

8 May 2020

Trading Update

Propel Funeral Partners Limited (ASX: PFP) (**Propel** or **Company**) announces that:

- its financial results for the nine months ended 31 March 2020 (YTD FY20)¹ were materially above the prior corresponding period (PCP);
- in the month of April 2020, notwithstanding the COVID-19 pandemic and social distancing measures introduced in Australia and New Zealand in late March 2020², it experienced no material impact on funeral volumes and Average Revenue Per Funeral³ declined by approximately 10% on the PCP; and
- it remains well funded, with approximately \$69 million⁴ of available funding capacity and no near term debt maturities.

Financial performance to 31 March 2020¹

In the nine months ended 31 March 2020¹, Propel's:

- total funeral volumes were materially higher than the PCP;
- Average Revenue Per Funeral³ growth on FY19 was within the Company's target range of 2% to 4%; and
- Revenue and Operating EBITDA⁵ growth over the PCP was significant, as summarised below:

9 months ended 31 March	2020 ¹	2019 ¹	Change
Revenue (\$m)	85.0	69.6	↑ 22.1%
Operating EBITDA (\$m) ⁵	24.0	16.9	↑ 41.9%
<i>Margin</i>	28.2%	24.3%	+390bps
Operating EBITDA (ex AASB 16) ⁶ (\$m)	21.0	16.9	↑ 24.7%
<i>Margin</i>	24.8%	24.3%	+50bps

The Company's financial results for the nine months ended 31 March 2020¹:

- were not significantly impacted by COVID 19, noting that social distancing measures in Australia and New Zealand commenced in late March 2020²;
- include part period contributions from two acquisitions completed in November 2019 and full period contributions from the five acquisitions completed in FY19; and
- do not include any contribution from the proposed acquisition of Dils Group (refer below).

Death volumes can fluctuate over short time horizons and the magnitude and duration of COVID-19 impacts on the Company remain uncertain, so caution is required when extrapolating historical data to forecast potential future performance

COVID-19 impacts

Funeral volumes

The COVID-19 pandemic did not materially impact the Company's funeral volumes in the month of April 2020 and, in the 12 months ended 30 April 2020, Propel's comparable funeral volume growth was approximately 1.0% over the PCP. However, social distancing measures and an increased focus on personal hygiene may result in a relatively mild flu season in 2020 and a deferral of death volumes into future periods. Longer term, death volumes are forecast to increase in Australia and New Zealand, due to growing and ageing populations in both countries.

¹ Based on the Company's unaudited management accounts.

² Australia's social distancing measures for funeral services changed numerous times: 18 March 2020 (500 attendees outdoor, 100 attendees indoor), 20 March 2020 (4sqm per attendee), 26 March 2020 (10 attendees). New Zealand's social distancing measures for funeral services changed numerous times: 23 March 2020 (100 attendees), 25 March 2020 (no attendees) and 28 April 2020 (10 attendees).

³ Propel's revenue from funeral operations, excluding direct disbursements (such as third party cemetery fees and third party cremation fees) and delivered pre-paid impacts, divided by the number of funerals performed in the relevant period.

⁴ Cash at bank and undrawn debt as at 30 April 2020, less the estimated cash that will be required to complete the proposed acquisition of the Dils Group.

⁵ Earnings before interest, tax, depreciation and amortisation, the Performance Fee and certain non-operating items, such as acquisition costs.

⁶ Operating EBITDA, excluding the impact of the accounting standard AASB 16 – Leases, which the Company adopted, as required, on 1 July 2019.

Average Revenue Per Funeral³

In Australia, attendance at funeral services has generally been limited to 10 mourners since 26 March 2020². In New Zealand, attendance at funeral services was prohibited from 25 March 2020 to 27 April 2020 and is currently limited to 10 mourners². Although these restrictions have affected the Company's ability to offer a full range of services to its client families, Propel's comparable Average Revenue Per Funeral³ in the month of April 2020 declined by approximately 10% on the PCP. An increase in Average Revenue Per Funeral³ is expected, once attendance limits at funeral services ease in Australia and New Zealand.

Operations

Propel is committed to the health and well-being of its staff, client families, the communities to whom it provides essential services and other stakeholders. The Company continues to monitor the impacts of COVID-19 on its teams, trading and suppliers, with the health and safety of its employees and client families front of mind. As difficult as it is for mourners, we continue to urge the public to support those working at funeral homes, cemeteries, cremation facilities and related businesses, by respecting important government directives and guidelines regarding social distancing and personal hygiene.

Propel is in regular dialogue with its team leaders, staff and industry associations, who are communicating with governments and the wider industry, to ensure that our businesses can continue to deliver the essential services needed, whilst endeavouring to provide protection for our client families and those who use, and work at, Propel's facilities, in accordance with government and industry association guidelines and directives.

Economic and trading conditions have been, and are expected to continue to be, disrupted by COVID-19 and accordingly the Company has implemented measures to mitigate potential financial impacts, including:

- providing client families with the option of streaming services at many of our locations and holding a memorial service at a later date, once social distancing restrictions ease;
- managing staffing costs, while remaining cognisant of the need to continue to provide essential funeral services;
- reducing other operating expenditure;
- deferring non-essential capital expenditure; and
- prudently raising its liquidity position by increasing cash at bank (refer below).

Liquidity and funding position

Propel remains well funded to navigate the challenging economic and trading conditions resulting from COVID-19 and to continue its acquisition led growth strategy, with approximately \$69 million⁴ of available funding capacity. The Company has no near term debt maturities and has prudently increased its cash liquidity position. As at 30 April 2020, Propel had:

- \$49 million of cash at bank;
- \$40 million of funds available and undrawn from its \$150 million debt facilities with Westpac, which have term debt maturity dates in August 2022 and August 2023; and
- a circa \$20 million cash commitment in connection with the proposed acquisition of the Dils Group (refer below).

The Company was comfortably in compliance with its debt covenants as at 31 December 2019, with a Net Leverage Ratio of approximately 1.9x⁷ (must be less than 3.0x⁷) and a Fixed Charge Cover Ratio of approximately 6.8x (must not be less than 1.75x). The next bi-annual debt covenant testing date is 30 June 2020.

Acquisition update

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

Propel is exploring other potential acquisitions consistent with its Investment Strategy⁸, however the timing associated with any such future acquisitions is uncertain.

⁷ Including the annualised impact of acquisitions and other adjustments. Covenant of 3.0x until Propel notifies the Financier of an election given in connection with a Permitted Acquisition to increase the covenant to 3.5x which will endure for two consecutive testing dates, following which, the covenant will reduce to 3.25x. The Company's \$10 million working capital facility is excluded from the Net Leverage Ratio calculation.

⁸ As defined in the prospectus prepared in connection with Propel's initial public offering dated 25 October 2017.

Expected impact of investment returns on funds held in connection with pre-paid contracts

As previously disclosed, funds held in connection with the Company's pre-paid contracts (which totalled approximately \$49 million as at 31 December 2019) are largely held with third party friendly societies who invest the funds in cash and fixed interest, rather than other asset classes such as equities and property. Propel does not, therefore, expect any material impacts on its financial performance relating to investment returns⁹ (on funds held in connection with pre-paid contracts) in its consolidated income statement in the period ending 30 June 2020.

Timing of release of the FY20 Full Year results

Propel will release its FY20 Full Year results in late August 2020.

Managing Director comments

Albin Kurti, Managing Director of Propel said: "The magnitude and duration of the pandemic is uncertain, but unlike many industries facing the prospect of minimal or no revenue for an indefinite period, demand for essential funeral services continues and is underpinned by a growing and ageing population. With a strong liquidity position, no near term debt maturities, the support of our dedicated staff and the understanding of our client families, Propel is well placed to navigate this challenging period."

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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 129 locations, including 31 cremation facilities and 9 cemeteries.

For further information, please contact:

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Authority to release:

This document has been authorised for release by Propel'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.

⁹ Disclosed as 'net financing charge on contract assets and contract liabilities' in Propel's consolidated income statement.