

26 August 2019

FY19 Full Year Results

- Revenue of \$95.1 million, up 17.6% on the prior year
- Operating EBITDA¹ of \$23.8 million, up 10.6% on the prior year
- Operating NPAT² of \$13.3 million, up 8.1% on the prior year
- Total dividends of 11.5 cents per share fully franked, including a final dividend of 5.8 cents per share
- Indications that a recovery in death volumes is underway

Dear Shareholders,

On behalf of the board, we are pleased to report the financial performance of Propel Funeral Partners Limited (ASX: PFP) (**Propel** or **Company**) for the financial year ended 30 June 2019 (**FY19**).

Financial performance

Propel's financial results proved resilient in FY19, despite below trend death volumes in most markets in which the Company operated, particularly during 1H FY19. Propel achieved growth in key financial metrics, as set out below:

	FY19	FY18 ³	Change
Revenue (\$m)	95.1	80.9	↑ 17.6%
Operating EBITDA (\$m) ¹	23.8	21.5	↑ 10.6%
Operating NPAT (\$m) ²	13.3	12.3	↑ 8.1%
Performance fee (\$m)	-	-	-
NPAT (\$m)	12.3	12.5	↓ 1.3%
Earnings per share (cents) adjusted ⁴	13.6	12.5	↑ 8.0%
Dividend per share (cents) ⁵	11.5	6.4	↑ 79.7%
Cash flow conversion (%) ⁶	97.4	96.5	↑ 0.9%

NPAT was impacted by higher transaction costs associated with acquisitions compared to the prior year. Further details are provided in the 2019 Annual Report and the FY19 Investor Presentation.

Final dividend

The board has declared a fully franked final dividend of 5.8 cents per share, bringing the total dividends declared in connection with FY19 to 11.5 cents per share fully franked, which represents:

- a payout ratio of approximately 78% of Distributable Earnings²; and
- a fully franked dividend yield of circa 3.7%, based on the Company's closing share price on 23 August 2019.

The final dividend of 5.8 cents per share fully franked will be paid on 4 October 2019, with a record date of 4 September 2019.

Since its IPO in November 2017, the Company has declared fully franked dividends totalling 17.9 cents per share.

¹ As defined in the prospectus prepared in connection with Propel's initial public offering (IPO) dated 25 October 2017.

² Net profit after tax adjusted for certain non-cash, one off and non-operating items.

³ Proforma.

⁴ Operating NPAT divided by the weighted average number of shares on issue for the year ended 30 June 2019.

⁵ The FY18 dividend referred to in this column related to the circa 7 month post IPO period to 30 June 2018.

⁶ The percentage of Operating EBITDA converted into ungeared, pre-tax, operating cash flows.

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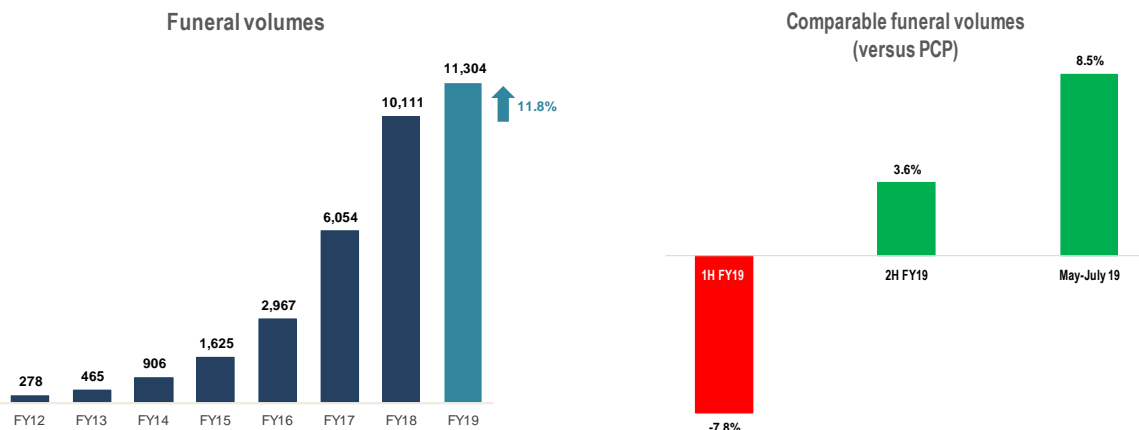
Average revenue per funeral (ARPF)

In FY19, Propel's ARPF was \$5,585, up 1.4% on the prior year. Like for like ARPF growth was 2.8% in FY19, within the Company's target growth range of 2.0% to 4.0%.

Funeral volumes

As illustrated below:

- Propel performed 11,304 funerals in FY19, up 11.8% on the prior year; and
- comparable funeral volumes (versus the prior corresponding period (PCP)) were:
 - -2.1% in FY19, largely due to below trend funeral volumes experienced in 1H FY19 (-7.8%); but
 - +3.6% in 2H FY19 and accelerated to +8.5% between 1 May 2019 and 31 July 2019, indicating a recovery in death volumes is underway.



Acquisitions

During FY19 and consistent with its Investment Strategy, Propel:

- acquired the business, assets and a freehold property of Newhaven Funerals NQ, which operates from two locations in North Queensland;
- acquired the business and assets of Martin Williams Funeral Directors, which operates in South Auckland, New Zealand;
- executed a conditional sale agreement to acquire the entire issued share capital of Dils Funeral Services Limited, Schnapper Rock Cremations Limited and Rowley Funeral Services Limited and associated freehold properties (**Dils Group**);
- acquired the entire issued share capital of Noxomo Pty Limited, trading as Manning Great Lakes Memorial Gardens, which owns and operates a crematorium and lawn cemetery on the mid north coast of NSW;
- acquired the business, assets and a freehold property associated with Waikanae Funeral Home and the Kaitawa Crematorium, both of which are located in Waikanae, New Zealand;
- acquired the entire issued share capital of Morleys Funerals Pty Ltd, its associated businesses and freehold properties which operate from six locations in Townsville, Queensland; and
- purchased seven freehold properties, comprising four which were previously tenanted by Propel, two potential greenfield expansion opportunities and a potential brownfield expansion opportunity.

Subsequent to 30 June 2019 and as announced on 19 August 2019, Propel executed a conditional sale agreement to acquire the entire issued share capital of Codfern Pty. Ltd. (trading as Gregson & Weight Funeral Directors) (**Gregson & Weight**) including three substantial freehold properties and a parcel of vacant land on the Sunshine Coast in Queensland.

Completion of the Gregson & Weight and the Dils Group acquisitions are expected to occur in Q2 FY20.

Propel is exploring other potential acquisitions in line with its Investment Strategy, however, the timing associated with any future acquisitions is uncertain.

Funding position

As announced on 5 August 2019, Propel recently expanded its senior debt facilities with Westpac Banking Corporation to \$100 million.

As at 26 August 2019, Propel:

- held cash of approximately \$8.0 million;
- declared a final dividend in connection with FY19 equating to \$5.7 million; and
- had drawn senior debt of \$17.4 million, binding cash commitments in respect of two acquisitions of approximately \$56.4 million and uncommitted debt capacity of approximately \$26.2 million.

Outlook

In terms of the outlook for the year ending 30 June 2020 (**FY20**) and beyond, Propel is well placed to benefit from:

- acquisitions completed and announced during and since FY19;
- other potential future acquisitions (although timing is uncertain); and
- funeral volumes reverting to long term trends.

Historical experience suggests that the year on year decline in death volumes experienced in calendar year 2018 should be temporary, given prior year on year declines have rebounded quickly and the growing and ageing population. In that regard, Propel has started FY20 with positive trading momentum. In July 2019, the Company:

- performed a record number of funerals, with comparable volumes materially higher than expectations and the PCP; and
- achieved ARPF growth within its target range of 2.0% to 4.0%.

However, death volumes fluctuate over short time horizons.

Our people

We wish to make special mention of our employees across Australia and New Zealand. We thank them for their hard work, professionalism and commitment to providing essential and caring services to the customers they serve.

We look forward to reporting the Company's further progress to shareholders during FY20, as and when appropriate.



Brian Scullin
Chairman



Albin Kurti
Managing Director

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About Propel:

Propel is listed on the ASX and is the second largest provider of death care services in Australia and New Zealand. Propel currently operates from 120 locations, including 28 cremation facilities and 9 cemeteries.

For further information, please contact:

Lilli Gladstone
Head of Finance
+ 612 8514 8644

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