

# ASX ANNOUNCEMENT

12 May 2023

## Acquisitions (Sydney and Southland) and Expansion of Debt Facilities

Propel Funeral Partners Limited (ASX: PFP) (**Propel or Company**) announces it has executed binding legal documentation to:

- acquire two funeral service businesses and related assets, infrastructure and real estate for up to \$41.2 million<sup>1</sup> which will materially expand and broaden the Company's network, facilitating Propel's entry into:
  - a new metropolitan market (Sydney, Australia); and
  - a new regional market (Southland, New Zealand); and
- expand the Company's senior debt facilities with Westpac Banking Corporation (**Westpac**) by \$55 million to \$255 million, extend the maturity date to October 2027 (i.e. in approximately 4.5 years) and increase a key covenant limit.

### Overview of Acquisitions

The two new acquisitions relate to:

- **Olsens Funerals**, which operates from ten locations (including one cremation facility) and provides funeral and related services to client families in the south, south west and eastern suburbs of metropolitan Sydney under long established brands including:
  - *Olsens Funerals*, which has been operating for over 75 years;
  - *Walter Carter Funerals*, which has been operating for over 130 years; and
  - *Andrew Kennedy Funerals*, which has been operating for over 80 years; and
- **J Fraser & Sons**, which operates from two locations and provides funeral and related services to client families in Invercargill and Winton in Southland, New Zealand under the following long established brands:
  - *J Fraser & Sons*, which has been operating for over 145 years; and
  - *Winton and Districts Funeral Services*, which has been operating for over 40 years.

Together, the businesses:

- generate approximately \$18 million of revenue per annum<sup>2</sup> (i.e. circa 12% of Propel's revenue in FY22);
- perform approximately 2,400 funerals per annum<sup>2</sup>; and
- operate from 12 locations, of which Propel will:
  - acquire eight properties, six of which are located in metropolitan Sydney (including a cremation facility); and
  - lease four properties from third party landlords.

The total consideration payable in connection with the two acquisitions is up to circa \$41.2 million<sup>1</sup> of which approximately 50% relates to the acquisition of real estate.

Subject to satisfaction (or waiver) of customary conditions (e.g. due diligence, consent to assignment of key contracts, staffing etc.), the two acquisitions are expected to complete during Q1 FY24 and are expected to be earnings accretive in year one.

### Expansion of Debt Facilities

Propel has executed binding legal documentation with Westpac to:

- expand the Company's senior debt facilities by \$55 million to \$255 million;
- increase the Net Leverage Ratio<sup>3</sup> covenant limit to 4.0 times (previous limit of 3.5 times and last reported at 1.2 times<sup>4</sup>); and
- extend the maturity date to October 2027 (previously October 2024).

Under the expanded and extended debt facilities, the margin on drawn debt will increase by 10-15bps.

After allowing for two acquisitions (Alfred James & Sons and Seddon Park) completed since 31 December 2022, the two new acquisitions (Olsens Funerals and J Fraser & Sons) and the expanded debt facilities announced today, Propel's:

- available funding capacity will double from circa \$55 million to circa \$110 million; and
- freehold property assets<sup>5</sup> on the balance sheet will increase materially from circa \$142 million<sup>4</sup> to circa \$195 million.

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<sup>1</sup> Estimate excluding completion adjustments and transaction costs and subject to NZD/AUD exchange rate movements, of which approximately \$41 million in cash is to be paid on completion of the proposed transactions. In addition, up to circa \$0.2 million will be payable in cash if certain financial milestones are achieved during the three years following completion of the relevant transaction.

<sup>2</sup> Average of the last three financial years.

<sup>3</sup> Including the annualised impact of acquisitions and other adjustments. The working capital facility (which will increase to \$20 million under the expanded debt facilities) is excluded from the Net Leverage Ratio calculation.

<sup>4</sup> As at 31 December 2022.

<sup>5</sup> Land and buildings held at cost, less accumulated depreciation.

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**About Propel:**

Propel is listed on the Australian Securities Exchange and is the second largest provider of death care services in Australia and New Zealand. Propel currently operates from 159 locations, including 35 cremation facilities and 9 cemeteries.

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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.