

23 February 2022

FY22 First Half Results

- Total funeral volumes up 14.9% and comparable funeral volumes up 7.8% on the prior corresponding period (PCP or 1H FY21)
- Revenue of \$68.0 million, up 15.2% on the PCP
- Pro forma¹ Operating EBITDA² of \$18.4 million, up 17.8% on the PCP
- Pro forma¹ Operating NPAT³ of \$7.8 million, up 30.4% on the PCP
- Interim dividend declared of 6.0 cents per share fully franked
- Strong cash flows and funding position

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 2021 (**1H FY22**).

Financial performance

A material increase in total and comparable funeral volumes on the PCP (refer below) contributed to Propel achieving continued growth in key financial and operating metrics during 1H FY22, despite COVID-19 impacts. The table below compares the Company's Pro forma¹ 1H FY22 financial results with the PCP and summarises its 1H FY22 statutory financial results, which were impacted by one-off, non-recurring items relating to the Management Internalisation⁴ and government subsidies⁵:

	1H FY22 Pro forma ¹	1H FY21 Pro forma ¹	Change	1H FY22 Statutory
Revenue (\$m)	68.0	59.0	▲ 15.2%	68.0
Operating EBITDA (\$m) ²	18.4	15.6	▲ 17.8%	19.1
Margin	27.1%	26.5%	+60bps	28.1%
Operating NPAT (\$m) ³	7.8	6.0	▲ 30.4%	8.3
NPAT	7.2	5.5	▲ 30.0%	(9.2)
Operating EPS (cents) ⁶	7.3	5.9	▲ 23.1%	7.8
Cash flow conversion ⁷	98.4%	97.6%	+80bps	98.4%

The Company's 1H FY22 financial results also include impacts from:

- extended lock downs and strict funeral attendee limits in parts of Australia and New Zealand (refer below);
- part period contributions from four acquisitions completed during 1H FY22;
- full period contributions from three acquisitions completed during the PCP; and
- new shares issued in connection with equity raised, the Management Internalisation⁴ and acquisitions.

Further details, including a reconciliation of the Company's 1H FY22 Pro forma¹ and statutory financial results, are provided in the Appendix 4D, Interim Financial Report and 1H FY22 Investor Presentation.

Interim dividend

The board has declared a fully franked interim dividend of 6.0 cents per share, which represents:

- a payout ratio of ~88% of Distributable Earnings⁸; and
- an annualised dividend yield of ~2.6%⁹ (or ~3.8% grossed up for tax⁹).

The interim dividend will be paid on 7 April 2022, with a record date of 7 March 2022. Since Propel's IPO in November 2017, it has declared fully franked dividends totalling 45.7 cents per share (or ~65.2 cents per share, grossed up for tax).

¹ Statutory results excluding one-off, non-recurring items relating to the Management Internalisation and government subsidies and including the recurring impacts of the Management Internalisation, as if it had occurred on 1 July 2020.

² Earnings before interest, tax, depreciation, amortisation and certain non-operating items, such as acquisition and transaction costs.

³ Net loss/profit after tax adjusted for certain non-operating items, such as acquisition and transaction costs.

⁴ Refer to the Company's ASX announcements dated 31 May 2021 and 26 July 2021.

⁵ COVID related government subsidies received totalled \$0.6 million in 1H FY22 and totalled \$2.2 million in 1H FY21.

⁶ Operating NPAT divided by the weighted average number of shares on issue for the relevant period.

⁷ The percentage of Operating EBITDA converted into ungeared, pre-tax, operating cash flows, excluding the termination fee and transaction costs in connection with the Management Internalisation.

⁸ Net loss/profit after tax adjusted for certain non-cash, one-off or non-recurring items.

⁹ Based on Propel's closing share price of \$4.53 on 22 February 2022, annualisation of the interim dividend and the corporate tax rate in Australia of 30%.

Management Internalisation

During 1H FY22 and with the approval of its shareholders, the Company terminated the Management Agreement⁴, resulting in the:

- payment of a one-off \$15.0 million termination fee to the Manager⁴ (settled 50% in cash and 50% in Propel shares (**Termination Shares**)) and recognition of a one-off, non-cash \$0.9 million fair value adjustment expense (relating to the Termination Shares);
- recognition of a one-off, non-cash \$5.4 million share based payment revaluation expense (relating to a modification of the voluntary escrow arrangements in connection with 14.7 million shares); and
- employment of three senior executives, with Propel no longer paying fees (including uncapped potential performance fees) to the Manager⁴.

Funding position

During 1H FY22, the Company strengthened its balance sheet by:

- completing a ~\$50.2 million placement of 12.25 million fully paid Propel ordinary shares to new and existing institutional investors;
- raising ~\$13.7 million from eligible shareholders via the issue of ~3.3 million fully paid Propel ordinary shares via a share purchase plan; and
- increasing its senior debt facilities by \$50 million to \$200 million and extending the maturity date to October 2024.

As at 31 December 2021, Propel was in a strong funding position, with:

- \$423.2 million of total assets, including \$129.5 million¹⁰ of freehold properties;
- a gearing ratio of 13.3%¹¹, no near term debt maturities and material debt covenant headroom¹²; and
- \$149.3 million of available funding capacity¹³.

Funeral volumes

Propel performed 7,928 funerals in 1H FY22, up 14.9% on the PCP.

In most markets in which the Company operates, death volumes increased in 1H FY22, with Propel's comparable funeral volumes increasing by 7.8% on the PCP.

Average Revenue Per Funeral¹⁴

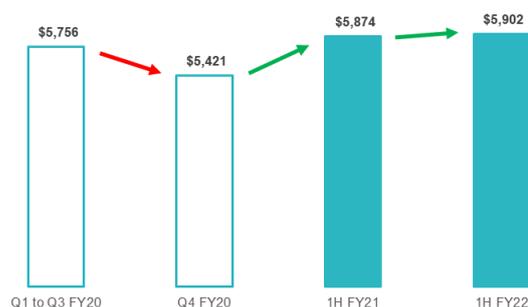
Average Revenue Per Funeral¹⁴ in 1H FY22 was \$5,902:

- up 0.5% on the PCP; and
- up 2.5% on the pre-COVID-19 period (i.e. Q1 to Q3 FY20).

COVID-19 impacts on Average Revenue Per Funeral¹⁴ in 1H FY22 were less severe than during the initial wave of the pandemic in Q4 FY20, however, extended lock downs and strict funeral attendee limits in parts of Australia and New Zealand contributed to a higher mix of lower value funerals during 1H FY22 compared to the PCP. For example, funeral attendance in greater Auckland was initially prohibited and subsequently limited to only 10 attendees for ~3 months, with similar restrictions applying in NSW, VIC and other parts of Australia, during 1H FY22.

Since the start of the pandemic, Average Revenue Per Funeral¹⁴ impacts from lock downs and strict funeral attendee limits have been temporary, with Average Revenue Per Funeral¹⁴ generally rebounding quickly, as restrictions have eased.

This not only reinforces the value that society places on physical attendance at a funeral service as a vital part of the grieving process, but also highlights the defensive nature and the social infrastructure characteristics of Propel's network of funeral homes, cremation facilities and cemeteries.



Operations

Propel's core operating focus is on people safety, essential service continuity and financial resilience. The Company continues to monitor the impacts of COVID-19 on its teams, trading and suppliers, with the health and safety of employees and bereaved client families front of mind.

During 1H FY22, Propel continued to implement measures to mitigate potential operating and financial impacts from COVID-19, such as ensuring government guidelines and directives were followed by staff and mourners, providing client families with the option of streaming services at many of its locations and holding a memorial service at a later date, particularly in COVID-19 hotspot areas that went into temporary lockdown, controlling operating costs and receiving government subsidies for eligible businesses.

¹⁰ Land and buildings held at cost, less accumulated depreciation.

¹¹ Net debt of \$38.2 million divided by net debt plus total equity of \$287.5 million.

¹² Net leverage ratio of approximately 0.8x (must be less than 3.5x) and a fixed charge cover ratio of approximately 5.4x (must not be less than 1.75x).

¹³ Undrawn debt and cash at bank, as at 31 December 2021, less the estimated cash that will be required to pay the interim dividend and fund acquisitions announced but not completed.

¹⁴ Revenue from funeral operations, excluding direct disbursements and delivered prepaid funeral impacts, divided by the number of funerals in the relevant period.

Acquisitions

During 1H FY22, Propel reviewed a number of potential acquisition opportunities and committed \$21.0 million¹⁵ on the following six acquisitions announced in Australia and New Zealand:

- **Berry Funeral Directors:** a fourth generation family business located in Norwood, SA which has been supporting Adelaide families with personal, professional funeral services since 1934;
- **Glenelg Funerals:** a family owned business located in Glenelg, SA which has been providing funeral services in Adelaide for over 25 years;
- **State of Grace:** a funeral services provider, which focuses on enabling families to personally care, and make specific homebased funeral arrangements, for their loved ones, and which operates from two locations in Auckland, NZ;
- **Carol and Terry Crawford Funerals (Crawford Funerals):** which has been operating in Geelong, VIC for over 20 years;
- **Eagars Funerals:** which has been operating in New Plymouth, NZ for over 60 years; and
- **McKee Funerals:** which has been operating in Perth, WA for over 20 years.

Completion of the above acquisitions occurred during 1H FY22, other than Crawford Funerals (which completed on 11 February 2022) and McKee Funerals (which is expected to complete by 31 March 2022).

Propel remains focussed on its core strategy of acquiring assets and social infrastructure which operate in the death care industry in Australia and New Zealand. Since its IPO in November 2017, Propel has committed approximately \$147.7 million¹⁵ on acquisitions and continues to explore other potential acquisitions, however, the timing associated with any future acquisitions is uncertain.

Outlook

In terms of the outlook for the second half of FY22 (**2H FY22**), Propel expects to benefit from:

- favourable demographics in Australia and New Zealand;
- a strong funding position; and
- acquisitions announced and completed to date and other potential future acquisitions in what remains a highly fragmented industry.

In that regard, Propel has started 2H FY22 with positive trading momentum. In the month of January 2022:

- total and comparable funeral volumes were materially higher than the PCP; and
- a higher mix of full service funerals contributed to material growth in Average Revenue Per Funeral¹⁴ over the PCP.

However, it should be noted that:

- death volumes fluctuate over short time horizons; and
- ongoing COVID-19 impacts remain uncertain.

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, flexibility and commitment to providing essential and caring services to the customers they serve, often under very difficult circumstances, especially since the start of the pandemic.

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



Brian Scullin
Chairman



Albin Kurti
Managing Director

¹⁵ Upfront cash and equity consideration paid. Excludes properties purchased subsequent to completion of the acquisitions and other properties purchased totalling, in aggregate, \$18.4 million (excluding stamp duty).

ASX

ANNOUNCEMENT

**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 145 locations, including 32 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 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.