

# FY21 Full Year Results

Investor Presentation

25 August 2021

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The FY15 to FY18 Operating EBITDA, Operating NPAT and Cash Flow Conversion numbers disclosed in this investor presentation are presented on a pro forma basis (consistent with the Prospectus and FY18 reporting), unless otherwise stated.

Capitalised words and phrases in this presentation will have the meaning given in the Prospectus and the definition slide set out in the Appendix.

All references in this presentation to '\$' are to Australian currency, unless otherwise stated.

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# Presenters



**Albin Kurti**  
*Managing Director*



**Lilli Gladstone**  
*Chief Financial Officer*



**Fraser Henderson**  
*Head of M&A, General  
Counsel and Company  
Secretary*

# Agenda

1. Key highlights for FY21
  2. Company overview
  3. FY21 financial results detail
  4. Industry trends and acquisitions
  5. Summary and outlook
  6. Q&A
- 

## Appendices



The background of the slide is a close-up, top-down view of a tree trunk's cross-section. It shows concentric growth rings in shades of light brown and tan, with some darker, irregular patterns and knots scattered throughout. The texture is organic and natural.

# 1. Key highlights for FY21

# Key highlights for FY21

## 1 TRADING<sup>1</sup>

Revenue  
**\$120.4m** ▲ 8.7%

Funeral volumes  
**13,916** ▲ 4.6%

Average Revenue Per Funeral  
**\$5,917** ▲ 4.3% (up 2.8% on the pre-COVID period<sup>2</sup>)

## 2 EARNINGS<sup>1</sup>

Operating EBITDA  
**\$36.3m** ▲ 11.9%

Operating NPAT  
**\$15.3m** ▲ 7.6%

Cash Flow Conversion  
**101.8%** ▼ 160bps

## 3 CAPITAL MANAGEMENT<sup>1,3</sup>

Total Dividends  
**11.75cps** ▲ 17.5%

Gearing Ratio  
**29.7%**

Funding Capacity<sup>4</sup>  
**\$107.6m**

## 4 GROWTH<sup>3</sup>

Locations  
**136** ▲ 6

Acquisitions<sup>5</sup>  
**\$126.7m**  
committed since IPO

Expansion

- in NZ, WA, QLD and NSW
- acquired two freehold properties
- expansion in pet loss sector

## 5 OUTLOOK

### Expecting to benefit from:

- death volumes reverting to long term trends
- a growing and ageing population
- a strong funding position
- acquisitions completed and other potential future acquisitions in a highly fragmented industry

<sup>1</sup> Movements shown above relate to movements between FY21 and the prior year, unless otherwise stated

<sup>2</sup> 1 July 2019 to 31 March 2020

<sup>3</sup> As at 30 June 2021 for Gearing Ratio, Locations (movement from 30 June 2020) and Expansion

<sup>4</sup> As at 25 August 2021. Refer to slide 25

<sup>5</sup> As at 25 August 2021. Refer to slide 29

# COVID-19 impacts

## Average Revenue Per Funeral growth despite below trend death volumes

### 1 Average Revenue Per Funeral



Unlike the widespread impacts of strict funeral attendee limits in Australia and New Zealand during Q4 FY20, Average Revenue Per Funeral impacts during FY21 were:

- generally isolated to COVID-19 hotspot areas that went into temporary lockdown
- temporary, with Average Revenue Per Funeral growth on the pre COVID-19 period (i.e. Q1 to Q3 FY20) of 2.8%

### 2 Funeral volumes

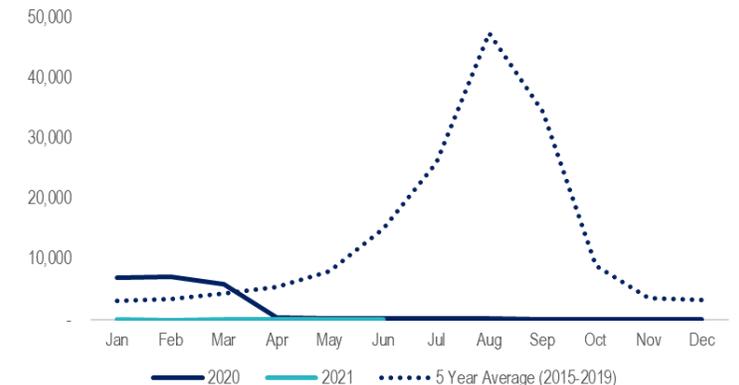
During FY21:

- death volumes were below historical long term trends in key markets within which Propel operates - for example, total registered deaths in New South Wales and Queensland declined 4.2% compared to the prior year<sup>1</sup>
- flu cases in Australia were more than 99%<sup>2</sup> below the 5 year average to 2019, as illustrated

Social distancing, travel restrictions, an increased focus on personal hygiene and effective flu vaccinations:

- contributed to unusually benign flu seasons in 2020 and 2021 YTD
- are expected to result in a deferral of death volumes into future periods

Flu cases in Australia<sup>2</sup>



<sup>1</sup> Source: Industry association

<sup>2</sup> Source: National Notifiable Diseases Surveillance System

# COVID-19 responses

## Focused on people safety, essential service continuity and financial resilience

### 1 People safety

- communicating government guidelines and directives to staff and mourners
- ensuring sufficient supply of PPE
- cessation of certain services (e.g. catering)
- working from home, where feasible
- changed seating arrangements, increased time and cleaning between services
- monitoring impacts on teams, trading and suppliers, with the health and safety of employees and client families front of mind

### 2 Essential service continuity

- ensuring staff could cross state/territory borders and access 'hotspot' areas
- more remote arrangements (by phone and online) and with fewer family members (when in person)
- increased streaming services with the option of a deferred memorial service
- regular dialogue with key stakeholders

### 3 Financial resilience

- ensuring adequate liquidity levels in place
- continuing to support and fund essential capital expenditure
- controlling operating costs
- eligible businesses accessing wage subsidies in Australia and New Zealand, enabling headcount to be maintained

# Management internalisation completed

## Management internalisation completed on 26 July 2021

As described in the Explanatory Memorandum<sup>1</sup>:

### 1 The management internalisation involved:

- the assignment and termination of the management agreement between the Company and the Manager
- payment of a \$15.0 million termination fee to the Manager, settled as follows:
  - \$7.5 million (50%) via the Company issuing 2,307,692 new fully paid ordinary shares at \$3.25 per share<sup>2</sup>; and
  - \$7.5 million (50%) in cash
- three Executives becoming employees of the Group<sup>3</sup>
- the transfer of intellectual property from the Manager, its officers and employees to the Group<sup>3</sup>
- changes to the Company's constitution
- amendments to the voluntary escrow arrangements relating to 14,732,667 shares (**Escrowed Shares**) held by an associated entity of the Manager, so that:
  - 50% of the Escrowed Shares will be released from voluntary escrow following the release of Propel's audited FY2022<sup>4</sup> financial results; and
  - 50% of the Escrowed Shares will be released from voluntary escrow following the release of Propel's audited FY2025<sup>4</sup> financial results.

### 2 Advantages include:

- increased investor participation
- enhanced alignment and corporate governance benefits
- continuity of strategy, the Board and the Executives
- shareholder influence on management election and remuneration
- market alignment
- financial benefits
- further alignment of interests

<sup>1</sup> The Notice of Meeting and Explanatory Memorandum made available to shareholders on 22 June 2021

<sup>2</sup> Representing the 30 day volume weighted average price of the Company's shares as at 26 May 2021

<sup>3</sup> The Company and its wholly owned subsidiaries

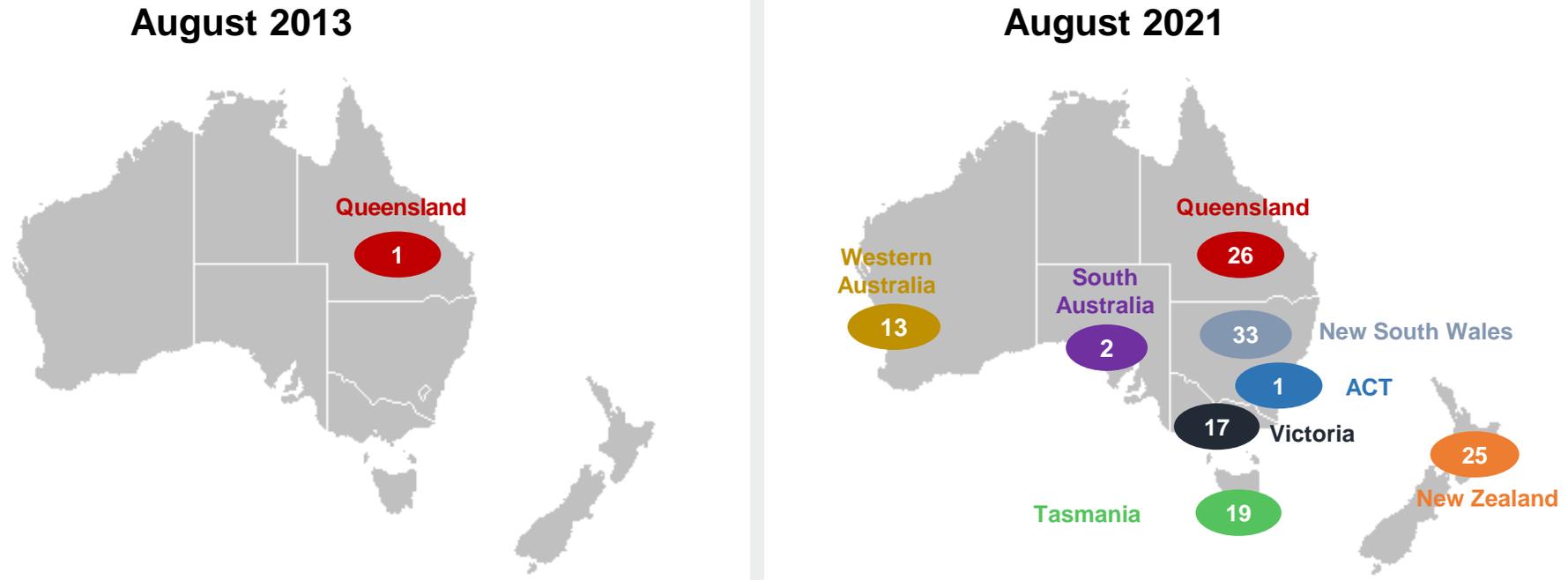
<sup>4</sup> Instead of a release from escrow in November 2027

The background of the slide is a close-up photograph of a wooden surface. It features several concentric, roughly circular rings of wood grain, creating a target-like or ripple effect. The wood has a warm, light brown tone with visible grain patterns and some darker spots. The text is centered over the left side of the image.

## 2. Company overview

# Geographic presence

136 locations (77 owned / 59 leased), including 32 cremation facilities and 9 cemeteries

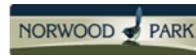


Geographic footprint is difficult to replicate, with funeral homes dating back to the late 1800s and early 1900s

# Brand portfolio

Diversified single and multi-site brands with strong local community awareness

## Australia



## New Zealand

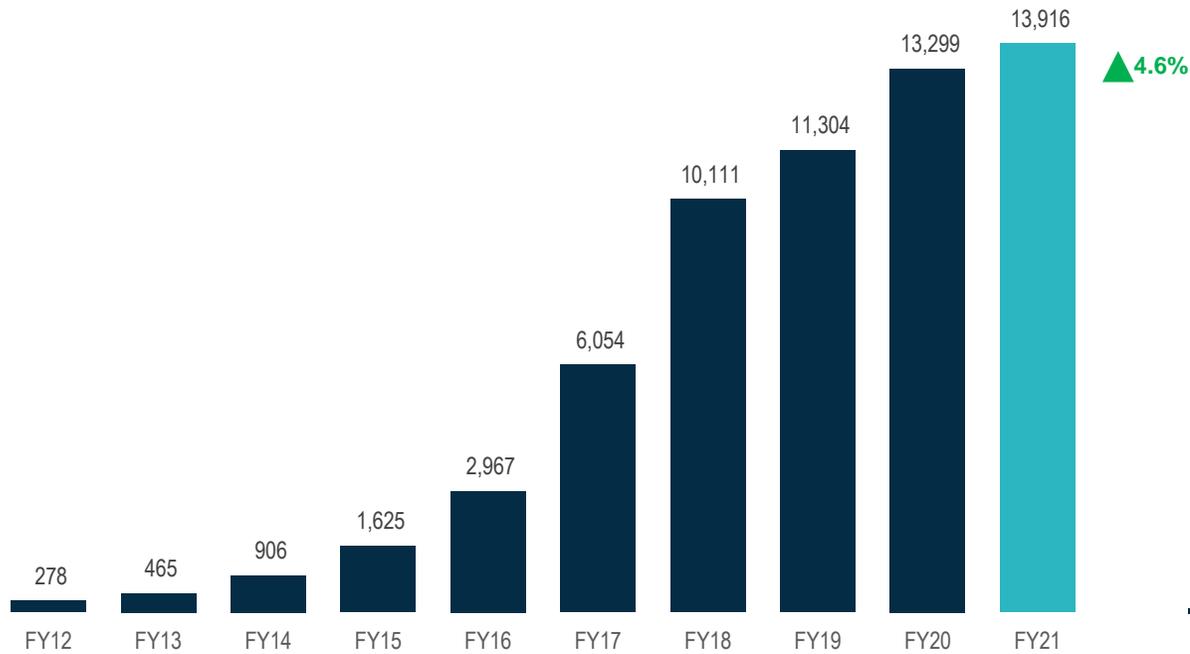


 Acquired during FY21

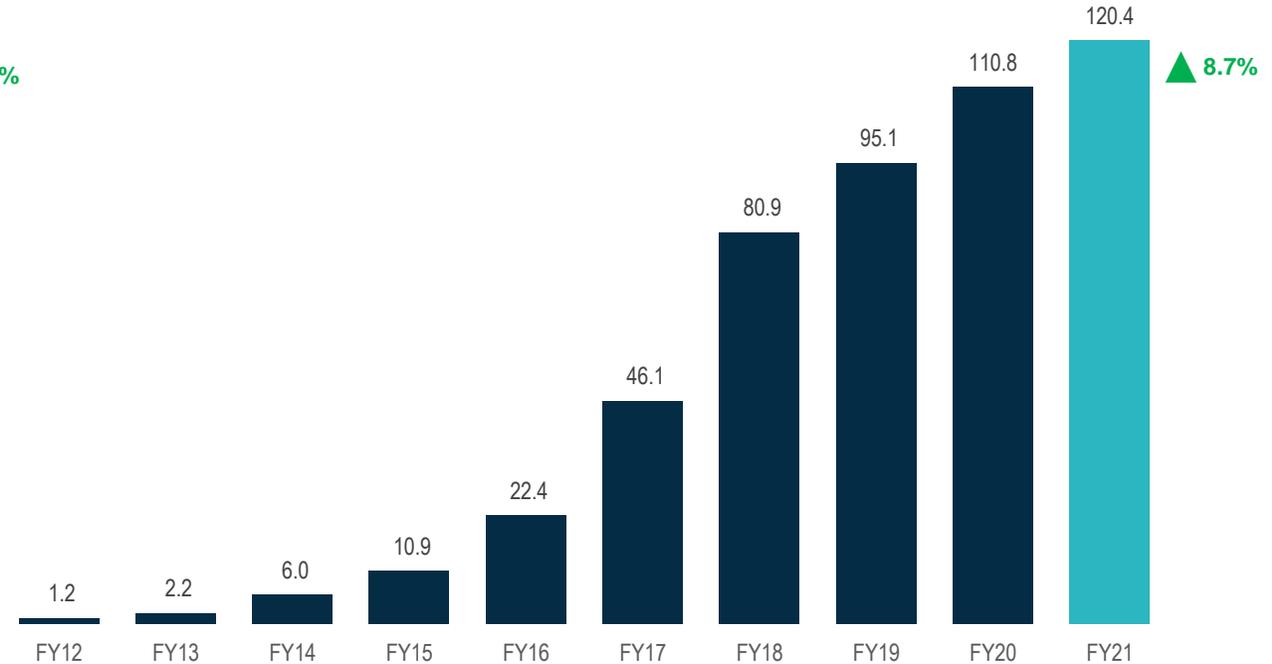
# Volume and revenue growth

Propel has maintained a strong growth trajectory despite COVID-19 impacts

## Funeral volumes



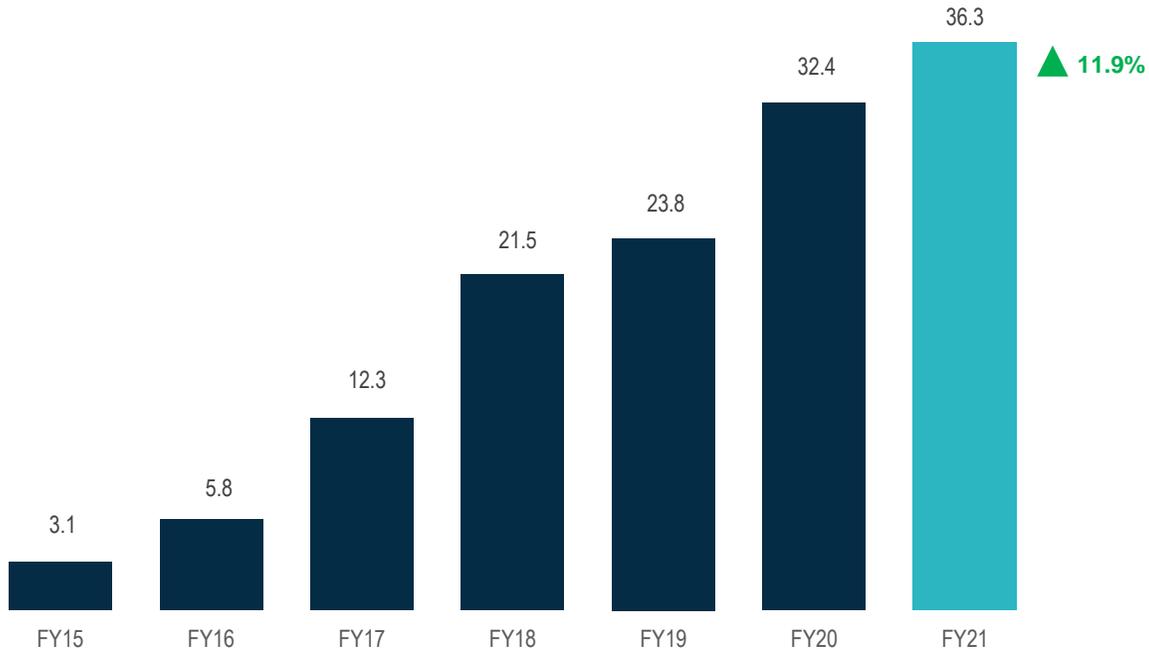
## Revenue (\$m)



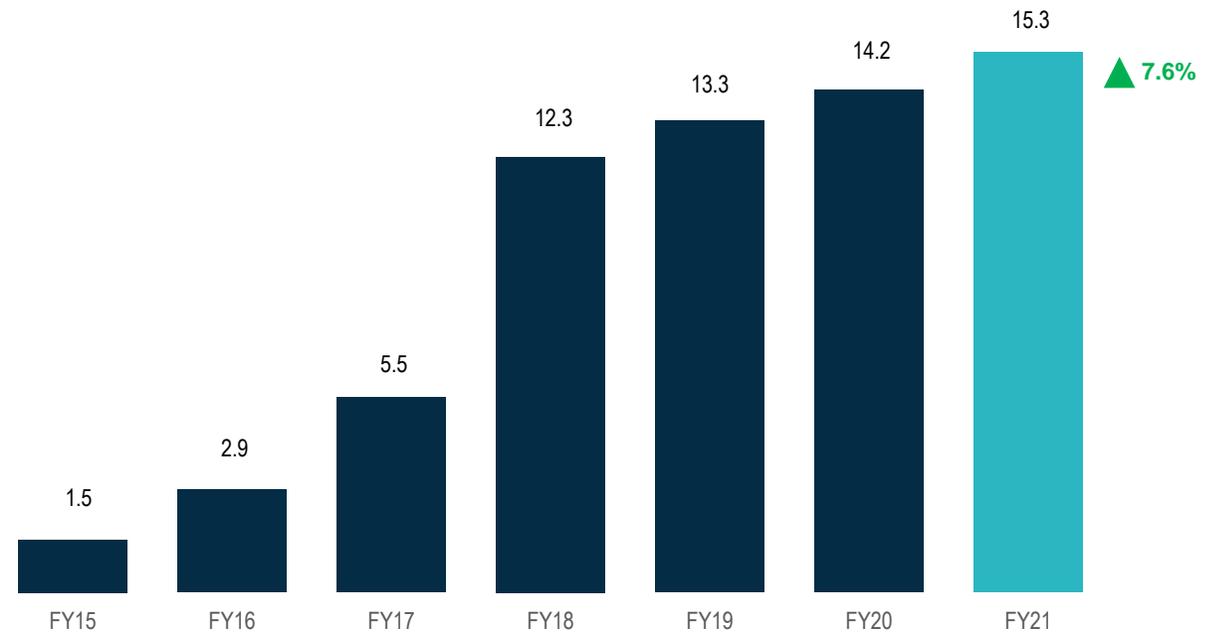
# Earnings growth

Propel has maintained a strong growth trajectory despite COVID-19 impacts

### Operating EBITDA (\$m)



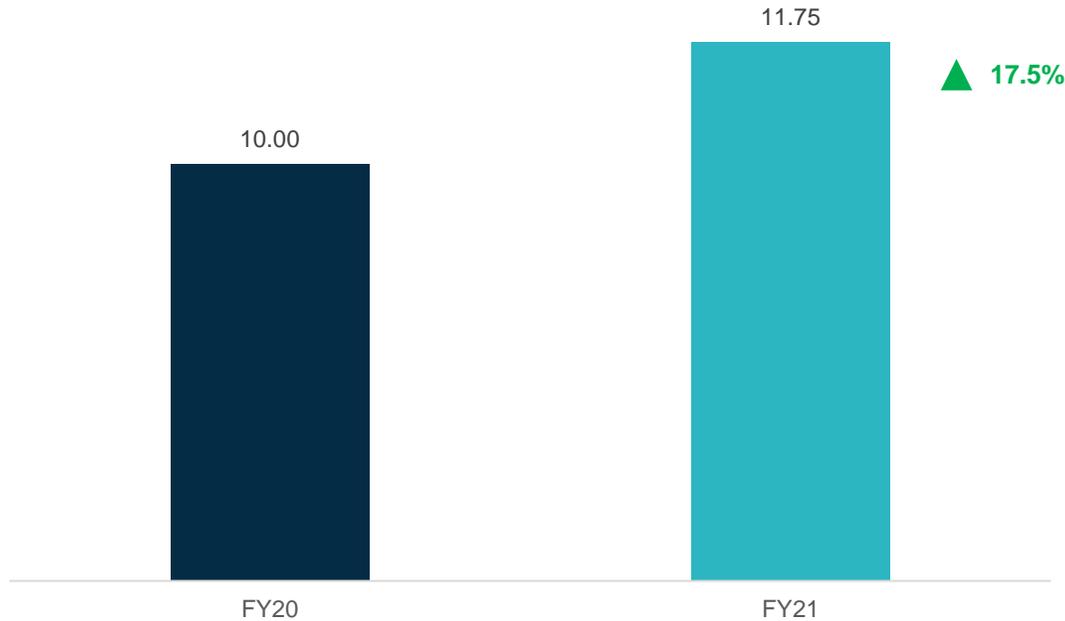
### Operating NPAT (\$m)



# Dividend growth

Total dividends declared in connection with FY21 are up 17.5% on the prior year

Dividends Declared (cps)



## Comments

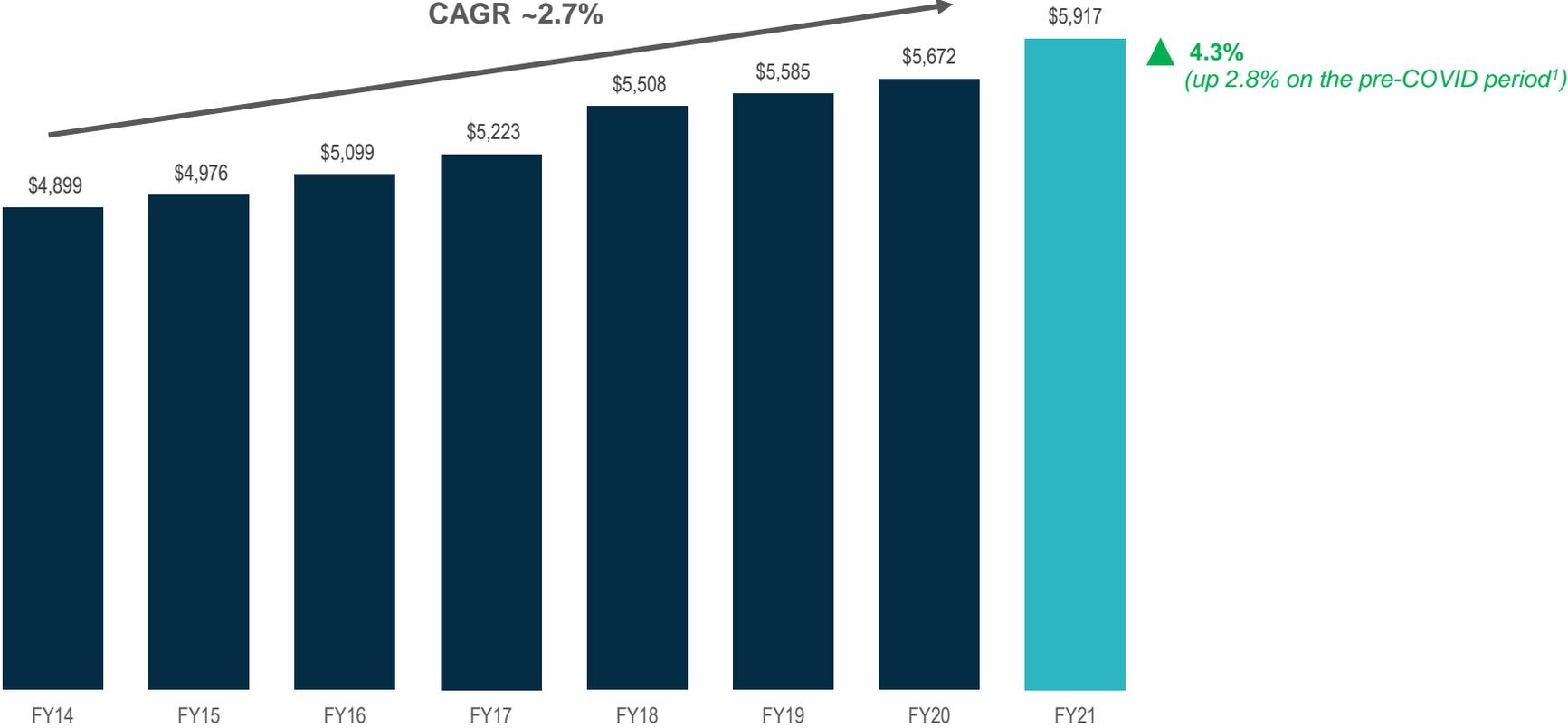
- Dividends declared in connection with FY21 totalled 11.75 cps fully franked (FY20: 10 cps), which represents:
  - a payout ratio of ~81% of Distributable Earnings
  - a dividend yield of 3.3%<sup>1</sup> (4.7%<sup>1</sup> grossed up for tax)
- A final dividend of 5.75 cps fully franked will be paid on 5 October 2021, with a record date of 2 September 2021
- Propel has declared fully franked dividends totalling 39.65 cps (or 56.6 cps<sup>2</sup>, grossed up for tax) since its IPO in November 2017

<sup>1</sup> Propel's closing share price of \$3.55 on 23 August 2021

<sup>2</sup> Based on the corporate tax rate of 30% in Australia

# Average Revenue Per Funeral growth

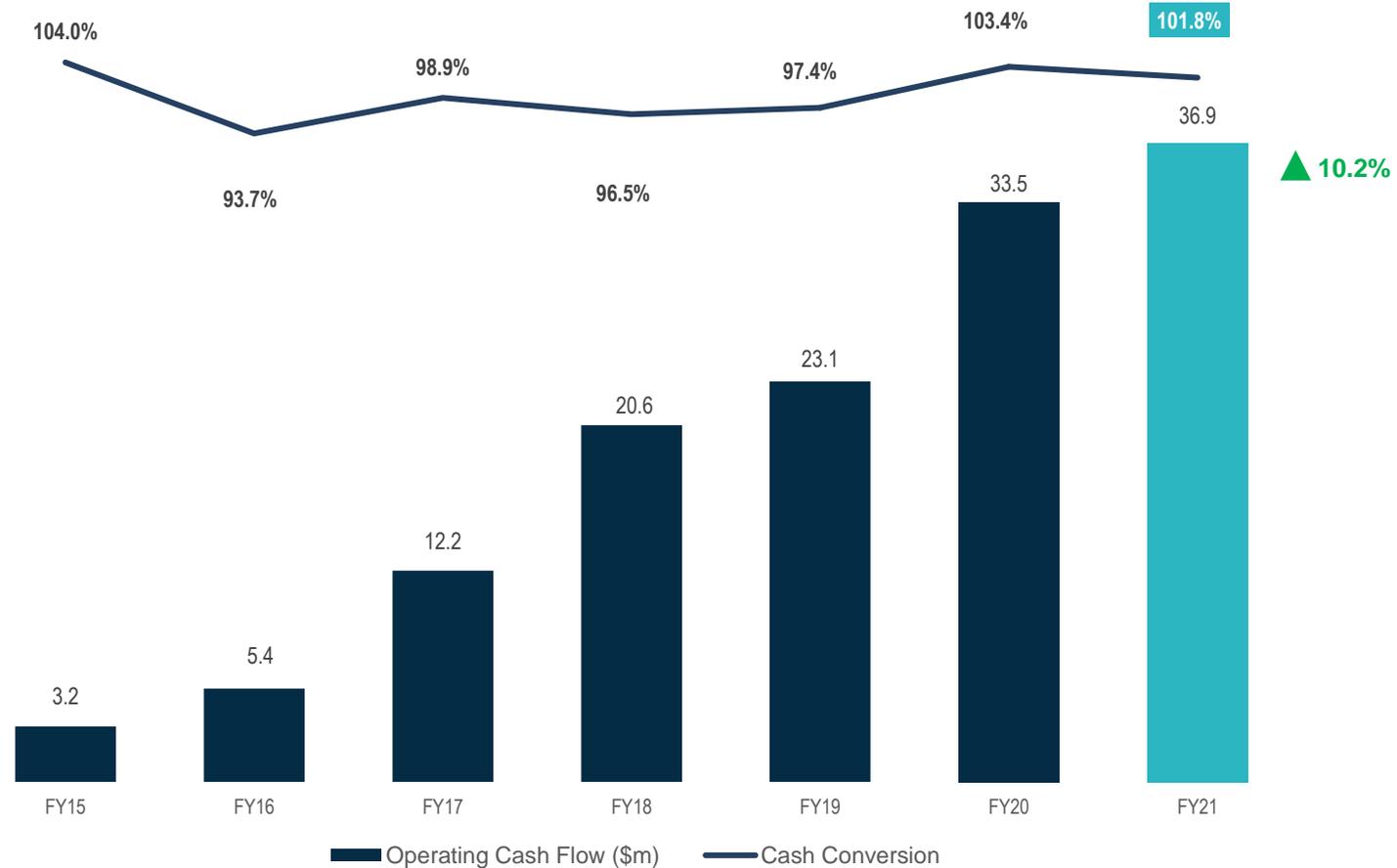
Compound annual growth rate (CAGR) of ~2.7% since FY14



<sup>1</sup> 1 July 2019 to 31 March 2020

# Cash Flow Conversion

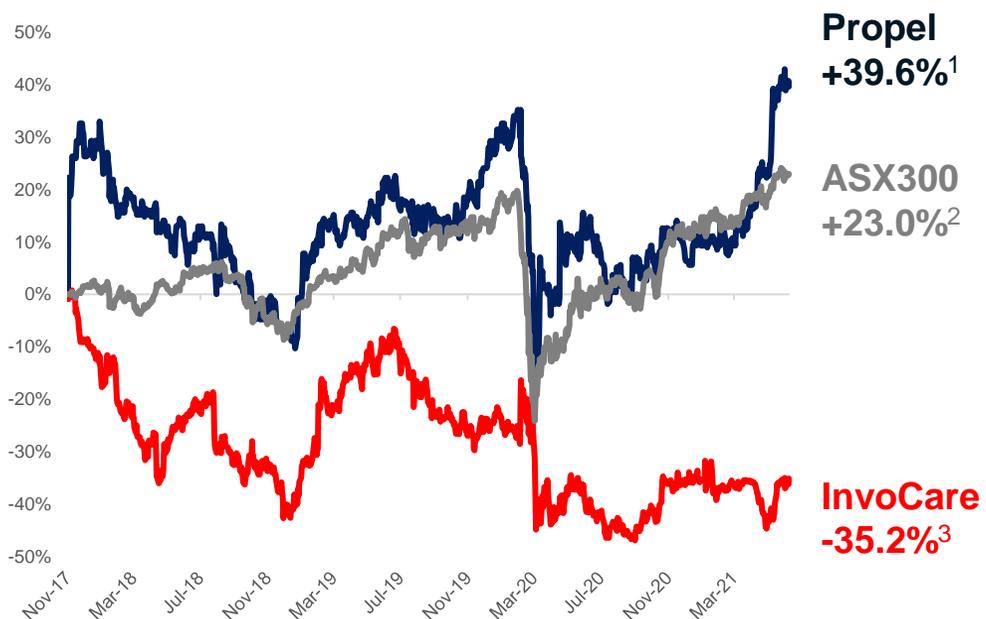
Cash Flow Conversion has been consistently strong, averaging ~99% since FY15



# Performance summary since IPO

Propel's share price has outperformed the ASX300 and its listed domestic peer since IPO

Relative share price and index performance  
Propel vs ASX300 vs InvoCare



## Comments

Since Propel's IPO on 23 November 2017 and as at 30 June 2021:

- Propel's share price was up +39.6%<sup>1</sup>
- the ASX300 Index was up +23.0%<sup>2</sup>
- InvoCare's share price was down -35.2%<sup>3</sup>
- Propel has delivered:
  - a total shareholder return of ~57%<sup>4</sup>
  - total shareholder value accretion of ~\$153 million<sup>5</sup>
  - material growth in Revenue and Operating EBITDA:

	FY18 Prospectus Forecast (\$m)	FY21 Actual (\$m)	
Revenue	73.7	120.4	+63%
Operating EBITDA	18.4	36.3	+97%

<sup>1</sup> Propel's IPO issue price on 23 November 2017 was \$2.70 and its closing share price on 30 June 2021 was \$3.77

<sup>2</sup> The ASX300 Index closed at 5,940.5 on 22 November 2017 and at 7,306.5 on 30 June 2021

<sup>3</sup> InvoCare's closing share price on 22 November 2017 was \$17.85 and its closing share price on 30 June 2021 was \$11.57

<sup>4</sup> Propel's closing share price on 30 June 2021 (\$3.77) plus total dividends paid (grossed up) since the IPO to 30 June 2021 (\$0.48), compared to the IPO issue price (\$2.70)

<sup>5</sup> Propel's closing share price on 30 June 2021 (\$3.77) plus total dividends paid (grossed up) since the IPO to 30 June 2021 (\$0.48) less the IPO issue price (\$2.70), multiplied by ~99 million shares on issue

The background of the slide is a close-up photograph of a tree trunk's cross-section, showing a prominent knot on the left side. The wood grain is a mix of light and dark brown tones, with concentric growth rings visible around the knot. The text is overlaid on the lower-left portion of the image.

### 3. FY21 financial results detail

# Financial Summary

## Statutory actuals

\$ million	30-Jun-21	30-Jun-20
<b>Total revenue</b>	<b>120.4</b>	<b>110.8</b>
Gross profit	86.8	79.6
...margin	72.0%	71.8%
Total operating costs	(50.5)	(47.2)
<b>Operating EBITDA</b>	<b>36.3</b>	<b>32.4</b>
...margin	30.1%	29.2%
Depreciation	(9.7)	(8.8)
<b>Operating EBIT</b>	<b>26.6</b>	<b>23.6</b>
...margin	22.1%	21.3%
Performance fee	-	(4.1)
Net other expenses	(0.4)	(0.4)
Acquisition and transaction costs	(0.9)	(1.6)
Net interest expense	(3.5)	(3.1)
Net financing charge on pre-paid contracts	(1.0)	(0.5)
<b>Net profit before tax</b>	<b>20.8</b>	<b>13.9</b>
Income tax expense	(6.3)	(3.2)
<b>Net profit after tax</b>	<b>14.4</b>	<b>10.6</b>
Operating NPAT	15.3	14.2
<b>Operating EPS (cps)</b>	<b>15.3</b>	<b>14.4</b>

## Comments

### Revenue

- Increased 8.7% on FY20 to \$120.4m despite below trend funeral volumes, primarily due to:
  - contributions from five acquisitions completed in FY20 and FY21
  - ARPF growth of 4.3% on FY20 and 2.8% on the pre-COVID period<sup>1</sup>

### Gross profit margin

- Increased 20 bps on FY20 to 72.0%, primarily due to the financial profile of recent acquisitions (including cremation facilities)

### Operating EBITDA

- Increased 11.9% on FY20 to \$36.3m, primarily due to impacts of:
  - five acquisitions completed in FY20 and FY21
  - COVID-19 and related mitigation measures, including wage subsidies of ~\$2.2m, enabling headcount to be maintained, partially offset by below trend death volumes

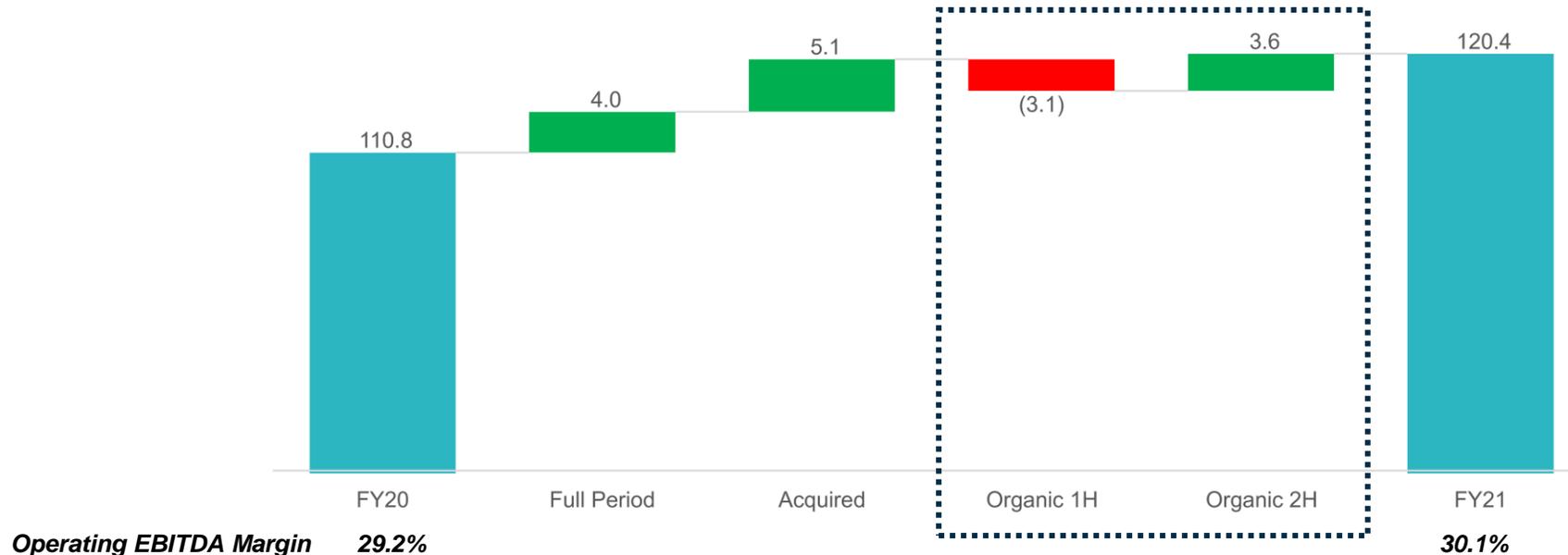
### Other items

- Depreciation increased primarily due to acquisitions
- No Performance Fee triggered in FY21
- Interest expense increased due to higher borrowings (average effective interest rate on drawn debt of ~2.3% in FY21)
- Adjusted Effective Tax Rate of 29.8%
- Operating EPS up 6.7% on FY20

<sup>1</sup> 1 July 2019 to 31 March 2020

# Revenue bridge and Operating EBITDA margin

Propel generated revenue and margin growth despite COVID-19 impacts



## Comments

### Total:

#### ARPF

- ▲ 4.3% on FY20, impacted by the financial profile of acquisitions, pricing and funeral mix

#### Funeral Volumes

- ▲ 4.6% on FY20, including contributions from acquisitions

### Organic:

#### ARPF

- ▲ 3.7% on FY20

#### Funeral Volumes

- ▼ 3.5% on FY20

### Operating EBITDA Margin:

- ▲ 90 bps on FY20, influenced by:

- improved gross margin
- the margins of five acquisitions completed in FY20 and FY21
- COVID-19 mitigation measures and cost control (comparable opex ~1% above FY20)

# Cash flow

## Statutory actuals

\$ million	30-Jun-21	30-Jun-20
Receipts from customers (inc GST)	132.4	121.7
Payments to suppliers & employees (inc GST)	(95.9)	(87.8)
	<b>36.6</b>	<b>33.9</b>
Performance fee (inc GST)	-	(4.5)
Income taxes paid	(6.0)	(4.8)
Interest paid	(3.4)	(3.3)
Interest received	0.1	0.1
<b>Net cash provided by operating activities</b>	<b>27.2</b>	<b>21.5</b>
Payment for purchase of businesses	(23.1)	(45.7)
Net payments for property, plant and equipment	(11.6)	(9.6)
Other investing cash flows	(0.0)	(1.4)
<b>Net cash used by investing activities</b>	<b>(34.7)</b>	<b>(56.7)</b>
Net (repayment)/proceeds of borrowings	(23.9)	97.0
Dividends paid	(11.9)	(9.7)
Other financing cash flows	(3.1)	(3.5)
<b>Net cash provided by financing activities</b>	<b>(38.9)</b>	<b>83.9</b>
Net (decrease)/increase in cash during the year	(46.4)	48.7
Cash at the beginning of the year	53.9	5.3
<b>Cash at the end of the year</b>	<b>7.5</b>	<b>53.9</b>
<b>Cash Flow Conversion %</b>	<b>101.8%</b>	<b>103.4%</b>

## Comments

### Operating activities

- Cash Flow Conversion strong at ~101.8% (FY20: ~103.4%)
- No Performance Fee triggered in FY21 (FY20: ~\$4.5m (including GST))
- Increase in income taxes paid due to higher NPBT

### Investing activities

- Includes acquisitions (\$22.2m), transaction costs (\$0.2m) and earn out payments (\$0.7m)
- Capex (\$7.2m). Maintenance capital expenditure amounted to 3.6% of FY21 revenue (FY20: 3.1%)
- Two property acquisitions, one previously tenanted, completed in FY21 (\$4.4m)

### Financing activities

- Net repayment of funds drawn down in Q4 FY20 to increase liquidity during the initial wave of COVID-19
- Reflects dividend paid during the year

# Balance Sheet

## Statutory actuals

\$ million	30-Jun-21	30-Jun-20
Cash and cash equivalents	7.5	53.9
Contract assets	46.1	47.5
Other current assets	10.9	10.1
<b>Total Current Assets</b>	<b>64.5</b>	<b>111.5</b>
Property, plant & equipment	152.8	129.3
Right-of-use assets	34.8	39.1
Goodwill	131.7	123.2
Other non-current assets	3.7	3.8
<b>Total Non-Current Assets</b>	<b>322.9</b>	<b>295.4</b>
<b>Total Assets</b>	<b>387.3</b>	<b>406.9</b>
Trade and other payables	7.7	6.1
Borrowings	10.1	4.1
Contract liabilities	51.9	52.4
Lease liabilities	8.7	6.1
Other current liabilities	6.2	5.4
<b>Total Current Liabilities</b>	<b>84.6</b>	<b>74.2</b>
Borrowings	76.7	106.0
Lease liabilities	28.0	34.4
Other non-current liabilities	11.1	10.3
<b>Total Non-Current Liabilities</b>	<b>115.9</b>	<b>150.8</b>
<b>Total Liabilities</b>	<b>200.4</b>	<b>225.0</b>
<b>Net Assets</b>	<b>186.9</b>	<b>181.9</b>
<b>Total Equity</b>	<b>186.9</b>	<b>181.9</b>

## Comments

### Cash and net debt position

- \$7.5m of cash
- \$79.0m of net debt<sup>1</sup>
- \$86.5m of drawn senior debt (30 June 2020: \$109.8m)

### Pre-paid contracts

- Largely held with third party friendly societies
- Asset increases by investment returns
- Liability increases by financing charge
- Asset and liability derecognised when the contract turns at need
- Pre-paid contracts that turned at need in Australia accounted for less than 10% of the Group's Australian funeral volumes in FY21, consistent with the prior year

### Property, plant and equipment

- Includes land and buildings at cost (less depreciation) of \$121.7m

### Goodwill

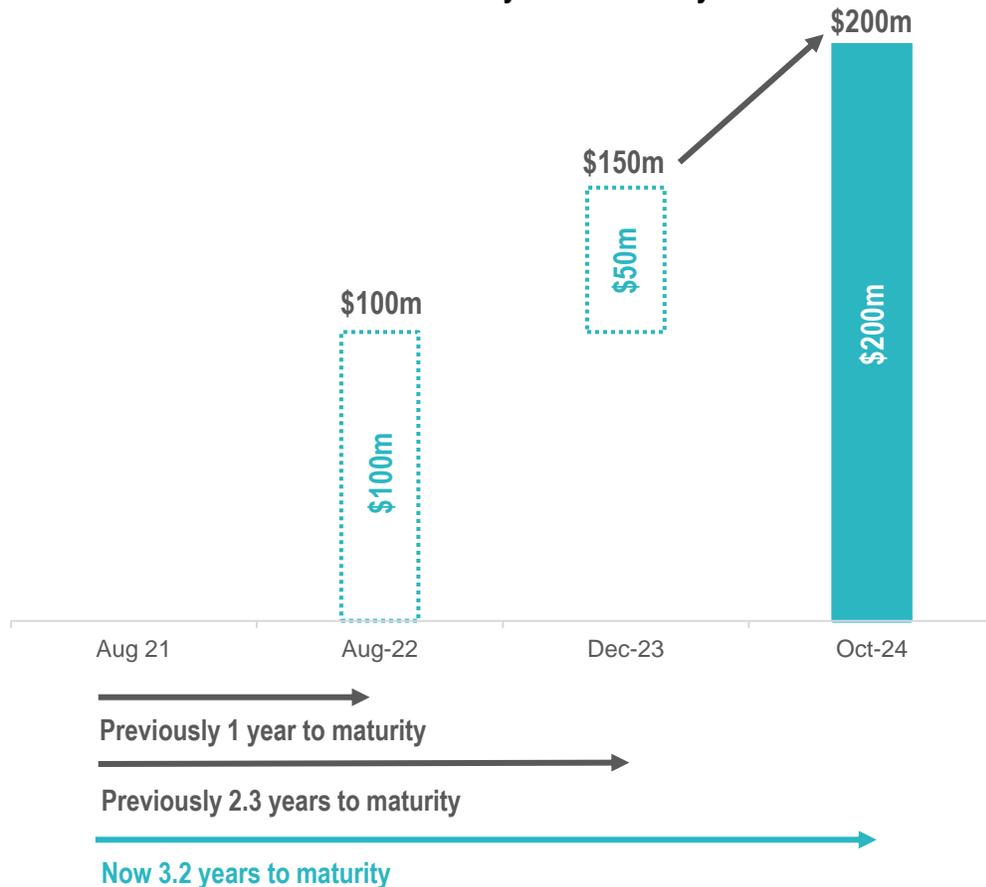
- Represents purchase price of acquisitions less fair value of tangible assets and liabilities acquired
- No impairment

<sup>1</sup> Senior debt less cash and cash equivalents

# Expanded and extended senior debt facilities

Propel has expanded its senior debt facilities by \$50 million to \$200 million to support its growth strategy

Senior Debt Facility Limits/Maturity



## Comments

- The senior debt facilities with Westpac now total \$200m, including a revolving working capital facility of \$15m (to be cleaned down annually)
- Maturity extended to October 2024
- Debt covenants will continue to be tested each 31 December and 30 June (**Testing Dates**) and comprise:
  - a net leverage ratio (which must be less than 3.5 times, until the Group elects to increase the covenant limit to 3.75 times which will endure for three consecutive Testing Dates, following which, the covenant limit will reduce to 3.5 times)
  - a fixed charge cover ratio (which must be greater than 1.75 times)
- The Group's current interest rate on drawn debt is below 2.0%

# Capital management

## Funding Capacity

	\$ million
Debt facility limit at 30 June 2021	150.0
<b>Net Debt as at 30 June 2021<sup>1</sup></b>	<b>(79.0)</b>
<b>Commitments:</b>	
Termination Fee (cash component)	(7.5)
Final Dividend	(5.9)
<b>Total commitments</b>	<b>(13.4)</b>
Increase in debt facility subsequent to 30 June 2021	50.0
<b>Funding capacity<sup>2</sup></b>	<b>107.6</b>

## Debt covenant summary (as at 30 June 2021)

Net Leverage Ratio (must be < 3.5x) <sup>3</sup>	2.2x
Fixed Charge Cover Ratio (must be > 1.75x)	5.4x

## Dividend summary

	FY21	FY20
Fully franked dividend (cps)	11.75	10.0
Dividend Payout Ratio	81%	85%

## Comments

### Funding capacity

- Increase in senior debt facilities to \$200m
- Binding cash commitments, subsequent to 30 June 2021:
  - termination fee (\$7.5m in cash paid on 26 July 2021)
  - final dividend of \$5.9m (to be paid on 5 October 2021)
- Funding capacity of approximately \$107.6m

### Covenants

The Group remained comfortably in compliance with its debt covenants as at 30 June 2021

### Dividend

Dividend payout ratio of ~81% of Distributable Earnings

<sup>1</sup> Senior debt less cash and cash equivalents

<sup>2</sup> Undrawn debt and cash at bank as at 30 June 2021, less the estimated cash required to fund the cash component of the termination fee payable in connection with the Internalisation and pay the final dividend

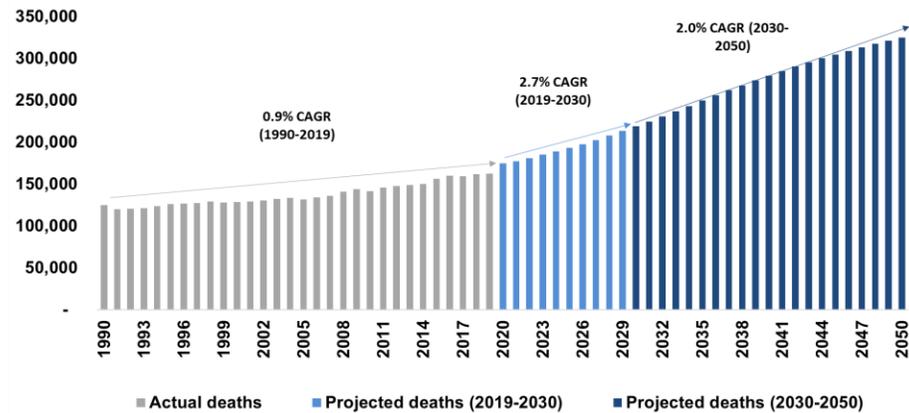
<sup>3</sup> Including the annualised impact of acquisitions and other adjustments. A ratio of 3.5x, unless the Group elects to surge to 3.75x which endures for three consecutive testing dates, following which the covenant will reduce to 3.5x. The Group's working capital facility is excluded from the Net Leverage Ratio calculation

## 4. Industry trends and acquisitions

# Increasing number of deaths

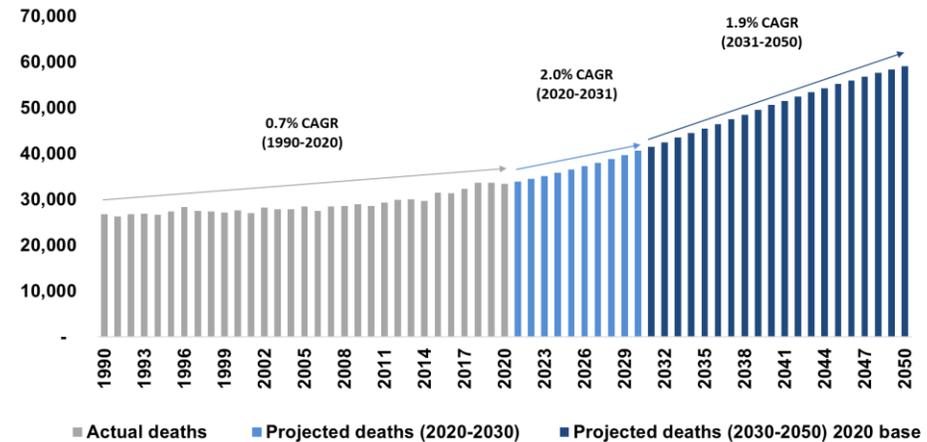
Number of deaths is the most significant driver of revenue in the death care industry

## Australia<sup>1</sup>



- Death volumes in Australia grew by 0.9% pa between 1990 and 2019<sup>1</sup>
- Death volumes are expected to increase by 2.7% pa from 2019 to 2030<sup>1</sup> and 2.0% from 2030 to 2050<sup>1</sup>

## New Zealand<sup>2</sup>



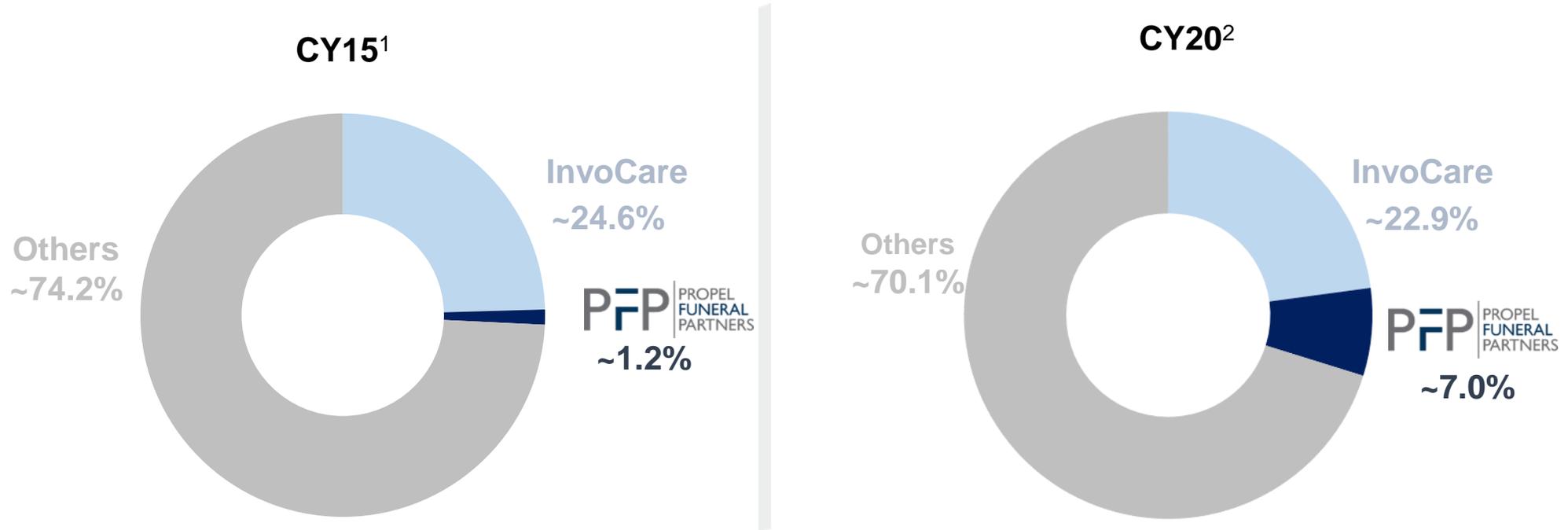
- Death volumes in New Zealand grew by 0.7% pa between 1990 and 2020<sup>2</sup>
- Death volumes are expected to increase by 2.0% pa from 2020 to 2031<sup>2</sup> and 1.9% from 2031 to 2050<sup>2</sup>

<sup>1</sup> Source: ABS, Dataset: Deaths and Infant deaths, Year and month of occurrence, Sex, States, Territories and Australia for actual deaths by financial year. 3222.0 Population Projections, Australia, 2017 (base) – 2066, Table 1 Projected population, Australia, Series B, for projected deaths by financial year (released in November 2018)

<sup>2</sup> Source: This data is based on/includes Stats NZ's data which are licensed by Stats NZ for re-use under the Creative Commons Attribution 4.0 International licence. Population, Deaths - VSD, Table: Month and year of death (Monthly) for actual deaths by financial year and National population projections, characteristics, 2020(base)-2073 for projected deaths by financial year (released in December 2020)

# Market share estimate (funeral volumes)

Propel has increased its market share in the highly fragmented Australian funeral industry



<sup>1</sup> Note: 159,052 actual deaths (ABS data) for market size, 1,920 funerals performed by Propel and 39,050 funerals performed by InvoCare (Appendix D of InvoCare's Results Presentation dated 23 February 2017) in Australia in CY15

<sup>2</sup> Note: 159,500 estimated deaths (mid point of Propel's estimated range of 156,000 to 163,000 deaths) for market size. NB ABS data not yet released. 11,084 funerals performed by Propel and 36,464 funerals performed by InvoCare in Australia in CY20 (page 10 of InvoCare's FY20 Results Investor Presentation dated 24 February 2021)

# Acquisitions

Propel has committed \$126.7 million<sup>1</sup> on acquisitions since its IPO

## 1 During FY21, Propel deployed \$29.6 million<sup>2</sup> on acquisitions completed in NZ, WA, QLD and NSW, including:



SCHNAPPER ROCK  
CREMATIONS



100% of the issued share capital and certain freehold properties of, among others, Dils Funeral Services Limited, which provides funeral directing and cremation services and operates from four locations primarily on the North Shore of Auckland, New Zealand



**Mid West Funerals**  
"Honouring your trust with dignity"

the business, assets and a freehold property relating to Mid West Funerals, which provides funeral directing services in Geraldton, Western Australia



the business and assets of Pets RIP, a provider of pet cremation services operating from two locations in Toowoomba and Ipswich, thereby expanding its existing pet loss service offering in Queensland



two freehold properties, one of which was previously tenanted by Propel

## 2 Propel continue to:

- focus on its core investment strategy to acquire assets and social infrastructure which operate in the death care industry in Australia and New Zealand
- explore other potential acquisitions, however, the timing associated with any future acquisitions is uncertain

<sup>1</sup> Upfront cash and equity consideration paid. Excludes properties purchased subsequent to completion of the acquisitions and other properties purchased totalling \$18.4 million (excluding stamp duty)

<sup>2</sup> Upfront cash and equity consideration paid. Includes two additional freehold properties purchased totalling \$4.2 million (excluding stamp duty)

The background of the slide is a close-up, circular cross-section of a tree trunk, showing intricate concentric growth rings in various shades of brown and tan. The rings are dense and detailed, creating a textured, organic pattern that fills the entire frame.

## 5. Summary and outlook

# Summary

## Growth track record, stable management, defensive market position and sector thematic are attractive characteristics

### 1 Long term growth profile

- Strong growth track record (>10 fold increase in Revenue and Operating EBITDA since FY15)
- Consistent growth in key operating metrics (funeral volumes, Average Revenue Per Funeral and network size)

### 2 Founder led management with significant ownership and industry experience

- Proven management team (>15 years funeral industry experience) who own ~19% of the Company's issued capital
- Built the business from the ground up (from 1 funeral home in 2013 to a network of 136 locations over the last 8 years)

### 3 Attractive industry dynamics

- Growing and ageing populations in Australia and New Zealand (provide favourable demographic 'tail winds' over the long term)
- Stable industry with high fragmentation (leading to acquisition opportunities)

### 4 Consistently high cash conversion and stable operating margin

- Strong Cash Conversion (averaging ~99% since FY15)
- Stable Operating EBITDA margin (above 25% since FY15)

### 5 Defensive footprint, strong asset backing and funding position support growth strategy

- Diversified network of 136 locations (77 owned properties) is difficult to replicate
- Strong funding position (~\$108 million funding capacity) to fund growth through acquisitions and other initiatives

### 6 Value creation

- Total shareholder value creation of ~\$153 million and total shareholder return of ~57% since IPO

# Outlook

## Demand for essential funeral services remains, underpinned by favourable demographics

### 1 Death volumes expected to revert to long term trends given:

- prior period declines have rebounded quickly
- the unusually benign flu seasons in 2020 and 2021 YTD
- the growing and ageing populations in Australia and New Zealand

### 2 Propel has started FY22 with higher funeral volumes. In July 2021, the Company:

- performed a record number of funerals, with total and comparable funeral volumes materially higher than the PCP
- however, death volumes fluctuate over short time horizons

### 3 Expected growth drivers for the remainder of FY22:

- death volumes reverting to long term trends
- acquisitions completed and other potential future acquisitions in what is a highly fragmented industry (although timing is uncertain)
- a strong funding position

### 4 Other impacts:

- increased employment costs, primarily due to the management internalisation
- COVID-19 impacts are expected to continue, particularly in hotspot areas which enter temporary lockdown

A close-up photograph of a wood cross-section, showing concentric growth rings in shades of tan and brown. The rings are slightly irregular and have a fine, fibrous texture. The center of the wood is a small, dark, circular pith.

6. Q&A

A close-up photograph of a tree trunk cross-section, showing concentric growth rings and radial cracks. The wood is a warm, golden-brown color. The word "Appendices" is overlaid in white text on the left side of the image.

# Appendices

# Definitions

**Adjusted Effective Tax Rate** means income tax expense divided net profit before tax, adjusted for non deductible and non assessable items.

**ARPF** means Average Revenue Per Funeral.

**Average Revenue Per Funeral** means 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 in the relevant period.

**Bps** means basis points.

**Cash Flow Conversion** means the percentage of Operating EBITDA converted into ungeared, pre-tax operating cash flows, excluding the Performance Fee and transaction costs.

**Cps** means cents per share.

**CY** means calendar year.

**Distributable Earnings** means NPAT adjusted for certain non-cash, one off or non recurring items such as the net financing charge and acquisition and transaction costs.

**EPS** means earnings per share.

**Executives** means Albin Kurti, Fraser Henderson and Lilli Gladstone.

**FY** means financial year.

**Gearing Ratio** means net debt divided by net debt plus total equity.

**IPO** means initial public offering.

**Manager** means Propel Investments Pty Limited (ACN 117 536 357).

**NPAT** means net profit after tax.

**Operating Cash Flow** means ungeared, pre-tax operating cash flow, excluding the Performance Fee and transaction costs.

**Operating EBIT** means Operating EBITDA less depreciation.

**Operating EBITDA** means earnings before interest, tax, depreciation, amortisation, the Performance Fee and certain non-operating items, such as acquisition and transaction costs.

**Operating EPS** means Operating NPAT divided by the weighted average number of ordinary shares on issue.

**Operating NPAT** means NPAT adjusted for the Performance Fee and certain non-operating items, such as acquisition and transaction costs.

**PCP** means prior corresponding period.

**PPE** means property, plant and equipment.

**YTD** means year to date.

# NPAT to Operating NPAT reconciliation

\$ million	30-Jun-21	30-Jun-20
Net profit after income tax	14.4	10.6
Add: Acquisition and transaction costs	0.9	1.6
Add: Performance fee	-	4.1
Add: Other non-operating expenses	0.3	0.3
Add: Net loss on disposal of assets	0.2	0.1
Less: Tax effect of certain Operating NPAT adjustments	(0.3)	(1.4)
Less: New Zealand deferred tax liability restatement	(0.1)	(1.1)
<b>Operating NPAT</b>	<b>15.3</b>	<b>14.2</b>

# Income statement analysis

## Statutory actuals

\$ million	30-Jun-21	30-Jun-20
Funeral operations	104.5	96.4
Cemetery, crematoria and memorial gardens	13.7	12.0
Other trading revenue	2.2	2.5
<b>Total revenue</b>	<b>120.4</b>	<b>110.8</b>
Cost of sales	(33.7)	(31.2)
<b>Gross profit</b>	<b>86.8</b>	<b>79.6</b>
Employment costs	(36.4)	(33.5)
Occupancy and facility costs	(6.5)	(6.0)
Administration fees	(0.2)	(0.2)
Other operating costs	(7.3)	(7.5)
<b>Total operating costs</b>	<b>(50.5)</b>	<b>(47.2)</b>
<b>Operating EBITDA</b>	<b>36.3</b>	<b>32.4</b>

## Comments

### Revenue segments:

- 86.7% generated from funeral operations (FY20: 86.9%)
- 11.4% generated from cemetery and memorial gardens (FY20: 10.8%)
- 1.9% from other sources (including coroners contracts) (FY20: 2.3%)

### Employment costs:

- 30.2% of revenue (FY20: 30.2%)
- Reported net of government subsidies recognised of ~\$2.2m (FY20: ~\$1.5m)

### Occupancy and facility costs:

- 5.4% of revenue (FY20: 5.4%)

### Administration fees:

- ~\$250k was paid to the Manager in FY21 (FY20: ~\$205k)

# Distributable Earnings and Dividend

## Reconciliation

\$ million	FY21
<b>NPAT</b>	<b>14.4</b>
<b>Distributable Earnings calculation</b>	
Acquisition and transaction costs	0.9
Net financing charge on prepaid contracts	1.0
Government wage subsidies	(1.5)
New Zealand deferred tax liability restatement	(0.1)
<b>Distributable Earnings</b>	<b>14.7</b>
Dividend payout ratio (rounded)	81%
Actual number of shares on issue (as at 25 August 2021)	102,253,708
<b>Dividend per share (rounded)</b>	<b>11.75</b>



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