



21 February 2024

FY24 First Half Results

- Revenue of \$102.9 million, up 22.8% on the prior corresponding period (PCP)
- Operating EBITDA¹ of \$27.4 million, up 18.5% on the PCP
- Pro forma² Operating NPAT¹ of \$11.7 million, up 6.7% on the PCP
- Interim Dividend of 7.2 cents (1H FY23: 7.1 cents) per share fully franked
- Eight acquisitions, totalling ~\$92 million, completed or announced year to date in FY24
- 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 2023 (**1H FY24**).

Financial performance

Propel experienced material growth in key operating and financial metrics in 1H FY24, despite the funeral industry cycling strong growth in the PCP. The table below compares the Company's Pro forma 1H FY24 financial results with the PCP and summarises its 1H FY24 statutory financial results:

	1H FY24 Pro forma ²	1H FY23 Statutory	Change	1H FY24 Statutory
Revenue (\$m)	102.9	83.8	+22.8%	102.9
Operating EBITDA (\$m)	27.4	23.1	+18.5%	27.4
Margin	26.6%	27.6%	-100bps	26.6%
Operating NPAT (\$m)	11.7	11.0	+6.7%	10.1
Operating EPS (cents) ¹	8.6	9.3	-7.3%	8.5
Cash flow conversion (%) ¹	100.8	99.2	+160bps	100.8

The Company's 1H FY24 financial results:

- do not include contributions from four acquisitions completed or expected to be completed during the second half of FY24 (**2H FY24**);
- only include part period contributions from four acquisitions completed during 1H FY24; and
- include full period contributions from five acquisitions completed during FY23.

Further details are provided in the Appendix 4D, Interim Financial Report and 1H FY24 Investor Presentation released to the ASX today.

Interim dividend

The board has declared a fully franked interim dividend of 7.2 cents (1H FY23: 7.1 cents) per share, which represents:

- a payout ratio of ~83% of Distributable Earnings^{1,2}; and
- an annualised dividend yield of ~2.7%³ (or ~3.9% grossed up for tax).

The interim dividend will be paid on 5 April 2024, with a record date of 5 March 2024. Since its IPO in November 2017, Propel has declared fully franked dividends totalling 73.1 cents per share (or ~\$1.04 per share, grossed up for tax).

Funeral volumes

During CY23:

- industry death volumes contracted by ~6%⁴ (expected to be temporary); and
- Propel's market share⁵ increased to ~9% (CY22: ~8%), as contributions from acquisitions more than offset a contraction in comparable funeral volumes of ~6% on the prior year.

In 1H FY24, Propel's:

- total funeral volumes were 10,637, up 17.4% on the PCP; and
- comparable funeral volumes contracted by 9.8% on the PCP.

¹ Refer to definitions on slide 31 of the 1H FY24 Investor Presentation.

² Statutory results adjusted for the impacts of the capital raising, being the placement of new shares and follow on share purchase plan (**SPP**), announced on 31 January 2024, to raise estimated net proceeds of \$87.2 million (**Capital Raising**), including lower interest expense (net of tax) relating to the changes in the capital structure, as if it had occurred on 1 July 2023.

³ Based on Propel's closing share price of \$5.16 on 29 December 2023, total dividends declared in connection with CY23 of 14.1 cents per share fully franked and the corporate tax rate in Australia of 30%.

⁴ Based on provisional deaths in Australia for the 9 month period ended September 2023 versus the PCP (source: ABS).

⁵ Refer to slide 23 of the 1H FY24 Investor Presentation.



Average Revenue Per Funeral

In 1H FY24, Propel's Average Revenue Per Funeral¹ was \$6,630:

- up 4.5% on the PCP; and
- up ~6% on the PCP on a comparable basis.

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 1H FY24, Propel deployed ~\$78 million⁶ on the following four completed acquisitions:

- **Olsens (including Walter Carter and Andrew Kennedy):** a funeral services provider operating in the south, south west and eastern suburbs of Sydney, New South Wales;
- **J Fraser & Sons:** a funeral services provider operating in and around Southland, NZ;
- **Harbour City:** a funeral services provider operating in and around Wellington, NZ; and
- **Terry Longley:** a funeral services provider operating in Hawkes Bay, NZ.

As recently announced, Propel has also committed ~\$14 million⁶ in connection with the following four acquisitions:

- **IC Mark:** a funeral services provider operating in and around Levin, NZ (completed on 23 January 2024);
- **Penhall Funerals:** a funeral services provider operating in and around Orange, NSW (completed on 1 February 2024);
- **Howard & Gannon:** a funeral services provider operating in and around Taradale, NZ (completed on 1 February 2024); and
- **Southern Funeral Home:** a funeral services provider operating in Otago, NZ (expected to complete during 2H FY24).

Since its IPO in November 2017, Propel has committed ~\$284 million⁷ on acquisitions and continues to explore other potential acquisitions, however, the timing associated with any future acquisitions is uncertain.

Funding position

During and subsequent to 1H FY24, the Company strengthened its balance sheet by:

- expanding its senior debt facilities (which mature in October 2027) to \$275 million (previously \$255 million) and increasing the net leverage ratio covenant limit to 5.0 times (previously 4.0 times); and
- completing an \$80 million placement of approximately 15,534 million fully paid Propel ordinary shares to new and existing institutional investors, noting that the Company has announced an SPP, which closes on 26 February 2024, seeking to raise \$10 million from eligible shareholders.

As at 31 December 2023, Propel had:

- ~\$600 million of total assets, including ~\$216 million⁸ of freehold properties;
- a gearing ratio of ~20%⁹ and a net leverage ratio of ~1.5¹⁰ times (covenant limit of 5.0 times); and
- available funding capacity of ~\$172 million¹¹.

Outlook and FY24 Guidance

In terms of the outlook for the 2H FY24, the Company expects to benefit from:

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

Historical experience suggests the material contraction in industry death volumes in CY23 should be temporary, given:

- prior period declines have rebounded quickly;
- the unusually benign winter flu season; and
- the growing and ageing populations in Australia and New Zealand.

In that regard, Propel has started 2H FY24 with positive trading momentum - in the month of January 2024¹², revenue growth over the PCP exceeded 25%, reflecting:

- strong growth in total funeral volumes, including contributions from acquisitions and positive comparable funeral volume growth; and
- higher Average Revenue Per Funeral.

⁶ Upfront cash and equity consideration paid/payable (excluding stamp duty).

⁷ Upfront cash and equity consideration paid/payable. Excludes properties purchased subsequent to completion of the acquisitions and other properties purchased totalling \$28.7 million (excluding stamp duty).

⁸ Land and buildings held at cost, less accumulated depreciation.

⁹ Pro forma - net debt of \$86.5 million divided by net debt plus total equity of \$344.0 million.

¹⁰ Pro forma - adjusted for the four acquisitions completed or expected to complete in 2H FY24.

¹¹ Refer to slide 20 of the 1H FY24 Investor Presentation.

¹² Based on the Company's unaudited management accounts.



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The Company reaffirms its FY24 guidance¹³ for:

- 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).

It should be noted that:

- death volumes fluctuate over short time horizons; and
- inflation is expected to impact funeral related pricing and costs.

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

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 187 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.

¹³ Refer to slide 28 of the 1H FY24 Investor Presentation.