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ASX Announcement

INVOCARE TO RAISE UP TO A\$85 million

Release date: Friday, 8 March 2019

InvoCare Ltd (ASX:IVC) (**InvoCare** or the **Company**) is undertaking a fully underwritten institutional placement to raise approximately A\$65 million (the **Institutional Placement**), and a follow-on Share Purchase Plan (**SPP**) which will be capped at A\$20 million.

Rationale

In light of the positive reaction to its FY2018 results and particularly the early results of the Protect & Grow update, InvoCare has elected to accelerate its capital raising plans through this Institutional Placement and a follow-on SPP. Consequently, InvoCare has determined that its Dividend Reinvestment Plan (**DRP**) in respect of the final FY18 dividend (payable on 12 April 2019) will no longer be underwritten and shareholders will be given until Friday, 15 March 2019 to provide or amend their DRP elections.

Use of Funds

The net proceeds of the capital raising will be used to provide incremental balance sheet flexibility. As previously announced to the market, InvoCare continues to pursue its strategic growth objectives.

Protect and Grow

- Protect & Grow program has been underway for 15 months and 35% of the sites were completed by 31 December 2018
- 49 locations have been operating for six months or more, and 61% of those locations are trading ahead of or in-line with expectations for EBITDA improvement (i.e. uplift performance against “baseline model”)
- Work undertaken to date has delivered key lessons to be applied during remainder of phase one (during 2019) and in phase two (expected to begin in Q4 2019)
- Majority of renovation program to be completed in 2020

Regional acquisition strategy

- InvoCare’s regional strategy has deployed ~A\$73m of capital during 2018 in 11 transactions across five core regional areas and two metropolitan locations
- In aggregate, these acquisitions are performing ahead of management’s expectations
- InvoCare will continue to opportunistically pursue regional acquisitions as appropriate using a funding mix of cash and/or scrip

InvoCare’s CEO, Mr Martin Earp, said: “We have structured our funding policy to retain an appropriate level of flexibility to allow for both of our growth strategies to continue at an appropriate pace. Having received encouragement from shareholders and investors, we are now pleased to provide eligible shareholders with the opportunity to invest as we continue a disciplined acceleration of our growth capital investment program.”

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InvoCare's pro forma leverage ratio as at 31 December 2018 was 2.99x net debt / 2018 bank EBITDA¹. Upon completion of the Institutional Placement (and prior to any proceeds from the SPP), InvoCare's pro forma leverage ratio will reduce to 2.50x with pro forma net debt as at 31 December 2018 of \$331 million.²

UNDERWRITTEN INSTITUTIONAL PLACEMENT

The Institutional Placement will be offered to certain professional and sophisticated institutional investors in certain designated jurisdictions.

The Institutional Placement Price will be determined by way of a variable price bookbuild with an underwritten floor price of \$13.30 per share. The floor price represents a 7.3% discount to the last closing price of \$14.34 on Thursday, 7 March 2019.

New shares to be issued under the Institutional Placement (**Placement Shares**) and the SPP will rank equally with existing InvoCare fully paid ordinary shares on issue.

Macquarie Capital (Australia) Limited (**Macquarie**) is acting as sole lead manager, bookrunner and underwriter to the Institutional Placement.

NON-UNDERWRITTEN SHARE PURCHASE PLAN

The Institutional Placement will be followed by an offer to all existing eligible shareholders to participate in a SPP. The SPP is capped at A\$15,000 per shareholder and A\$20 million in aggregate and is not underwritten. InvoCare reserves the right to increase the size of the SPP or scale back applications under the SPP at its discretion.

The SPP will provide eligible ordinary shareholders (being those persons registered as ordinary shareholders as at 7pm (AEDT) on 7 March 2019 who reside in Australia or New Zealand) to subscribe for additional shares in InvoCare. The offer will be priced at the lesser of the issue price of the Institutional Placement or the VWAP of InvoCare shares traded in the five working days up until the final acceptance of the SPP. Further details of the SPP will be provided to eligible shareholders in due course.

INDICATIVE TIMETABLE

The timetable below is indicative only and subject to change. InvoCare reserves the right to alter the below dates at its full discretion and without prior notice, subject to the ASX Listing Rules and the Corporations Act. All times below are Sydney, Australia time.

EVENT	TIME / DATE
SPP record date	7.00pm on Thursday, 7 March 2019
Institutional Placement bookbuild conducted	Friday, 8 March 2019
Settlement of Institutional Placement Shares	Wednesday, 13 March 2019
Allotment and issue of Institutional Placement Shares	Thursday, 14 March 2019
Institutional Placement Shares commence trading on ASX	Thursday, 14 March 2019

¹ EBITDA is calculated in accordance with the covenant methodology under InvoCare's syndicated facility agreement (**covenant EBITDA**).

² Assuming full take up of the SPP of \$20 million, pro forma net debt as at 31 December 2018 will be A\$311 million, representing a leverage ratio of 2.35x net debt / FY 2018 covenant EBITDA. InvoCare reserves the right to increase the size of the SPP or scale back applications under the SPP at its discretion.

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FINAL 2018 DIVIDEND ARRANGEMENTS

To allow shareholders additional time to make DRP elections following this announcement, the closing date for the DRP elections to be lodged has been extended to Friday, 15 March 2019 (from Wednesday 6 March 2019).

As a consequence, the DRP pricing period will be reduced to 10-days, from Monday, 18 March 2019 to Friday, 29 March 2019.

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.

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This announcement contains forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events. Forward looking statements should, or can generally, be identified by the use of forward looking words such as "believe", "expect", "estimate", "will", "may", "target" and other similar expressions within the meaning of securities laws of applicable jurisdictions, and include but are not limited to the expected outcome of the Institutional Placement and SPP. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements. Such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual outcomes to be materially different from the events or results expressed or implied by such statements. Those risks, uncertainties, assumptions and other important factors are not all within the control of InvoCare and cannot be predicted by InvoCare and include changes in circumstances or events that may cause objectives to change as well as risks, circumstances and events specific to the industry, countries and markets in which InvoCare operates. They also include general economic conditions, exchange rates, interest rates, competitive pressures, selling price, market demand and conditions in the financial markets which may cause objectives to change or may cause outcomes not to be realised. None of InvoCare or any of its subsidiaries, advisors or affiliates (or any of their respective officers, employees or agents) makes any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward looking statement or any outcomes expressed or implied in any forward looking statements. Statements about past performance are not necessarily indicative of future performance.

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This announcement is not a recommendation by any person (including the Parties) as to whether any person should participate in the Institutional Placement or the SPP. No person (including the Parties) guarantees the repayment of capital or any particular rate of income or capital return on an investment in InvoCare's shares.

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Appendix A – Key business risks

This section describes some of the potential risks associated with InvoCare's business and an investment in InvoCare. If any of the risks eventuate, they could have a material adverse effect on InvoCare's business, financial condition, operating and financial performance and return to shareholders.

The risk factors set out below are not exhaustive. In particular there are risks associated generally in investing in shares, including that a company may not continue to pay dividends at current levels or at all. There is also a risk that the underwriter may terminate its underwriting of the Institutional Placement which may affect InvoCare's ability to execute its strategic growth agenda in the manner intended. Additional risks that InvoCare is unaware of, or that InvoCare currently considers to be immaterial, also have the potential to have a material adverse effect on InvoCare's business, financial condition and operating and financial performance.

Potential investors should carefully consider all publicly available information (including this announcement and the risk factors set out within) concerning InvoCare and whether InvoCare shares are suitable to acquire having regard to their own investment objectives and financial circumstances.

Death volumes

- InvoCare's business depends on there being an active market for its services. As an operator of funeral homes, cemeteries and crematoria, demand for InvoCare's services is largely driven by the number of deaths. Death volumes fluctuate over time and are influenced by a variety of factors, including weather, medical breakthroughs and the effectiveness of medications such as flu vaccines. A sustained or unexpected decline in the number of deaths in a geographical region in which InvoCare operates or invests may have a negative impact on InvoCare's business and financial performance.

Failure to successfully execute business strategies and growth initiatives

- There is a risk that any of InvoCare's business strategies and growth initiatives will not be successfully executed or integrated, deliver expected returns or ultimately be profitable. If InvoCare is unable to successfully execute or integrate any of its business strategies or growth initiatives, or if costs overrun or implementation is unexpectedly delayed, InvoCare may fail to meet operational expenditures or generate the financial returns that it intends.
- Two strategies that are critical to InvoCare's stated growth objectives are the "Protect & Grow" strategy and its regional acquisition strategy. Successful implementation of these strategies are critical to InvoCare's stated growth objectives. However, there can be no assurance that InvoCare will be able to: identify suitable acquisition targets at acceptable prices, carry out accurate and fulsome diligence, or complete the projects or acquisitions (whether for regulatory reasons or otherwise). Even if successfully executed and integrated, there can be no guarantee of the continued successful performance of those projects, sites or acquisitions or that desired synergies can be achieved. There is also a risk that InvoCare may become liable for liabilities incurred by any acquired businesses prior to the relevant acquisition. Further, any potential growth into new markets may be inhibited by unforeseen issues particular to a territory or sector, including the need to invest significant resources and management attention to the expansion, and the possibility that the desired level of return on its business will not be achieved.
- Further, there can be no assurance that InvoCare's Protect & Grow strategy will lead to improved operational and financial performance for InvoCare. Even if successfully executed and integrated, there can be no guarantee of continued successful performance of Protect & Grow. Any failure or delay in the execution of InvoCare's strategies and growth initiatives or existence of unforeseen issues may result have a material adverse effect on InvoCare's business, operations and financial performance.

Competition in the death care industry

- The death care industry in Australia, New Zealand and Singapore is highly fragmented and competitive. InvoCare's operating performance is influenced by a number of competitive factors, including its reputation, public awareness of its brands, development of existing and new sites, and advancement of its service offerings to cater to changing customer needs. Any increase in competition in any of the markets in which InvoCare operates or any change in the foregoing competitive factors may impact InvoCare's ability to execute its business and growth strategies. For example:
 - existing competitors may increase their competitive position through aggressive marketing, product development, site expansion and/or price discounting;
 - new competitors may enter the market, including those with existing operations in adjacent industries or

markets, well-recognised brands, and greater financial resources;

- InvoCare may fail to anticipate and adapt to changing customer needs or technological advancements at the same rate as its competitors;
- InvoCare may fail to identify, secure and develop suitable sites, including as a result of financial constraints and burdensome regulatory processes; or
- alternatively, reduced regulatory requirements may facilitate easier establishment and growth of less established competitors.

Failure to attract customers

- InvoCare is heavily reliant on its reputation and brand awareness, with a substantial proportion of its business being generated by referrals. InvoCare may fail to attract new customers and maintain its relationships with existing customers for a number of reasons, including:
 - oversight in identifying and reacting to changes in customer preferences, technological shifts or industry standards;
 - increases in competitive pressures, complacency or deterioration in InvoCare's competitive position or quality of offering, and reduced ability to differentiate its service offering; and
 - reputational damage, including as a result of errors or other unsatisfactory customer service, delays, negligence, lack of respect for the deceased, misconduct, fraud or unlawful conduct by InvoCare's employees or other persons accessing InvoCare's facilities including its suppliers or their employees, any of which may be compounded by adverse media coverage, litigation or prosecutions (regardless of the extent of InvoCare's involvement).
- Any such failure could have a material adverse impact on InvoCare's business, financial performance and operations.

Reliance on personnel

- InvoCare is reliant on the talent, effort, expertise, industry experience and contacts, and leadership of its management. InvoCare may not be able to find appropriate replacements for departing staff members, particularly senior staff members, as a result of a shortage of appropriately skilled workers in the funeral service industry. There is also a risk that, as InvoCare grows, it cannot attract and retain personnel with the necessary industry experience, expertise and ability to execute its strategy. Loss of, or the inability to attract new, key staff may impact the quality of services InvoCare provides, its ability to execute its growth strategies, the value of the business and InvoCare's ability to compete with its competitors in enhancing and developing its products.

Pre-paid funerals contracts risk

- Pre-paid funeral contracts expose InvoCare to potential escalation in costs in the period between execution and performance of the contract. There is no guarantee the pre-paid funds invested will generate positive returns, with the possible result that realised cash flows could fall below the cost of the future service delivery obligation contained in the pre-paid funeral contract. If the cost of the future service delivery obligation increases at a higher rate than the return on pre-paid funds, this could result in an economic or accounting loss on a pre-paid funeral contract.

Inability to access capital markets or refinance debt on attractive terms

- InvoCare may require funding or working capital in the future in order to fund its operations. Given the nature of InvoCare's revenue profile and the potentially capital intensive nature of its business. There is no assurance that any such financing will be available on acceptable terms, or at all, and that InvoCare will be able to comply with the terms of such financing arrangements. If InvoCare fails to raise capital when needed, InvoCare may not be able to fund its operations, grow its business or respond to competitive pressures.
- InvoCare may finance its investment in new facilities with borrowed funds or gearing. Geared assets magnify investment gains or losses and increase the volatility of returns to movements in interest rates and property values. In addition, bad debts or delays in receiving expected revenue could impact on the financial performance and position and future prospects of InvoCare.
- Further, in the future InvoCare may elect to issue new securities, including in connection with fundraisings, to deliver its growth strategy. While InvoCare will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital it is able to issue within a 12 month period (other than where exceptions apply), investors may be diluted as a result of such issues of securities.

Working capital risk

- Maintaining sufficient working capital is a fundamental requirement for InvoCare to meet its financial obligations. Given

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the timing difference of accounts receivables and accounts payables, InvoCare may face temporary cash constraints, in particular when InvoCare has to make large payments for new sites. Further, InvoCare has a high fixed cost base. Given the training and experience required to delivery funeral services, InvoCare is heavily reliant on specialised staff and employs the majority of its staff members on a permanent basis. In addition, there are significant fixed maintenance and other infrastructure costs associated with operating funeral homes, cemeteries and crematoria. As a result of its high cost base, there is a risk that InvoCare will be unable to make major adjustments quickly, meaning that any decreases in revenue may have a material adverse impact on profits. Any inability to maintain a strong balance sheet could affect InvoCare's ability to meet its ongoing liquidity needs, fund its operations or acquire new sites.

Lease arrangements

- InvoCare operates some of its funeral homes, cemeteries and crematoria on land leased from third parties. These leases require InvoCare to comply with various obligations, including the payment of rent, and provide a right of termination under certain conditions. There is no guarantee that leases will remain at satisfactory levels or be renewed at the end of their terms, and increases in rents, or termination or expiry could have an adverse effect on InvoCare's profitability.

Actual and potential disputes or failure to comply with laws

- InvoCare may be subject to or involved in complaints, claims, disputes, proceedings, regulatory inquiries or investigations and other enforcement action initiated by customers, employees, suppliers, regulators or other third parties. Even if such matters are successfully defended or settled without financial burdens, they could be costly and damaging to InvoCare's reputation, operating and financial performance and position. Further any failure to comply with applicable laws or regulations may lead to loss of licences or accreditations, or result in regulatory proceedings, investigations or fines, which could also be costly and damaging to InvoCare's reputation, operating and financial performance and position.

Intellectual property risk

- InvoCare relies on its intellectual property rights and there is a risk that InvoCare may fail to protect its rights for a number of reasons. If InvoCare fails to protect its intellectual property rights adequately, competitors may gain access to its brand and business, which may in turn harm its operations and financial performance.

Availability of inputs and input costs

- InvoCare relies on various procurement relationships for the steady supply of raw materials, finished goods and services such as coffins, caskets, energy and utilities services. Significant supply disruptions could result in a material reduction in the availability of inputs required to support InvoCare's operations. Many of these inputs have a limited number of alternative suppliers and it is possible that one or more of InvoCare's suppliers will be unable to fulfil their operating obligations in the future. There is a risk that InvoCare is unable to secure or renew supplier contracts on the same or similar terms.

Information technology and cyber security

- InvoCare relies on the efficient operation of information technology systems and infrastructure to support its operations and to ensure security of information. InvoCare's core technologies, facilities, equipment, machinery and other systems and operations could be exposed to damage or interruption from system failures, computer viruses, power or telecommunication providers' failure, fire, natural disasters, terrorist acts, war or human error.
- Furthermore, through its ordinary course of business, InvoCare collects a range of sensitive personal information from its customers, including contact information, preferences and financial data. InvoCare may be subject to cyber-attacks, which may lead to disruptions to its operations, the distribution of sensitive customer information, a compromise or breach by InvoCare of its obligations under applicable legislation or agreements with customers and third parties, and damage to InvoCare's business prospects and reputation. Any compromise to InvoCare's information technology systems, infrastructure and cyber security may adversely impact on InvoCare's business, competitive position and financial performance.

Work, health and safety risk

- InvoCare is subject to extensive laws and regulations governing health and safety matters, protecting both the public and its employees. Further, the nature of the death care industry exposes InvoCare's employees to potentially stressful and emotionally straining environments. Any breach of InvoCare's obligations under applicable laws or any other failure to safeguard the health, safety and wellbeing of its employees (and other people who attend their premises) may have significant financial and regulatory implications for InvoCare, and adversely impact InvoCare's reputation, operations and financial performance.

Accounting standards

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- The Australian Accounting Standards are set by the Australian Accounting Standards Board (AASB) and are outside of InvoCare's control. The AASB has recently introduced new Australian Accounting Standards, including AASB 15 [and AASB 9] (effective from 1 January 2018).
 - Further, AASB16 will come into effect on 1 January 2019. AASB 16 affects future measurement and recognition of key statement of profit and loss and balance sheet items. There is also an element of uncertainty as interpretations of previous Australian Accounting Standards, including those relating to the measurement and recognition of key statement of profit and loss and balance sheet items, may differ. Changes to Australian Accounting Standards issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in InvoCare's consolidated financial statements.
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