



Some normality returns after COVID-19 induced “world of pain”

Company/ASX Code	Invocare (IVC)
AGM date	Friday 20 May 2022
Time and location	10.30am, Invocare Support Office, Level 5 40 Mount Street, North Sydney or online at www.meetings.linkgroup.com/IVCAGM21 . More detailed information about online participation and voting may be found at www.invocare.com.au/investor-relations/annual-general-meeting/
Registry	Link Market Services
Webcast	See above
Poll or show of hands	Poll on all items
Monitor	Roger Ashley assisted by Sue Howes
Pre AGM Meeting?	Yes, with Chairman Bart Vogel and Director Kim Anderson

The individuals (or their associates) involved in the preparation of this voting intention have an indirect shareholding in this company.

Item B	Financial Reports
ASA Vote	No vote required

Summary of ASA Position

Financial performance

The company’s results for 2021 reflect a post COVID-19 return to some form of normality although there were residual effects caused by restrictions on gatherings and other impacts of the epidemic. There was a 2.2% growth in case volumes in Australia and New Zealand although the current rise in COVID-19 cases in New Zealand could have a deleterious impact on results there.

Although statutory net profits after tax compared with the prior year turned around from a loss of \$11.4m to a profit of \$80.3m, an improvement of \$91.7m, \$60.1m of this turnaround was attributable to mark-to-market accounting for pre-paid funeral contracts. The volatility associated with this asset is prudently not considered to be part of the ordinary operations of the company. On an operating basis, revenues grew by 10.7% and EBIT by 35.7% year on year.

Unusually the only acquisitions during the year were in the pet cremation business which is a relatively new initiative for the company. Revenue in this segment was up by 538% and Operating EBITDA increased by 1289% to \$6973k. While this business has good growth possibilities it will not have the scale required to maintain historical growth levels. Expansion in Australia through acquisition is impacted by ACCC market share constraints so ventures into the Asia-Pacific area are in the early stages of evaluation. A cautious approach to expansion in this area will be followed drawing on experience and expertise gained from existing operations in Singapore.

Highlighted as a possible risk factor in the annual report is potential legislation in New South Wales (the Cemeteries and Crematoria NSW Internment Industry Scheme) which could result in unintended consequences for the industry in particular funding the maintenance of cemeteries in perpetuity including those that are currently fully developed.

The ongoing facilities upgrade under the “Protect and Grow” strategy is expected to be completed in 2022 and will be replaced by an emphasis on delivering services and enhancements to the digital options available to online users offering funeral planning options and pricing.

Past criticisms of the company involving opaque pricing procedures have led to an overhaul of pricing options that are now transparently presented online with trained support staff assisting with options as required.

Following a share issue in 2021, the company has restructured its borrowings to optimise its cost of funds.

ASA focus issues

The company has a policy that its directors should hold shares of a value equivalent to 50% of their annual cash fees after three years. Despite ASA’s requests for the company to consider aligning the company’s policy with ASA’s policy of 100% of annual fees after three years, there has been no change to the policy.

We commented on the paucity of details of the company’s actions to counter the impacts of climate change and were advised that an external party is working on a realistic (ie. not a token) plan to reduce emissions. We were advised that the biggest energy consumption arose from cremators and the fleet of hearses. Investment is planned to replace the existing cremators with less energy intensive ones and the acquisition of hybrid or electric hearses is under investigation.

We are pleased to see that the company is continuing with a hybrid AGM with the option of attending online or in person.

After many years of PwC conducting the company’s audit, Deloitte have been appointed auditors from 2021.

Summary

(As at FYE)	2021	2020	2019	2018	2017
NPAT (\$m)	80.3	(11.4)	63.8	41.2	97.4
UPAT (\$m)	45.1	28.0	59.1	49.5	63.4
Share price (\$)	11.76	11.45	13.19	10.30	16.10
Dividend (cents)	21.0	12.5	41.0	37.0	46.0
TSR (%)	4.5	(12.2)	32.0	(33.7)	19.4
EPS (cents)	56.1	(8.6)	55.8	37.8	88.8
CEO total remuneration, actual (\$m)	1.6	2.4	1.2	1.3	1.3

For 2021, the CEO’s total actual remuneration was **16.6 times** the Australian Full time Adult Average Weekly Total Earnings (based on November 2021 data from the Australian Bureau of Statistics).

Resolution 1	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

CEO Remuneration Structure

	Target \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.100	42%	1.100	39%
STI - Cash	0.615	23%	0.760	27%
STI - Equity	0.155	6%	0.203	7%
LTI	0.770	29%	0.770	27%
Total	2.640	100.0%	2.833	100%

Note: This table is based on the proposed remuneration structure for 2022. It should be noted that the equity component of the STI represents 50% of any award in excess of \$150k and is deferred for one year only.

The total target income for 2022 of \$2.64m represents an increase of 7.3% over 2021.

The incentives for 2022 are broadly in line with those that the ASA voted in favour of last year.

The Short-Term Incentive (STI) comprises a number of measures of which Group EBITDA accounts for 50% of the award which we have been advised requires achievement of budget as a threshold. There is a deferred equity component to the STI which does, however, still fall short of ASA's policy and the maximum opportunity is 87% of fixed remuneration.

The Long-Term Incentive (LTI) comprises equally weighted measures of Earnings Per Share and Return on Capital Employed. The EPS hurdle requires a 10-15% compound annual growth rate and the ROCE hurdle is 10-12% over the performance period. Deferral of LTI payments is no longer the case.

Resolution 2	Re-election of Richard Davis as a Director
ASA Vote	For

Summary of ASA Position

Mr. Davis was appointed to the Board on 21 February 2012 and spent 20 years with Invocare most of that time as CEO retiring in 2008. He is Chairman of Australian Vintage Limited and Monash IVF Group. We recognise that Mr. Davis will exceed a tenure of 12 years as an independent non-executive director before any possible re-election but accept that persons with appropriate experience in the funeral industry are rare. He is the only director with this background currently on the Board.

Mr. Davis is a member of the Audit, Risk & Compliance Committee.

There is no known reason not to support Mr. Davis' re-election.

Resolution 3	Re-election of Megan Quinn as a Director
ASA Vote	For

Summary of ASA Position

Megan Quinn was appointed to the Board on 1 October 2018. She is regarded as a customer experience, innovation, transformation, marketing, retail and business expert, subjects on which she speaks and consults internationally.

Ms. Quinn is a director of City Chic Collective and Reece Limited.

She is a member of the People, Culture and Remuneration Committee

Ms. Quinn holds no shares in Invocare contrary to the company's policy. However the ASA has been made aware of mitigating circumstances in this case resulting in a vote in favour of the resolution.

Resolution 4	Election of Kee Wong as a Director
ASA Vote	For

Summary of ASA Position

Kee Wong was appointed to the Board on 1 November 2021. He is an entrepreneur and investor and has experience in IT and management consulting and was a senior executive at IBM in the Asia-Pacific region.

Kee is a director of Carsales.com Limited and Director of the Australian Energy Market Operator (AEMO).

There is no known reason not to support Kee's election

Resolution 5	Approval of the security grants to Oliver Chretien
ASA Vote	For

Summary of ASA Position

The CEO's LTI grant for 2022-24 is 63,741 shares. This represents a target award of \$770,000 based on a VWAP of \$12.08 per share (actual value) for 10 days post 28 February 2022.

The LTI hurdles comprise equal components of Earnings Per Share and Return on Capital Employed.

The 'for' vote on this resolution reflects the reasons for the vote for the remuneration report.

Resolution 6	Appointment of Auditor
ASA Vote	For

Summary of ASA Position

The ASA has in the past pressed the company to put out to tender the audit function which had remained with PricewaterhouseCoopers for many years. The company's management was impressed with the efforts that Deloitte made in understanding the business which informed their tender proposal.

We are accordingly in favour of this resolution.

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