

25 August 2021

FY21 Full Year Results

- Revenue of \$120.4 million, up 8.7% on the prior year
- Operating EBITDA¹ of \$36.3 million, up 11.9% on the prior year
- Operating NPAT² of \$15.3 million, up 7.6% on the prior year
- Operating EPS³ of 15.3 cents, up 6.7% on the prior year
- Total dividends of 11.75 cents (FY20: 10.0 cents) per share fully franked, including a final dividend of 5.75 cents per share
- Over \$100 million of available funding capacity, following expansion of debt facilities to \$200 million
- Management internalisation completed

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 year ended 30 June 2021 (FY21).

Financial performance

FY21 was another record year for Propel and its financial performance proved resilient, despite COVID-19 impacts, achieving material growth in the key financial metrics set out below:

	FY21 Statutory	FY20 Statutory	Change
Revenue (\$m)	120.4	110.8	▲ 8.7%
Operating EBITDA (\$m) ¹	36.3	32.4	▲ 11.9%
Margin	30.1%	29.2%	+90bps
Operating NPAT (\$m) ²	15.3	14.2	▲ 7.6%
NPAT (\$m)	14.4	10.6	▲ 35.9%
Operating EPS (cents) ³	15.3	14.4	▲ 6.7%
Cash flow conversion (%) ⁴	101.8%	103.4%	-160bps

The FY21 financial results include:

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

Further details are provided in the Appendix 4E, Annual Report and FY21 Investor Presentation released to the ASX today.

Final dividend

The board has declared a fully franked final dividend of 5.75 cents per share, bringing the total dividends declared in connection with FY21 to 11.75 cents per share fully franked (FY20: 10.0 cents per share), which represents:

- a payout ratio of ~81% of Distributable Earnings⁶; and
- a fully franked dividend yield of ~3.3%⁷ (or ~4.7% grossed up for tax⁷).

The final dividend of 5.75 cents per share fully franked will be paid on 5 October 2021, with a record date of 2 September 2021.

Since Propel's IPO in November 2017, it has declared fully franked dividends totalling 39.65 cents per share (or ~56.6 cents per share, grossed up for tax⁷).

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

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

³ Operating NPAT divided by the weighted average number of shares on issue for the year ended 30 June 2021.

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

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 non-cash, one-off and non-recurring items including the net financing charge and acquisition and transaction costs.

⁷ Based on Propel's closing share price of \$3.55 on 23 August 2021, total dividends declared of 11.75 cents per share in connection with FY21 and the corporate tax rate of 30% in Australia.

Expansion and extension of debt facilities and funding position

As at 30 June 2021, the Company had:

- \$387.3 million of total assets, including \$121.7 million⁸ of freehold properties;
- net debt of \$79.0 million and a gearing ratio of 29.7%⁹; and
- material debt covenant headroom¹⁰.

Propel is pleased to announce that it has increased its senior debt facilities with Westpac Banking Corporation (**Westpac**) by \$50 million to \$200 million and extended the maturity date to October 2024 (previously August 2022 and December 2023). Debt covenants will continue to be tested each 31 December and 30 June (**Testing Dates**) and comprise:

- a Net Leverage Ratio¹¹ (which must be less than 3.5 times, until the Company notifies Westpac of an election to increase the covenant to 3.75 times which will endure for three consecutive Testing Dates, following which the covenant will reduce to 3.5 times); and
- a Fixed Charge Cover Ratio (which must be greater than 1.75 times).

Propel remains in a strong funding position, with approximately \$107.6 million¹² of available funding capacity.

Average Revenue Per Funeral¹³

Average Revenue Per Funeral in FY21 was \$5,917:

- up 4.3% on the prior year; and
- up 2.8% 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 FY21 were generally isolated to COVID-19 hotspot areas that went into temporary lockdown.

As illustrated to the right, those impacts were temporary and Average Revenue Per Funeral growth on the pre COVID-19 period (i.e. Q1 to Q3 FY20) returned to the Company's target range of 2-4% per annum, as restrictions eased.

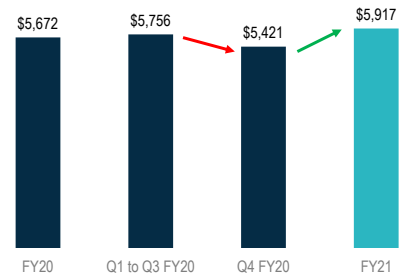
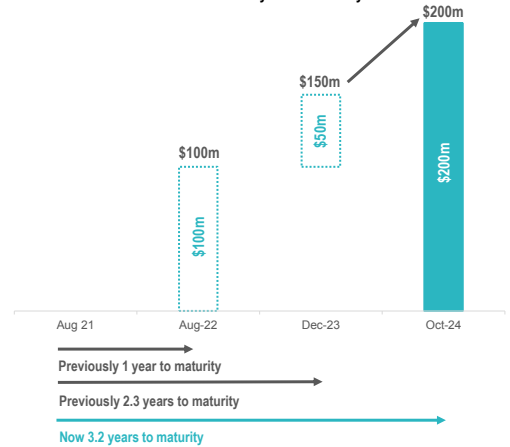
This not only reinforces the value that society places on physical attendance at a funeral service as a vital part of the grieving process, it also highlights the defensive nature and the social infrastructure characteristics of Propel's diversified network of funeral homes, cremation facilities and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

Funeral volumes

Propel performed 13,916 funerals in FY21, up 4.6% on the prior year. During FY21:

- death volumes were below historical long term trends in key markets within which the Company operates - for example, total registered deaths in New South Wales and Queensland declined 4.2% compared to the prior year¹⁴;
- the Company's comparable funeral volumes were down 3.5% on the prior year, largely due to below trend funeral volumes experienced during 1H FY21, partially offset by positive comparable funeral volumes in 2H FY21; and
- social distancing measures, travel restrictions, an increased focus on personal hygiene and effective flu vaccinations contributed to unusually benign flu seasons in 2020 and 2021 year to date (**YTD**), with reported flu cases in Australia¹⁵ circa 99% below the 5 year average to 2019, which is expected to result in a deferral of death volumes into future periods.

Senior Debt Facility Limits/Maturity



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

⁹ Net debt of \$79.0 million, divided by net debt plus total equity of \$265.9 million.

¹⁰ Net Leverage Ratio of approximately 2.2x (must be less than 3.5x) and a Fixed Charge Cover Ratio of approximately 5.4x (must not be less than 1.75x).

¹¹ Including the annualised impact of acquisitions and other adjustments. The working capital facility is excluded from the Net Leverage Ratio calculation.

¹² Cash at bank and undrawn debt as at 30 June 2021, plus the \$50 million increase to the debt facility limit, less the cash component of the termination fee payable in connection with the management internalisation and cash required to pay the FY21 final dividend.

¹³ 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.

¹⁴ Source: Industry association.

¹⁵ Source: National Notifiable Diseases Surveillance System.

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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 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, in 1H FY21, receiving wage subsidies for eligible businesses in Australia and New Zealand, enabling headcount to be maintained.

Management internalisation

Throughout FY21, the Company was externally managed by the Manager, under a management agreement dated 11 September 2017 (**Management Agreement**).

On 31 May 2021, the Company announced that, following negotiations initiated and led by its independent directors, it had entered into an Implementation Agreement with the Manager to give effect to an internalisation of key senior management functions of the Company.

On 26 July 2021, the Company announced that, following receipt of shareholder approval, the Management Agreement was terminated, resulting in, among other things, the payment of a \$15.0 million termination fee to the Manager (settled 50% in cash and 50% in Propel shares) and three senior executives becoming employees of the Group¹⁶.

Acquisitions

During 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 Ipswich, thereby expanding the Group's existing pet loss service offering in Queensland; and
- two freehold properties, one of which was previously tenanted by the Group.

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 committed approximately \$126.7 million¹⁷ 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 year ending 30 June 2022, 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 highly fragmented industry (although timing is uncertain); and
- a strong funding position.

Historical experience suggests the below trend death volumes in FY21 should be temporary, given:

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

In that regard, following the Company's resilient financial performance in FY21, Propel has started FY22 with higher funeral volumes. In the month of July 2021, the Company performed a record number of funerals, with total and comparable funeral volumes materially higher than the prior corresponding period. However, death volumes fluctuate over short time horizons and COVID-19 impacts are expected to continue, particularly in COVID-19 hotspot areas which enter temporary lockdown.

¹⁶ The Company and its wholly owned subsidiaries.

¹⁷ 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).

ASX ANNOUNCEMENT

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Our people and client families

We wish to make special mention of our staff in Australia and New Zealand. We thank them for their hard work, professionalism, flexibility and commitment to providing essential and caring funeral and related services to the communities they served throughout FY21, particularly during the COVID-19 pandemic. Finally, we also acknowledge bereaved client families, many of whom have farewelled loved ones in particularly challenging circumstances due to COVID-19.

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

Brian Scullin
Chairman

Albin Kurti
Managing Director

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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 136 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.

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