

ASX ANNOUNCEMENT

22 February 2023

FY23 First Half Results

- Revenue of \$83.8 million, up 23.3% on the prior corresponding period (PCP)
- Operating EBITDA¹ of \$23.1 million, up 25.6% on the PCP
- Operating NPAT² of \$11.0 million, up 34.9% on the PCP
- Interim dividend of 7.1 cents (1H FY22: 6.0 cents) per share fully franked
- Committed ~\$44 million on five acquisitions year to date in FY23
- Strong cash flow conversion 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 2022 (1H FY23).

Financial performance

Materially higher funeral volumes and stronger Average Revenue Per Funeral³ contributed to Propel achieving continued growth in key financial and operating metrics in 1H FY23. The table below compares the Company's 1H FY23 financial results with the PCP:

	1H FY23	1H FY22 ⁴	Change
Revenue (\$m)	83.8	68.0	▲ 23.3%
Operating EBITDA (\$m)	23.1	18.4	▲ 25.6%
Margin	27.6%	27.1%	+50bps
Operating NPAT (\$m)	11.0	8.1	▲ 34.9%
NPAT	10.2	7.2	▲ 42.5%
Operating EPS (cents) ⁵	9.3	7.6	▲ 22.9%
Cash flow conversion ⁶	99.2%	98.4%	+80bps

The Company's 1H FY23 financial results:

- include part period contributions from three acquisitions completed during 1H FY23; and
- include full period contributions from six acquisitions completed during FY22; and
- do not include any contributions from two acquisitions completed or expected to be completed during 2H FY23.

Further details are provided in the Appendix 4D, Interim Financial Report and 1H FY23 Investor Presentation released to the ASX today.

Interim dividend

The board has declared a fully franked interim dividend of 7.1 cents (1H FY22: 6.0 cents) per share, which represents:

- a payout ratio of ~75% of Distributable Earnings⁷; and
- an annualised dividend yield of ~3.2%⁸ (or ~4.6% grossed up for tax).

The interim dividend will be paid on 3 April 2023, with a record date of 3 March 2023. Since its IPO in November 2017, Propel has declared fully franked dividends totalling 59 cents per share (or ~84 cents per share, grossed up for tax).

Funeral volumes

In 1H FY23, death volumes increased in most markets in which the Company operates and Propel:

- performed 9,061 funerals, an increase of 14.3% on the PCP; and
- experienced material comparable funeral volume growth of 5.2% on the PCP, despite cycling strong growth of 7.8% in the PCP.

Average Revenue Per Funeral

In 1H FY23, Propel experienced a higher mix of full service funerals compared to the lockdown impacted PCP, which contributed to:

- Average Revenue Per Funeral of \$6,346, up 7.5% on the PCP; and
- comparable Average Revenue Per Funeral growth of 8.3% on the PCP.

¹ Earnings before interest, tax, depreciation, amortisation and certain non-operating items, such as acquisition and transaction costs. PCP is disclosed on a Pro Forma basis (refer to note 4).

² Net profit after tax adjusted for the non-cash net financing charge on pre-paid contracts and acquisition costs. PCP is disclosed on a Pro Forma basis (refer to note 4).

³ Revenue from funeral operations, excluding direct disbursements and delivered prepaid funeral impacts, divided by the number of funerals in the relevant period.

⁴ Pro Forma means 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 2021. Refer to Propel's 1H FY22 Results Announcement dated 23 February 2022.

⁵ Operating NPAT divided by the weighted average number of shares on issue for the relevant period. PCP is disclosed on a Pro Forma basis.

⁶ The percentage of Operating EBITDA converted into ungeared, pre-tax operating cash flow, adjusted for cash flow timing differences relating to executive bonuses.

⁷ Net profit after tax adjusted for the non-cash net financing charge on pre-paid contracts and acquisition costs.

⁸ Based on Propel's closing share price of \$4.40 on 21 February 2023, annualisation of the interim dividend and the corporate tax rate in Australia of 30%.

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Acquisitions

In 1H FY23, Propel deployed circa \$11 million⁹ on the following three acquisitions completed in Australia and New Zealand:

- **Community Funerals and Cremation for Pets:** a funeral and pet loss service provider operating in and around Cairns, Queensland;
- **Mason Park:** a funeral service provider operating in Wangaratta, Victoria; and
- **Pets at Rest:** a pet loss service provider operating in Auckland, New Zealand.

Subsequent to 31 December 2022, Propel deployed and/or committed circa \$33 million¹⁰ on the following two acquisitions in Australia and New Zealand:

- **Seddon Park Funeral Home (including Sadliers Funeral Services):** a funeral services provider which operates from two locations in and around Hamilton, New Zealand, completion of which occurred during Q3 of FY23; and
- **Alfred James:** a funeral services provider which operates from seven locations in and around Adelaide, South Australia, completion of which is expected to occur during Q4 of FY23.

Propel remains focused 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 \$192 million¹⁰ on acquisitions and continues to explore other potential acquisitions, however, the timing associated with any future acquisitions is uncertain.

Financial position

Propel remains in a strong financial position, with:

- \$449.0 million of total assets as at 31 December 2022, including \$142.1 million¹¹ of freehold properties;
- a gearing ratio of 19.4%¹², no near term debt maturities and material debt covenant headroom¹³; and
- \$97.0 million of available funding capacity¹⁴.

Outlook

In terms of the outlook for the second half of FY23 (2H 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 has started 2H FY23 with positive trading momentum – in the month of January 2023, revenue was materially higher than the PCP¹⁵, reflecting:

- higher Average Revenue Per Funeral; and
- continued growth in total and comparable funeral volumes, despite the funeral industry cycling a strong PCP.

It should be noted that:

- death volumes fluctuate over short time horizons and, during 2023, Propel will cycle strong comparable funeral volume growth in the PCP;
- high inflation is expected to impact funeral related pricing and costs; and
- ongoing impacts from COVID-19, particularly on life expectancy and 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.

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



Brian Scullin
Chairman

ENDS



Albin Kurti
Managing Director

⁹ Upfront cash and equity consideration paid/payable (excluding stamp duty). Subject to completion adjustments and exchange rate movements.

¹⁰ Upfront cash and equity consideration paid. Excludes properties purchased subsequent to completion of a relevant business acquisition totalling \$27.7 million (excluding stamp duty). Subject to completion adjustments and exchange rate movements.

¹¹ Land and buildings held at cost, less accumulated depreciation.

¹² Net debt of \$61.1 million divided by net debt plus total equity of \$314.8 million, as at 31 December 2022.

¹³ Net leverage ratio of approximately 1.2x (must be less than 3.5x) and a fixed charge cover ratio of approximately 6.0x (must not be less than 1.75x).

¹⁴ Undrawn debt and cash at bank, less the estimated cash that will be required to pay the interim dividend and fund commitments relating to the acquisitions.

¹⁵ Based on the Company's unaudited management accounts.

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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 152 locations, including 35 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.