

An hourglass is positioned on the left side of the slide. The top bulb is filled with dark blue liquid, and the bottom bulb is filled with orange liquid. The narrow neck of the hourglass is in the center, where the two liquids meet.

# FY22 Full Year Results

Investor Presentation  
24 August 2022

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The FY15 to FY18 Operating EBITDA, Operating NPAT and Cash Flow Conversion numbers disclosed in this investor presentation are presented on a pro forma basis (consistent with the Prospectus and FY18 reporting), unless otherwise stated. The current financial year and the prior year disclose both statutory and pro forma numbers, as specified.

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# Presenters



**Albin Kurti**  
Managing Director



**Lilli Gladstone**  
Chief Financial Officer



**Fraser Henderson**  
Head of M&A, General Counsel  
and Company Secretary

# Agenda

1. Key highlights for FY22
2. Company overview
3. FY22 financial results detail
4. Industry trends and acquisitions
5. Summary and outlook
6. Q&A

Appendices



*Berry Funeral Directors - Adelaide, South Australia*



*Eagars Funerals - New Plymouth, New Zealand*



# 1. Key highlights for FY22

# Key Highlights for FY22

## 1 TRADING<sup>1</sup>

Revenue

**\$145.2m**

^ 20.6%

Funeral Volumes

**16,537**

^ 18.8%

Average Revenue Per Funeral

**\$6,038**

^ 2.0% (up 4.9% on the pre-COVID period<sup>2</sup>)

## 2 EARNINGS<sup>1</sup>

Pro forma<sup>3</sup> Operating EBITDA

**\$39.0m**

^ 25.2%

Pro forma<sup>3</sup> Operating NPAT

**\$16.9m**

^ 45.0%

Cash Flow Conversion

**100.2%**

✓ 160bps

## 3 CAPITAL MANAGEMENT<sup>1,4</sup>

Dividend

**12.25cps**

FY21: 11.75cps

Gearing Ratio

**13.9%**

Funding Capacity<sup>5</sup>

**\$136.1m**

## 4 GROWTH<sup>4</sup>

Locations

**144**

^ 8

Acquisitions<sup>6</sup>

**\$155.5m**

committed since IPO

Expansion

**SA, VIC, WA and NZ**

## 5 OUTLOOK

**Expecting to benefit from:**

- favourable demographics in Australia and NZ
- a strong funding position
- acquisitions completed and announced to date and other potential future acquisitions in a highly fragmented industry

<sup>1</sup> Movements shown above relate to movements between FY22 and FY21, unless otherwise stated

<sup>2</sup> 1 July 2019 to 31 March 2020

<sup>3</sup> Statutory results excluding one-off items relating to the Management Internalisation (refer to slide 34) and government subsidies and including the recurring impacts of the Management Internalisation, as if it had occurred on 1 July 2020

<sup>4</sup> As at 30 June 2022 for Gearing Ratio, Locations (movement from 30 June 2021) and Expansion

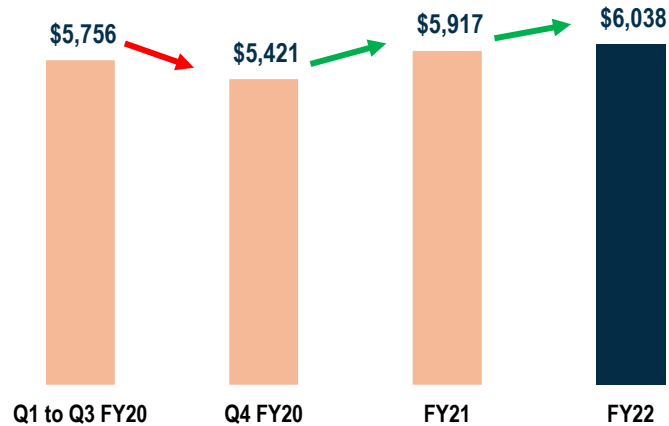
<sup>5</sup> Refer to slide 22

<sup>6</sup> Refer to slide 26

# COVID-19 Impacts

## Average Revenue Per Funeral and comparable funeral volume growth accelerated in 2H FY22

### 1 Average Revenue Per Funeral



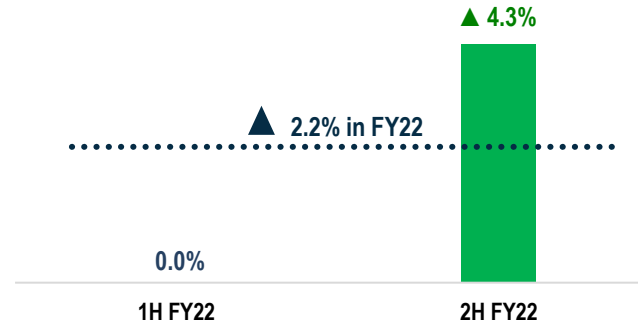
Average Revenue Per Funeral in FY22 was \$6,038:

- up 2.0% on the prior year
- up 4.9% on the pre-COVID-19 period<sup>1</sup>

COVID-19 impacts were primarily felt in 1H FY22 but were less severe than during the initial wave of the pandemic in Q4 FY20

Average Revenue Per Funeral has generally rebounded quickly, as restrictions eased

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



During 1H FY22, extended lock downs and strict funeral attendee limits in parts of Australia and NZ<sup>2</sup> contributed to:

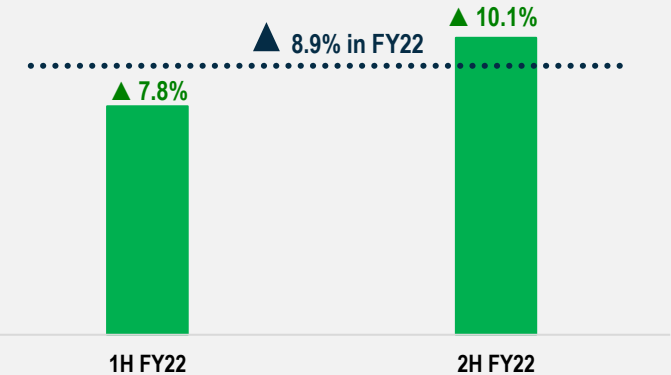
- a higher mix of lower value funerals
- comparable Average Revenue Per Funeral growth<sup>3</sup> being in line with the PCP

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

- a higher mix of full service funerals
- comparable Average Revenue Per Funeral growth<sup>3</sup> of 4.3%

### 2 Funeral Volumes

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



Propel performed 16,537 funerals in FY22, an increase of 18.8% on the prior year

In most markets in which the Company operates, death volumes increased materially in FY22, with Propel experiencing comparable funeral volume growth<sup>3</sup> of:

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

<sup>1</sup> 1 July 2019 to 31 March 2020

<sup>2</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

<sup>3</sup> On the relevant PCP



## 2. Company Overview



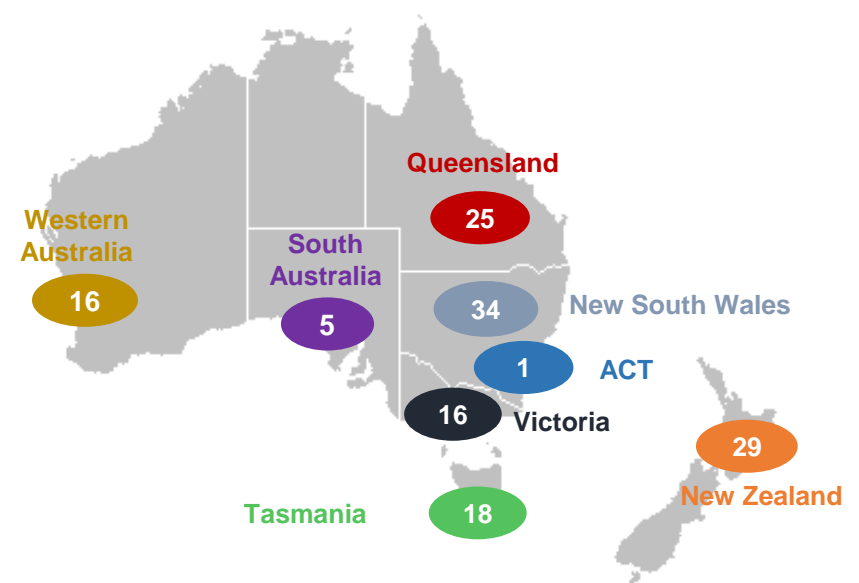
# Geographic Presence

144 operating locations (79 owned / 65 leased), including 32 cremation facilities and 9 cemeteries

1 August 2013



2 August 2022

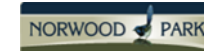


Geographic footprint is difficult to replicate, with funeral homes dating back to the late 1800s and early 1900s

# Brand Portfolio

Diversified single and multi-site brands with strong local community awareness

## Australia



## NZ

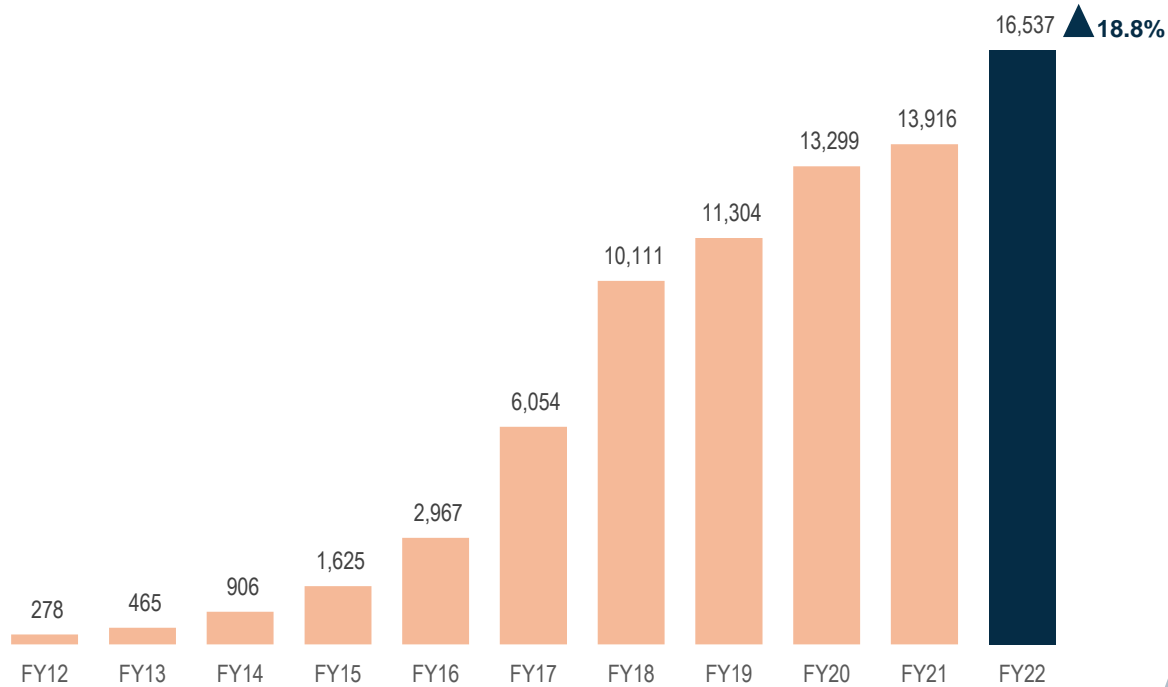


Acquisitions completed during FY22 and announced during FY23

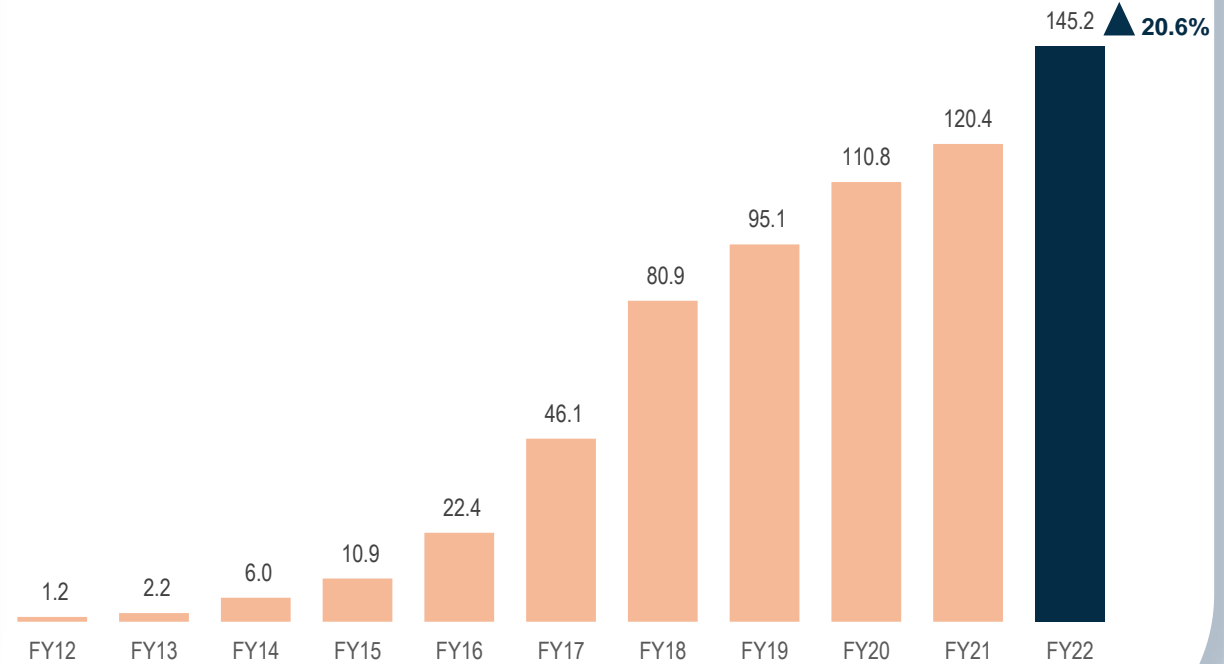
# Volume and Revenue Growth

Propel has maintained a strong growth trajectory despite COVID-19 impacts

## 1 Funeral volumes



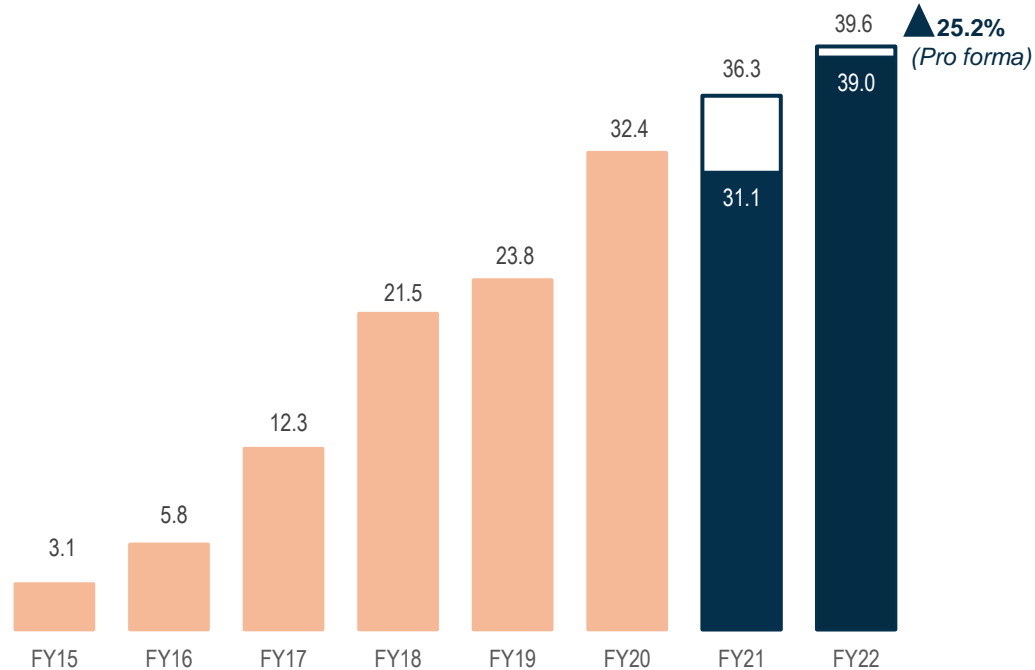
## 2 Revenue (\$m)



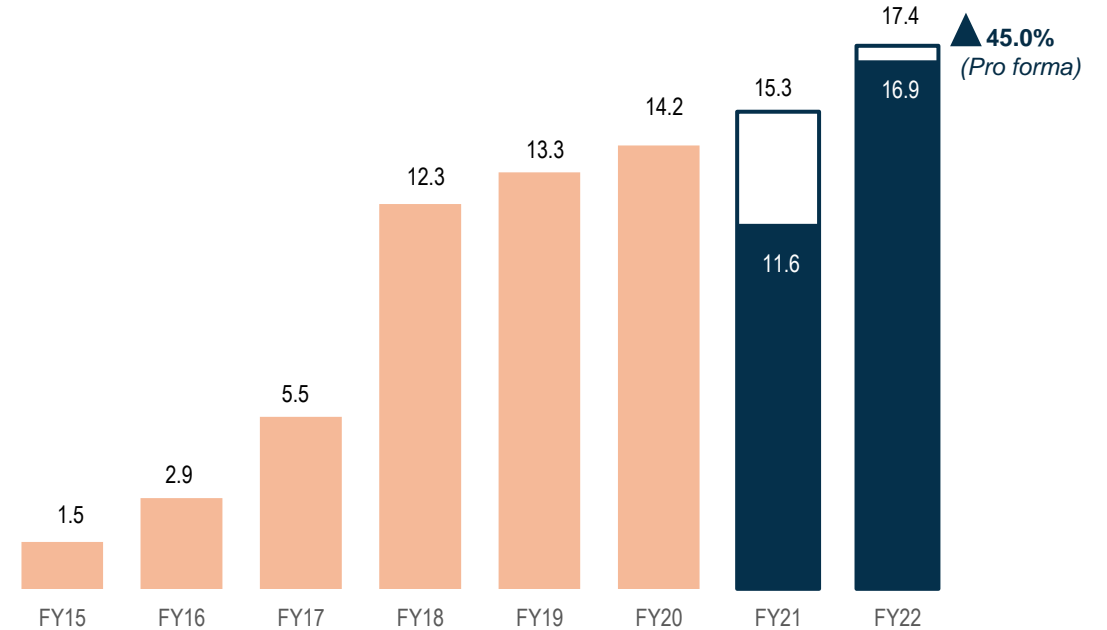
# Earnings Growth

Propel has maintained a strong growth trajectory despite COVID-19 impacts

## 1 Operating EBITDA (\$m)



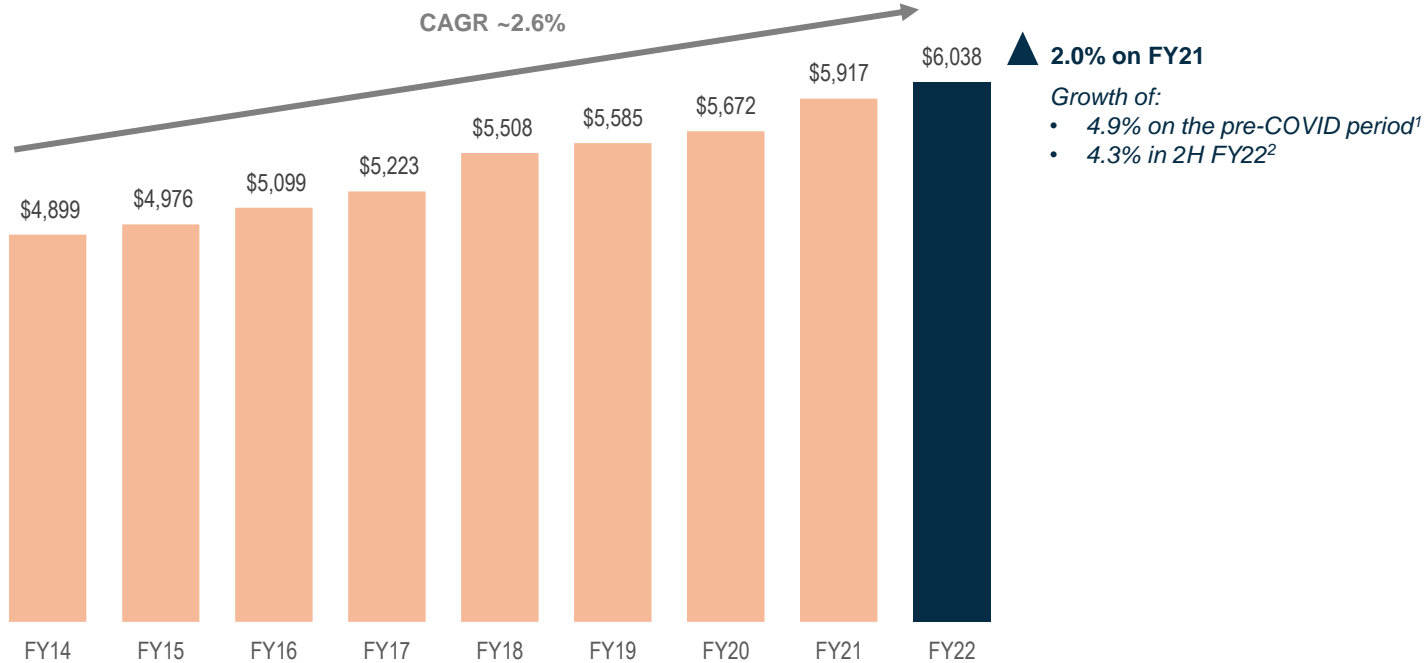
## 2 Operating NPAT (\$m)



Pro forma Statutory

# Average Revenue Per Funeral Growth

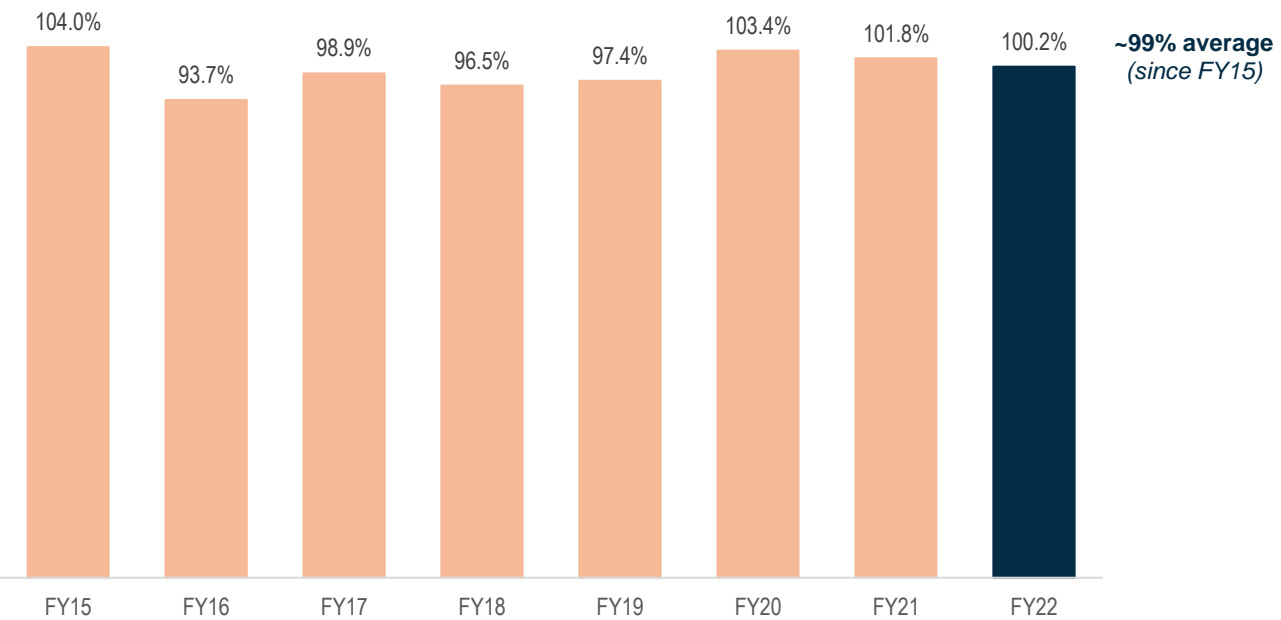
Compound annual growth rate (CAGR) of ~2.6% since FY14



<sup>1</sup> 1 July 2019 to 31 March 2020  
<sup>2</sup> Comparable Average Revenue Per Funeral growth on the PCP

# Cash Flow Conversion

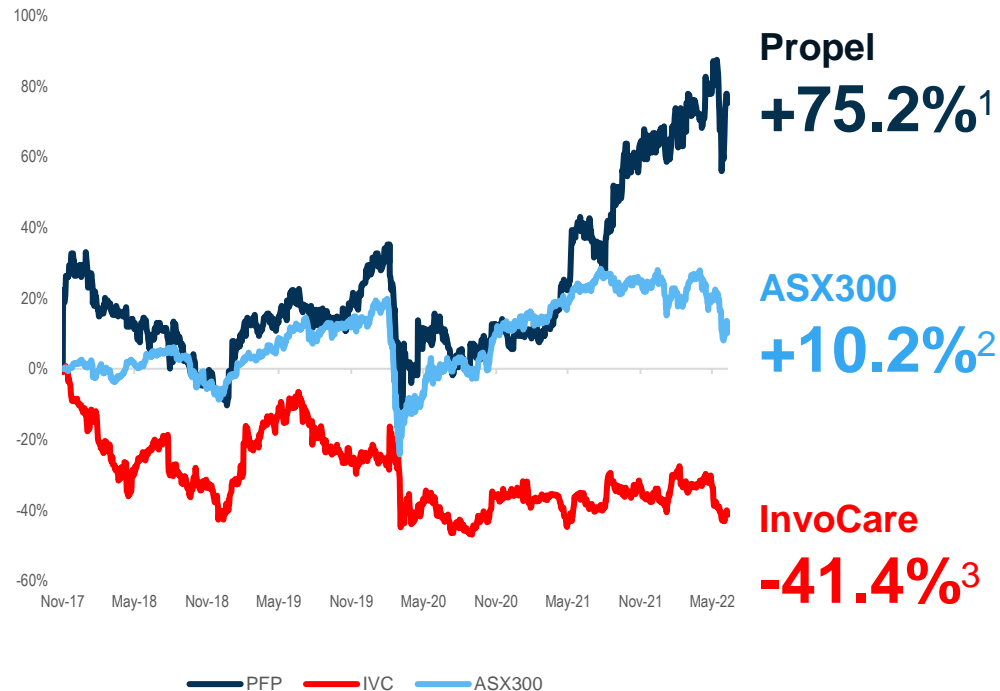
Consistently strong and has averaged ~99% since FY15



# Performance Summary Since IPO

Propel's share price has outperformed the ASX300 and its listed domestic peer since IPO in November 2017

## Relative share price and index performance



Total shareholder return<sup>4</sup>  
~86%

Total shareholder value accretion<sup>5</sup>  
~\$280m

Material growth in key financial  
and operating metrics

<sup>1</sup> Propel's IPO issue price on 23 November 2017 was \$2.70 and its closing share price on 30 June 2022 was \$4.73

<sup>2</sup> The ASX300 Index closed at 5,940.5 on 22 November 2017 and at 6,544 on 30 June 2022

<sup>3</sup> InvoCare's closing share price on 22 November 2017 was \$17.85 and its closing share price on 30 June 2022 was \$10.46

<sup>4</sup> Total shareholder value accretion divided by the total value (at cost) of shares issued at and since the IPO, as at 30 June 2022

<sup>5</sup> Propel's closing market capitalisation plus total dividends paid (grossed up) since the IPO, less the total value (at cost) of shares issued at and since the IPO, as at 30 June 2022



### 3. FY22 Financial Results Detail



# Financial Summary – Pro forma

## Pro Forma Income Statement<sup>1</sup>

\$ million	FY22	FY21
<b>Total revenue</b>	<b>145.2</b>	<b>120.4</b>
Gross profit	102.5	86.8
...margin	70.6%	72.0%
Total operating costs	(63.6)	(55.6)
<b>Operating EBITDA</b>	<b>39.0</b>	<b>31.1</b>
...margin	26.8%	25.8%
Depreciation	(10.3)	(9.7)
<b>Operating EBIT</b>	<b>28.6</b>	<b>21.4</b>
...margin	19.7%	17.8%
Net interest expense	(3.5)	(3.5)
Net financing charge on pre-paid contracts	(0.8)	(1.0)
<b>Operating NPBT</b>	<b>24.3</b>	<b>16.9</b>
Income tax expense	(7.4)	(5.3)
<b>Operating NPAT</b>	<b>16.9</b>	<b>11.6</b>
<b>Operating EPS (cps)</b>	<b>15.0</b>	<b>11.4</b>
<b>Non-operating items:</b>		
Acquisition costs	(1.1)	(1.4)
Net other expenses	(0.0)	(0.4)
Tax effect of adjustments	0.3	0.5
<b>Net profit after tax</b>	<b>16.0</b>	<b>10.3</b>

## Comments

### Revenue

- Increased 20.6% on FY21 to \$145.2m, primarily due to:
  - the contributions from nine acquisitions completed in FY21 and FY22
  - comparable funeral volume growth of 8.9%

### Gross profit margin

- Decreased 140 bps on FY21 to 70.6%, primarily due to the financial profile of recent acquisitions (none of which have cremation facilities), sales mix and funeral mix

### Pro forma Operating EBITDA

- Increased 25.2% on FY21, primarily due to:
  - the contributions from nine acquisitions completed in FY21 and FY22
  - operating leverage, driven by higher funeral volumes and good cost control, despite the higher inflationary environment, resulting in margin expansion

### Other operating items:

- Depreciation increased primarily due to acquisitions
- Interest expense in line with FY21 (average effective interest rate<sup>2</sup> on drawn debt of ~2.4% in FY22)
- Adjusted effective tax rate of 29.7% (FY21: 29.7%)
- Operating EPS increased 31.1% and was partially impacted by an 18% increase in shares on issue

### Other non-operating items:

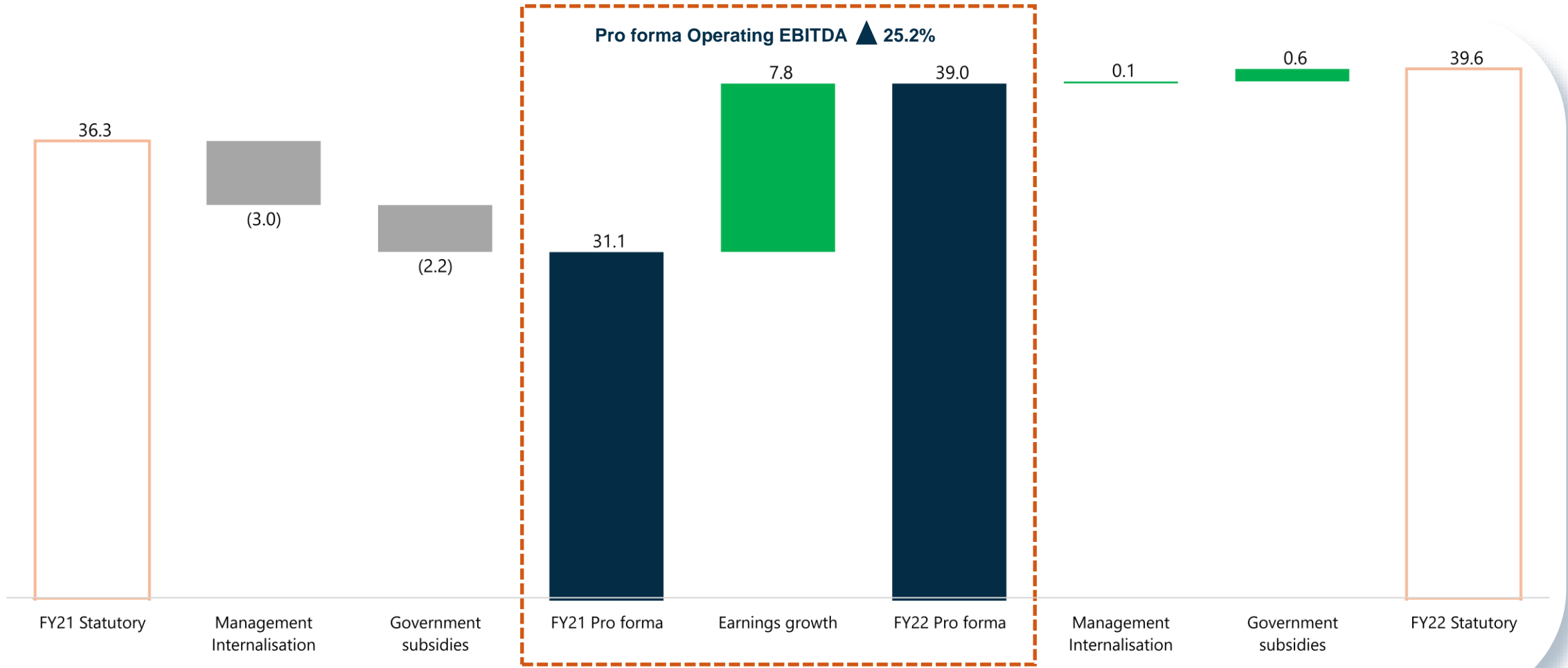
- Largely related to acquisition costs in respect of the six acquisitions completed in FY22

<sup>1</sup> Refer to slide 35 for the Statutory Financial Summary

<sup>2</sup> Including the interest rate swap and establishment fees but excluding the commitment fee on undrawn debt

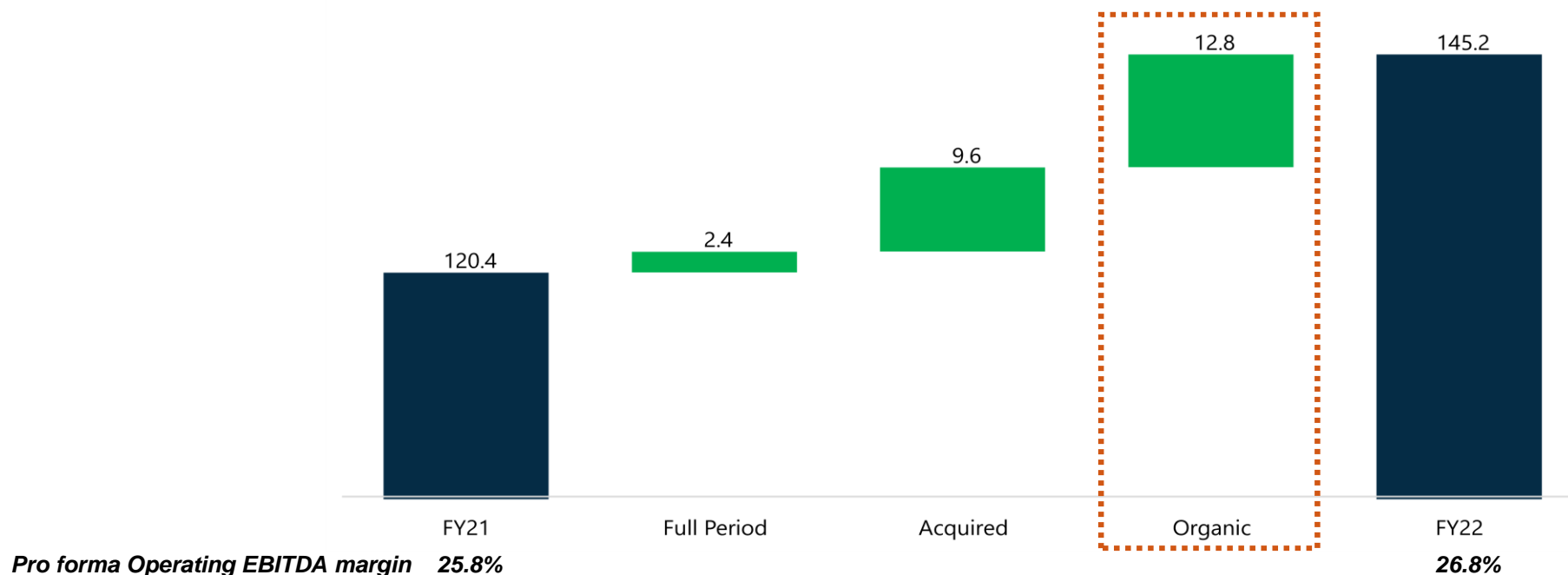
# Earnings Bridge – Statutory to Pro forma

Statutory Operating EBITDA up 9.3% and Pro forma Operating EBITDA up 25.2%



# Revenue Bridge and Pro Forma Operating EBITDA Margin

Propel generated revenue and Pro forma margin growth, despite COVID-19 impacts



## Comments

### Total:

#### Funeral Volumes

- ▲ 18.8% on FY21 including contributions from acquisitions

#### Average Revenue Per Funeral

- ▲ 2.0% on FY21 (+4.9% on pre-COVID period<sup>1</sup>) - impacted by the financial profile of acquisitions, funeral mix and pricing

### Organic:

#### Funeral Volumes

- ▲ 8.9% on FY21

#### Average Revenue Per Funeral

- ▲ 2.2% on FY21

### Pro forma Operating EBITDA margin:

- ▲ 100 bps on FY21, positively impacted by:
    - operating leverage, driven by higher funeral volumes and good cost control
    - comparable opex per funeral 1.9% lower than FY21, despite the higher inflationary environment
- partially offset by margins of recent acquisitions, sales mix and funeral mix

<sup>1</sup> 1 July 2019 to 31 March 2020

# Cash Flow

## Statutory actuals

\$ million	FY22	FY21
Receipts from customers (inc GST)	158.2	132.4
Payments to suppliers & employees (inc GST)	(116.4)	(95.5)
	<b>41.9</b>	<b>36.9</b>
Termination fee	(7.5)	-
Transaction costs	(0.5)	(0.4)
Income taxes paid	(5.9)	(6.0)
Interest paid	(3.8)	(3.4)
Interest received	0.1	0.1
<b>Net cash provided by operating activities</b>	<b>24.3</b>	<b>27.2</b>
Payment for purchase of businesses	(19.5)	(23.1)
Net payments for property, plant and equipment	(11.8)	(11.6)
Proceeds from the disposal of business	0.4	-
Other investing cash flows	0.0	(0.0)
<b>Net cash used by investing activities</b>	<b>(30.9)</b>	<b>(34.7)</b>
Proceeds from issue of shares, net of transaction costs	62.3	-
Net repayment of borrowings	(38.8)	(23.9)
Dividends paid	(13.0)	(11.9)
Other financing cash flows	(3.5)	(3.1)
<b>Net cash provided by financing activities</b>	<b>7.1</b>	<b>(38.9)</b>
Net (decrease)/increase in cash during the year	0.5	(46.4)
Cash at the beginning of the year	7.5	53.9
Exchange rate effects	(0.1)	0.0
<b>Cash at the end of the year</b>	<b>7.9</b>	<b>7.5</b>
<b>Cash Flow Conversion %</b>	<b>100.2%</b>	<b>101.8%</b>

## Comments

### Operating activities

- Cash Flow Conversion strong at ~100.2% (FY21: ~101.8%)
- \$7.5m cash component of the termination fee
- Increase in interest paid primarily due to timing differences (Income Statement in line with FY21)

### Investing activities

- Includes acquisitions (\$17.9m), acquisition costs (\$1.1m) and earn out payments (\$0.5m)
- Maintenance capital expenditure amounted to 4.4% of FY22 revenue (FY21: 3.6%)
- Acquired one freehold property in FY22 for \$2.4m (FY21: \$4.3m), excluding stamp duty

### Financing activities

- Net proceeds from the Capital Raising with funds used to repay borrowings
- Reflects dividends paid during the year

# Balance Sheet

## Statutory actuals

\$ million	30 Jun 22	30 Jun 21
Cash and cash equivalents	7.9	7.5
Contract assets	53.1	46.1
Other current assets	13.1	10.9
<b>Total Current Assets</b>	<b>74.1</b>	<b>64.5</b>
Property, plant & equipment	168.6	152.8
Right-of-use assets	35.7	34.8
Goodwill	141.8	131.7
Other non-current assets	8.5	3.7
<b>Total Non-Current Assets</b>	<b>354.6</b>	<b>322.9</b>
<b>Total Assets</b>	<b>428.6</b>	<b>387.3</b>
Trade and other payables	10.8	7.7
Borrowings	14.9	10.1
Contract liabilities	59.6	51.9
Lease liabilities	8.9	8.7
Other current liabilities	10.7	6.2
<b>Total Current Liabilities</b>	<b>104.9</b>	<b>84.6</b>
Borrowings	32.9	76.7
Lease liabilities	29.0	28.0
Other non-current liabilities	13.1	11.1
<b>Total Non-Current Liabilities</b>	<b>75.0</b>	<b>115.9</b>
<b>Total Liabilities</b>	<b>179.9</b>	<b>200.4</b>
<b>Net Assets</b>	<b>248.8</b>	<b>186.9</b>
<b>Total Equity</b>	<b>248.8</b>	<b>186.9</b>

## Comments

### Cash and net debt position

- \$7.9m of cash
- \$40.3m of net debt<sup>1</sup> (30 June 2021: \$79.0m)
- \$48.1m of drawn senior debt (30 June 2021: \$86.5m)

### Pre-paid contracts

- Largely held with third party friendly societies
- Asset increases by investment returns
- Liability increases by non cash financing charge
- Asset and liability derecognised when the contract turns at need
- Pre-paid contracts that turned at need in Australia accounted for less than 10% of the Group's Australian funeral volumes in FY22, consistent with the prior year

### Property, plant and equipment

- Includes land and buildings at cost (less depreciation) of \$131.6m

### Goodwill

- Represents purchase price of acquisitions less fair value of net tangible assets acquired
- No impairment

<sup>1</sup> Senior debt less cash and cash equivalents

# Capital Management

## Funding Capacity

	\$ million
Debt facility limit at 30 June 2022	200.0
<b>Net Debt as at 30 June 2022<sup>1</sup></b>	<b>(40.3)</b>
<b>Commitments:</b>	
Acquisitions <sup>2</sup>	(16.2)
Final dividend	(7.4)
<b>Total commitments</b>	<b>(23.6)</b>
<b>Funding capacity<sup>3</sup></b>	<b>136.1</b>

## Debt covenant summary (as at 30 June 2022)

Net leverage ratio (must be < 3.5x) <sup>4</sup>	0.8x
Fixed charge cover ratio (must be > 1.75x)	5.7x

## Dividend summary

	FY22	FY21
Fully franked dividend (cps)	12.25	11.75
Dividend payout ratio	81%	81%

## Comments

### Funding capacity

- Increase in senior debt facilities to \$200m
- Capital Raising proceeds of \$62.3m net of transactions costs
- Binding cash commitments, subsequent to 30 June 2022:
  - Community Funerals acquisition ~\$2.4m
  - Mason Park Funerals acquisition ~\$5.2m
  - Property purchases ~\$8.6m
  - FY22 final dividend ~\$7.4m (to be paid on 4 October 2022)
- Funding capacity of ~\$136m

### Covenants

The Group remained comfortably in compliance with its debt covenants as at 30 June 2022

### Dividend

Dividend payout ratio of ~81% of Distributable Earnings

<sup>1</sup> Senior debt less cash and cash equivalents

<sup>2</sup> Cash payable on completion of the acquisitions of Community Funerals and Mason Park Funerals, acquisitions signed but not yet completed and the purchase of two unrelated freehold properties. Excluding transaction costs

<sup>3</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

<sup>4</sup> Including the annualised impact of acquisitions and other adjustments. A ratio of 3.5x, unless the Group elects to surge to 3.75x which endures for three consecutive testing dates, following which the covenant will reduce to 3.5x. The Group's working capital facility is excluded from the net leverage ratio calculation

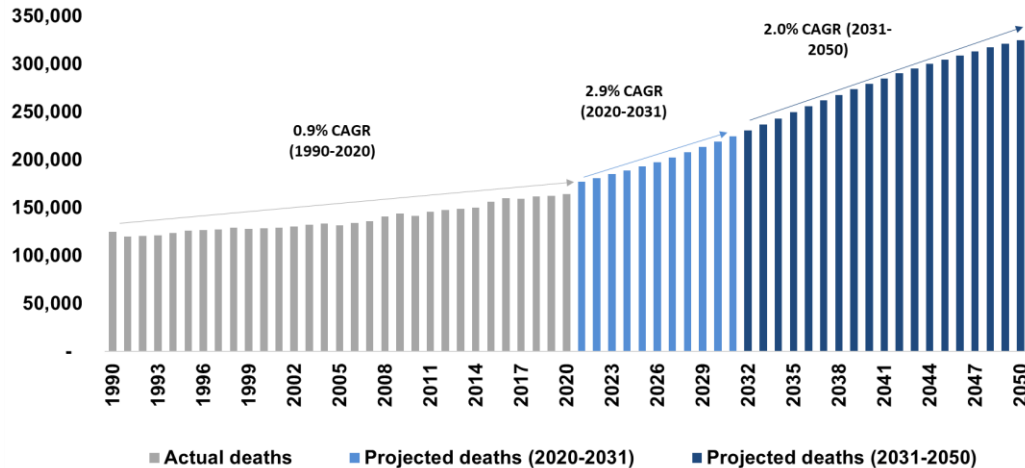


## 4. Industry Trends and Acquisitions

# Increasing Number of Deaths

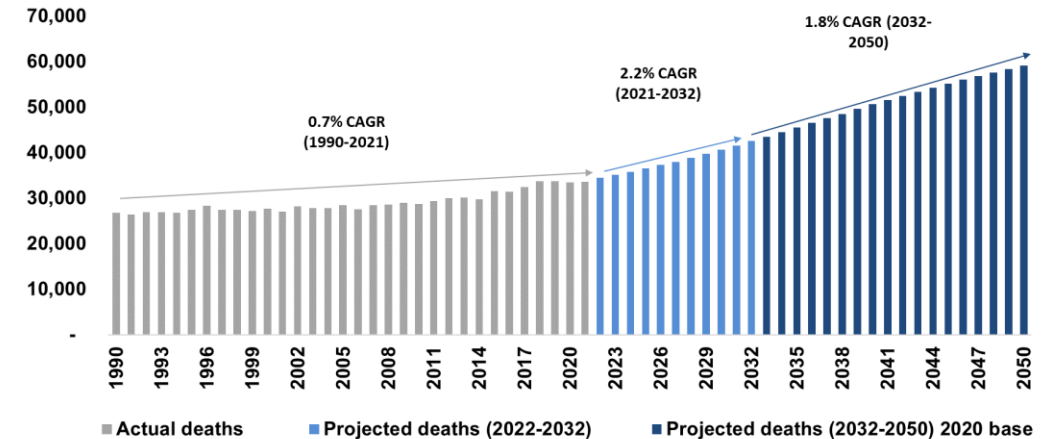
Number of deaths is the most significant driver of revenue in the death care industry

## 1 Australia



- Death volumes in Australia grew by 0.9% pa between 1990 and 2020<sup>1</sup>
- Death volumes are expected to increase by 2.9% pa from 2020 to 2031<sup>1</sup> and 2.0% from 2031 to 2050<sup>1</sup>

## 2 NZ



- Death volumes in New Zealand grew by 0.7% pa between 1990 and 2021<sup>2</sup>
- Death volumes are expected to increase by 2.2% pa from 2021 to 2032<sup>2</sup> and 1.8% from 2032 to 2050<sup>2</sup>

<sup>1</sup> Source: ABS, Dataset: Deaths and Infant deaths, Year and month of occurrence, Sex, States, Territories and Australia for actual deaths by financial year. 3222.0 Population Projections, Australia, 2017 (base) – 2066, Table 1 Projected population, Australia, Series B, for projected deaths by financial year (released in November 2018)

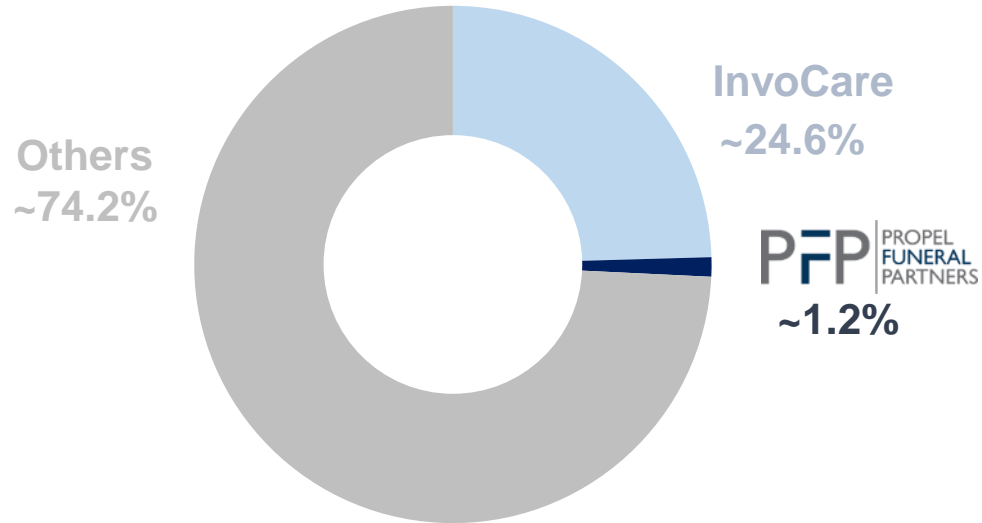
<sup>2</sup> Source: Stats NZ's data which are licensed by Stats NZ for re-use under the Creative Commons Attribution 4.0 International licence. Population, Deaths - VSD, Table: Month and year of death (Monthly) for actual deaths by financial year and National population projections, characteristics, 2020(base)-2073) for projected deaths by financial year (released in December 2020)



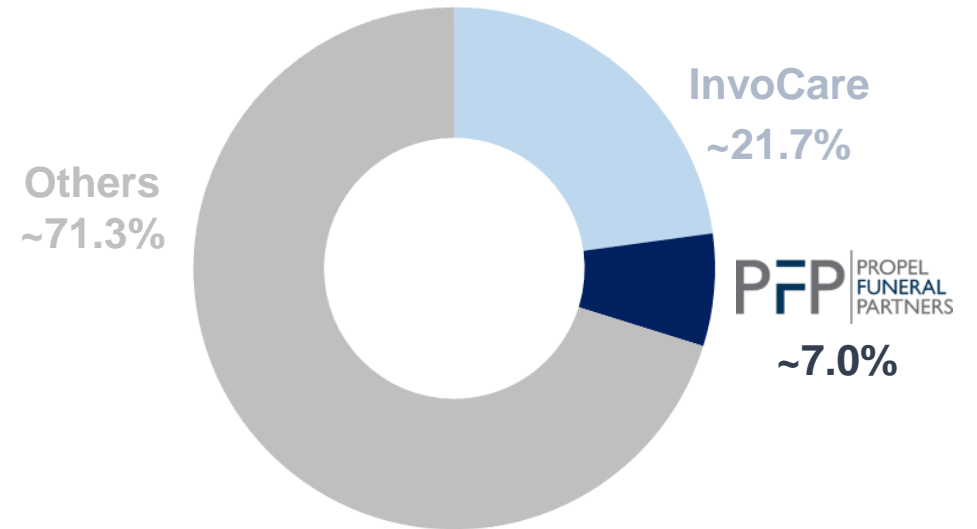
# Market share estimate (funeral volumes)

Propel has increased its market share in the highly fragmented Australian funeral industry

1 CY15<sup>1</sup>



2 CY21<sup>2</sup>



<sup>1</sup> Note: 159,052 actual deaths (ABS data) for market size, 1,920 funerals performed by Propel and 39,050 funerals performed by InvoCare (Appendix D of InvoCare's Results Presentation dated 23 February 2017) in Australia in CY15

<sup>2</sup> Note: 171,298 estimated deaths (ABS provisional mortality statistics, January 2022) for market size, 11,895 funerals performed by Propel and 37,193 funerals performed by InvoCare in Australia in CY21 (page 24 of InvoCare's 2021 Annual Report)

# Acquisitions

Propel has committed \$155.5 million<sup>1</sup> on acquisitions since its IPO

## 1 During FY22, Propel committed \$21.0<sup>2</sup> million on acquisitions in SA, VIC, WA and NZ including:



the companies that own Berry Funeral Directors (including the funeral property), which provides funeral directing services in Norwood, South Australia



the business and assets of Glenelg Funerals which provides funeral directing services from Glenelg, South Australia



the business and assets of State of Grace which provides funeral directing services from two locations in Auckland, NZ



the business and assets, including a freehold property<sup>3</sup> of Eagars Funerals which provides funeral directing services from New Plymouth, NZ



the business and assets, including a freehold property of Carol and Terry Crawford Funerals which provides funeral directing services from Geelong, Victoria



the business and assets of McKee Family Funerals which provides funeral directing services in Perth, Western Australia

## 2 Subsequent to 30 June 2022, Propel announced it had executed conditional sale agreements and committed \$7.9 million<sup>2</sup> to acquire:



the businesses, assets and related infrastructure (including two cremation facilities and one freehold property) associated with the businesses trading as Community Funerals and Cremation for Pets, which operate from four locations in and around Cairns, Queensland



the business, assets and related infrastructure associated with the business trading as Mason Park Funerals, which operates from one location in Wangaratta, Victoria

## 3 Propel continues to explore other potential acquisitions, however, the timing associated with any future acquisitions is uncertain

<sup>1</sup> Upfront cash and equity consideration paid. Excludes properties purchased subsequent to completion of the acquisitions and other properties purchased totalling, in aggregate, \$27.0 million (excluding stamp duty)

<sup>2</sup> Upfront cash and equity consideration paid/payable (excluding stamp duty)

<sup>3</sup> Subject to approval of a boundary adjustment subdivision



## 5. Summary and Outlook

# Summary

**Growth track record, stable management, defensive market position and sector thematic are attractive characteristics**

## **1 Long term growth profile**

- Strong growth track record (>10 fold increase in Revenue and Operating EBITDA since FY15)
- Consistent growth in key operating metrics (funeral volumes, Average Revenue Per Funeral and network size)

## **2 Founder led management with significant ownership and industry experience**

- Proven management team (>16 years funeral industry experience) who own ~15% of the Company's issued capital
- Built the business from the ground up (from 1 funeral home in 2013 to a network of 144 locations over the last 9 years)

## **3 Attractive industry dynamics**

- Growing and ageing populations in Australia and New Zealand (provide favourable demographic 'tail winds' over the long term)
- Stable industry with high fragmentation (leading to acquisition opportunities)

## **4 Consistently high cash conversion and stable operating margin**

- Strong Cash Conversion (averaging ~99% since FY15)
- Stable Operating EBITDA margin (above 25% since FY15)

## **5 Defensive footprint, strong asset backing and funding position support growth strategy**

- Diversified network of 144 locations (78 owned properties) is difficult to replicate
- Strong funding position (~\$136 million funding capacity) to fund growth through acquisitions and other initiatives

## **6 Value creation**

- Total shareholder value creation of ~\$280 million and total shareholder return of ~86% since IPO

## Demand for essential funeral services is underpinned by favourable demographics

### 1 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>1</sup>:
  - Average Revenue Per Funeral was ~6% higher than FY22
  - the Company's Operating EBITDA margin reflected strong seasonal trading conditions

### 2 Expected growth drivers for the remainder of FY23:

- favourable demographics in Australia and NZ
- a strong funding position
- acquisitions completed and announced to date and other potential acquisitions in what is a highly fragmented industry (although timing is uncertain)

### 3 Other impacts

- death volumes fluctuate over short time horizons
- higher inflation is expected to impact funeral related pricing and costs
- ongoing impacts from COVID-19, particularly on death volumes, remain uncertain

<sup>1</sup> Based on the Company's unaudited management accounts



## 6. Q&A



# Appendices

# Definitions

**Adjusted Effective Tax Rate** means income tax expense divided net profit before tax, adjusted for non deductible and non assessable items.

**ARPF** means Average Revenue Per Funeral.

**Average Revenue Per Funeral** means 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.

**Bps** means basis points.

**Capital Raising** means the placement undertaken in October 2021 (issuing 12,245,122 Propel shares) and the follow on share purchase plan completed in November 2021 (issuing 3,344,374 Propel shares).

**Cash Flow Conversion %** means the percentage of Operating EBITDA converted to 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.

**Cps** means cents per share.

**CY** means calendar year.

**Distributable Earnings** means NPAT adjusted for certain non-cash and non-operating items, such as acquisition and transaction costs.

**Executives** means Albin Kurti, Fraser Henderson and Lilli Gladstone.

**former Manager** means Propel Investments Pty Limited (ACN 117 536 357).

**FY** means financial year.

**Gearing Ratio** means net debt divided by net debt plus total equity.

**Group** means Propel and its wholly owned subsidiaries.

**IPO** means initial public offering.

**Management Internalisation** means the internalisation of key senior management functions of Propel completed in July 2021. Refer to Propel's ASX announcements dated 31 May 2021 and 26 July 2021.

**NPAT** means net profit/(loss) after tax.

**NZ** means New Zealand.

**Operating Cash Flow** means ungeared, pre-tax operating cash flow, excluding the termination fee and transaction costs in connection with the Management Internalisation.

**Operating EBIT** means Operating EBITDA less depreciation.

**Operating EBITDA** means earnings before interest, tax, depreciation, amortisation and certain non-operating items, such as acquisition and transaction costs.

**Operating EPS** means Operating NPAT divided by the weighted average number of ordinary shares on issue.

**Operating NPAT** means NPAT adjusted for certain non-operating items, such as acquisition and transaction costs.

**PCP** means prior corresponding period.

**PPE** means property, plant and equipment.

**Pro forma** means 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.

**Prospectus** means the prospectus prepared by Propel in connection with the IPO.



# COVID-19 Responses

Focused on people safety, essential service continuity and financial resilience

## 1 People safety

- communicating government guidelines and directives to staff and mourners
- ensuring sufficient supply of PPE
- cessation of certain services (e.g. catering)
- working from home, where feasible
- changed seating arrangements, increased time and cleaning between services
- monitoring impacts on teams, trading and suppliers, with the health and safety of employees and client families front of mind

## 2 Essential service continuity

- ensuring staff could cross state/territory borders and access 'hotspot' areas
- more remote arrangements (by phone and online) and with fewer family members (when in person)
- increased streaming services with the option of a deferred memorial service
- regular dialogue with key stakeholders

## 3 Financial resilience

- ensuring adequate liquidity levels in place
- continuing to support and fund essential capital expenditure
- controlling operating costs
- eligible businesses accessing government subsidies in New Zealand

# Management Internalisation<sup>1</sup> Completed

## Management Internalisation completed in FY22

### 1 The Management Internalisation involved:

- the assignment and termination of the management agreement between the Company and the former Manager
- payment of a \$15.0 million termination fee to the former Manager, settled 50% cash and 50% in Propel shares
- three senior Executives becoming employees of the Group, with Propel no longer paying fees (including uncapped potential performance fees) to the former Manager
- the transfer of intellectual property from the former Manager, its officers and employees to the Group
- changes to the Company's constitution
- amendments to the voluntary escrow arrangements relating to 14,732,667 shares (**Escrowed Shares**), so that:
  - ~ 50% of the Escrowed Shares will be released from voluntary escrow following the release of Propel's audited FY2022<sup>2</sup> financial results
  - ~ 50% of the Escrowed Shares will be released from voluntary escrow following the release of Propel's audited FY2025<sup>2</sup> financial results

### 2 Advantages include:

- increased investor participation
- enhanced alignment and corporate governance benefits
- continuity of strategy, the board and the Executives
- shareholder influence on management election and remuneration
- market alignment
- financial benefits
- further alignment of interests

<sup>1</sup> Refer to the Company's ASX announcements dated 31 May 2021 and 26 July 2021

<sup>2</sup> Instead of a release from escrow in November 2027

# Financial Summary - Statutory

<b>\$ million</b>	<b>FY22</b>	<b>FY21</b>
<b>Total revenue</b>	<b>145.2</b>	<b>120.4</b>
Gross profit	102.5	86.8
<i>...margin</i>	70.6%	72.0%
Total operating costs	(62.9)	(50.5)
<b>Operating EBITDA</b>	<b>39.6</b>	<b>36.3</b>
<i>...margin</i>	27.3%	30.1%
Depreciation	(10.3)	(9.7)
<b>Operating EBIT</b>	<b>29.3</b>	<b>26.6</b>
<i>...margin</i>	20.2%	22.1%
Net interest expense	(3.5)	(3.5)
Net financing charge on pre-paid contracts	(0.8)	(1.0)
<b>Operating NPBT</b>	<b>24.9</b>	<b>22.1</b>
Income tax expense	(7.6)	(6.8)
<b>Operating NPAT</b>	<b>17.4</b>	<b>15.3</b>
<b>Operating EPS (cps)</b>	<b>15.4</b>	<b>15.3</b>
<b>Non-operating items:</b>		
Termination fee <sup>1</sup>	(15.0)	-
Share based payment revaluation expense	(5.4)	-
Fair value adjustment on termination shares <sup>2</sup>	(1.0)	-
Acquisition and transaction costs	(1.5)	(0.9)
Net other expenses	(0.0)	(0.4)
Tax effect of adjustments	5.2	0.5
<b>Net profit after tax</b>	<b>(0.3)</b>	<b>14.4</b>

<sup>1</sup> \$15.0 million (settled 50% in cash and 50% in Propel shares)

<sup>2</sup> measured at the share price of \$3.67 on completion date of the Management Internalisation, compared with the issue price of \$3.25 (representing the 30 day volume weighted average price to 28 May 2021)

# Statutory to Pro Forma Reconciliation

\$ million	FY22	FY21	Var %
Statutory Operating EBITDA	39.6	36.3	9.3%
Less: Management Internalisation	(0.1)	(3.0)	
Less: Government subsidies	(0.6)	(2.2)	
<b>Pro forma Operating EBITDA</b>	<b>39.0</b>	<b>31.1</b>	<b>25.2%</b>
Statutory Operating NPAT	17.4	15.3	13.8%
Less: Management Internalisation	(0.1)	(2.1)	
Less: Government subsidies	(0.4)	(1.5)	
<b>Pro forma Operating NPAT</b>	<b>16.9</b>	<b>11.6</b>	<b>45.0%</b>

# NPAT to Operating NPAT Reconciliation

\$ million	FY22	FY21	FY22	FY21
	Pro forma	Pro forma	Statutory	Statutory
Net profit/(loss) after income tax	16.0	10.5	(0.3)	14.4
Add: Termination fee	-	-	15.0	-
Add: Share based payment revaluation expense	-	-	5.4	-
Add: Fair value adjustment on termination shares	-	-	1.0	-
Add: Acquisition and transaction costs	1.1	1.4	1.5	0.9
Add: Net other income and expenses	0.1	0.3	0.1	0.3
(Less)/Add: Net (gain)/loss on disposal of assets	(0.1)	0.2	(0.1)	0.2
Add/(Less): Net foreign exchange losses/(gain)	0.0	(0.0)	0.0	(0.0)
Less: New Zealand deferred tax liability restatement	-	(0.1)	-	(0.1)
Less: Tax effect of certain Operating NPAT adjustments	(0.3)	(0.5)	(5.2)	(0.3)
<b>Operating NPAT</b>	<b>16.9</b>	<b>11.6</b>	<b>17.4</b>	<b>15.3</b>

# Statutory Income Analysis

## Statutory actuals

\$ million	FY22	FY21
Funeral operations	127.5	104.5
Cemetery, crematoria and memorial gardens	15.4	13.7
Other trading revenue	2.3	2.2
<b>Total revenue</b>	<b>145.2</b>	<b>120.4</b>
Cost of sales	(42.7)	(33.7)
<b>Gross profit</b>	<b>102.5</b>	<b>86.8</b>
Employment costs	(46.7)	(36.4)
Occupancy and facility costs	(7.4)	(6.5)
Advertising costs	(3.3)	(2.7)
Motor vehicle costs	(2.1)	(1.7)
Administration fees	(0.0)	(0.2)
Other operating costs	(3.4)	(3.0)
<b>Total operating costs</b>	<b>(62.9)</b>	<b>(50.5)</b>
<b>Operating EBITDA</b>	<b>39.6</b>	<b>36.3</b>

## Comments

### Revenue segments:

- 87.8% generated from funeral operations (FY21: 86.7%)
- 10.6% generated from cemetery and memorial gardens (FY21: 11.4%)
- 1.6% from other sources (including coroners contracts) (FY21: 1.9%)

### Employment costs:

- 32.2% of revenue (FY21: 30.2%)
- Impacted by employment cost associated with the Management Internalisation
- Reported net of government subsidies recognised of ~\$0.6m (FY21: ~\$2.2m)

### Occupancy and facility costs:

- 5.1% of revenue (FY21: 5.4%)

# Distributable Earnings and Dividend

## Reconciliation

\$ million	FY22	FY21
<b>NPAT</b>	<b>(0.3)</b>	<b>14.4</b>
<b>Distributable Earnings calculation</b>		
Termination fee	10.5	-
Share based payment revaluation expense	5.4	-
Fair value adjustment on termination shares	0.7	-
Acquisition and transaction costs	1.1	0.9
Net financing charge on prepaid contracts	0.8	1.0
Government subsidies	(0.4)	(1.5)
New Zealand deferred tax liability restatement	-	(0.1)
<b>Distributable Earnings</b>	<b>17.8</b>	<b>14.7</b>
Dividend payout ratio (rounded)	81%	81%
Actual number of shares on issue <sup>1</sup>	117,895,750	102,253,708
<b>Dividend per share (rounded)</b>	<b>12.25</b>	<b>11.75</b>

<sup>1</sup> As at 24 August 2022 and 25 August 2021 respectively

