

18 October 2019

New Zealand Acquisition

Propel Funeral Partners Limited (ASX: PFP) (**Propel**) is pleased to announce it has executed a conditional sale agreement (and related documentation) to acquire the business trading as Graham's Funeral Services, and certain freehold properties, in the North Island of New Zealand.

Graham's Funeral Services was established in New Zealand in 1935 and is managed by the founder's grandson, Mark Graham. The business conducts approximately 350 funerals per annum and generated approximately NZ\$2.7 million of revenue in its last financial year¹. As part of the proposed transaction, Propel will acquire four freehold properties, including:

- a funeral home on circa 3,300 sqm in Tuakau;
- a funeral home on circa 1,200 sqm in Waiuku;
- a chapel, hall and residential property on circa 3,400 sqm in Pukekohe; and
- a residential property and vacant land on circa 1,000 sqm in Tuakau.

The purchase price payable on completion of the proposed transaction will comprise:

- approximately NZ\$7.28 million² in cash; and
- 227,510 ordinary shares in the capital of Propel to be issued at A\$3.07 (**Issue Price**) each (i.e. the Australian dollar equivalent of NZ\$0.75 million) which will be subject to escrow arrangements for 3 years³.

In addition, an amount of up to NZ\$0.50 million in cash will be payable if certain financial milestones are achieved during the 3 years following completion of the proposed transaction.

Graham's Funeral Services is expected to increase Propel's annualised revenue by circa 2.1%⁴. The business has historically generated consistent and attractive earnings margins and the proposed acquisition is expected to be earnings accretive in year one.

Mark Graham, Managing Director of Graham's Funeral Services said "We have been thinking carefully about how best to position the business for ongoing growth while continuing the service delivery excellence that has been provided to client families in our local communities. After spending time getting to know the senior management of Propel we felt their 'business as usual', partnership approach really resonated with us. As a family, we like that our future shareholding in Propel ensures a strong alignment and we're pleased that our staff will be joining a supportive and growing funeral operator. I really see this as an exciting next step for the business."

Albin Kurti, Managing Director of Propel, said "Graham's Funeral Services will expand Propel's network in the North Island of New Zealand, which is a core market. The team and I are pleased that Mark will continue the Graham family's 84 year association with the business. We look forward to partnering with Mark and welcoming his staff to Propel."

Completion of the proposed transaction is expected to occur in Q2 of FY20, following satisfaction (or waiver) of conditions such as confirmatory due diligence. Propel intends to fund the cash amount payable on completion from its debt facilities.

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¹ The financial year ended 31 March 2019.

² Excluding completion adjustments and transaction costs.

³ Subject to certain exceptions, the escrowed shares will be released 3 years after completion of the transaction. Assuming no other shares are issued prior to completion of the proposed transaction, once the escrowed shares are issued, Propel's total number of shares on issue will increase from 98,507,917 to 98,735,427 (if the transaction completes prior to the acquisition of Dils – refer announcement dated 12 December 2018 (Dils Transaction)) or from 99,718,506 to 99,946,016 (if the proposed transaction completes after completion of the Dils Transaction). Once issued, the escrowed shares will rank pari passu with Propel's ordinary shares currently on issue. Shareholder approval is not required in connection with the issue of these ordinary shares.

⁴ Including the estimated full year revenue contributions of recently completed acquisitions and the estimated full year revenue contributions of the Dil's Group and Gregson & Weight (acquisitions announced but not yet completed).

ASX ANNOUNCEMENT



About Propel:

Propel is listed on the ASX and is the second largest provider of death care services in Australia and New Zealand. Propel currently operates from 120 locations, including 28 cremation facilities and 9 cemeteries.

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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.