

A blue-tinted landscape photograph of a field with a 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 a field of tall grass or crops. The sky is filled with dark, dramatic clouds. The overall mood is serene and natural.

# FY19 Full Year Results

Investor Presentation

26 August 2019

**PFP** | PROPEL  
FUNERAL  
PARTNERS

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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 proforma basis, unless otherwise stated.

Capitalised words and phrases in this presentation will have the meaning given in the prospectus lodged by Propel on 25 October 2017 (**Prospectus**) and the definition slide set out in the Appendix.

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A number of figures, amounts, percentages, estimates, calculations of value and fractions in this presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this presentation.

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# Presenters



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



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Head of Finance



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Head of M&A, General Counsel and Company Secretary



# Agenda

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

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Appendix





# 1. Key highlights for FY19

# Key highlights for FY19

<p>1</p> <p><b>TRADING</b></p>	<p>Revenue:</p> <p><b>\$95.1</b> million ↑ 17.6%</p>	<p>Volumes:</p> <p><b>11,304</b> funerals ↑ 11.8%</p>	<p>Average Revenue Per Funeral:</p> <p><b>\$5,585</b> ↑ 1.4% YoY / 2.8% LFL</p>
<p>2</p> <p><b>EARNINGS</b></p>	<p>Operating EBITDA:</p> <p><b>\$23.8</b> million ↑ 10.6%</p>	<p>Operating NPAT:</p> <p><b>\$13.3</b> million ↑ 8.1%</p>	<p>Cash Flow Conversion:</p> <p><b>97.4%</b> ↑ 0.9%</p>
<p>3</p> <p><b>CAPITAL MANAGEMENT</b></p>	<p>Total Dividends:</p> <p><b>11.5</b> cents fully franked 5.8 cents final dividend</p>	<p>Net Debt:</p> <p><b>\$7.6</b> million as at 30 June 2019</p>	<p>Expanded Debt Facilities:</p> <p><b>\$100.0</b> million up from \$50 million</p>
<p>4</p> <p><b>GROWTH</b></p>	<p>Growing network:</p> <p><b>120</b> locations 17 locations added</p>	<p>Acquisitions:</p> <p><b>\$116.8</b> million committed since IPO<sup>1</sup></p>	<p>Expansion:</p> <ul style="list-style-type: none"> <li>- in QLD, NSW, WA and NZ</li> <li>- acquired seven freehold properties</li> </ul>
<p>5</p> <p><b>OUTLOOK</b></p>	<p><b>Continued growth, expecting to benefit from:</b></p> <ul style="list-style-type: none"> <li>- acquisitions completed and announced during and since FY19</li> <li>- other potential future acquisitions, in a fragmented industry</li> <li>- organic growth, with a recovery in death volumes underway</li> </ul>		

<sup>1</sup>Refer to slide 23

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.

## 2. Business overview

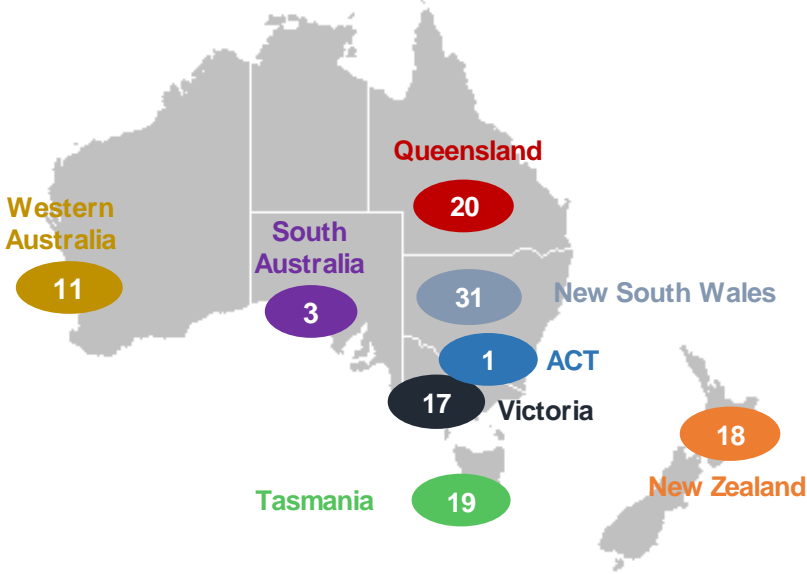
# Geographic presence

120 locations (64 owned / 56 leased), including 28 cremation facilities and 9 cemeteries

August 2013



August 2019



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

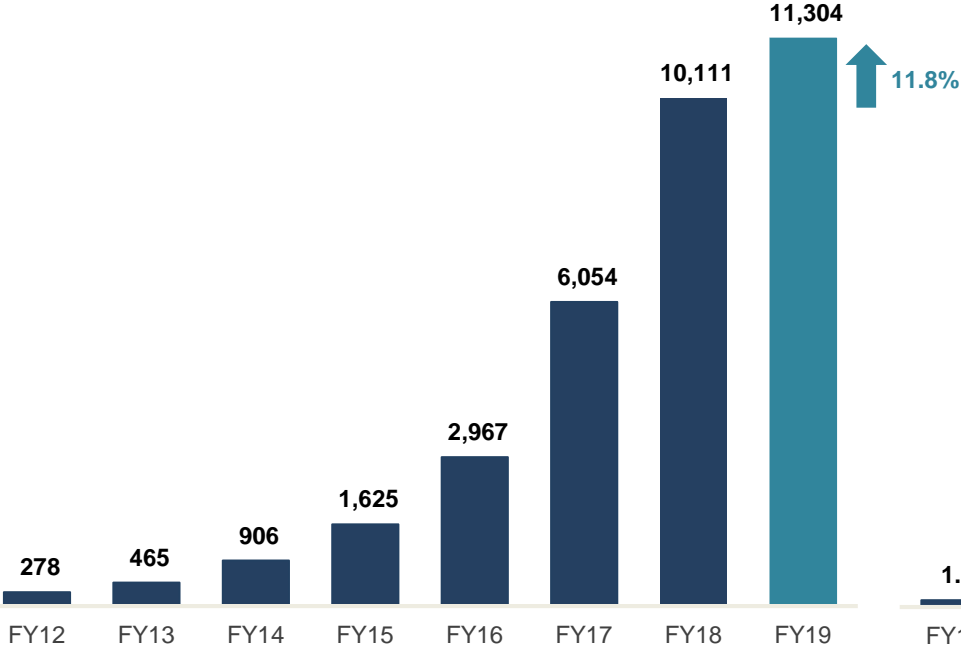


 Acquired or signed binding legal documentation since 1 July 2018

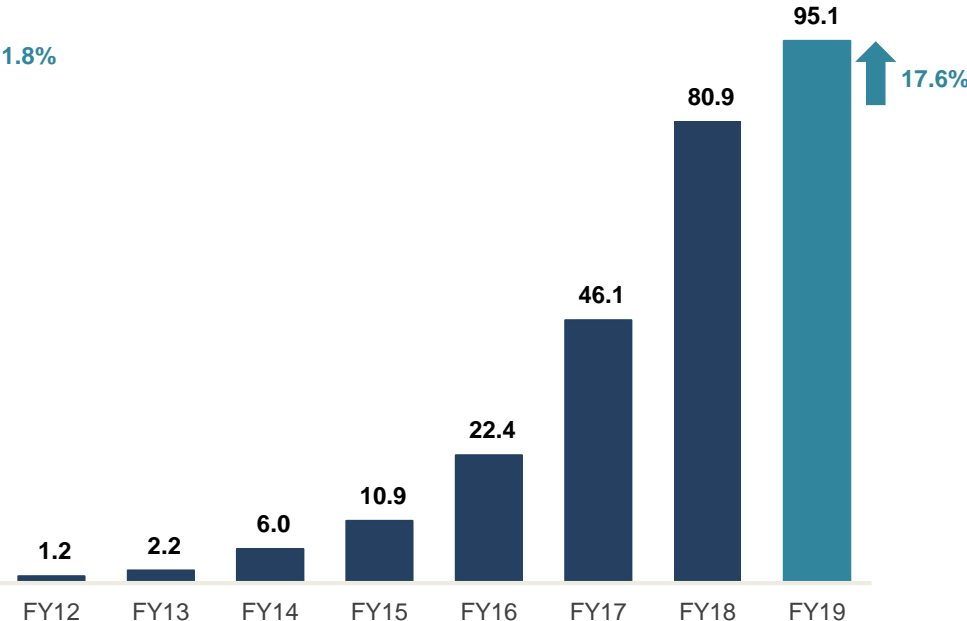
# Volume and revenue growth

Propel has maintained a strong growth trajectory

### Funeral volumes



### Revenue (\$m)

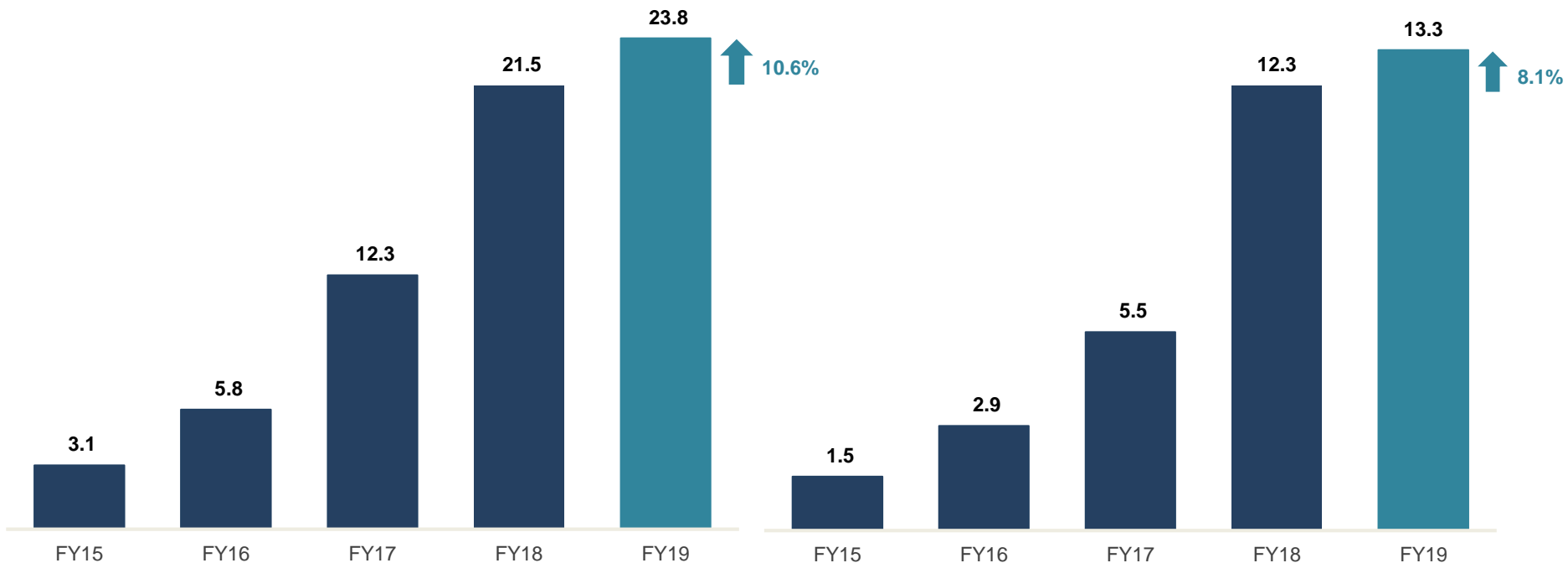


# Earnings growth

Propel's earnings have proved resilient despite soft market conditions in 1H FY19

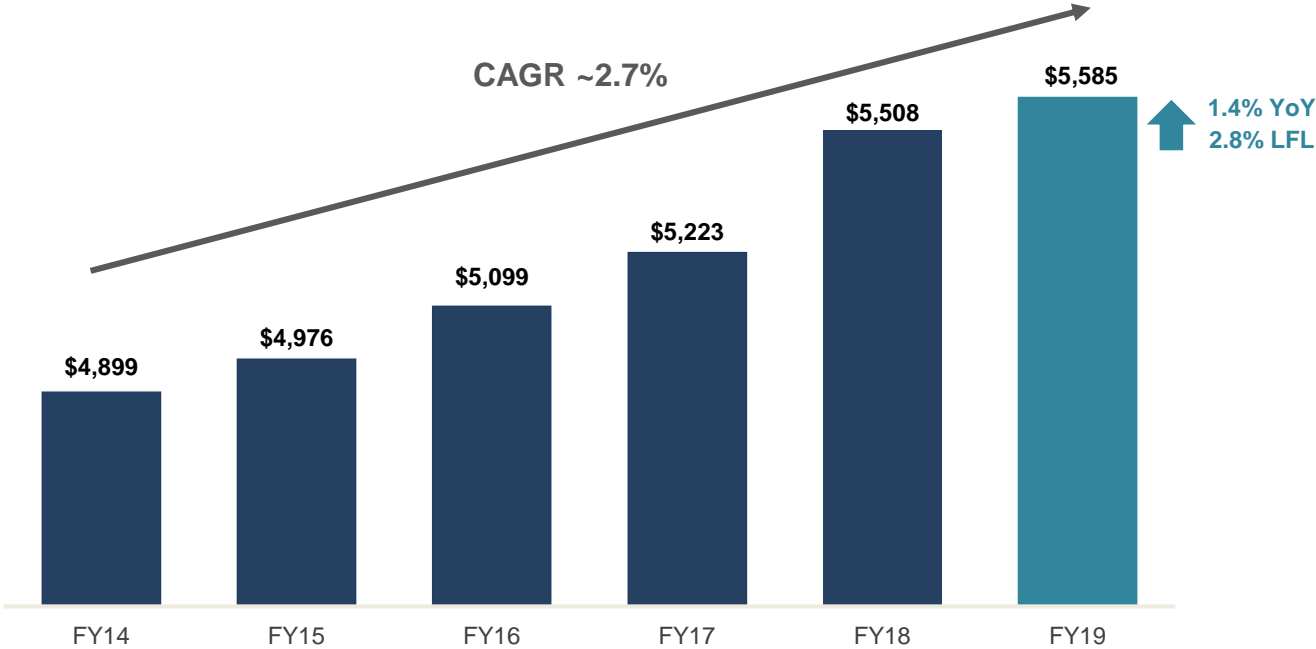
### Operating EBITDA (\$m)

### Operating NPAT (\$m)



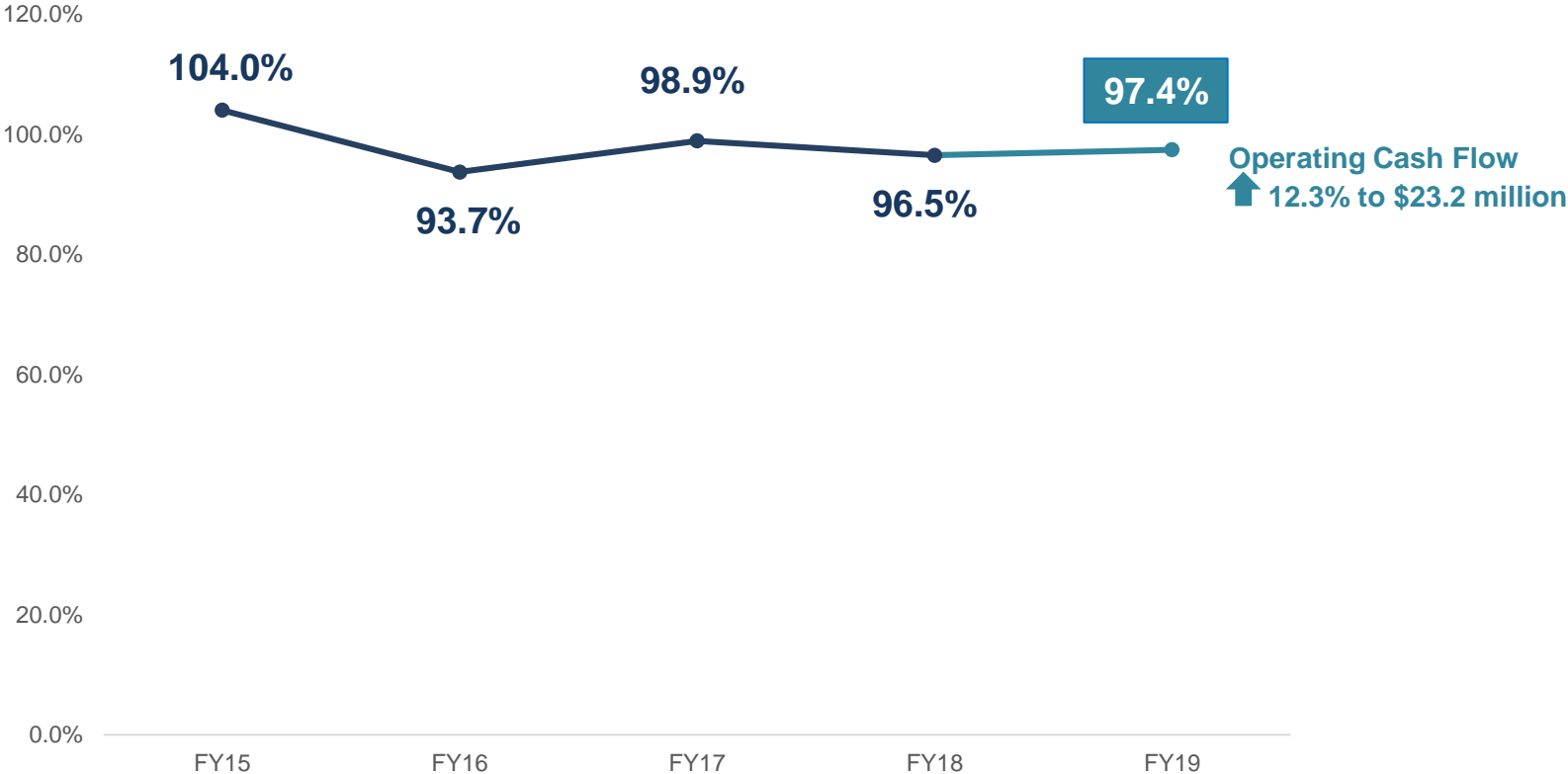
# Average Revenue Per Funeral growth

Compound annual growth rate (CAGR) of ~2.7% since FY14



# Cash Flow Conversion

Cash Flow Conversion has been consistently strong, averaging ~98% since FY15



### 3. FY19 financial results detail

# Financial summary

## Income statement

\$ million	FY19	FY18
<b>Total revenue</b>	<b>95.1</b>	<b>80.9</b>
Cost of sales	(27.9)	(24.5)
<b>Gross profit</b>	<b>67.3</b>	<b>56.4</b>
<i>... margin</i>	70.7%	69.7%
Total operating costs	(43.5)	(34.9)
<b>Operating EBITDA</b>	<b>23.8</b>	<b>21.5</b>
<i>... margin</i>	25.0%	26.6%
Depreciation	(4.1)	(3.0)
<b>Operating EBIT</b>	<b>19.6</b>	<b>18.4</b>
<i>... margin</i>	20.6%	22.8%
Performance Fee	-	-
Net other income/expenses	0.4	0.9
Transaction/acquisition costs	(1.6)	(0.7)
<b>EBIT</b>	<b>18.5</b>	<b>18.6</b>
Interest expense	(0.6)	(0.1)
Interest income	0.3	0.4
Net financing charge on pre-paid contracts	(0.6)	(0.8)
<b>Net profit before tax</b>	<b>17.6</b>	<b>18.1</b>
Income tax expense	(5.2)	(5.6)
<b>Net profit after tax</b>	<b>12.3</b>	<b>12.5</b>
<i>Operating NPAT</i>	13.3	12.3
<b>Adjusted EPS (cps)</b>	<b>13.6</b>	<b>12.5</b>

## Comments

### Revenue

- Increased 17.6% on FY18 primarily due to:
  - the impact of eight acquisitions completed in FY18 and FY19
  - solid ARPF

### Gross profit margin

- 70.7% which was 1.0% higher than FY18 due to the financial profile of recent acquisitions (including a number of crematoria)

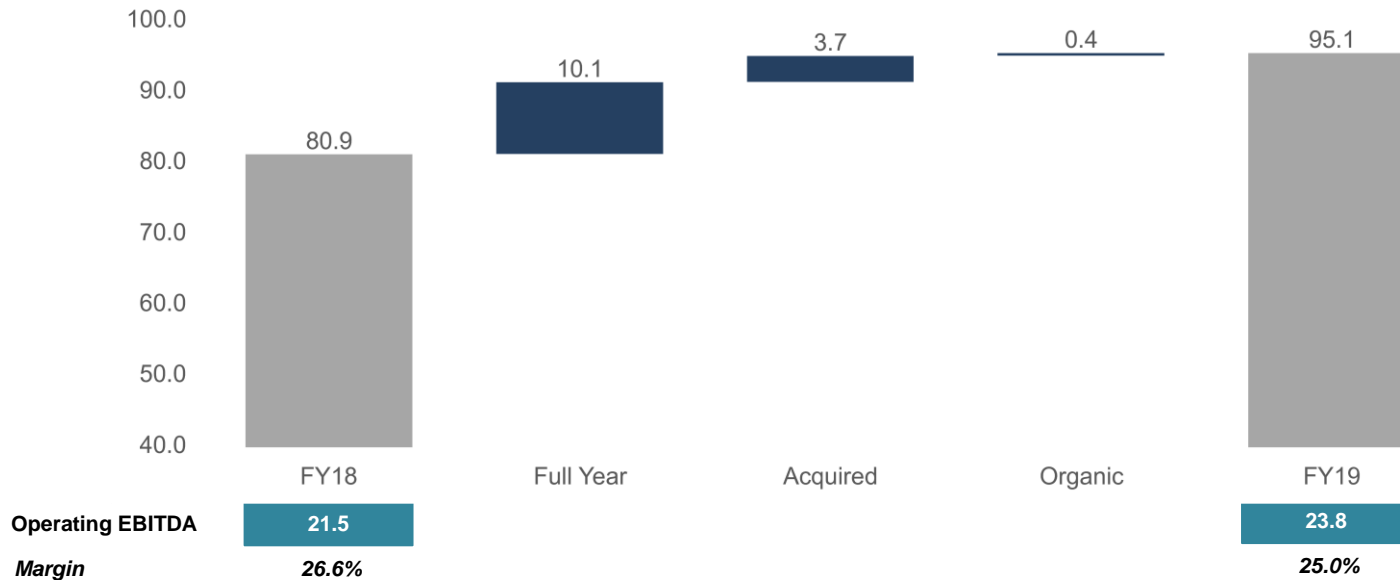
### Operating EBITDA

- Increased 10.6% on FY18 primarily due to:
  - the impact of eight acquisitions completed in FY18 and FY19
  - LFL operating costs up 1% on PCP
- offset by below trend death volumes (on a largely fixed cost base)

### Other items

- Depreciation increased due to acquisitions, property purchases and capital expenditure
- No Performance Fee triggered in the first Calculation Period
- 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 1.8%) net of the non-cash financing charge applied to funds held for Pre-paid Contracts (circa 3.0%) per AASB 15
- Adjusted Effective Tax Rate of 29.8%
- Adjusted EPS up 8.0% on FY18

# Revenue bridge and Operating EBITDA



## Comments

### Total growth:

#### ARPF

- **↑** 1.4% on FY18, impacted by the financial profile of acquisitions

#### Funeral Volumes

- **↑** 11.8% on FY18 due to the full period impact of acquisitions completed in FY18, the part period impact of acquisitions completed in FY19, which was partially offset by below trend funeral volumes

### Organic:

#### ARPF

- **↑** 2.8% on FY18 primarily influenced by pricing and sales mix

#### Funeral Volumes

- comparable volumes were **↓** 2.1% on FY18
- observable market share stable

### Operating EBITDA Margin:

**↓** 1.6% on FY18, influenced by:

- below trend death volumes (on a largely fixed cost base)
- the margins of eight acquisitions completed in FY18 and FY19

LFL operating costs were well controlled (up 1.0% on FY18)



# Cash flow highlights

## Statutory actuals

\$ million	FY19	FY18
Receipts from customers (inc GST)	104.3	89.1
Payments to suppliers and employees (inc GST)	(81.1)	(68.5)
Income taxes paid	(5.6)	(3.6)
Interest paid	(0.5)	(2.3)
Interest received	0.3	0.5
<b>Net cash provided by operating activities</b>	<b>17.4</b>	<b>15.2</b>
Payment for purchase of business, net of cash acquired	(28.8)	(39.5)
Payments for property, plant and equipment	(13.0)	(4.0)
Other investing cash flows	0.5	0.2
<b>Net cash used by investing activities</b>	<b>(41.2)</b>	<b>(43.3)</b>
Proceeds from issue of shares, net of transaction costs	0.0	105.4
Net proceeds/(repayment) of borrowings	12.9	(41.7)
Dividends paid	(11.9)	(14.0)
Other financing cash flows	(0.3)	(0.1)
<b>Net cash provided by financing activities</b>	<b>0.8</b>	<b>49.5</b>
Net (decrease)/increase in cash during the year	(23.1)	21.5
Cash at the start of the year	28.3	6.8
Exchange rate effects	(0.1)	(0.0)
<b>Cash at the end of the year</b>	<b>5.3</b>	<b>28.3</b>
<b>Cash Flow Conversion %</b>	<b>97.4%</b>	<b>96.5%</b>

## Comments

### Operating activities

- Cash Flow Conversion strong at ~97.4% (FY18: ~96.5%)
- Minor working capital movements which can be influenced by acquisitions

### Investing activities

- Includes acquisitions (\$26.8m), transaction costs (\$0.9m) and earn out payments (\$1.1m)
- Capex (\$3.6m) and seven freehold property purchases not connected to acquisitions completed in FY19 (\$9.3m)
- Maintenance capital expenditure amounted to 3.2% of FY19 revenue (within 3.0-5.0% target range)

### Financing activities

- Reflects the FY18 final fully franked dividend of 6.4 cps paid in 1H FY19 and the FY19 interim fully franked dividend of 5.7 cps paid in 2H FY19

# Strong financial position

## Statutory balance sheet

\$ million	30-Jun-19	30-Jun-18
Cash and cash equivalents	5.3	28.3
Trade and other receivables	5.4	4.2
Contract assets	47.9	45.6
Other current assets	5.2	4.2
<b>Total Current Assets</b>	<b>63.8</b>	<b>82.3</b>
Property, plant & equipment	97.9	72.5
Goodwill	106.4	91.1
Other Non-current assets	2.9	2.6
<b>Total Non-current assets</b>	<b>207.3</b>	<b>166.2</b>
<b>Total Assets</b>	<b>271.0</b>	<b>248.5</b>
Trade and other payables	7.2	5.6
Borrowings	0.2	0.1
Contract liabilities	51.9	48.8
Other current liabilities	7.6	6.7
<b>Total Current Liabilities</b>	<b>66.9</b>	<b>61.1</b>
Borrowings	13.2	0.3
Other Non-current liabilities	8.5	7.2
<b>Total Non-Current liabilities</b>	<b>21.7</b>	<b>7.5</b>
<b>Total liabilities</b>	<b>88.6</b>	<b>68.6</b>
<b>Net assets</b>	<b>182.5</b>	<b>179.8</b>
Issued capital	198.7	199.6
Foreign currency translation reserve	1.1	(0.3)
(Accumulated losses)/retained profits	(17.3)	(19.4)
<b>Total Equity</b>	<b>182.5</b>	<b>179.8</b>

## Comments

### Net debt position

- \$7.6m of net debt
- Drawn senior debt of \$12.9m (other borrowings of \$0.5m)

### 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 FY19, ~10% of funeral volumes in Australia related to Pre-paid Contracts, in line with FY18

### Property, plant and equipment

- Includes land and buildings at cost (less depreciation) of \$75.6m

### 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 in FY18 as a result of the Restructure

# Capital management

## Liquidity summary (as at 26 August 2019)

<i>Debt facility limits / maturity:</i>	\$ million
- Tranche A (matures in August 2021)	50.0
- Tranche B (matures in August 2022)	40.0
- Tranche C (working capital facility, matures August 2022)	10.0
	<b>100.0</b>

Less:

Drawn debt	(17.4)
Acquisition commitments <sup>1</sup>	(56.4)
	<b>(73.8)</b>

<b>Uncommitted debt capacity</b>	<b>26.2</b>
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Cash	8.0
Final dividend payment	-5.7
	<b>2.3</b>

<b>Liquidity Buffer / Uncommitted Funding</b>	<b>28.5</b>
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## Debt covenant summary (as at 30 June 2019)

Net Leverage Ratio (must be < 3.0x)	0.4x
Fixed Charge Cover Ratio (must be > 1.75x)	7.0x

## Dividend summary

	FY19	FY18
Fully franked dividends (Cps)	11.5	6.4
Dividend Payout Ratio	78%	80%

<sup>1</sup>Cash payable on completion of acquisitions signed but not yet completed, subject to exchange rate movements. Excluding transaction costs.

## Comments

### Debt facilities

- Expanded to \$100m in August 2019
- Includes a \$10m working capital facility which is to be 'cleaned down' once every 12 months

### Uncommitted Funding

As at 26 August 2019, the Company has:

- Binding commitments to:
  - acquire the Dils Group and Gregson & Weight, which will require \$56.4m in cash on completion (both expected to occur in Q2 FY20)
  - pay the final dividend of \$5.7m (on 4 October 2019)
- Uncommitted debt capacity of \$26.2m

### Covenants

The Company remained comfortably in compliance with its debt covenants as at 30 June 2019

### Dividends

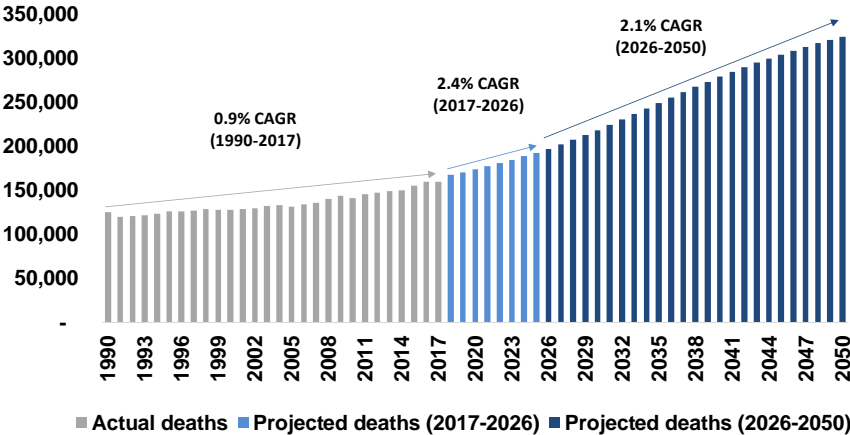
FY19 dividend payout ratio within target range of 75% - 85% of Distributable Earnings

## 4. Industry trends and acquisitions

# Increasing number of deaths

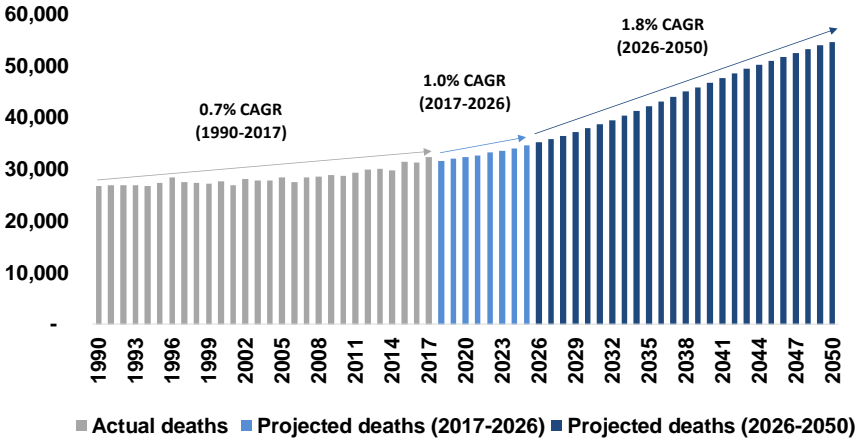
Number of deaths is the most significant driver of revenue in the death care industry

## Australia<sup>1</sup>



- Death volumes in Australia grew by 0.9% pa between 1990 and 2017<sup>1</sup>
- This is expected to increase by 2.4% pa from 2017 to 2026<sup>1</sup> and 2.1% from 2026 to 2050<sup>1</sup>

## New Zealand<sup>2</sup>



- Death volumes in New Zealand grew by 0.7% pa between 1990 and 2017<sup>2</sup>
- This is expected to increase by 1.0% pa from 2017 to 2026<sup>2</sup> and 1.8% from 2026 to 2050<sup>2</sup>

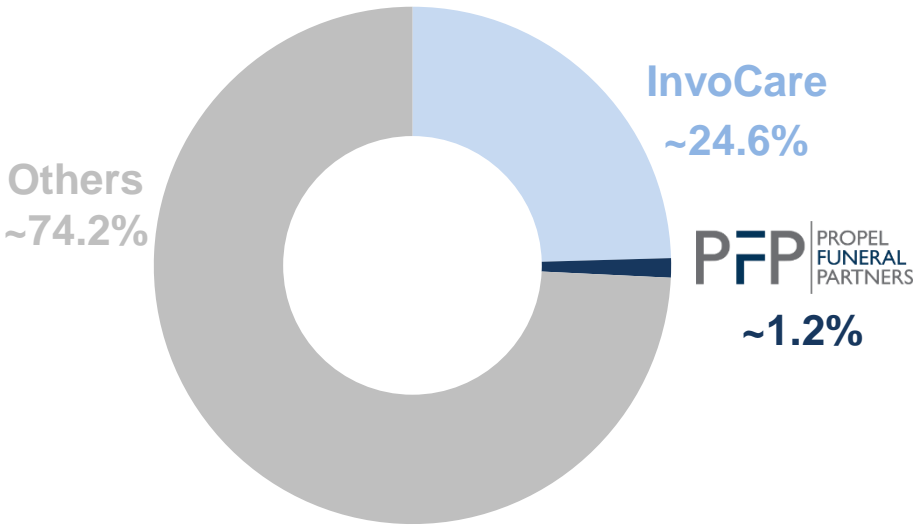
<sup>1</sup>Source: ABS, Dataset: Deaths and Infant deaths, Year and month of occurrence, Sex, States, Territories and Australia for actual deaths by financial year. 3222.0 Population Projections, Australia, 2017 (base) – 2066, Table 1 Projected population, Australia, Series B, for projected deaths by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

<sup>2</sup>Source: 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 (released in October 2016).

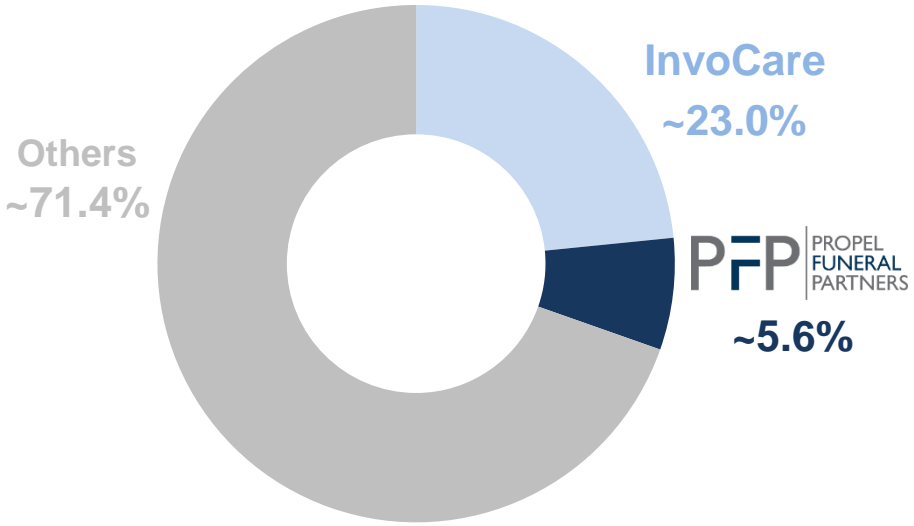
# Market Share estimate (funeral volumes)

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

CY15<sup>1</sup>



CY18<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 CY15

<sup>2</sup>Note: 156,000 estimated deaths (mid point of Propel's estimated range of 154,000 to 158,000 deaths) for market size (NB ABS data not yet released), 8,774 funerals performed by Propel and 35,866 funerals performed by InvoCare (page 44 of InvoCare's Results Presentation dated 22 February 2018) in CY18

# Acquisitions (since IPO)

Propel has committed \$116.8 million<sup>1,3</sup> on acquisitions since its IPO

	Announced	Funeral Volumes	Third Party Cremations	Revenue
<b>Australia</b>				
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 (QLD)	February 2019	900	100	A\$7.8m
Gregson & Weight <sup>2</sup> (QLD)	August 2019	1,650	-	A\$12.0m
<b>Sub-total</b>		<b>4,100</b>	<b>3,100</b>	<b>A\$38.6m</b>
<b>New Zealand</b>				
Dils Group <sup>2</sup> & Martin Williams Funerals (Auckland)	December 2018	800	-	NZ\$7.2m
Waikanae Funeral Home and Kaiawa Crematorium	January 2019	170	-	NZ\$1.6m
<b>Sub-total</b>		<b>970</b>	<b>-</b>	<b>NZ\$8.8m</b>
<b>TOTAL</b>		<b>5,070</b>	<b>3,100</b>	<b>A\$47.0m<sup>3</sup></b>

Note: Figures are approximate and unaudited

<sup>1</sup>Upfront cash and equity consideration paid and payable (subject to exchange rate movements). Excludes properties purchased subsequent to completion of the acquisitions referred to above and other properties purchased totalling \$12.8 million

<sup>2</sup>Acquisitions not yet completed

<sup>3</sup>Subject to exchange rate movements

# Acquisition of Gregson & Weight

Gregson & Weight is the largest funeral operator on the Sunshine Coast in Queensland



## Overview:

- Performs approximately 1,650 annual funerals per annum
- Proposed acquisition includes:
  - three substantial freehold properties and vacant land (totalling circa 13 hectares)
  - seven chapels and three cremation facilities
  - a full service leasehold funeral property
- Purchase price is approximately \$36 million payable in cash (to be funded from Propel's debt facilities), with completion expected to occur in Q2 FY20



## 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 well positioned, focussed on its growth strategy and has started FY20 positively

### Recovery underway:

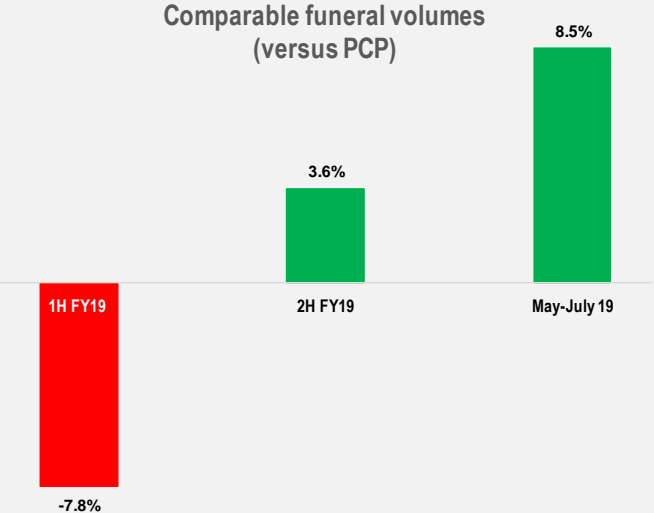
Historical experience suggests that the YoY decline in death volumes in CY18 should be temporary, given:

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

Recent trading indicates a recovery in death volumes is underway, with Propel's comparable funeral volume growth:

- +3.6% in 2H FY19 (versus -7.8% in 1H FY19); and
- +8.5% between 1 May 2019 and 31 July 2019.

### DEATH VOLUMES



However, death volumes fluctuate over short time horizons.

# Outlook

Propel is well positioned, focussed on its growth strategy and has started FY20 positively

## POSITIVE START TO FY20

### Record month:

Propel has started FY20 with positive trading momentum. In July 2019, Propel:

- performed a record number of funerals, with comparable funeral volumes materially higher than expectations and the PCP; and
- achieved ARPF growth within its target range of 2% to 4%.

## CONTINUED GROWTH

### Financial results:

Propel is well placed to benefit from:

- acquisitions completed and announced during and since FY19;
- other potential future acquisitions (although timing is uncertain); and
- funeral volumes reverting to long term trends.



## 6. Q&A



# Appendix

# Definitions

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

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

**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.

**CY** means calendar year.

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

**EPS** means earnings per share.

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

**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.

**PCP** mean prior corresponding period.

**YoY** means year on year.

# Income statement analysis

## Income Statement

\$ million	FY19	FY18
Funeral operations	82.3	72.3
Cemetery, crematoria and memorial gardens	10.6	6.9
Other trading revenue	2.2	1.7
<b>Total revenue</b>	<b>95.1</b>	<b>80.9</b>
Cost of sales	(27.9)	(24.5)
<b>Gross profit</b>	<b>67.3</b>	<b>56.4</b>
Employment costs	(29.1)	(23.7)
Occupancy and facility costs	(8.2)	(5.7)
Administration fees	(0.2)	(0.2)
Other operating costs	(5.9)	(5.3)
<b>Total operating costs</b>	<b>(43.5)</b>	<b>(34.9)</b>
<b>Operating EBITDA</b>	<b>23.8</b>	<b>21.5</b>

## Comments

### Revenue segments:

- 86.5% generated from funeral operations
- 11.2% generated from cemetery and memorial gardens – up from 8.5% in FY18 primarily due to crematoria and memorial gardens acquisitions
- 2.3% from other sources (including coroners contracts)

### Employment costs:

- 30.6% of revenue, unfavourable to FY18 (29.3%) primarily due to lower comparable funeral volumes

### Occupancy and facility costs:

- 8.6% of revenue, unfavourable to FY18 (7.0%) 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

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\$ million	FY19
<b>NPAT</b>	<b>12.3</b>
<b><i>Distributable Earnings calculation:</i></b>	
Transaction/acquisition costs	1.6
Net financing charge	0.6
<b>Distributable Earnings</b>	<b>14.5</b>
Dividend Payout Ratio	78%
Number of shares on issue (as at 26 August 2019)	98,507,917
<b>Dividend per share (Rounded)</b>	<b>11.5</b>



# FY20 accounting standard changes

## Propel will adopt AASB 16 in its FY20 financial statements

### ACCOUNTING CHANGE SUMMARY

- Under the new accounting standard AASB 16, the prior distinction between operating and finance leases has been removed, resulting in all leases being recognised on the balance sheet
- Propel will adopt the modified retrospective transition approach, therefore, there will be no restatement of prior comparatives

### BALANCE SHEET IMPACT<sup>1</sup>

- Propel expects to recognise:
  - right-of-use assets of circa \$36 million<sup>1</sup>
  - lease liabilities of circa \$37 million<sup>1</sup>
  - deferred tax assets of circa \$0.3 million<sup>1</sup>

### INCOME STATEMENT IMPACT<sup>1</sup>

- Operating EBITDA is expected to increase by approximately \$3.4 million<sup>1</sup>
- NPAT is expected to decrease by approximately \$0.3 million<sup>1</sup>

### CASH FLOW CONVERSION IMPACT<sup>1</sup>

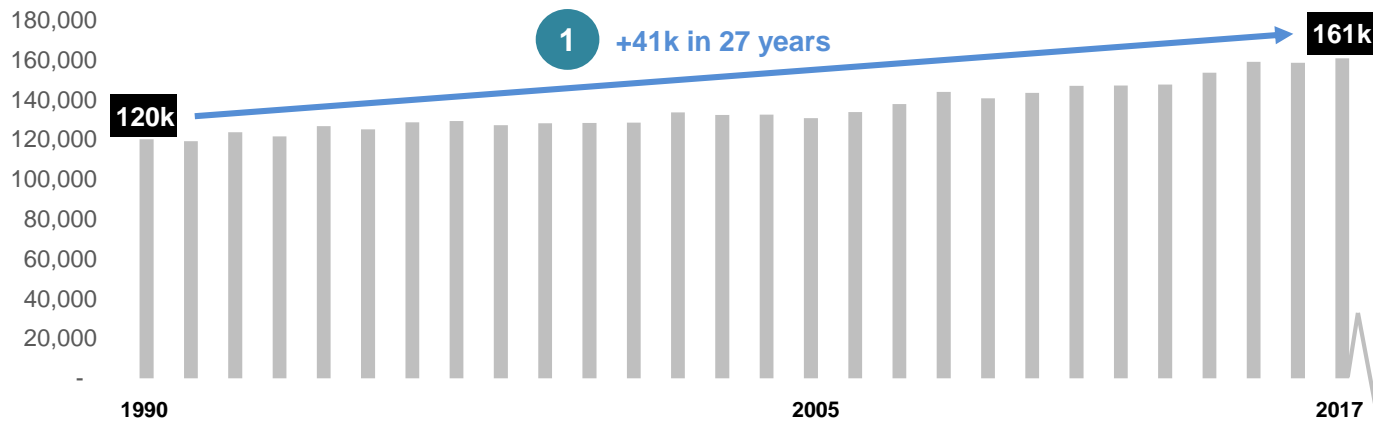
- Cash flow conversion is not expected to change materially<sup>1</sup>

<sup>1</sup>Estimated impact in FY20, is subject to change and will depend on future events such as the Company's borrowing rate, the composition of its leasehold portfolio and potential future acquisitions.

# Death volumes fluctuate

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

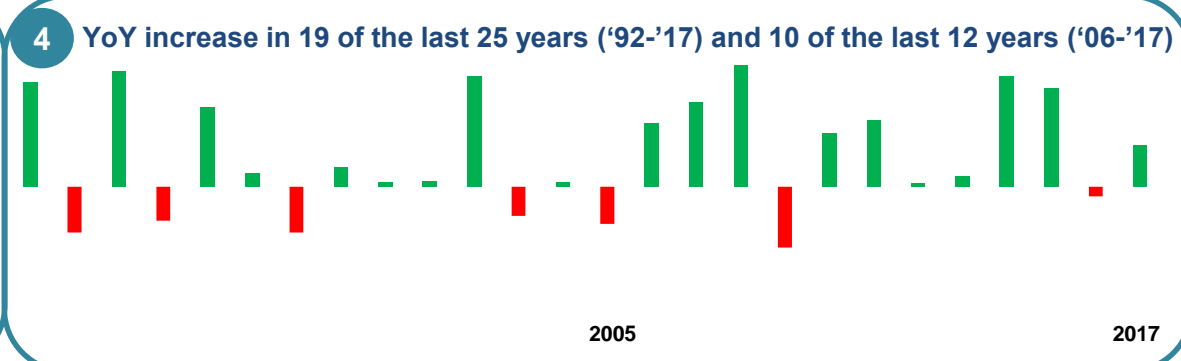
Number of deaths per annum in Australia – 1990 to 2017<sup>1</sup>



**2** In 2027, death volumes are forecast to exceed 200k<sup>2</sup> for the first time

YoY change (%) – 1990 to 2017<sup>1</sup>

**3** Consecutive YoY decline has occurred only once in the last 27 years ('90-'91)



**5** Expecting ABS data to show that 2018 volumes were significantly down YoY, which will likely result in a deferral of death volumes into 2019 and beyond

<sup>1</sup>Source: 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

<sup>2</sup>Source: Australian Bureau of Statistics, 3222.0 Population Projections, Australia, 2017 (base) – 2066, Table 1 Projected population, Australia, Series 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

- 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. Refer to page 21 of the 2019 Annual Report for an example.
- The Manager **can opt to take up to 50% of the performance fee in shares in the Company** (10 day VWAP)

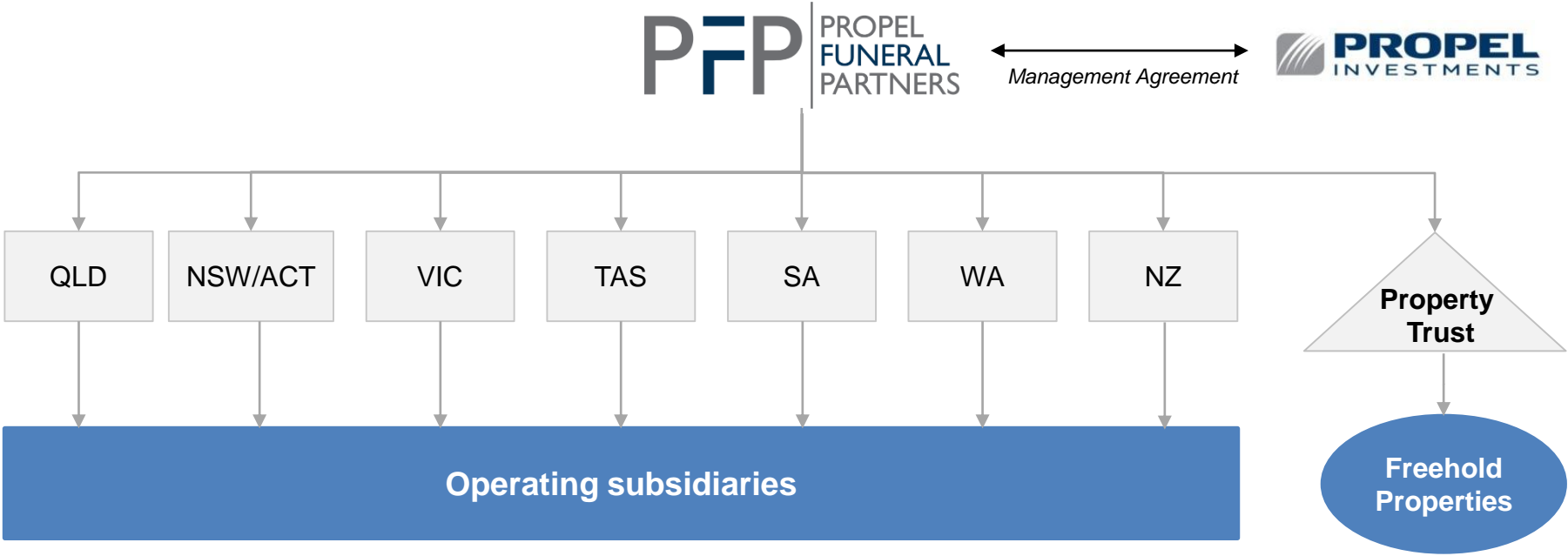
### 5 Compliance and governance

- 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