

25 February 2021

FY21 First Half Results

- Revenue of \$59.0 million, up 3.5% on the prior corresponding period (PCP or 1H FY20)
- Operating EBITDA¹ of \$19.0 million, up 14.8% on the PCP
- Operating NPAT² of \$8.4 million, up 7.6% on the PCP
- Operating EPS³ of 8.5 cents, up 7.0% on the PCP
- Interim dividend declared of 6.0 cents (1H FY20: 4.0 cents) per share fully franked
- New acquisition announced, strong cash flows and funding position, despite COVID-19 impacts

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 2020 (1H FY21).

Financial performance

Propel's financial results were resilient in 1H FY21, despite below trend death volumes in key markets within which the Company operates and COVID-19 impacts. Propel achieved growth in key financial metrics, as set out below:

	1H FY21	1H FY20	Change
Revenue (\$m)	59.0	57.0	▲ 3.5%
Operating EBITDA (\$m)	19.0	16.6	▲ 14.8%
Margin	32.2%	29.1%	+320bps
Operating NPAT (\$m)	8.4	7.8	▲ 7.6%
NPAT (\$m)	8.2	3.4	▲ 141.7%
Operating EPS (cents)	8.5	7.9	▲ 7.0%
Cash flow conversion ⁴ (%)	97.6%	99.2%	▼ 160 bps

The 1H FY21 financial results include:

- part period contributions from three acquisitions completed during 1H FY21;
- full period contributions from two acquisitions completed during 1H FY20; and
- no Performance Fee⁵ being earned by the Manager⁵ (1H FY20: \$4.1 million).

Further details are provided in the Appendix 4D, Interim Financial Report and 1H FY21 Investor Presentation.

Interim dividend

The board has declared a fully franked interim dividend of 6.0 cents (1H FY20: 4.0 cents) per share, which represents:

- a payout ratio of ~82% of Distributable Earnings⁶; and
- a dividend yield of ~4.1%⁷ (or ~5.8% grossed up for tax⁷).

The interim dividend will be paid on 9 April 2021, with a record date of 9 March 2021.

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

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

³ Operating earnings per share, calculated as Operating NPAT divided by the weighted average number of shares on issue for the relevant period.

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

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

⁶ Net profit after tax adjusted for certain non-cash, one off or non recurring items such as the net financing charge and acquisition costs.

⁷ Based on Propel's closing share price of \$2.95 on 24 February 2021, total dividends declared of 12.0 cents per share in connection with CY20 and the corporate tax rate of 30% in Australia.

Funding position

As at 31 December 2020, the Company remained in a strong funding position, with:

- \$392.1 million of total assets, including \$122.1 million⁸ of freehold properties;
- a gearing ratio of 30.2%⁹, no near term debt maturities and material debt covenant headroom¹⁰; and
- \$63.2 million of available funding capacity¹¹.

Average Revenue Per Funeral¹²

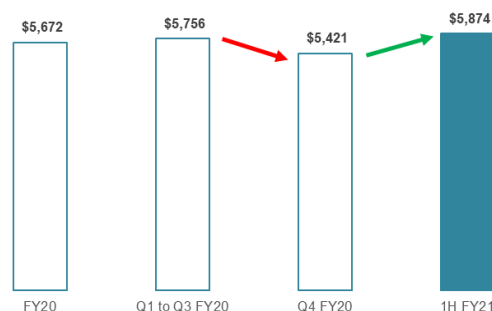
Average Revenue Per Funeral in 1H FY21 was \$5,874:

- up 3.6% on FY20; and
- up 2.1% on the pre-COVID-19 period (i.e. Q1 to Q3 FY20).

Unlike the widespread impacts of strict funeral attendee limits in Australia and New Zealand during Q4 FY20, Average Revenue Per Funeral impacts from funeral attendee limits during 1H FY21 were generally isolated to COVID-19 hotspot areas that went into temporary lockdown.

As illustrated in the chart to the right, those impacts were temporary and Average Revenue Per Funeral growth returned to the Company's target range of 2-4% per annum, as restrictions 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, it also highlights the defensive nature and the social infrastructure characteristics of Propel's network of funeral homes, cremation facilities and cemeteries.

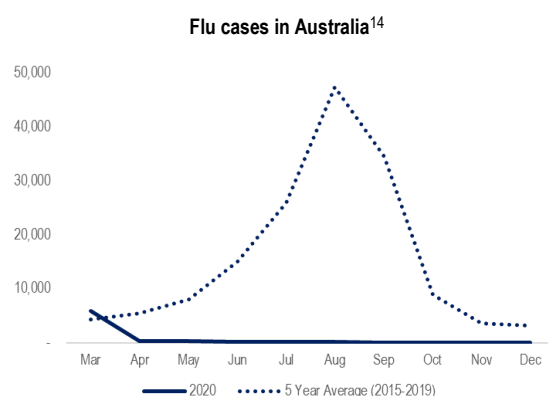


Funeral volumes

Propel performed 6,897 funerals in 1H FY21, up 3.8% on the PCP.

During 2020:

- death volumes were below historical long term trends in key markets within which the Company operates - for example, in the first five months of FY21, total registered deaths in the state of Queensland declined 10.5% compared to the PCP¹³;
- the Company's funeral volumes were positively impacted by contributions from acquisitions, however, comparable funeral volumes were 6.5% below the prior year;
- social distancing measures, travel restrictions, an increased focus on personal hygiene and effective flu vaccinations contributed to an unusually benign flu season; and
- as illustrated in the chart to the right, reported flu cases in Australia¹⁴ were circa 99% below the prior 5 year average, which is expected to result in a deferral of death volumes into future periods.



⁸ Land and buildings held at cost, less accumulated depreciation.

⁹ Net debt of \$80.8 million divided by net debt plus total equity of \$267.4 million.

¹⁰ Net Leverage Ratio of approximately 2.2x (must be less than 3.5x) and a Fixed Charge Cover Ratio of approximately 5.3x (must not be less than 1.75x).

¹¹ Undrawn debt and cash at bank as at 31 December 2020, less the estimated cash that will be required to pay the interim dividend.

¹² Revenue from funeral operations, excluding direct disbursements and delivered prepaid funeral impacts, divided by the number of funerals in the relevant period.

¹³ Source: Queensland Government.

¹⁴ Source: National Notifiable Diseases Surveillance System.

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 FY21, 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 wage subsidies for eligible businesses in Australia and New Zealand, enabling headcount to be maintained.

Acquisitions

During 1H FY21, Propel reviewed a number of potential acquisition opportunities and, despite travel restrictions and border closures, deployed \$29.6 million on acquisitions completed in New Zealand, Western Australia, New South Wales and Queensland, including:

- 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 in New Zealand;
- 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 Ipswich¹⁵ which Propel is pleased to announce, thereby expanding its existing pet loss service offering in Queensland; and
- two freehold properties, one of which was previously tenanted by Propel.

Propel remains focussed on its core investment strategy to acquire assets and social infrastructure which operate in the death care industry in Australia and New Zealand. Since its IPO in November 2017, Propel has deployed approximately \$126.7 million¹⁶ on acquisitions and continues to explore other potential acquisitions, however, the timing associated with any future acquisitions is uncertain.

Outlook

Historical experience suggests the below trend death volumes in 2020 should be temporary, given:

- prior period declines have rebounded quickly;
- the unusually benign flu season in 2020; and
- the growing and ageing population in Australia and New Zealand.

Recent trading indicates that death volumes may be starting to revert to long term trends, with Propel recording positive comparable funeral volume growth in the three months to mid February 2021. However, death volumes fluctuate over short time horizons.

In terms of the outlook for the second half of FY21 and beyond, Propel expects to benefit from:

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

However, COVID-19 impacts are expected to continue, particularly in COVID-19 hotspot areas which enter temporary lockdown.

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 Total purchase price of \$1.0 million, including transaction costs and amounts which will be payable if certain financial milestones are achieved during the two years following completion of the transaction (approximately \$0.2 million, in aggregate).

¹⁶ 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).

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 138 locations, including 32 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.