

27 February 2020

## FY20 First Half Results

- Revenue of \$57.0 million, up 21.0% on the prior corresponding period (PCP or 1H FY19)
- Operating EBITDA<sup>1</sup> of \$16.6 million, up 42.1% on the PCP
- Operating NPAT<sup>2</sup> of \$7.8 million, up 22.6% on the PCP
- Interim dividend declared of 4.0 cents per share fully franked

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 six month period ended 31 December 2019 (**1H FY20**).

### Financial performance

Propel achieved material growth in revenue and operating earnings in 1H FY20, as set out below:

	1H FY20 Statutory	1H FY19 Statutory	Change
Revenue (\$m)	57.0	47.1	↑ 21.0%
Operating EBITDA (\$m) <sup>1</sup>	16.6	11.7	↑ 42.1%
Margin	29.1%	24.8%	+430bps
Operating NPAT (\$m) <sup>2</sup>	7.8	6.4	↑ 22.6%
NPAT (\$m)	3.4	6.4	↓ 47.5%
Earnings per share (cents) adjusted <sup>3</sup>	7.9	6.5	↑ 22.1%
Cash flow conversion (%) <sup>4</sup>	99.2%	92.5%	+670 bps

In relation to the 1H FY20 financial results, please note:

- the Company adopted the new accounting standard AASB 16 'Leases' (**AASB 16**) on 1 July 2019 under the modified retrospective approach and, therefore, the PCP has not been restated;
- Operating EBITDA<sup>1</sup> and margin were positively impacted by higher funeral volumes, average revenue per funeral growth and AASB 16;
- NPAT was negatively impacted by AASB 16, \$1.4 million of acquisition costs and the \$4.1 million Performance Fee<sup>5</sup> earned by the Manager<sup>5</sup> (Total Shareholder Return<sup>5</sup> of 24.2% achieved in the Calculation Period<sup>5</sup>) as previously disclosed;
- the results only include a circa two month contribution from the Gregson & Weight and Grahams acquisitions (refer below); and
- the results do not include any contribution from the previously announced proposed acquisition of the Dils Group (refer below).

The following table compares the 1H FY20 revenue, Operating EBITDA<sup>1</sup>, margin and Operating NPAT<sup>2</sup> with the PCP on a consistent accounting basis (i.e. excluding the impact of AASB 16 (**Pro forma**)):

	1H FY20 Pro forma	1H FY19 Statutory	Change
Revenue (\$m)	57.0	47.1	↑ 21.0%
Operating EBITDA (\$m) <sup>1</sup>	14.7	11.7	↑ 25.9%
Margin	25.7%	24.8%	+90bps
Operating NPAT (\$m) <sup>2</sup>	7.9	6.4	↑ 24.6%

Further details are provided in the Appendix 4D, Interim Financial Report and 1H FY20 Investor Presentation.

<sup>1</sup> Earnings before interest, tax, depreciation, amortisation, the Performance Fee and certain non-operating items, such as acquisition costs.

<sup>2</sup> Net profit after tax adjusted for the Performance Fee and certain non-operating items, such as acquisition costs.

<sup>3</sup> Operating NPAT divided by the weighted average number of shares on issue for the six month period ended 31 December 2019.

<sup>4</sup> The percentage of Operating EBITDA converted into ungeared, pre-tax, operating cash flows, excluding the Performance Fee.

<sup>5</sup> As defined in the prospectus prepared in connection with Propel's initial public offering (**IPO**) dated 25 October 2017.

## Interim dividend

The board has declared a fully franked interim dividend of 4.0 cents per share, which represents approximately 78% of Propel's Distributable Earnings<sup>6</sup> for the six month period ended 31 December 2019.

The interim dividend will be paid on 6 April 2020, with a record date of 6 March 2020 and an ex-dividend date of 5 March 2020.

## Funeral volumes

Propel performed 6,646 funerals in 1H FY20, up 17.8% on the PCP.

In most markets in which the Company operates, death volumes increased in 2019 following a decline in the prior year, with Propel's comparable funeral volumes increasing by 252 funerals. By way of example, registered deaths in Tasmania increased by 394<sup>7</sup> in 2019 following a decline of 484<sup>7</sup> in 2018.

## Average revenue per funeral

Propel's average revenue per funeral was \$5,764 in 1H FY20, up 3.2% on FY19. Comparable average revenue per funeral growth in 1H FY20 was also up 3.2% on FY19.

## Acquisitions

During 1H FY20 and consistent with its Investment Strategy<sup>5</sup>, Propel:

- acquired the entire issued share capital of Gregson & Weight Pty Ltd (**Gregson & Weight**), three substantial freehold properties and a parcel of vacant land on the Sunshine Coast in Queensland;
- acquired the business, assets and certain freehold properties relating to Grahams Funeral Services Limited (**Grahams**) in the North Island of New Zealand; and
- purchased two freehold properties previously tenanted by Propel.

Completion of the previously announced proposed acquisition of the Dils Group is expected to occur by 30 June 2020.

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 December 2019, the Company expanded and extended its debt facilities with Westpac to \$150 million.

As at 31 December 2019, Propel's debt balance was approximately \$67 million and, as previously disclosed, the Company has a binding cash commitment to acquire the Dils Group, which will require approximately \$20 million of cash on completion.

Propel is well funded to continue its acquisition led growth strategy, with approximately \$65 million<sup>8</sup> of available funding capacity.

## Outlook

The positive trading momentum in the first half of FY20 has continued into the start of the second half, with Propel's total funeral volumes during the first 7 weeks of 2020 materially higher than the PCP. However, death volumes fluctuate over short time horizons.

In terms of the outlook for the second half of FY20 and beyond, Propel expects to benefit from:

- the growing and ageing population;
- the recently expanded funding facilities;
- acquisitions completed prior to and since the start of FY20; and
- other potential future acquisitions in a fragmented industry (although timing is uncertain).

<sup>6</sup> Net profit after tax adjusted for the non-cash net financing charge and acquisition costs.

<sup>7</sup> Source: Tasmanian Registry of Births, Deaths and Marriages.

<sup>8</sup> Undrawn debt and cash at bank as at 31 December 2019, less the estimated cash that will be required to complete the proposed acquisition of the Dils Group and pay the interim dividend.

# ASX ANNOUNCEMENT



## **Bushfires**

We take this opportunity to acknowledge the devastating impact of the recent bushfire disaster in Australia. Fortunately, there has been no fire damage to Company property. Our thoughts are with those affected.

## **Our people**

Finally, 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, as and when appropriate.

A handwritten signature in blue ink, appearing to read 'B. Scullin'.

**Brian Scullin**  
Chairman

A handwritten signature in blue ink, appearing to read 'Albin Kurti'.

**Albin Kurti**  
Managing Director

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## **About Propel:**

Propel is listed on the Australian Securities Exchange and is the second largest private provider of death care services in Australia and New Zealand. Propel currently operates from 128 locations, including 31 cremation facilities and 9 cemeteries.

## **For further information, please contact:**

Lilli Gladstone  
Head of Finance  
+ 612 8514 8644

## **Authority to release:**

This document has been authorised for release by the Company's board of directors.

## **Important notice:**

This announcement may contain forward-looking statements, which include all matters that are not historical facts. Without limitation, indications of, and guidance on, future earnings and financial position and performance are examples of forward-looking statements. Forward-looking statements, including projections or guidance on future earnings and estimates, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including Propel). In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. Actual results, performance or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based.