foundational strategic initiatives across our five pillars, which are key to supporting future business growth:

- For our first pillar **Customer led, people empowered** - We renewed our purpose, vision and values; exceeded NPS of +80; successfully onboarded new talent in a number of key areas of the business - including in safety & sustainability; and conducted a new look employee

engagement survey, which led to new initiatives to ensure InvoCare is a great place to work, including an enhanced paid parental leave policy.

- For our second pillar **Operational excellence** - We implemented an enhanced ERP (Enterprise Resource Planning) system in Funerals and selected a new ERP system for Cemeteries & Crematoria to be implemented in 2022; we also successfully completed our debt refinancing; and improved capital investment discipline across the Group.
- For our third pillar **Stronger core growth** - We completed 40 network projects including four best-in-class shared service centres to build operational efficiencies; and we completed a new long-term Funerals network optimisation plan, as well as master plans for select key memorial parks.
- For our fourth pillar **New growth platforms** - We commenced the Group's new digital and innovation journey with the establishment of an innovation hub, which underpinned our investment and partnership with digital memorialisation business Memories in August; we also went live with a first stage customer digital self-serve portal and Pet Cremations e-commerce offering during the year; and we signed key commercial agreements across our businesses.
- And finally our fifth pillar, **Sustainable leadership** - Our investment in capability and increased focus on safety has resulted in improved safety outcomes, with the Group reducing LTIFR by 22% in the year to 9.8; we partnered with Violet, a Not-for-Profit providing support to families through the last stage of life; and as Bart touched on, we conducted an inaugural ESG materiality assessment and established the Group's enhanced sustainability strategy: '*People, Place, Planet*'.

As I touched on before, as it stands today, 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 the past five years, and then, using this as a strong and sustainable foundation for growth.

## **Q1 trading update**

Finally, I would like to provide you with some insight into our trading conditions in the first quarter of this year.

Whilst the broader impact of COVID is subsiding, some disruption continues:

- Increased levels of COVID infections combined with close-contact isolation rules (although recently lifted in NSW and VIC) have led to higher levels of staff absenteeism; this has been putting pressure on our teams across all businesses to service the increased demand we have seen.

- Sustained wet weather on the East coast of Australia continues to impact our memorial parks – in terms of our ability to conduct an increased number of burials safely or to undertake memorialisation construction; and in causing an elevated need for grounds maintenance, which is challenged by these weather conditions. The flooding in South-East QLD and Northern NSW seen in March and April also impacted funeral service capability in those communities.
- We are also not immune to Supply Chain challenges, with global shipping delays impacting delivery of key equipment like cremators, vehicles, IT hardware, and granite for memorialisation's.
- And finally, similar to many companies, we are having to navigate the challenges of heightened inflationary pressures on our cost of doing business; and, the ongoing difficulty in finding and securing the necessary talent to keep up with customer demand and to realise our growth initiatives.

Considering the broad range and extent of this disruption, the Group has performed satisfactorily in the first quarter. We expect these influences to continue through the second quarter, particularly the weather impacts on memorial parks, but we are working hard to mitigate them.

But there are also a number of trends emerging:

- As we saw towards the end of last year, there is evidence of the mortality rate, particularly in Australia, tracking back to long-term trends and funeral case volumes have been increasing.
- When conditions on the ground allow, memorialisation sales have continued to grow in our Cemeteries & Crematoria business, although the inclement weather is impacting on the timing of memorialisation construction and order pipeline; and
- Finally, Pet Cremation volumes continue to grow, albeit the integration now underway to create a truly national business will see some short-term disruption, compounding the impact of inflationary pressure on margins in this business.

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 navigate these short-term disruptions.

Thank you, this is the end of my address.

**-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.