

ASX ANNOUNCEMENT

24 August 2023

FY23 Full Year Results

- Revenue of \$168.5 million, up 16.0% on the prior year
- Operating EBITDA¹ of \$46.0 million, up 18.0% on the prior year
- Operating NPAT² of \$20.9 million, up 17.9% on the prior year
- Total dividends of 14.0 cents (FY22: 12.25 cents) per share fully franked, including a final dividend of 6.9 cents (FY22: 6.25 cents)
- \$87 million of available funding capacity and net leverage ratio of 1.7 times (covenant limit of 4.0 times)

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 2023 (FY23).

Financial performance

FY23 was another record year for Propel. Materially higher funeral volumes and Average Revenue Per Funeral³ contributed to Propel achieving continued growth in key financial and operating metrics in FY23, despite the higher inflationary and interest rate environment. The table below compares the Company's FY23 financial results with the prior year:

	FY23	FY22 ⁴		Change
Revenue (\$m)	168.5	145.2	▲	16.0%
Operating EBITDA (\$m)	46.0	39.0	▲	18.0%
Margin	27.3%	26.8%		+45bps
Operating NPAT (\$m)	20.9	17.7	▲	17.9%
NPAT	19.0	16.0	▲	18.5%
Operating EPS (cents) ⁵	17.7	15.7	▲	12.7%
Cash flow conversion % ⁶	95.4%	100.2%		-480bps

The Company's FY23 financial results:

- include part year contributions from five acquisitions completed during FY23;
- include full year contributions from six acquisitions completed during FY22; and
- do not include contributions from four acquisitions completed or expected to be completed during 1Q FY24.

Further details are provided in the Appendix 4E, 2023 Annual Report and FY23 Investor Presentation released to the ASX today.

Final dividend

The board has declared a fully franked final dividend of 6.9 cents (FY22: 6.25 cents) per share, bringing the total dividends declared in connection with FY23 to 14.0 cents (FY22: 12.25 cents) per share fully franked, which represents:

- a payout ratio of ~79% of Distributable Earnings⁷; and
- a dividend yield of ~3.3%⁸ (or ~4.8% grossed up for tax).

The final dividend will be paid on 3 October 2023, with a record date of 31 August 2023. Since Propel's IPO in November 2017, it has declared fully franked dividends totalling 65.9 cents per share (or ~94 cents per share, grossed up for tax).

Funeral volumes

In FY23, Propel:

- performed 18,029 funerals in FY23, up ~9% on the prior year and a more than 11 fold increase since FY15; and
- experienced positive comparable funeral volume growth of ~1%, despite cycling strong comparable growth of ~9% in the prior year.

Average Revenue Per Funeral

In FY23, the Company's:

- Average Revenue Per Funeral was \$6,398, up ~6% on the prior year; and
- comparable Average Revenue Per Funeral was up ~7% on the prior year.

¹ Earnings before interest, tax, depreciation, amortisation and certain non-operating items, such as acquisition and transaction costs. FY22 is disclosed on a Pro forma basis (refer to note 4).

² Net profit after tax adjusted for certain non-operating items, such as acquisition and transaction costs and the non cash net financing charge on pre-paid contracts. FY22 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, meaning 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 2021. Refer to Propel's FY22 Results Announcement dated 24 August 2022.

⁵ Operating NPAT divided by the weighted average number of shares on issue for the relevant period.

⁶ 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.

⁷ Net profit after tax adjusted for certain non-cash and non-operating items, such as acquisition and transaction costs.

⁸ Based on Propel's closing share price of \$4.19 on 30 June 2023, total dividends declared in connection with FY23 of 14.0 cents per share fully franked and the corporate tax rate in Australia of 30%.

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Acquisitions

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 (NZ) and during FY23, Propel deployed ~\$44 million⁹ on the following five acquisitions:

- **Community Funerals and Cremation for Pets:** a funeral and pet loss service provider operating in and around Cairns, Queensland;
- **Mason Park Funerals:** a funeral services provider operating in Wangaratta, Victoria;
- **Seddon Park (including Sadliers):** a funeral services provider operating in and around Hamilton, NZ;
- **Alfred James:** a funeral services provider operating in and around Adelaide, South Australia; and
- **Pets at Rest:** a pet loss services provider operating in Auckland, NZ.

Subsequent to 30 June 2023, Propel deployed and/or committed ~\$77 million⁹ in connection with the following four acquisitions:

- **Olsens (including Walter Carter and Andrew Kennedy):** a funeral service provider operating in south, south west and eastern suburbs of metropolitan Sydney, New South Wales, completion of which occurred on 3 July 2023;
- **J Fraser & Sons:** a funeral service provider operating in and around Invercargill, NZ, completion of which occurred on 3 July 2023; and
- **Harbour City:** a funeral service provider operating in and around Wellington, NZ, completion of which occurred on 18 August 2023; and
- **Terry Longley:** a funeral service provider operating in and around Hawkes Bay, which is expected to complete during September 2023.

Since its IPO in November 2017, Propel has committed ~\$269 million¹⁰ on acquisitions and continues to explore other potential acquisitions, however, the timing associated with any future acquisitions is uncertain.

Funding position

During FY23, the Company:

- expanded its senior debt facilities to \$255 million (previously \$200 million);
- extended the maturity date to October 2027 (previously October 2024); and
- increased the net leverage ratio covenant limit to 4.0 times (previously 3.5 times).

As at 30 June 2023, Propel had:

- ~\$540 million of total assets, including ~\$175 million¹¹ of freehold properties;
- a gearing ratio of ~27%¹² and a net leverage ratio of ~1.7 times; and
- ~\$87 million of available funding capacity¹³.

Outlook and Guidance

In terms of the outlook for FY24, the Company expects to benefit from:

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

Given ~\$121 million of acquisition commitments during the past ~12 months, the Company provides the following FY24 guidance¹⁴:

- revenue in the range of \$200-\$220 million (FY23: \$168.5 million); and
- Operating EBITDA in the range of \$54-\$60 million (FY23: \$46.0 million).

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



Albin Kurti
Managing Director

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⁹ Upfront cash and equity consideration paid/payable (excluding stamp duty).

¹⁰ Upfront cash and equity consideration paid. Excludes properties purchased subsequent to completion of the acquisitions and other properties purchased totalling \$27.7 million (excluding stamp duty).

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

¹² Net debt of \$93.7 million divided by net debt plus total equity of \$253.3 million.

¹³ Refer to slide 20 of the FY23 Investor Presentation.

¹⁴ Refer to slide 27 of the FY23 Investor Presentation.

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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 180 locations, including 37 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.