

A blue-tinted landscape photograph of a field with a large tree and a path. The scene is dominated by a large, leafy tree on the right side, with a path leading from the foreground towards it. The foreground is filled with a field of crops, possibly corn. The sky is filled with dramatic, dark clouds. The overall mood is serene and natural.

# FY18

## Full year Results Presentation

28 August 2018

**PFP** | PROPEL  
FUNERAL  
PARTNERS

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# Presenters



**Albin Kurti**  
Managing Director and Head of Investments



**Lilli Gladstone**  
Head of Finance



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



# Agenda

1. Key highlights for FY18
2. Business overview
3. FY18 financial results detail
4. Industry 'tail winds' and acquisition update
5. Outlook
6. Q&A

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Appendix







# 1. Key highlights for FY18



# Key highlights for FY18

1

## TRADING

Revenue:	↑ <b>76%</b> to \$80.9 million (FY17: \$46.1 million)
Funeral volumes:	↑ <b>67%</b> to 10,111 (FY17: 6,054)
ARPF <sup>1</sup> :	↑ <b>5.5%</b> to \$5,508 (FY17: \$5,223)

2

## EARNINGS<sup>2</sup>

Operating EBITDA:	↑ <b>75%</b> to \$21.5 million (FY17: \$12.3 million)
Operating NPAT <sup>3</sup> :	↑ <b>125%</b> to \$12.3 million (FY17: \$5.5 million)
Cash flow conversion <sup>4</sup> :	96.5% (FY17: 98.9%)

3

## CAPITAL MANAGEMENT

Operating cash flow <sup>2,5</sup> :	↑ <b>71%</b> to \$20.7 million (FY17: \$12.2 million)
Net cash:	\$28.3 million cash and no debt as at 30 June 2018
Dividend:	↑ <b>10%</b> on the Prospectus forecast to 6.4 cents per share fully franked
New debt facility:	\$50 million undrawn facility, 3 year term

4

## GROWTH

Growing portfolio:	103 locations as at 30 June 2018 (FY17: 70; FY19YTD: 107)
Investment Strategy:	Entered WA via the acquisition of Seasons Funerals Expanded in NSW and VIC via the acquisition of Brindley Group Successful takeover of Norwood Park (ACT/NSW/QLD) Signed agreement to expand in QLD via the acquisition of Newhaven Funerals NQ Continued focus on delivering the Investment Strategy

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## OUTLOOK

Continued growth:	Expect to benefit from: <ul style="list-style-type: none"> <li>• acquisitions completed during and since FY18</li> <li>• other potential future acquisitions</li> <li>• organic growth</li> </ul>
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<sup>1</sup>Average Revenue Per Funeral excluding disbursements and delivered prepaid funeral impacts

<sup>2</sup>Pro forma

<sup>3</sup>FY18 pro forma NPAT adjusted for the one off, non-cash share based payment, transaction costs, foreign exchange impacts and other non operating income and expenses

<sup>4</sup>Operating EBITDA converted into pro forma, ungeared, pre-tax operating cash flow

<sup>5</sup>Ungeared, pre-tax operating cash flow

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 frame.

## 2. Business overview

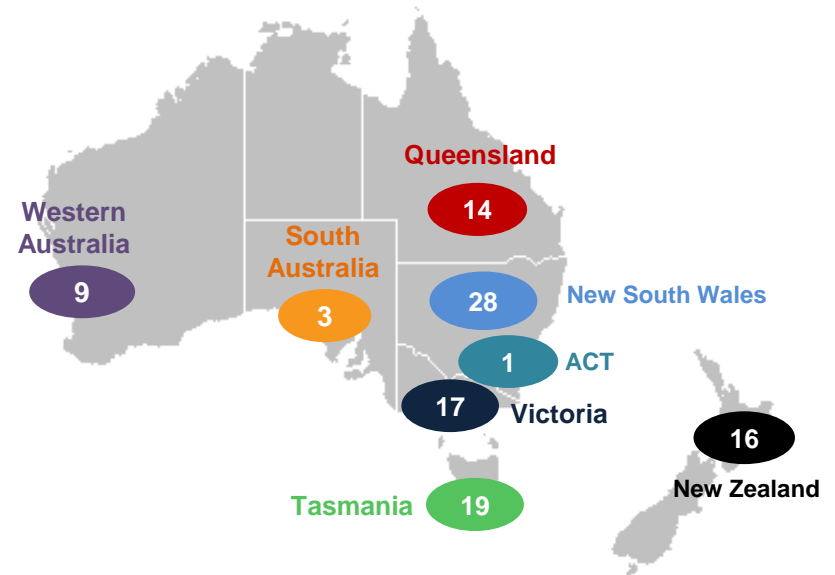
# Geographic presence

107 locations (52 freehold / 55 leasehold), including 24 cremation facilities and 7 cemeteries

August 2013



August 2018



FY12

FY13

FY14

FY15

FY16

FY17

FY18

27 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

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

QLD	NSW/ACT	VIC	TAS	SA	WA	NZ
						
						
						
						
						
						
						
						

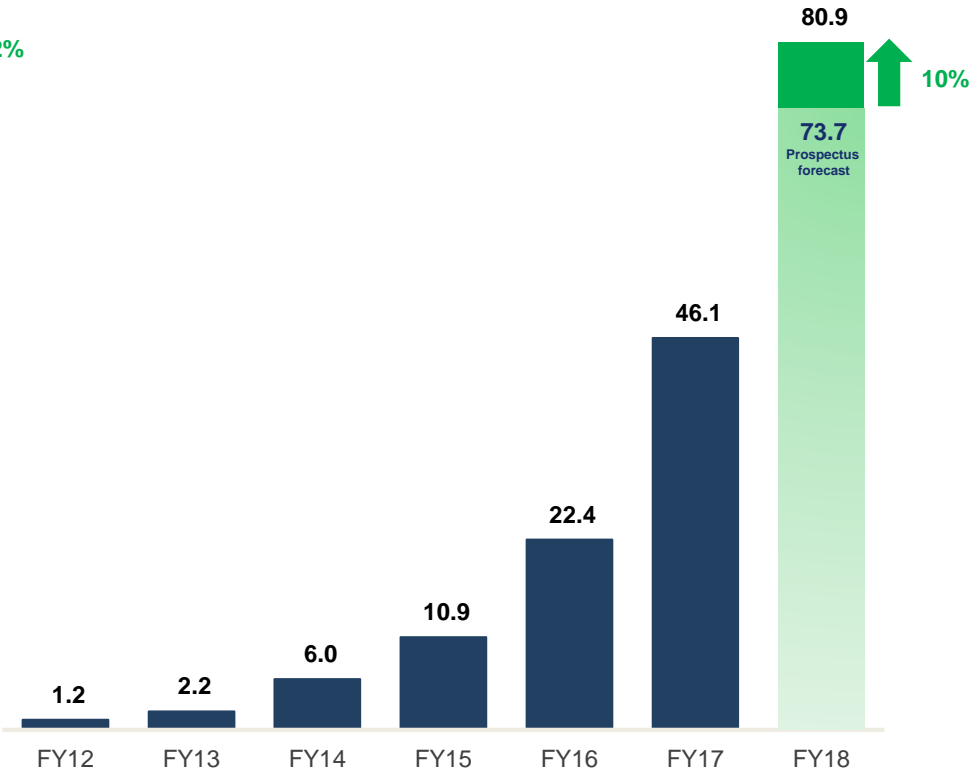
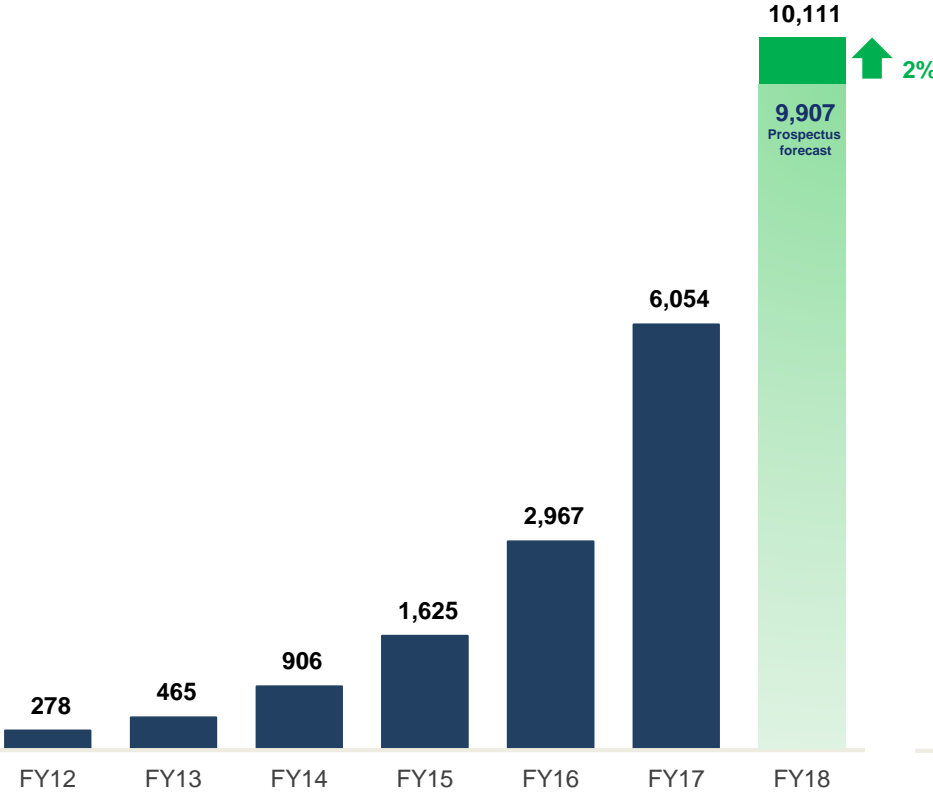
Acquired since 1 July 2017

# Volume and revenue growth

Propel has maintained a strong growth trajectory

### Funeral volumes

### Revenue (\$m)

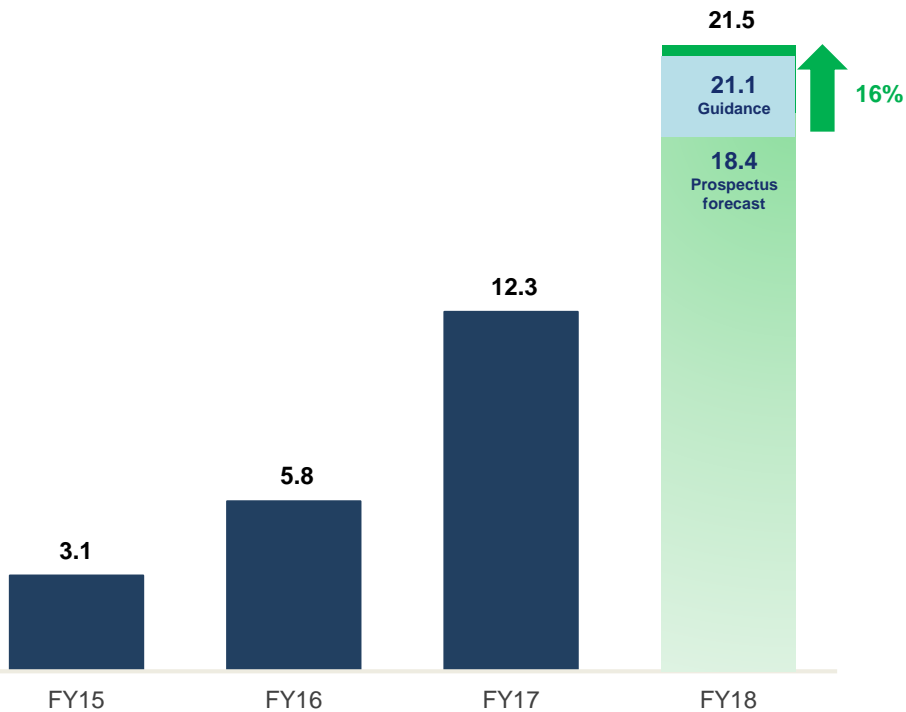




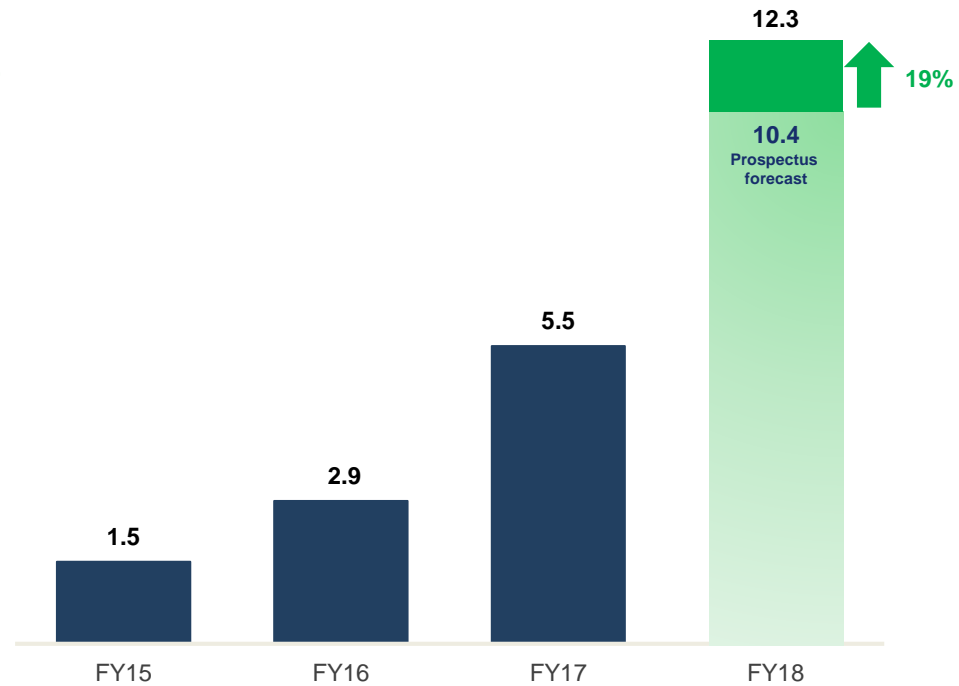
# Earnings growth

Propel has maintained a strong growth trajectory

## Operating EBITDA (\$m)



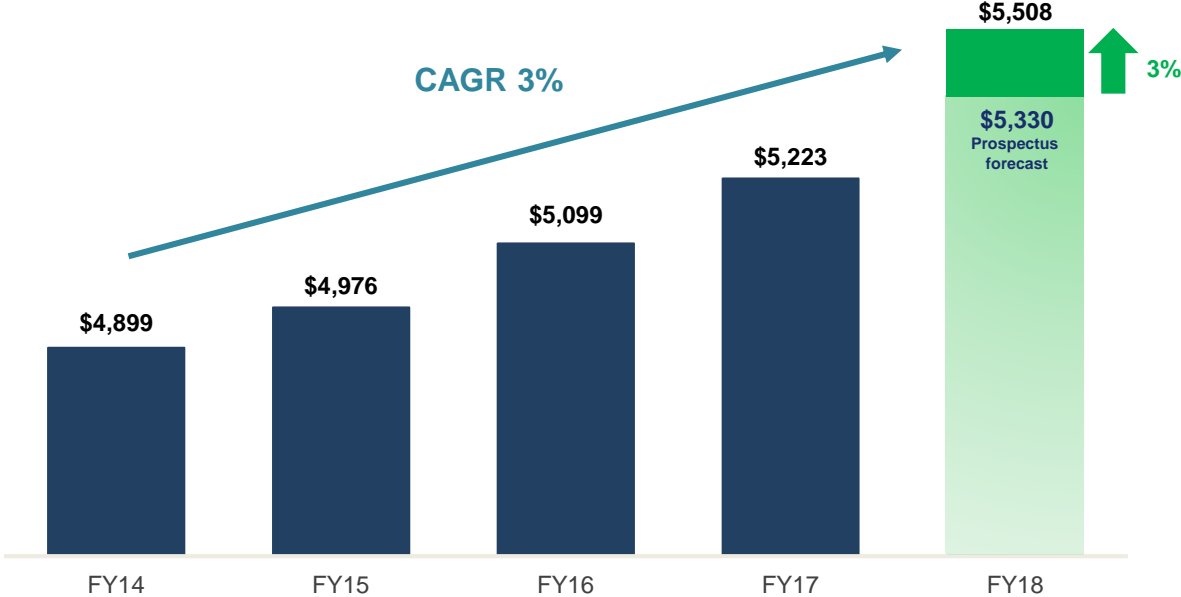
## Operating NPAT<sup>1</sup> (\$m)



<sup>1</sup> Net profit after tax adjusted for the one off, non-cash share based payment, transaction costs, foreign exchange impacts and other non operating income and expenses

# Average Revenue Per Funeral growth

5 year compound annual growth rate (CAGR) of 3%



<sup>1</sup>Average Revenue Per Funeral excluding disbursements and delivered prepaid funeral impacts



### 3. FY18 financial results detail

# Financial summary

## Pro forma income statement

\$ million	FY18	FY17
<b>Total revenue</b>	<b>80.9</b>	<b>46.1</b>
Cost of sales	(24.5)	(14.0)
<b>Gross profit</b>	<b>56.4</b>	<b>32.0</b>
... margin	69.7%	69.5%
Total operating costs	(34.9)	(19.8)
<b>Operating EBITDA</b>	<b>21.5</b>	<b>12.3</b>
... margin	26.6%	26.6%
Depreciation	(3.0)	(1.7)
<b>Operating EBIT<sup>1</sup></b>	<b>18.4</b>	<b>10.5</b>
... margin	22.8%	22.9%
Other income/expenses	0.9	0.1
Transaction/acquisition costs	(0.7)	(0.7)
<b>EBIT</b>	<b>18.6</b>	<b>10.0</b>
Interest expense	(0.1)	(0.2)
Interest income	0.4	0.1
Net financing charge on pre-paid contracts	(0.8)	(1.3)
<b>Net profit before tax</b>	<b>18.1</b>	<b>8.6</b>
Income tax expense	(5.6)	(3.1)
<b>Net profit after tax</b>	<b>12.5</b>	<b>5.5</b>
Operating NPAT <sup>2</sup>	12.3	5.5
<b>Basic earnings per share (cps)</b>	<b>12.7</b>	<b>5.6</b>

<sup>1</sup>Operating EBITDA less depreciation

<sup>2</sup> Net profit after tax adjusted for the one off, non-cash share based payment, transaction costs, foreign exchange impacts and other non operating income and expenses

## Comments

### Revenue

- increased 76% on FY17 due to:
  - full period impact of six acquisitions completed in FY17
  - part period impact of Seasons Funerals, Brindley Group and Norwood Park acquisitions in FY18
  - strong ARPF

### Gross profit margin

- 69.7% which was marginally higher than FY17

### Operating EBITDA

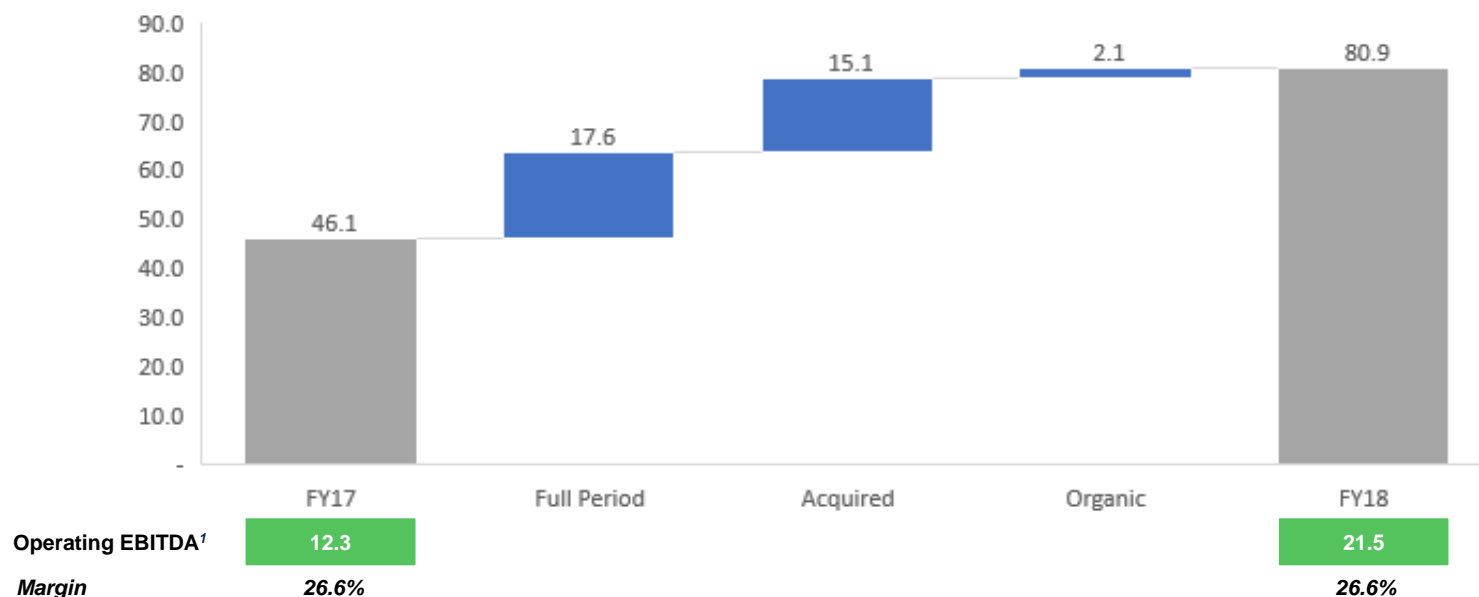
- increased 75% on FY17 due to:
  - full period impact of six acquisitions completed in FY17
  - part period impact of Seasons Funerals, Brindley Group and Norwood Park acquisitions in FY18
- reflects additional finance and accounting staff and pro forma costs of being a listed company

### Other items

- stamp duty and legal fees on acquisitions
- pro forma capital structure (i.e. no senior debt)
- net financing charge relates to investment returns generated on Pre-paid Contracts (circa 1.8%) net of the non-cash financing charge applied to funds held for Pre-paid Contracts (circa 3.8%) in accordance with AASB 15
- EPS growth of 128% on FY17



# Revenue bridge and Operating EBITDA



## Comments

### Total growth (26 businesses):

#### Average Revenue Per Funeral (ARPF)<sup>2</sup>

- ▲ 5.5% in FY18, influenced by the financial profile of acquisitions, favourable sales mix and price increases

#### Funeral Volumes

- ▲ 67% on FY17 due to the full period impact of acquisitions completed in FY2017, the part period impact of the Seasons Funerals and Brindley Group acquisition

### Organic growth (16 businesses):

#### ARPF

- ▲ 6.5% in FY18 over FY17 driven by favourable sales mix and price increases

#### Funeral Volumes

- ▼ 1.8% on FY17, impacted by lower deaths (FY17 ▲ 3.2%)
- observable market share stable

### Operating EBITDA Margin

#### Influenced by:

- operating leverage
- the full year impact of six acquisitions completed in FY17
- the part period impact of three acquisitions completed in FY18
- an increase in third party lease payments
- additional accounting and finance staff in FY18

<sup>1</sup> Proforma

<sup>2</sup> Excluding direct disbursements and delivered prepaid funeral impacts

# Key operating and financial metrics

## Propel outperformed key Prospectus forecasts

	FY18 Pro forma actual	FY18 Prospectus Forecast	Achieved	Comments
<b>Operating metrics</b>				
Number of locations	103	80	✓	
Number of funerals	10,111	9,907	✓	
Average Revenue Per Funeral <sup>1</sup>	\$5,508	\$5,330	✓	
<b>Financial metrics</b>				
Gross profit margin	69.7%	68.2%	✓	
Employee costs as a % of total revenue	29.3%	30.6%	✓	
Occupancy costs as a % of total revenue	7.0%	6.2%	-	More leasehold properties due to acquisitions completed
Operating EBITDA margin	26.6%	25.0%	✓	
Operating EBIT margin	22.8%	21.6%	✓	
Dividend (cps)	6.4	5.8	✓	
Cash flow conversion <sup>2</sup>	96.5%	98.9%	-	Minor working capital movements

<sup>1</sup> Excluding direct disbursements and delivered prepaid funeral impacts

<sup>2</sup> Operating EBITDA converted into pro forma, ungeared, pre-tax operating cash flow

# Cash flow highlights

## Pro forma and Statutory actuals

\$ million	Pro forma actuals		Statutory actuals	
	FY18	FY17	FY18	FY17
Receipts from customers (inc GST)	89.1	49.8	89.1	49.8
Payments to suppliers and employees (inc GST)	(68.4)	(37.7)	(68.5)	(38.0)
Income taxes paid	(4.6)	(3.8)	(3.6)	(2.9)
Interest paid	(0.0)	(0.1)	(2.3)	(2.4)
Interest received	0.5	0.1	0.5	0.1
<b>Net cash provided by operating activities</b>	<b>16.5</b>	<b>8.3</b>	<b>15.2</b>	<b>6.6</b>
Payment for purchase of business, net of cash acquired	(39.5)	(52.2)	(39.5)	(52.0)
Payments for property, plant and equipment	(4.0)	(1.7)	(4.0)	(1.7)
Other investing cash flows	0.2	(1.3)	0.2	(1.3)
<b>Net cash used by investing activities</b>	<b>(43.3)</b>	<b>(55.2)</b>	<b>(43.3)</b>	<b>(54.9)</b>
Proceeds from issue of shares, net of transaction costs			105.4	0.0
Net repayment of borrowings			(41.7)	44.0
Dividends paid			(14.0)	(0.0)
Other financing cash flows			(0.1)	(0.1)
<b>Net cash provided by financing activities</b>			<b>49.5</b>	<b>43.9</b>
Net increase in cash during the year			21.5	(4.5)
Cash at the start of the year			6.8	11.3
Exchange rate effects			0.0	0.1
<b>Cash at the end of the year</b>			<b>28.3</b>	<b>6.8</b>
<b>Cash flow conversion<sup>1</sup> %</b>	<b>96.5%</b>	<b>98.9%</b>	<b>96.5%</b>	<b>97.6%</b>

<sup>1</sup> Operating EBITDA converted into ungeared, pre-tax operating cash flow

## Comments

### Operating cash flow

- Reflects solid trading
- Minimal working capital movements:
  - focus on debtor collection
  - can be influenced by acquisitions
- Operating EBITDA conversion to ungeared, pre-tax, operating cash flow strong at 96.5% (FY17: 98.9%)

### Investing cash flow

- Includes acquisitions (\$38.5m), transaction costs (\$0.7m) and earn out payments (\$0.3m)
- Capex (\$3.6m) + property purchase (\$0.4m)

### Financing cash flow

- Statutory cash flows reflects:
  - Net IPO proceeds of \$111.6m less transaction costs of \$6.2m
  - Net repayment primarily related to pre IPO debt of \$41.7m
  - Pre IPO dividend of \$14.0m

### Strong cash position



# Strong financial position

## Statutory balance sheet

\$ million	30-Jun-18	30-Jun-17
Cash and cash equivalents	28.3	6.8
Trade and other receivables	4.2	3.9
Contract assets	45.6	35.6
Other current assets	4.2	3.0
<b>Total Current Assets</b>	<b>82.3</b>	<b>49.3</b>
Property, plant & equipment	72.5	57.9
Goodwill	91.1	63.6
Other Non-current assets	2.6	0.7
<b>Total Non-current assets</b>	<b>166.2</b>	<b>122.1</b>
<b>Total Assets</b>	<b>248.5</b>	<b>171.3</b>
Trade and other payables	5.6	5.1
Borrowings	0.1	7.3
Contract liabilities	48.8	38.1
Other current liabilities	6.7	4.3
<b>Total Current Liabilities</b>	<b>61.1</b>	<b>54.9</b>
Borrowings	0.3	64.9
Other Noncurrent liabilities	7.2	4.7
<b>Total Non-Current liabilities</b>	<b>7.5</b>	<b>69.7</b>
<b>Total liabilities</b>	<b>68.6</b>	<b>124.5</b>
<b>Net assets</b>	<b>179.8</b>	<b>46.8</b>
Issued capital	199.6	37.2
Foreign currency translation reserve	(0.3)	0.8
(Accumulated losses)/retained profits	(19.4)	8.8
<b>Total Equity</b>	<b>179.8</b>	<b>46.8</b>

## Comments

### Net cash position

- \$28.3m of cash (as at 30 June 2018)
- no senior debt (Borrowings relate to hire purchase)
- healthy balance sheet to support funding of the Investment Strategy

### Prepaid 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 FY18, 9.6% of funeral volumes in Australia related to Prepaid Contracts

### Property, plant and equipment

- land and buildings at cost (less depreciation) of \$55.7m

### Goodwill

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

### Other

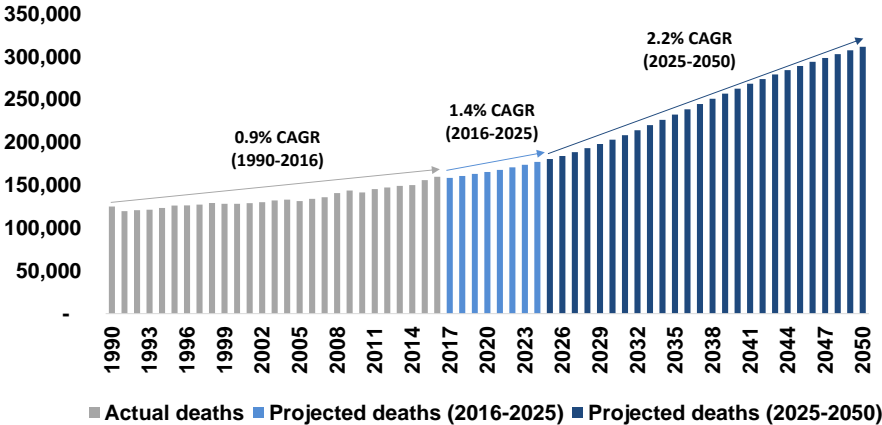
- accumulated losses includes a one-off non-cash expense of \$21.9m which was recognised as a result of the Restructure in accordance with AASB 2 Share Based Payments which is based on the director's view of fair value having regard to the escrow arrangements set out in the Prospectus

## 4. Industry 'tail winds' and acquisition update

# Increasing number of deaths

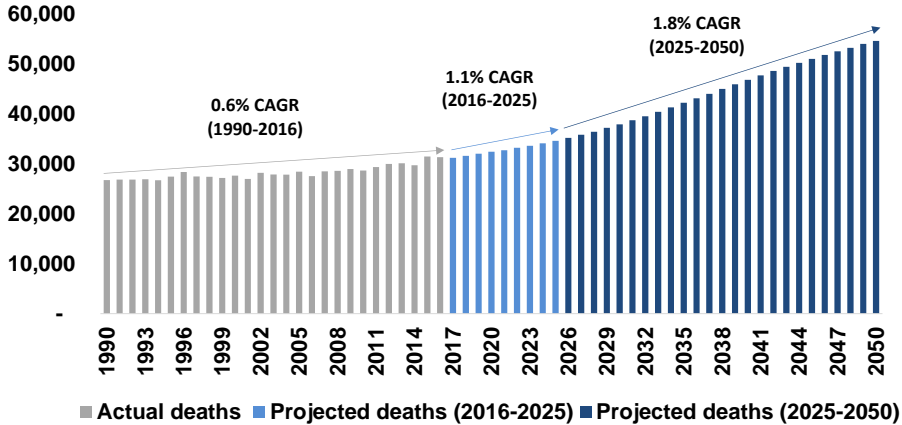
Number of deaths is the most significant driver of revenue in the death care industry

## Australia



- Death volumes in Australia grew by 0.9% pa between 1990 and 2016<sup>1</sup>
- This is expected to increase by 1.4% pa from 2016 to 2025<sup>1</sup> and 2.2% from 2025 to 2050<sup>1</sup>

## New Zealand



- Death volumes in New Zealand grew by 0.6% pa between 1990 and 2016<sup>2</sup>
- This is expected to increase by 1.1% pa from 2016 to 2025<sup>2</sup> and 1.8% from 2025 to 2050<sup>2</sup>

<sup>1</sup>Source: ABS (3101.0 Australian Demographic Statistics, Dec 2016) for Actual deaths and ABS (3222.0 Population Projections, Australia, 2012 (base) to 2101) for Projected deaths.  
<sup>2</sup>Source: This work 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. (Table Reference: VSD022AA - Group: Deaths - VSD) for Actual deaths and Statistics New Zealand (National population projections, characteristics, 2016(base)-2068) for Projected deaths.



# Acquisition update

## Propel is focussed on delivering its Investment Strategy

1

**DURING  
FY2018**

**WA entry:**

Acquired Seasons Funerals

**ACT entry:**

Acquired Norwood Park (ACT/NSW/QLD)

**NSW/VIC/QLD expansion:**

Acquired Brindley Group  
Signed agreement in relation to Newhaven Funerals NQ

2

**SINCE  
FY2018**

**QLD expansion:**

Completed Newhaven Funerals NQ acquisition

**Property acquisitions:**

Acquired/exercising options over 3 freehold properties  
Exchanged a contract to acquire a parcel of land (potential greenfield site)

3

**FUTURE  
ACQUISITIONS**

**Fragmented industry:**

Independents comprise >50% of the death care industry in AUS and NZ

**Acquisition pipeline:**

Active discussions with numerous potential vendors  
Selective and disciplined approach  
Timing associated with potential acquisitions uncertain

4

**WELL  
FUNDED**

**New debt facility:**

New \$50.0 million, 3 year senior debt facility to help support funding of the Investment Strategy:

- available for general corporate purposes, including acquisitions;
- covenants: Net Leverage Ratio (not to exceed 3.00x) and Fixed Charge Cover Ratio (not to be less than 1.75x).

## 5. Outlook

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 quiet and contemplative.

# Outlook

## Propel is focussed on delivering on its Investment Strategy

1

### CONTINUED GROWTH

#### Well positioned:

Expect to benefit from:

- acquisitions completed during and since FY18
- property transactions
- other potential future acquisitions and organic growth

Record volume month in July 2018

2

### STRONG BALANCE SHEET

#### Well funded:

Liquidity levels remain healthy for further acquisitions, with a conservative balance sheet:

- currently in a net cash position
- new \$50 million undrawn senior debt facility will help support funding of the Investment Strategy

3

### DIVIDEND POLICY

#### Unchanged:

Consistent with the Prospectus, target payout ratio of 75-85%





## 6. Q&A



# Appendix

# Statutory – Pro forma reconciliation

## Pro forma versus Statutory Income Statement

\$ million	FY18 Statutory	Proforma Adjustments	FY18 Proforma
<b>Total revenue</b>	<b>80.9</b>		<b>80.9</b>
Cost of sales	(24.5)		(24.5)
<b>Gross profit</b>	<b>56.4</b>		<b>56.4</b>
Total operating costs	(35.0)	0.1	(34.9)
<b>Operating EBITDA</b>	<b>21.4</b>		<b>21.5</b>
Depreciation	(3.0)		(3.0)
<b>Operating EBIT<sup>1</sup></b>	<b>18.3</b>		<b>18.4</b>
Other income/expenses	0.9		0.9
Transaction/acquisition costs	(3.5)	2.8	(0.7)
One off share based payment	(21.9)	21.9	0.0
<b>EBIT</b>	<b>(6.2)</b>		<b>18.6</b>
Interest expense	(2.0)	2.0	(0.1)
Interest income	0.4		0.4
Net financing charge on pre-paid contracts	(0.8)		(0.8)
<b>Net profit before tax</b>	<b>(8.6)</b>		<b>18.1</b>
Income tax expense	(5.6)		(5.6)
<b>Net profit after tax</b>	<b>(14.3)</b>		<b>12.5</b>

## Comments

### Key variances:

#### Operating costs

- Corporate expenses as a consequence of Propel being listed on ASX for the full period
- add back the management fee expense under the previous management agreement and deduct the administration fee of \$60,000 per quarter in accordance with the Management Agreement

#### Transaction costs:

- add back transaction costs expensed in respect of the IPO

#### Share based payment:

- add back the one off non cash share based payment recognised as a result of the Restructure

#### Capital structure:

- add back interest associated with Debt

<sup>1</sup>Operating EBITDA less depreciation



# Income statement analysis

## Pro forma Income Statement

\$ million	FY18	FY17	Change	%
Funeral operations	72.3	40.7	31.5	77.3%
Cemetery and memorial gardens	6.9	4.4	2.5	55.7%
Other trading revenue	1.7	0.9	0.8	90.8%
<b>Total revenue</b>	<b>80.9</b>	<b>46.1</b>	<b>34.8</b>	<b>75.5%</b>
Cost of sales	(24.5)	(14.0)	(10.4)	74.3%
<b>Gross profit</b>	<b>56.4</b>	<b>32.0</b>	<b>24.4</b>	<b>76.1%</b>
Employment costs	(23.7)	(13.5)	(10.1)	75.0%
Occupancy and facility costs	(5.7)	(2.7)	(3.0)	112.7%
Administration fees	(0.2)	(0.2)	0.0	0.0%
Other operating costs	(5.3)	(3.3)	(2.0)	60.7%
<b>Total operating costs</b>	<b>(34.9)</b>	<b>(19.8)</b>	<b>(15.2)</b>	<b>76.8%</b>
<b>Operating EBITDA</b>	<b>21.478</b>	<b>12.275</b>	<b>9.203</b>	<b>75.0%</b>

## Comments

### Revenue segments:

- 89.4% generated from funeral operations
- 8.5% generated from cemetery and memorial gardens
- 2.1% from other sources

### Employment costs:

- 29.3% of revenue, favourable to FY18 Prospectus forecast

### Occupancy and facility costs:

- 7.0% of revenue, unfavourable to FY18 Prospectus forecast due to recent acquisitions

### Administration fees:

- \$60k per quarter paid to the Manager

# Distributable Earnings and Dividend

## Reconciliation

\$ million	FY18
<b>Statutory NPAT</b>	<b>(14.3)</b>
<b><i>Proforma Adjustments:</i></b>	
Share based payment	21.9
Interest expense	2.0
IPO costs	2.8
Operating cost benefit under listed company	0.1
<b>Proforma NPAT</b>	<b>12.5</b>
<b><i>Distributable Earnings calculation:</i></b>	
Acquisition costs	0.7
Net financing charge	0.8
<b>Distributable Earnings</b>	<b>14.0</b>
<b>Post Completion of the Offer Distributable Earnings</b>	<b>7.9</b>
Dividend payout ratio (actual)	80%
Number of shares on issue	98,163,089
<b>Dividend per share</b>	<b>6.4</b>

# 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

- Termination by the Manager only if Propel becomes insolvent or is in serious breach of a material obligation

### 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
- The Manager **can opt to take up to 50% of the Performance Fee in shares in the Company** (10 day VWAP)

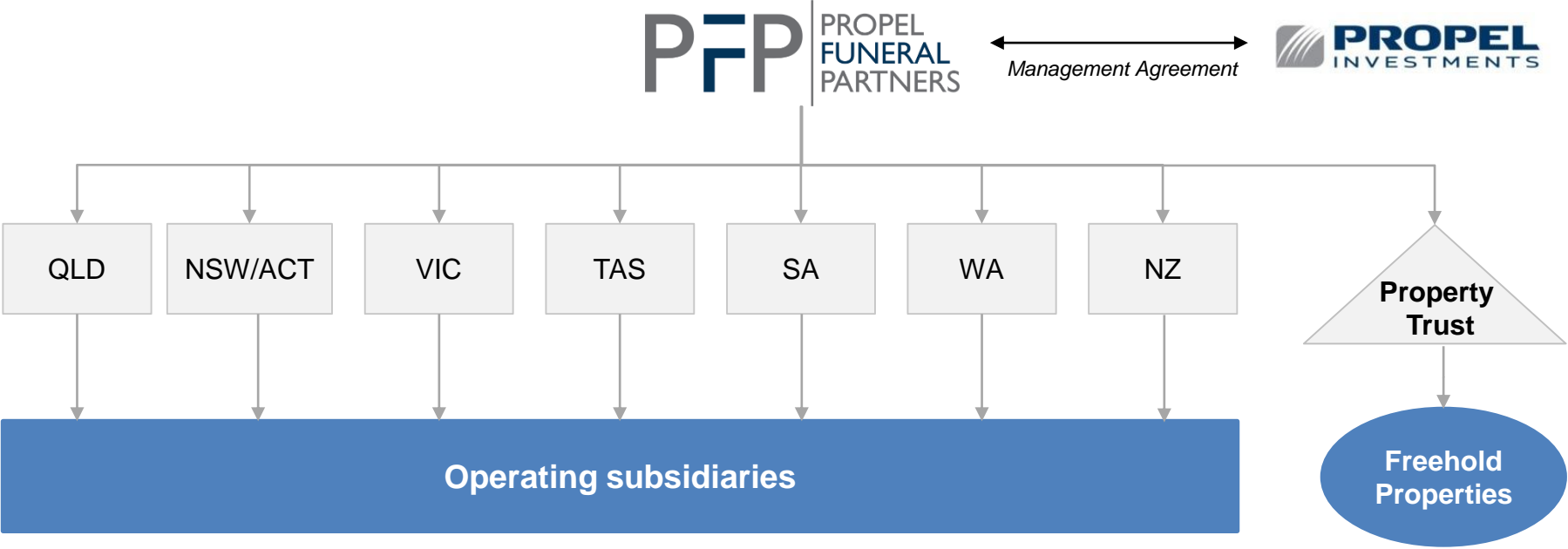
### 5 Compliance and governance

- 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







**PFP** | PROPEL  
FUNERAL  
PARTNERS