

# ASX ANNOUNCEMENT

24 August 2022

## FY22 Full Year Results

- Revenue of \$145.2 million, up 20.6% on the prior year
- Pro forma<sup>1</sup> Operating EBITDA<sup>2</sup> of \$39.0 million, up 25.2% on the prior year
- Pro forma Operating NPAT<sup>3</sup> of \$16.9 million, up 45.0% on the prior year
- Total dividends of 12.25 cents (FY21: 11.75 cents) per share fully franked, including a final dividend of 6.25 cents per share
- Available funding capacity of ~\$136 million and strong cash flows

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 2022 (**FY22**).

### Financial performance

FY22 was another record year for Propel. A material increase in total and comparable funeral volumes on the prior year, combined with stronger Average Revenue Per Funeral<sup>4</sup> in 2H FY22 (compared to the lock down impacted 1H FY22), contributed to Propel achieving continued growth in key financial and operating metrics in FY22, despite COVID-19 impacts. The table below compares the Company's Pro forma FY22 financial results with the prior year and summarises its FY22 statutory financial results, which were impacted by one-off items relating to the Management Internalisation<sup>5</sup> and government subsidies<sup>6</sup>:

	FY22 Pro forma <sup>1</sup>	FY21 Pro forma <sup>1</sup>	Change	FY22 Statutory
Revenue (\$m)	145.2	120.4	▲ 20.6%	145.2
Operating EBITDA (\$m)	39.0	31.1	▲ 25.2%	39.6
Margin	26.8%	25.8%	+100bps	27.3%
Operating NPAT (\$m)	16.9	11.6	▲ 45.0%	17.4
NPAT	16.0	10.5	▲ 53.3%	-0.3
Operating EPS (cents) <sup>7</sup>	15.0	11.4	▲ 31.1%	15.4
Cash flow conversion <sup>8</sup>	100.2%	101.8%	-160bps	100.2%

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

- part year contributions from six acquisitions completed during FY22;
- full year contributions from three acquisitions completed during the prior year;
- extended lock downs and strict funeral attendee limits in parts of Australia and New Zealand during 1H FY22; and
- new shares issued in connection with equity raised, the Management Internalisation and acquisitions.

Further details, including definitions and a reconciliation of the Company's FY22 Pro forma and statutory financial results, are provided in the Appendix 4E, 2022 Annual Report and FY22 Investor Presentation released to the ASX today.

### Final dividend

The board has declared a fully franked final dividend of 6.25 cents per share, bringing the total dividends declared in connection with FY22 to 12.25 cents (FY21: 11.75 cents) per share fully franked, which represents:

- a payout ratio of ~81% of Distributable Earnings<sup>9</sup>; and
- a dividend yield of ~2.6%<sup>10</sup> (or ~3.7% grossed up for tax).

The final dividend will be paid on 4 October 2022, with a record date of 1 September 2022. Since Propel's IPO in November 2017, it has declared fully franked dividends totalling 51.9 cents per share (or ~74 cents per share, grossed up for tax).

<sup>1</sup> Statutory results excluding one-off 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.

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

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

<sup>4</sup> Revenue from funeral operations, excluding direct disbursements and delivered prepaid funeral impacts, divided by the number of funerals in the relevant period.

<sup>5</sup> Refer to the Company's ASX announcements dated 31 May 2021 and 26 July 2021.

<sup>6</sup> COVID-19 related government subsidies received totalled \$0.6 million in FY22 and \$2.2 million in FY21.

<sup>7</sup> Operating NPAT divided by the weighted average number of shares on issue for the relevant period.

<sup>8</sup> The percentage of Operating EBITDA converted into ungeared, pre-tax operating cash flow, adjusted for cash flow timing differences relating to executive bonuses and excluding the termination fee and transaction costs in connection with the Management Internalisation.

<sup>9</sup> Net (loss)/profit after tax adjusted for certain non-cash and non-operating items, such as acquisition and transaction costs.

<sup>10</sup> Based on Propel's closing share price of \$4.73 on 30 June 2022, total dividends declared in connection with FY22 of 12.25 cents per share fully franked and the corporate tax rate in Australia of 30%.

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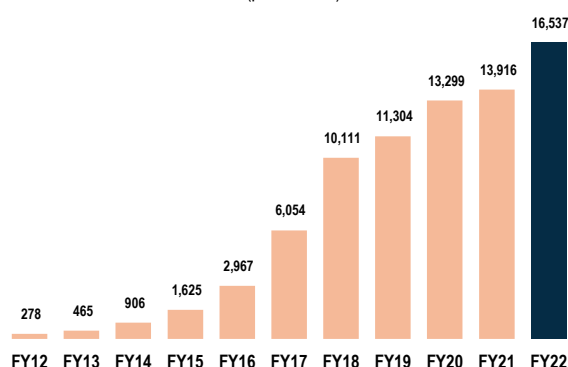
## Funeral volumes

Propel performed 16,537 funerals in FY22, an increase of 18.8% on the prior year and a more than 10 fold increase since FY15.

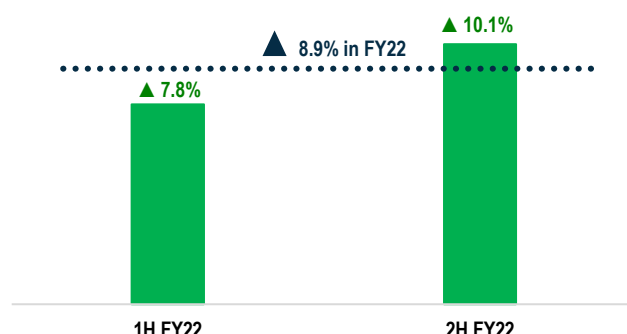
In most markets in which the Company operates, death volumes increased materially in FY22, with Propel experiencing comparable funeral volume growth over the relevant prior corresponding period (PCP) of:

- 8.9% in FY22 (FY21: decline of 3.5%); and
- 7.8% in 1H FY22, which accelerated to 10.1% in 2H FY22.

**Total Funeral Volumes**  
(per annum)



**Comparable Funeral Volumes**  
(growth on the PCP)



## Average Revenue Per Funeral

Average Revenue Per Funeral in FY22 was \$6,038:

- up 2.0% on the prior year; and
- up 4.9% on the pre-COVID-19 period (i.e. Q1 to Q3 FY20).

COVID-19 impacts on Average Revenue Per Funeral were primarily felt during 1H FY22 but were less severe than during the initial wave of the pandemic in Q4 FY20. Since the start of the pandemic, Average Revenue Per Funeral impacts from lock downs and strict funeral attendee limits have been temporary, with Average Revenue Per Funeral generally rebounding quickly, as restrictions have eased.

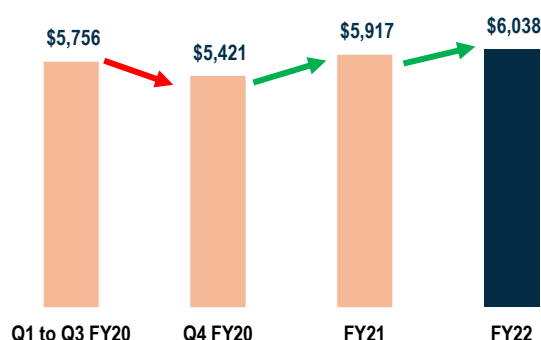
During 1H FY22 extended lock downs and strict funeral attendee limits in parts of Australia and New Zealand<sup>11</sup> contributed to:

- a higher mix of lower value funerals; and
- comparable Average Revenue Per Funeral being in line with the PCP.

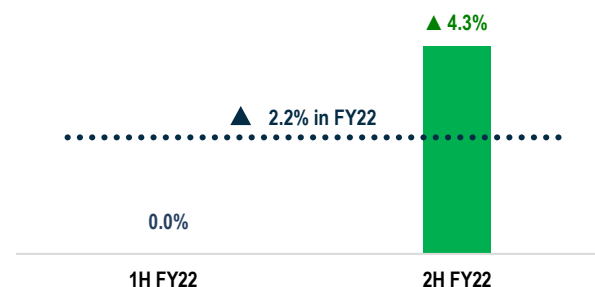
During 2H FY22, there were no extended lockdowns or strict funeral attendee limits in Australia and New Zealand, which contributed to:

- a higher mix of full service funerals; and
- comparable Average Revenue Per Funeral growth of 4.3% on the PCP.

**Average Revenue Per Funeral**



**Comparable Average Revenue Per Funeral**  
(growth on the PCP)



<sup>11</sup> For example, funeral attendance in greater Auckland was initially prohibited and subsequently limited to 10 attendees for ~3 months during 1H FY22, with similar restrictions applying in parts of Australia.

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## Operations

Since the start of the COVID-19 pandemic, Propel's core operating focus has been on people safety, essential service continuity and financial resilience.

During FY22, the Company:

- continued 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;
- implemented measures to mitigate potential operating and financial impacts from COVID-19;
- experienced higher short term staff absenteeism due to COVID-19; and
- managed short term operational disruptions due to challenging weather events in NSW and QLD.

## Management Internalisation

During FY22 and with the approval of its shareholders, the Company completed the Management Internalisation. Further details are provided in the 2022 Annual Report and FY22 Investor Presentation.

## Acquisitions

During FY22, Propel reviewed a number of potential acquisition opportunities and committed \$21.0 million<sup>12</sup> on the following six acquisitions in Australia and New Zealand:

- **Berry Funeral Directors:** located in Norwood, SA which has been providing funeral services in Adelaide since 1934;
- **Glenelg Funerals:** located in Glenelg, SA which has been providing funeral services in Adelaide for over 25 years;
- **State of Grace:** a funeral services provider which operates from two locations in Auckland, NZ;
- **Carol and Terry 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.

Subsequent to 30 June 2022, Propel announced it had executed conditional sale agreements and committed \$7.9 million<sup>12</sup> to acquire:

- **Community Funerals and Cremation for Pets:** a funeral and pet loss service provider which operates from four locations in and around Cairns, QLD, one of which will be acquired as part of the transaction and the other three will be leased; and
- **Mason Park Funerals:** a funeral service provider which operates from one location in Wangaratta, VIC, which will be acquired as part of the transaction.

Completion of both transactions is expected to occur in Q2 FY23.

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 \$155.5 million<sup>13</sup> on acquisitions and continues to explore other potential acquisitions, however, the timing associated with any future acquisitions is uncertain.

## Funding position

During 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 30 June 2022, Propel was in a strong funding position, with:

- \$428.6 million of total assets, including \$131.6 million<sup>14</sup> of freehold properties;
- a gearing ratio of 13.9%<sup>15</sup>, no near term debt maturities and material debt covenant headroom<sup>16</sup>; and
- \$136.1 million of available funding capacity<sup>17</sup>.

<sup>12</sup> Upfront cash and equity consideration paid/payable (excluding stamp duty).

<sup>13</sup> Upfront cash and equity consideration paid. Excludes properties purchased subsequent to completion of the acquisitions and other properties purchased totalling \$27.0 million (excluding stamp duty).

<sup>14</sup> Land and buildings held at cost, less accumulated depreciation.

<sup>15</sup> Net debt of \$40.3 million divided by net debt plus total equity of \$248.8 million.

<sup>16</sup> Net leverage ratio of approximately 0.8x (must be less than 3.5x) and a fixed charge cover ratio of approximately 5.7x (must not be less than 1.75x).

<sup>17</sup> Undrawn debt and cash at bank, as at 30 June 2022, less the estimated cash that will be required to pay the final dividend and fund binding commitments relating to acquisitions announced but not completed.

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## Outlook

In terms of the outlook for FY23, the Company expects to benefit from:

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

In that regard, Propel's positive trading momentum has continued into the start of the new financial year:

- in the first six weeks of FY23, total and comparable funeral volumes were materially higher than the PCP;
- in the month of July 2022<sup>18</sup>:
  - Average Revenue Per Funeral was ~6% higher than FY22; and
  - the Company's Operating EBITDA margin reflected strong seasonal trading conditions.

It should be noted that:

- death volumes fluctuate over short time horizons;
- higher inflation is expected to impact funeral related pricing and costs; and
- ongoing impacts from COVID-19, particularly on death volumes, 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 also wish to specifically acknowledge and thank our dedicated staff in flood affected areas in NSW and QLD, who continued to provide essential funeral and related services to their local communities despite particularly challenging weather events during 2H FY22.

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



**Brian Scullin**  
Chairman



**Albin Kurti**  
Managing Director

ENDS

## 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 144 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.

<sup>18</sup> Based on the Company's unaudited management accounts.