

FY19 First Half Results

Investor Presentation

25 February 2019

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FUNERAL
PARTNERS

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All references in this presentation to '\$' are to Australian currency, unless otherwise stated.

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Agenda

1. Death volume fluctuations
2. Key highlights for 1H FY19
3. Business overview
4. 1H FY19 financial results detail
5. Industry trends and acquisitions
6. Outlook
7. Q&A

Appendix

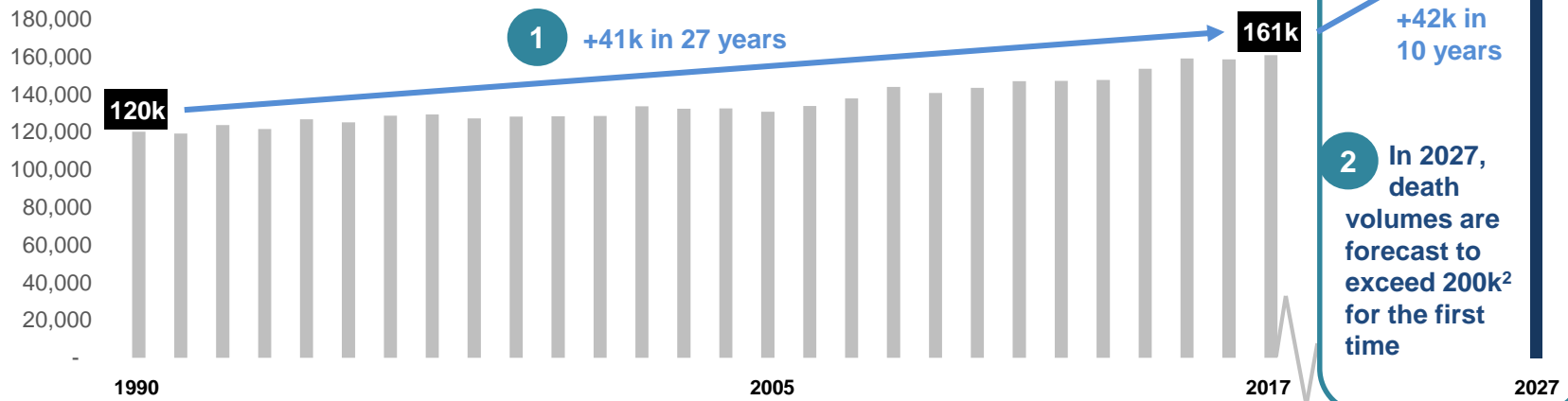


1. Death volume fluctuations

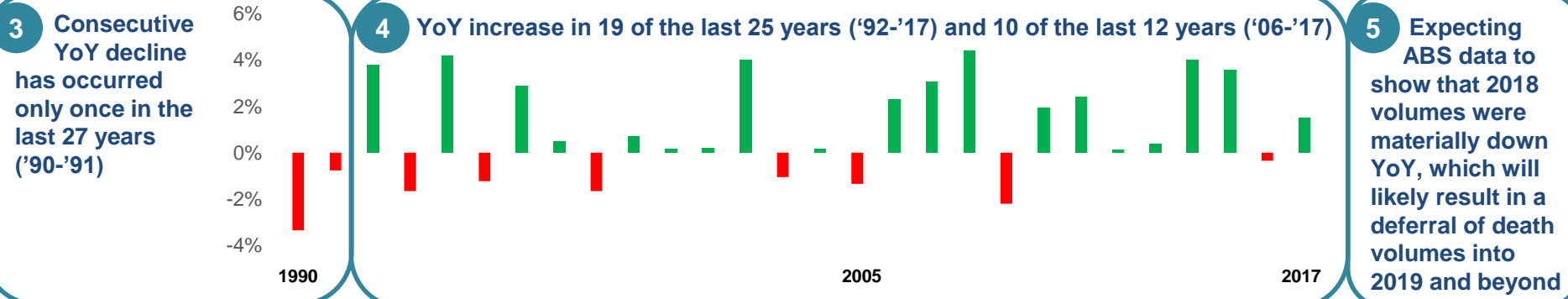
Death volumes fluctuate

Death volume growth is forecast to accelerate and prior YoY declines rebounded quickly

Number of deaths per annum in Australia – 1990 to 2017¹



YoY change (%) – 1990 to 2017¹



¹Source: Australian Bureau of Statistics, 3105.0.65.001 Australian Historical Population Statistics, 2014, Table 5.1 Deaths registered(a) by sex, states and territories(b), 1824 onwards by calendar year
²Source: Australian Bureau of Statistics, 3222.0 Population Projections, Australia, 2017 (base) – 2066, Table 1 Projected population, Australia, Series B



2. Key highlights for 1H FY19


Key highlights for 1H FY19

1

TRADING

Revenue:  **20.9%** to \$47.1 million (1H FY18: \$38.9 million)


Funeral volumes:  **11.7%** to 5,644 (1H FY18: 5,053). LFL volumes  509 funerals


ARPF:  **2.2%** to \$5,549 (1H FY18: \$5,427). LFL ARPF  **3.0%**

2

EARNINGS¹

Operating EBITDA:  **6.4%** to \$11.7 million (1H FY18: \$11.0 million)

Operating EBITDA Margin:  **1.8%** to 24.8% (FY18: 26.6%) primarily due to below trend death volumes (on a largely fixed cost base)

Operating NPAT:  **1.3%** to \$6.4 million (1H FY18: \$6.3 million)

Cash flow conversion: ~93% (FY18: ~97%)

3

CAPITAL MANAGEMENT

Net cash: \$10.3 million cash and no debt as at 31 December 2018

Interim Dividend: 5.7 cents per share fully franked (1H FY18: nil)

Debt facility: \$50 million undrawn facility

4

GROWTH

Growing portfolio: 109 locations as at 31 December 2018 (80 as at 31 December 2017)

Investment Strategy:

- Focussed on delivering the Investment Strategy (~\$77m² committed since IPO)
- Expanded in QLD, NSW and NZ via completed acquisitions
- Signed agreements to expand in NZ and QLD via proposed acquisitions
- Acquired 3 freehold properties and vacant land

5

OUTLOOK

Well positioned:

- Positive momentum from recently completed and announced acquisitions
- Strong and conservative balance sheet
- Expecting a recovery in death volumes (encouraging signs)

¹1HFY18 is Pro forma
²Refer to slide 22

A large, leafless tree silhouette is centered in the background against a dark blue gradient. The tree's branches are intricate and spread out across the upper and middle portions of the frame.

3. Business overview

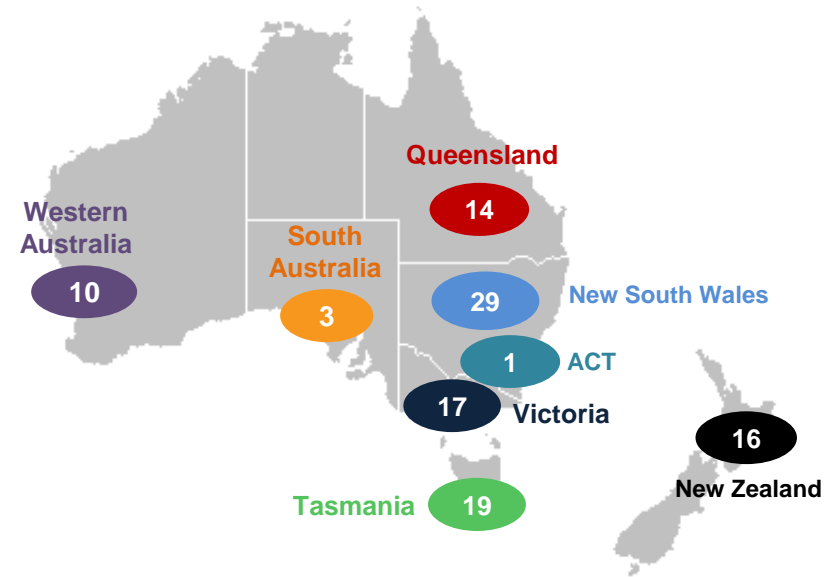
Geographic presence

109 locations (55 freehold / 54 leasehold), including 25 cremation facilities and 8 cemeteries

June 2013



February 2019



FY12

FY13

FY14

FY15

FY16

FY17

FY18

FY19YTD

28 acquisitions since inception

Enters & expands in QLD

Enters NSW, VIC & SA

Enters TAS & NZ

Expands in QLD, NSW, VIC & NZ

Enters WA & ACT. Expands in NSW, VIC & QLD

Expands in QLD, NSW & NZ

Established platform for further growth

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

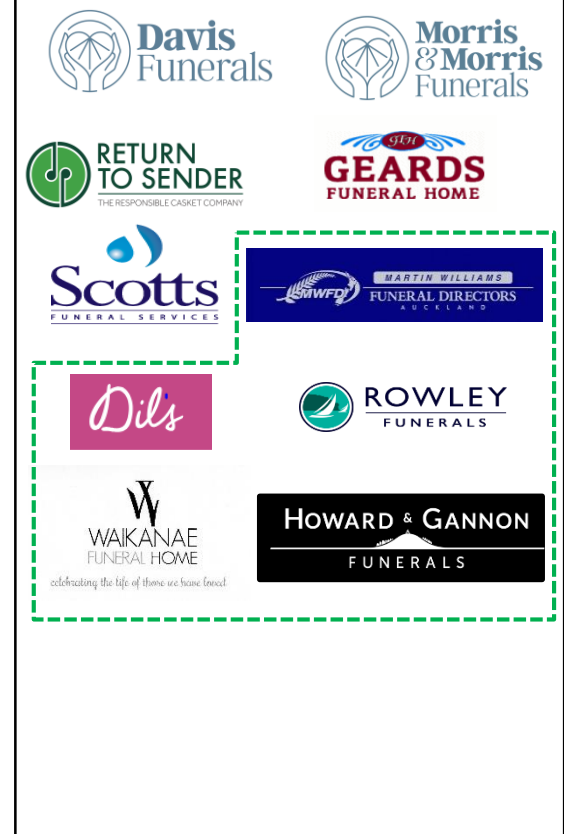
Brand portfolio

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

Australia



New Zealand

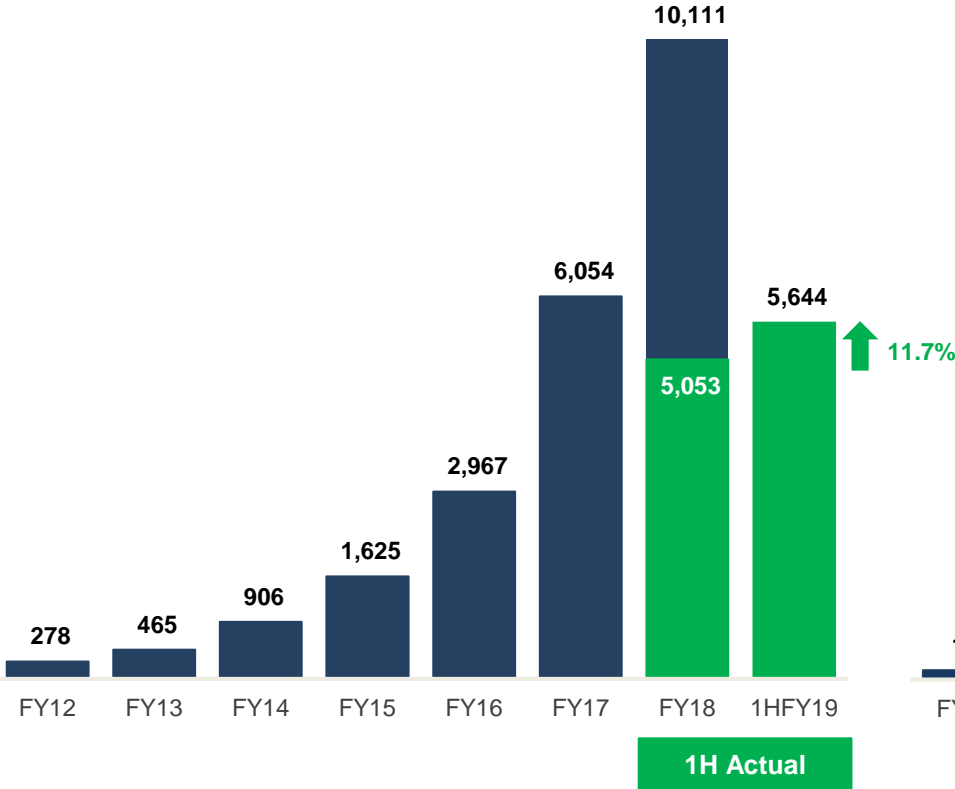


 Acquired or signed binding legal documentation since 1 July 2018

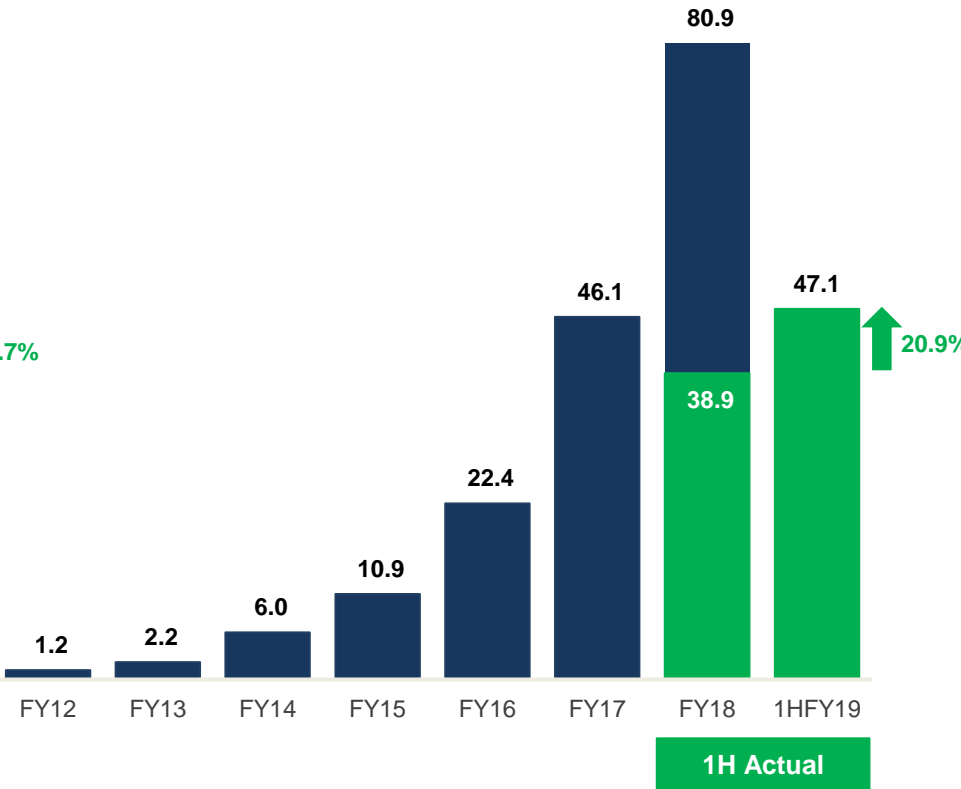
Volume and revenue growth

Propel has maintained a strong growth trajectory despite soft market conditions

Funeral volumes



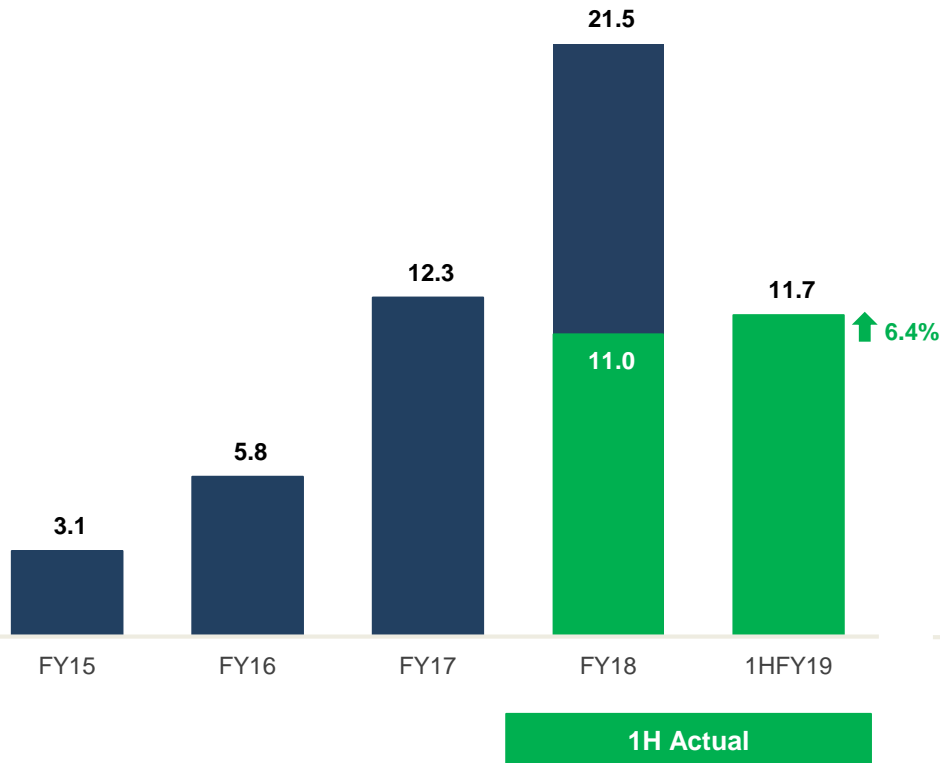
Revenue (\$m)



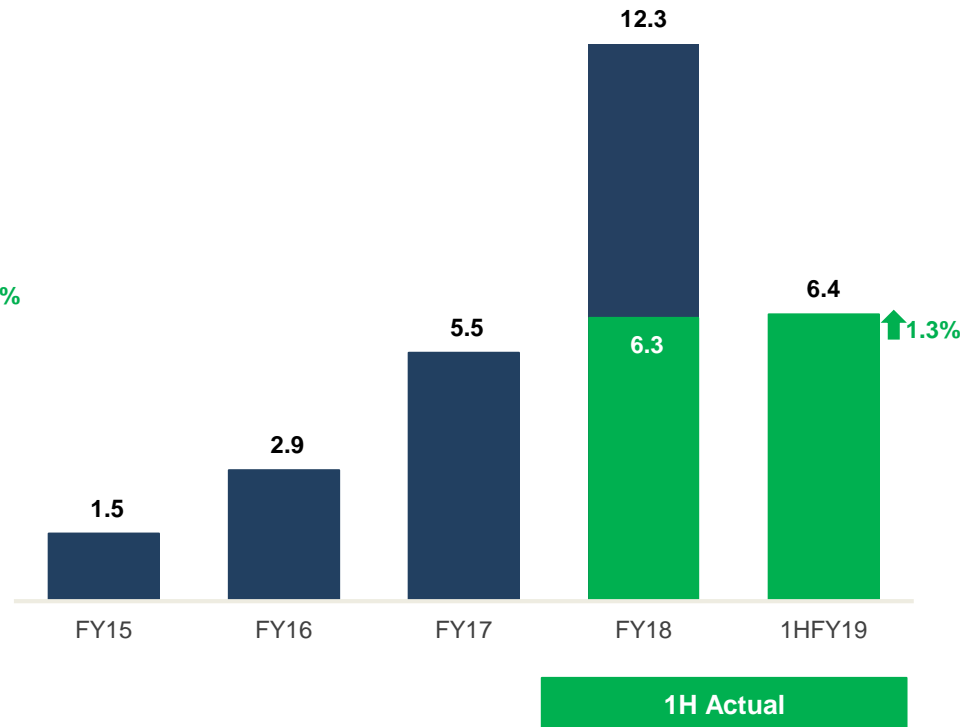
Earnings growth

Propel's earnings have proved resilient despite soft market conditions

Operating EBITDA¹ (\$m)



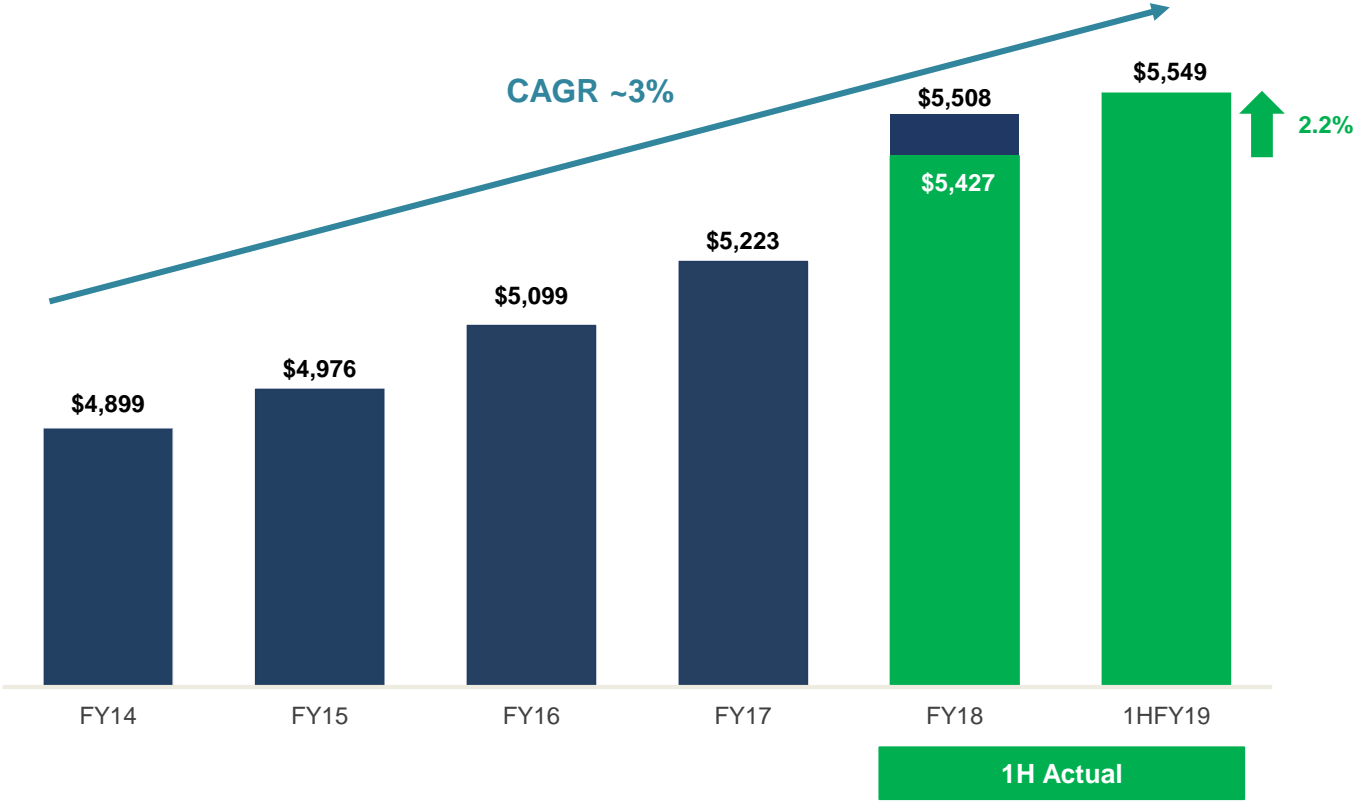
Operating NPAT¹ (\$m)



¹Historical information is Proforma

Average Revenue Per Funeral growth

Compound annual growth rate (CAGR) of ~3% since FY14



4. 1H FY19 financial results detail

Financial summary

Income statement¹

\$ million	31-Dec-18	31-Dec-17
Total revenue	47.1	38.9
Cost of sales	(14.0)	(11.9)
Gross profit	33.1	27.0
... margin	70.2%	69.4%
Total operating costs	(21.4)	(16.1)
Operating EBITDA	11.7	11.0
... margin	24.8%	28.1%
Depreciation	(2.1)	(1.3)
Operating EBIT	9.6	9.7
... margin	20.4%	24.8%
Net other income/expenses	0.5	0.1
Transaction/acquisition costs	(0.6)	(0.0)
EBIT	9.5	9.7
Interest expense	(0.2)	(0.0)
Interest income	0.2	0.1
Net financing charge on pre-paid contracts	(0.5)	(0.7)
Net profit before tax	8.9	9.2
Income tax expense	(2.5)	(3.0)
Net profit after tax	6.4	6.2
Operating NPAT	6.4	6.3
Basic earnings per share (cps)	6.5	6.3

Comments

Revenue

- increased 20.9% on 1H FY18 primarily due to:
 - the impact of six acquisitions completed in FY18 and 1H FY19
 - solid ARPF

Gross profit margin

- 70.2% which was 0.8% higher than 1H FY18 due to the financial contributions of recent acquisitions and price increases

Operating EBITDA

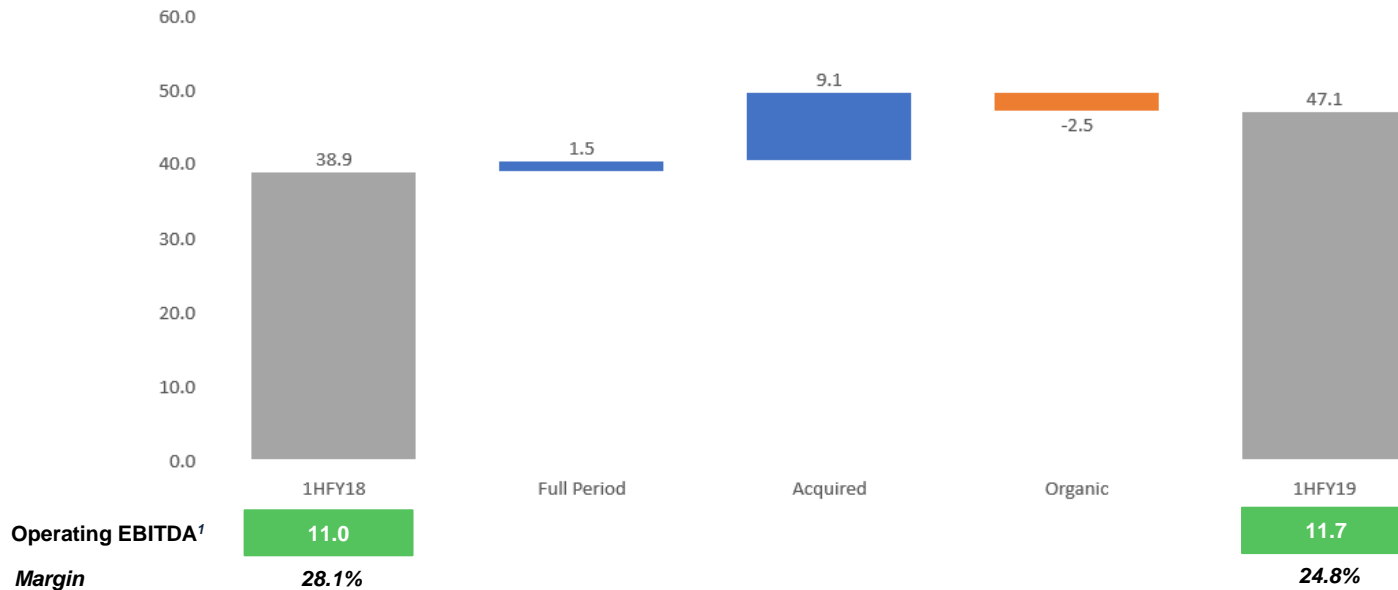
- increased 6.4% on 1H FY18 primarily due to:
 - the impact of six acquisitions completed in FY18 and 1H FY19
 - LFL operating costs were ~2% below PCP
 it was offset by:
 - below trend death volumes (on a largely fixed cost base)
 - an increase in third party lease expenses due to acquisitions

Other items

- Depreciation increased due to acquisitions, property purchases and capital expenditure
- primarily relates to the release of contingent consideration
- primarily stamp duty and legal fees on acquisitions
- net financing charge relates to investment returns generated on Pre-paid Contracts (circa 1.4%) net of the non-cash financing charge applied to funds held for Pre-paid Contracts (circa 3.8%) per AASB 15
- EPS growth of 3.6% on 1H FY18

¹ 1HFY18 Pro forma

Revenue bridge and Operating EBITDA



Comments

Total growth:

Average Revenue Per Funeral (ARPF)

- ▲ 2.2% on 1H FY18, including the financial profile of acquisitions

Funeral Volumes

- ▲ 11.7% on 1H FY18 due to the full period impact of acquisitions completed in FY18, the part period impact of acquisitions completed in 1HFY19, which was partially offset by below trend funeral volumes

Organic:

ARPF

- ▲ 3.0% on 1H FY18 primarily influenced by price increases and sales mix

Funeral Volumes

- ▼ 509 on 1H FY18 LFL, impacted by lower death volumes in key markets in which Propel operates (primarily in regional areas)
- comparable volumes were ▼ 7.5% in CY18 (materially higher in regional areas compared to metropolitan areas)
- observable market share stable

Operating EBITDA Margin

▼ 1.8% on FY18, influenced by:

- below trend death volumes (on a largely fixed cost base)
- an increase in third party lease expenses due to acquisitions
- the impact of six acquisitions completed in FY18 and 1H FY19

LFL operating costs were controlled (~2% below PCP)

¹ 1H FY18 is Proforma

Cash flow highlights

Statutory actuals

\$ million	31-Dec-18	31-Dec-17
Receipts from customers (inc GST)	52.1	43.1
Payments to suppliers and employees (inc GST)	(41.3)	(32.2)
Income taxes paid	(3.6)	(1.6)
Interest paid	(0.2)	(2.3)
Interest received	0.2	0.2
Net cash provided by operating activities	7.2	7.2
Payment for purchase of business, net of cash acquired	(9.6)	(11.7)
Payments for property, plant and equipment	(9.0)	(2.2)
Other investing cash flows	(0.0)	0.1
Net cash used by investing activities	(18.6)	(13.8)
Proceeds from issue of shares, net of transaction costs	0.0	106.0
Net repayment of borrowings	0.0	(40.2)
Dividends paid	(6.3)	(14.0)
Other financing cash flows	(0.2)	(0.0)
Net cash provided by financing activities	(6.5)	51.8
Net increase in cash during the year	(18.0)	45.2
Cash at the start of the year	28.3	6.8
Exchange rate effects	(0.1)	(0.0)
Cash at the end of the year	10.3	52.0
Cash flow conversion %	93%	100%

Comments

Operating cash flow

- Operating EBITDA conversion to ungeared, pre-tax, operating cash flow solid at ~93% (1H FY18:~100%)
- minor working capital movements:
 - monthly GST payments (previously quarterly)
 - can be influenced by acquisitions

Investing cash flow

- Includes acquisitions (\$8.0m), transaction costs (\$0.4m) and earn out payments (\$1.1m)
- Capex (\$2.4m) and acquired 3 freehold properties and vacant land (not connected to acquisitions made in 1H FY19, including stamp duty) (\$6.6m)
- Maintenance capital expenditure amounted to 4.4% of 1H FY19 revenue (in line with 1H FY18)

Financing cash flow

- reflects the FY18 final dividend of 6.4 cps paid in 1H FY19

Net cash position

Strong financial position

Statutory balance sheet

\$ million	31-Dec-18	30-Jun-18
Cash and cash equivalents	10.3	28.3
Trade and other receivables	5.0	4.2
Contract assets	46.5	45.6
Other current assets	5.2	4.2
Total Current Assets	67.1	82.3
Property, plant & equipment	85.9	72.5
Goodwill	95.6	91.1
Other Non-current assets	2.7	2.6
Total Non-current assets	184.2	166.2
Total Assets	251.3	248.5
Trade and other payables	5.5	5.6
Borrowings	0.2	0.1
Contract liabilities	50.3	48.8
Other current liabilities	6.7	6.7
Total Current Liabilities	62.7	61.1
Borrowings	0.5	0.3
Other Noncurrent liabilities	6.9	7.2
Total Non-Current liabilities	7.3	7.5
Total liabilities	70.1	68.6
Net assets	181.3	179.8
Issued capital	199.6	199.6
Foreign currency translation reserve	1.0	(0.3)
(Accumulated losses)/retained profits	(19.3)	(19.4)
Total Equity	181.3	179.8

Comments

Net cash position

- \$10.3m of cash (as at 31 December 2018)
- no senior debt (borrowings relate to hire purchase)
- healthy balance sheet to support funding of the Investment Strategy

Pre-paid Contracts

- largely held with third party friendly societies
- asset increases by investment returns
- liability increases by financing charge
- asset and liability derecognised when the contract turns at need
- in 1HFY19, ~9% of funeral volumes in Australia related to Pre-paid Contracts, in line with PCP

Property, plant and equipment

- land and buildings at cost (less depreciation) of \$66.3m

Goodwill

- represents purchase price of acquisitions less fair value of assets and liabilities acquired
- no impairment

Other

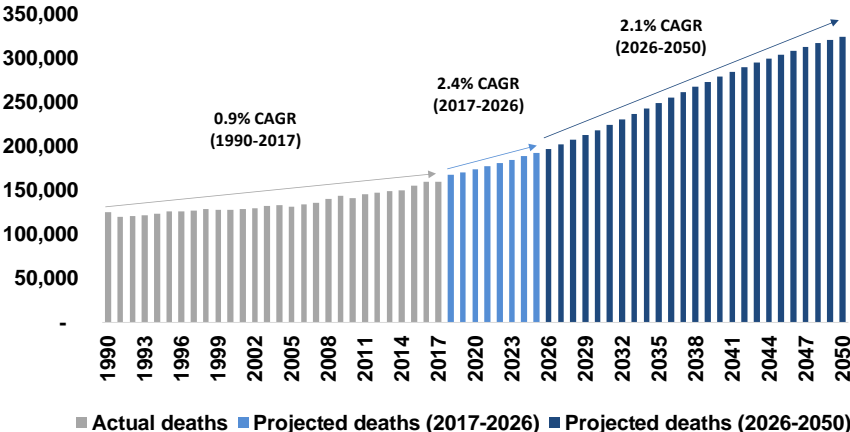
- accumulated losses includes a one-off non-cash expense of \$21.9m which was recognised as a result of the Restructure in accordance with AASB 2 Share Based Payments which is based on the director's view of fair value having regard to the escrow arrangements details of which were set out in the Prospectus

5. Industry trends and acquisitions

Increasing number of deaths

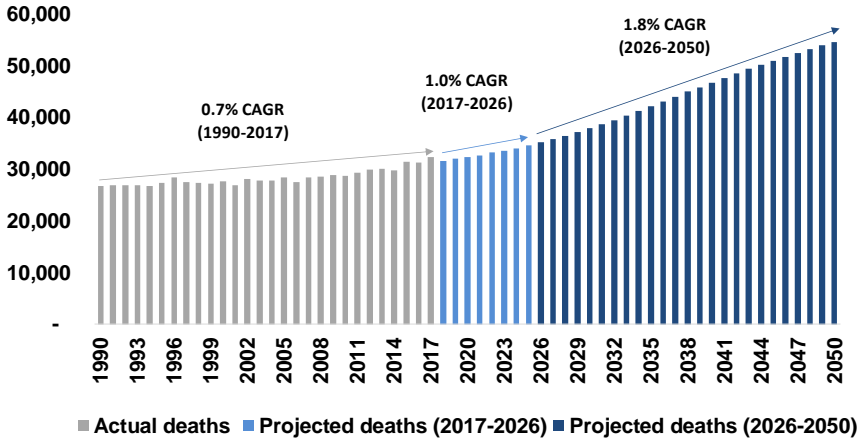
Number of deaths is the most significant driver of revenue in the death care industry

Australia¹



- Death volumes in Australia grew by 0.9% pa between 1990 and 2017¹
- This is expected to increase by 2.4% pa from 2017 to 2026¹ and 2.1% from 2026 to 2050¹

New Zealand²



- Death volumes in New Zealand grew by 0.7% pa between 1990 and 2017²
- This is expected to increase by 1.0% pa from 2017 to 2026² and 1.8% from 2026 to 2050²

¹Source: 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

²Source: This data is based on/includes 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, 2016(base)-2068) for projected deaths by financial year.

Acquisitions (since IPO)

Propel has committed \$77.3 million¹ on acquisitions since the IPO

	Announced	Funeral Volumes	Third Party Cremations	Revenue
Australia				
Brindley Group (VIC, NSW)	December 2017	1,350	-	A\$11.0m
Norwood Park (ACT, NSW, QLD)	January 2018	-	2,000	A\$4.8m
Newhaven NQ (QLD)	June 2018	200	300	A\$1.8m
Manning Great Lakes Memorial Gardens (NSW)	November 2018	-	700	A\$1.2m
Morleys Group ² (QLD)	February 2019	900	100	A\$7.8m
Sub-total		2,450	3,100	A\$26.6m
New Zealand				
Dils Group ² & Martin Williams Funerals (Auckland)	December 2018	800	-	NZ\$7.2m
Waikanae Funeral Home ² , Kaiawa Crematorium ² and Howard & Gannon Funerals ² (Waikanae & Napier)	January 2019	300	-	NZ\$2.7m
Sub-total		1,100	-	NZ\$9.9m
TOTAL		3,550	3,100	

Note: Figures are approximate and unaudited, as disclosed in prior ASX announcements

¹Upfront cash and equity consideration paid and payable, as disclosed in prior ASX announcements (subject to exchange rate movements)

²Acquisitions announced but not yet completed

A person is sitting on a long wooden pier that extends from the foreground into a calm body of water. The scene is captured in a dark, monochromatic blue color scheme, suggesting dusk or dawn. In the background, there are silhouettes of mountains and a small town or village with some lights visible. The overall mood is serene and contemplative.

6. FY19 Outlook

Outlook

Propel is well positioned and remains focussed on the Investment Strategy

DEATH VOLUMES

Recovery expected:

Historical experience suggests that the significant, YoY decline in death volumes experienced in calendar year 2018 should be temporary, given:

- the growing and ageing population; and
- prior year YoY declines have rebounded quickly.

Expecting funeral volumes to cycle through weak PCPs during 2019.

Comparable volumes were up during the first 7 weeks of 2019, however, death volumes fluctuate over short time horizons.

CONTINUED GROWTH

Financial results:

Well placed to benefit from:

- acquisitions completed during FY18 and 1H FY19;
- proposed acquisitions announced in 1H FY19 and those subsequent to 31 December 2018;
- other potential future acquisitions (although timing is uncertain); and
- funeral volumes reverting to long term trends.

STRONG BALANCE SHEET

Financial flexibility:

Strong and conservative balance sheet with further debt capacity, which, together with positive operating cash flows and freehold assets, should provide financial flexibility to support potential future dividends and growth initiatives.



7. Q&A



Appendix

Definitions

ARPF means Average Revenue Per Funeral excluding disbursements and delivered prepaid funeral impacts.

Cash flow conversion means Operating EBITDA converted into ungeared, pre-tax operating cash flow.

Cps means cents per share.

Distributable Earnings means NPAT adjusted for certain non-cash, one-off and non-recurring items.

LFL means like for like being businesses held for the entire current reporting period and PCP.

NPAT means net profit after tax.

Operating cash flow means ungeared, pre-tax operating cash flow.

Operating EBIT means Operating EBITDA less depreciation.

Operating EBITDA means earnings before interest, tax, depreciation and amortisation, adjusted for one off transaction costs and other income and expenses.

Operating NPAT means NPAT adjusted for the one off, non-cash share based payment (1H FY18), transaction costs and other non operating income and expenses.

YoY means year on year.

Income statement analysis

Income Statement

\$ million	31-Dec-18	31-Dec-17
Funeral operations	40.9	35.6
Cemetery, crematoria and memorial gardens	5.2	2.6
Other trading revenue	1.0	0.8
Total revenue	47.1	38.9
Cost of sales	(14.0)	(11.9)
Gross profit	33.1	27.0
Employment costs	(14.3)	(11.0)
Occupancy and facility costs	(3.9)	(2.3)
Administration fees	(0.1)	(0.1)
Other operating costs	(3.0)	(2.7)
Total operating costs	(21.4)	(16.1)
Operating EBITDA	11.7	11.0

Comments

Revenue segments:

- 86.8% generated from funeral operations
- 11.0% generated from cemetery and memorial gardens – up materially from 1H FY18 primarily due to the Norwood Park acquisition
- 2.2% from other sources (including coroners contracts)

Employment costs:

- 30.4% of revenue, unfavourable to 1H FY18 (28.1%) primarily due to lower funeral volumes on a largely fixed cost base

Occupancy and facility costs:

- 8.3% of revenue, unfavourable to 1H FY18 (5.9%) due to acquisitions (i.e. more leasehold properties)

Administration fees:

- \$60k per quarter (escalated by CPI on the IPO anniversary) paid to the Manager

Distributable Earnings and Dividend

Reconciliation

\$ million	1HFY19
Statutory NPAT	6.4
<i>Distributable Earnings calculation:</i>	
Acquisition costs	0.6
Net financing charge	0.5
Distributable Earnings	7.5
Dividend payout ratio (actual)	75%
Number of shares on issue	98,163,089
Dividend per share (Rounded)	5.7

External management structure with 10 year escrow

Management Agreement and escrow provisions put shareholder returns first and align for the long term

1 Exclusivity

- The Manager works exclusively for Propel

2 No performance = no fee

- No salaries or directors fees are paid to the Management Shareholders
- No Management Fee** during the Initial Term (10 years) of the Management Agreement
- Nominal Administration Fee of \$60,000 per quarter (increasing with CPI)

3 Termination rights

- Limited termination rights by either party (e.g. insolvency or material breach)

4 Highly incentivised via a Performance Fee to maximise long term, total shareholder returns

- 8% annualised Total Shareholder Return (TSR) hurdle** (inc. grossed up dividends) (**Benchmark**) before a performance fee is triggered
- High watermark** that must be exceeded before a performance fee is triggered
- 20% of the absolute dollar value of the amount that the TSR outperforms the Benchmark**, subject to the high watermark
- Calculated each anniversary of Completion of the Offer. No performance fee was triggered for the first Calculation Period. No performance fee payable until recoupment of any prior underperformance
- The Manager **can opt to take up to 50% of the performance fee in shares in the Company** (10 day VWAP)

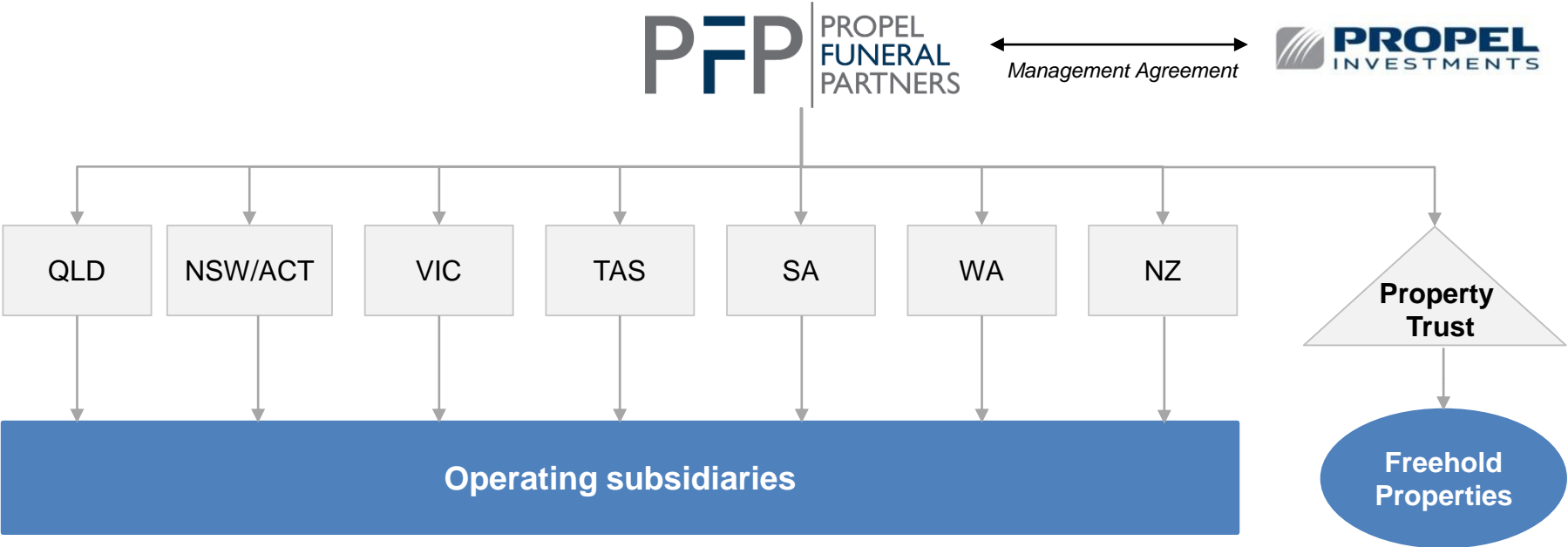
5 Compliance and governance

- Highly experienced and majority of independent directors**, with a focus on governance and compliance

6 Management shareholding and voluntary escrow

- Management Shareholders own ~20.7% of Propel and have voluntarily escrowed the majority of their shares for up to 10 years from Admission**, further aligning interests with shareholders

Simplified corporate structure





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