

2020 Half Year Results Announcement – 19 August 2020

Resilient Revenue Performance in the face of unprecedented disruption

InvoCare Limited (ASX:IVC) today announced its results for the half-year ended 30 June 2020.

Results summary

In an extremely challenging operating environment, InvoCare's revenue declined 6.2%, predominantly reflecting the effects of the COVID-19 pandemic.

The Group remains committed to providing a high level of service to clients and our staff have responded to the COVID-19 challenges with innovative solutions to support client family needs. This has led to a strong Net Promoter Score of +78 which is testament to the Group's adaptability and its ongoing commitment to client families, staff and communities it serves. This commitment to continuing to serve our communities requires a high level of fixed costs which has contributed to the decline in Operating EBITDA of 22.7%.

In order to better position InvoCare to trade through the pandemic, the Company took steps to strengthen the balance sheet. These actions included a well-supported capital raising by both institutional and retail shareholders of \$274m, refinancing of \$200 million of bank debt and achieving cash conversion of 98%.

The strength of the balance sheet and the resilience of the industry has allowed InvoCare to continue to invest in growth initiatives, pay in full the deferred 2019 final dividend of 23.5 cents and determine to pay an interim dividend of 5.5 cents on 5 October 2020.

The key driver in declining revenue was a reduction in case average due primarily to the COVID driven restrictions on the number of attendees at funerals. The resilience of InvoCare services and renovated facilities played a role in limiting the Australian case average decline to 5.7% on PCP. Encouragingly, customer preferences returned to pre-COVID trends after the easing of attendance restrictions and this is reflected in the increase of case averages toward traditional norms.

Summary of HY 2020 financial results

\$ million	HY 2019	HY 2020	Change
Operating sales revenue	\$241.5m	\$226.5m	(6.2%)
Operating EBITDA	\$ 62.8m	\$ 48.6m	(22.7%)
Operating earnings after tax	\$ 22.3m	\$ 11.7m	(47.8%)
Net profit/(loss) after tax	\$ 41.1m	(\$ 18.0m)	(143.8%)

The statutory net loss after tax of \$18.0 million is driven by the mark to market adjustment made in the independently controlled funds under management (FUM) for prepaid funerals which reduced by a net 5.4%. Despite this reduction, the headroom remains positive at \$52.3 million i.e. the assets more than cover the liabilities.

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Martin Earp, Chief Executive Officer of InvoCare said, “I am proud of how the InvoCare team has responded to the COVID pandemic. They have demonstrated ongoing passion and commitment in meeting the needs of all stakeholders which is reflected in the improvement to our Net Promoter Score during this challenging period. Innovative new services, capital raising, debt refinancing, new operational procedures to safeguard the safety of our staff and our client families are all clear examples of a business that has responded in an agile manner to adjust to the challenges experienced due to COVID.”

InvoCare completed a \$274m equity raising in the first half of 2020 with the net proceeds of the raising having initially been used to reduce net debt, increase liquidity and balance sheet flexibility to support the business during the current uncertain environment. This additional balance sheet flexibility will enable the business to continue to focus on completing InvoCare’s renovation program and invest in expanding our footprint in the regional markets of Australia and the pet cremation sector.

Mr Earp said, “Our renovated funeral homes are performing strongly when compared to our unrenovated sites. One of the key issues to arise from this pandemic has been the recognition by families of the important role of funeral services and this gives us confidence to continue upgrading our service offerings to ensure that we meet the changing needs of our client families into the future.”

Dividend

The deferred 2019 final dividend (23.5 cents 100% franked) will be paid on 5 October 2020.

The Directors have determined that the interim dividend for the first half of financial year 2020 is 5.5 cents per share. InvoCare’s Dividend Reinvestment Plan (“DRP”) remains activated for this interim dividend. No discount will apply. The dividend will be paid on 5 October 2020, with a record date of 26 August 2020, a DRP election date of 27 August 2020 and an ex-dividend date of 25 August 2020.

- ENDS -

This announcement has been authorised by the Board of InvoCare Limited.

BACKGROUND

InvoCare, headquartered in Sydney, is a leading provider of funeral services in Australia, New Zealand and in Singapore. It also operates private cemeteries and crematoria in Australia.

For immediate release.

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