



23 November 2023

## 2023 Annual General Meeting

Attached are the addresses and accompanying presentation to be delivered by the Chairman and Managing Director of Propel Funeral Partners Limited (**Company**) at the Company's 2023 Annual General Meeting (**AGM**) commencing today at 9.30am (Sydney time).

Please note that the presentation includes commentary on Q1 FY24 trading (slide 20) and FY24 guidance (slide 21).

ENDS

### **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 183 locations, including 37 cremation facilities and 9 cemeteries.

### **For further information, please contact:**

Lilli Gladstone  
Chief Financial Officer  
+ 612 8514 8644

### **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.

# 2023 Annual General Meeting

23 November 2023





# 1. The Chairman's introduction



## BRIAN SCULLIN

Independent Chairman &  
Non-Executive Director

*“Propel is focussed on a clearly defined growth strategy to acquire and operate assets within the death care industry in Australia and New Zealand.”*



*Harbour City Funeral Home – Upper Hutt, New Zealand*

# Your board

Focussed on delivering for stakeholders



**Brian Scullin**

**Independent Chairman and Non-Executive Director (NED)**

- Chair of Macquarie Point Development Corporation
- Former Chair of Spark Infrastructure Limited, BTIM (Pental) Hastings Funds Management, Tasmanian Development Board and OAK Possability
- Former NED of Dexus Property Group, Tasplan Super and State Super Financial Services
- Former senior executive with Bankers Trust and Deutsche Asset Management (AM) in Australia and Asia



**Naomi Edwards**

**Independent NED and Chair of the Remuneration & Nomination Committee**

- Chair of Accurium and President of the Actuaries Institute of Australia
- NED of TAL and Yarra Funds Management
- Chair of the Audit and Risk Committee for Tasmanian State Growth
- Former Deloitte Partner and NED of Australian Ethical Investments, Hunter Hall Limited and Nikko AM
- Fellow of the Australian Institute of Actuaries



**Peter Dowding**

**Independent NED**

- Co-founder of Propel and co-founder of Propel Investments
- 30 years of investment experience with Deutsche Asset Management, State Super Investment Management Corporation and Propel Investments
- Chair of the Children's Tumour Foundation of Australia
- Former NED and Chair of the Audit and Risk Committee of the Clinical Oncology Society of Australia



**Jennifer Lang**

**Independent NED and Chair of the Audit & Risk Committee**

- NED, Chair of the Audit Committee and a member of the Risk & Remuneration Committees of Pacific Life Re, Australia
- NED of Bicycle Network
- NED of Auto & General Insurance Company Limited
- NED and Chair of the Risk Committee of MIGA
- Former board member of the Institute of Actuaries of Australia
- Previously the CFO and Chief Actuary of CommInsure
- Actuary of the Year in 2020



**Fraser Henderson**

**Executive Director – Head of M&A and General Counsel/Company Secretary**

- Co-founder of Propel who leads the Company's acquisition activities and is on the board of each operating subsidiary
- Former Minter Ellison Partner with M&A experience in London, Singapore and Sydney



**Albin Kurti**

**Managing Director**






- Co-founder of Propel who leads the business and is chair of each operating subsidiary
- Former executive with Deutsche AM and Arthur Andersen
- Co-led the MBO of the private capital division of Deutsche Bank

# Agenda

1. The Chairman's introduction
2. Presentation from the Managing Director
3. Formal business and resolutions
4. Shareholder questions

# Proxies received prior to the cut-off time

A total of 183 valid proxy forms were received, and respective shareholdings were accumulated and are summarised below:

	Resolution	For	Open	Against	Abstain
	2	41,571,780	994,103	2,091,218	803,373
	3	62,231,702	1,014,900	1,916,986	425,134
	4	46,536,184	1,014,900	1,933,258	16,104,380
	5	64,525,559	998,012	58,619	6,532
	6	64,486,746	1,036,825	58,499	6,652

# The Chairman's introduction

## 1. Continued growth in FY23

- material revenue and earnings growth

## 2. Dividends:

- 14.0cps fully franked in connection with FY23 (FY22: 12.25cps)
- 65.9cps fully franked since IPO (~94.0cps, grossed up for tax)

## 3. Significant liquidity to support growth initiatives:

- senior debt facilities expanded to \$255 million and maturity extended to October 2027

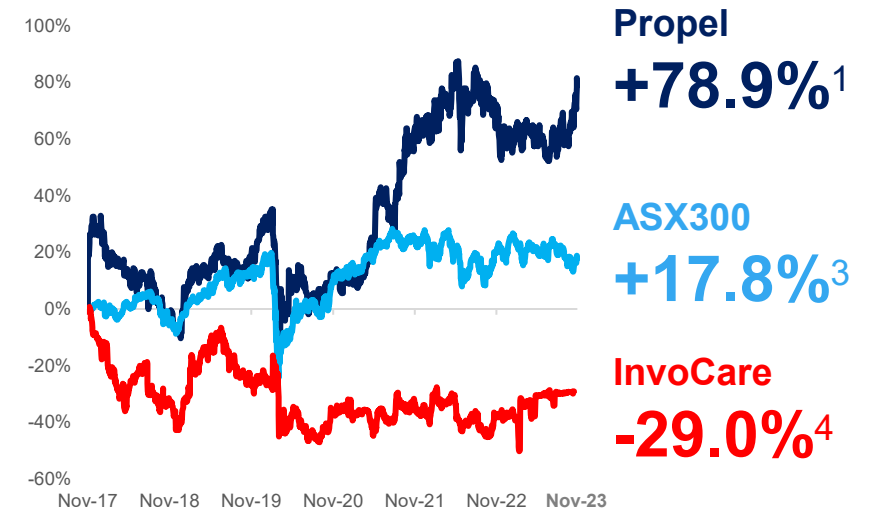
## 4. Clearly defined strategy underpinned by:

- the growing and ageing population
- industry fragmentation

## 5. Heightened interest and M&A activity in the deathcare industry:

- Domestic:
  - InvoCare Limited takeover by private equity
  - Propel: unsolicited interest from multiple parties<sup>1</sup>
- Global: M&A activity in the UK, US, Canada and Asia

### Relative share price and index performance



Total shareholder return<sup>5</sup>

~96%

Total shareholder value accretion<sup>6</sup>

~\$330m

1. Refer to ASX Announcement dated 23 October 2023

2. Propel's IPO issue price on 23 November 2017 was \$2.70 and its closing share price on 17 November 2023 was \$4.83.

3. The ASX300 Index closed at 5,940.5 on 22 November 2017 and at 6,999 on 17 November 2023.

4. InvoCare's closing share price on 22 November 2017 was \$17.85 and its closing share price on 3 November 2023 (ASX quotation suspension date) was \$12.67.

5. Total shareholder value accretion including grossed up dividends divided by the total value (at cost) of shares issued at and since the IPO, as at 17 November 2023.

6. Propel's closing market capitalisation plus total dividends paid (grossed up) since the IPO, less the total value (at cost) of shares issued at and since the IPO, as at 17 November 2023.





## 2. Presentation from the Managing Director



**ALBIN KURTI**

Managing Director

*“FY23 was another record year for Propel, which continued its track record of delivering revenue and earnings growth.”*



*Olsens Funerals, – Sutherland (Sydney), Australia*

# Key highlights of FY23

## 1 TRADING<sup>1</sup>

Revenue  
**\$168.5m**  
^ 16.0%

Funeral Volumes  
**18,029**  
^ 9.0%

Average Revenue Per Funeral  
**\$6,398**  
^ 6.0% (comparable up ~7%)

## 2 EARNINGS<sup>1</sup>

Operating EBITDA  
**\$46.0m**  
^ 18.0%<sup>2</sup>

Operating NPAT  
**\$20.9m**  
^ 17.9%<sup>2</sup>

Cash Flow Conversion  
**95.4%**  
v 480 bps

## 3 CAPITAL MANAGEMENT<sup>3</sup>

Dividend  
**14.0cps**  
FY22: 12.25cps

Gearing Ratio  
**27%**  
Net Leverage Ratio: 1.7x

Funding Capacity<sup>4</sup>  
**\$87m**

## 4 GROWTH<sup>3</sup>

Locations  
**159**  
^ 15

Acquisitions<sup>5</sup>  
**\$269m**  
deployed since IPO

Expansion  
**QLD, VIC, SA and NZ**

## 5 OUTLOOK

### Expecting to benefit from:

- favourable demographics in Australia and NZ
- available funding capacity
- acquisitions completed and announced to date and other potential future acquisitions in a highly fragmented industry

1. Movements shown above relate to movements between FY23 and the FY22 unless otherwise stated.

2. Verses the FY22 Pro forma.

3. As at 30 June 2023 for Gearing, Net Leverage Ratio, Locations (movement from 30 June 2022) and Expansion.

4. Refer to slide 20 of the FY23 Full Year Results Investor Presentation dated 24 August 2023 (FY23 Investor Presentation).

5. Refer to slide 24 of the FY23 Investor Presentation.

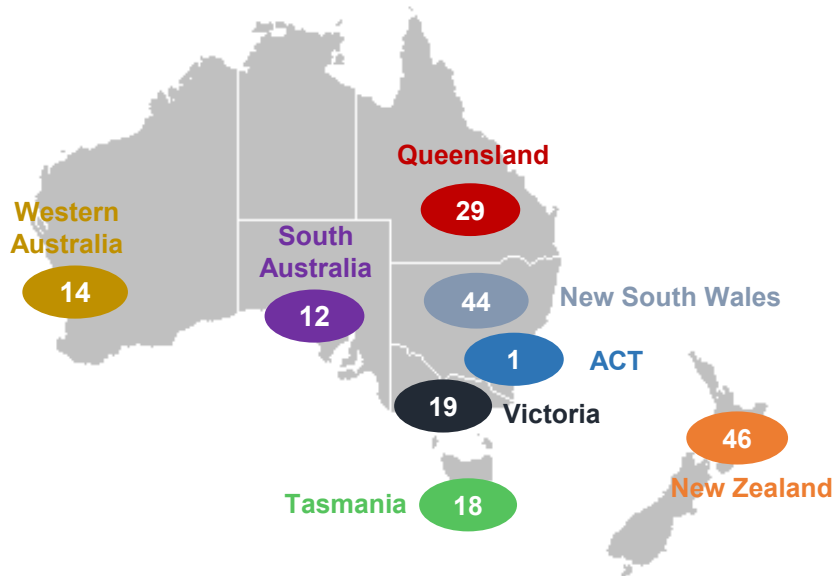
# Geographic Presence

183 operating locations<sup>1</sup> (109 owned / 74 leased), including 37 cremation facilities and 9 cemeteries

**1 August 2013**



**2 September 2023**



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

<sup>1</sup> 159 operating locations as at 30 June 2023 plus 24 operating locations added during FY24 YTD.

# Brand Portfolio

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

## Australia

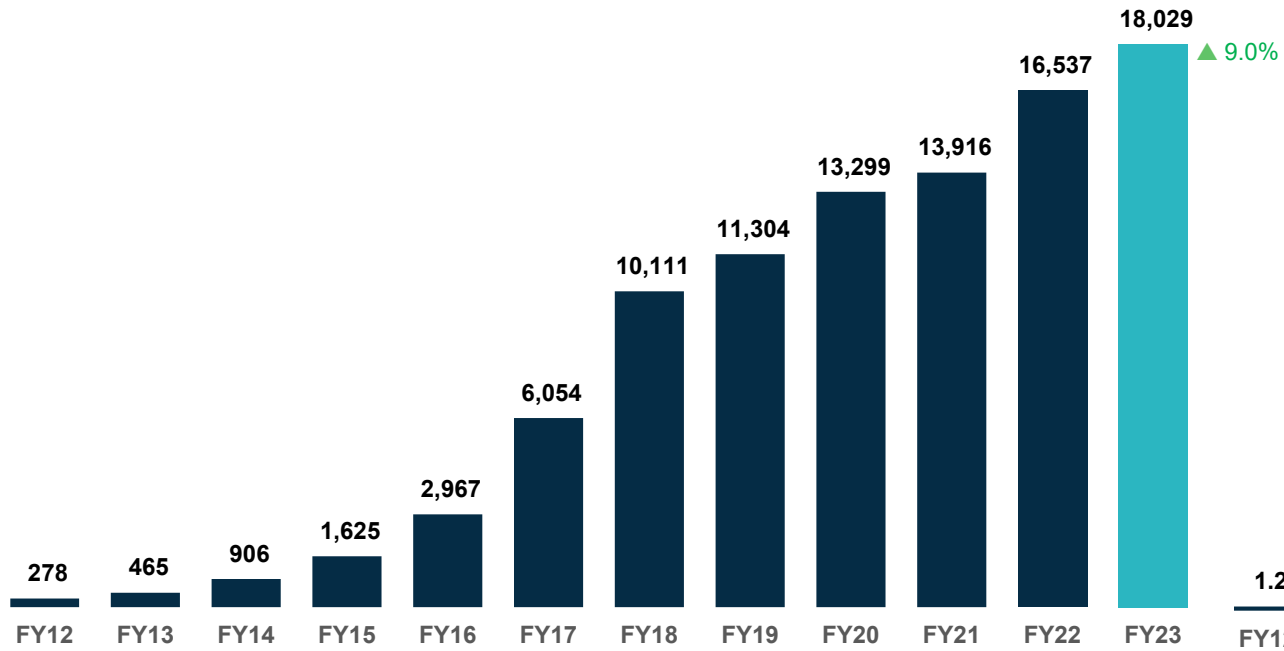
## NZ

     Acquisitions completed during and since FY23

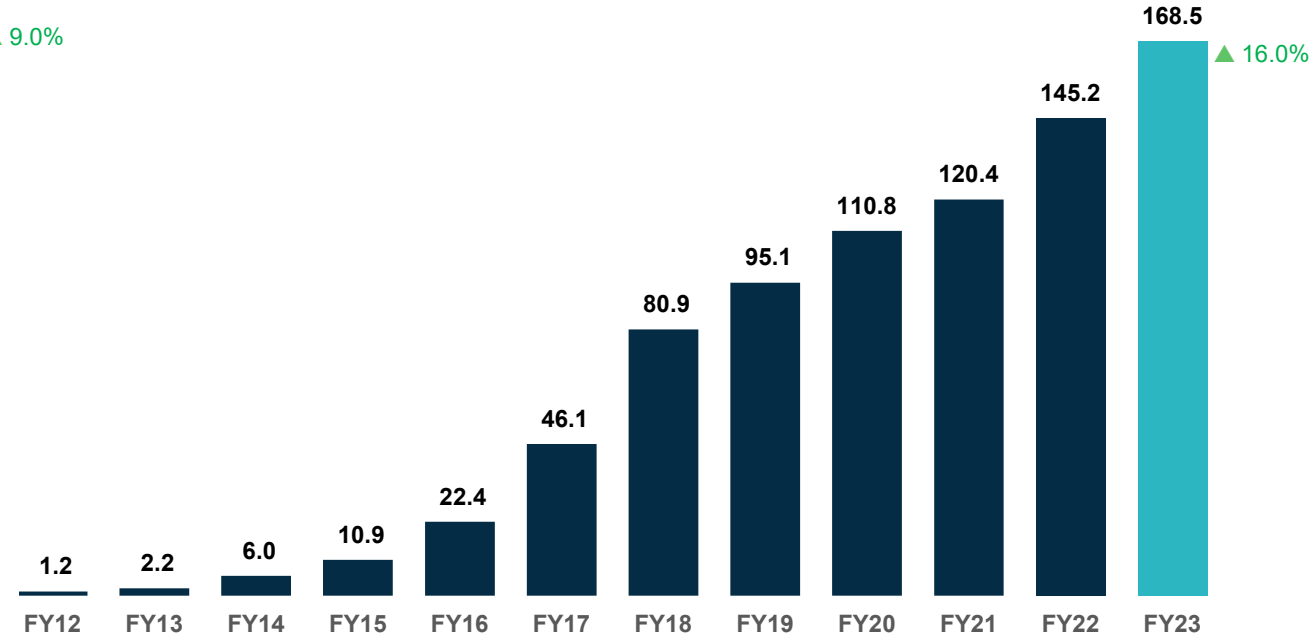
# Volume and Revenue Growth

Propel has maintained a strong growth trajectory

## 1 Funeral volumes



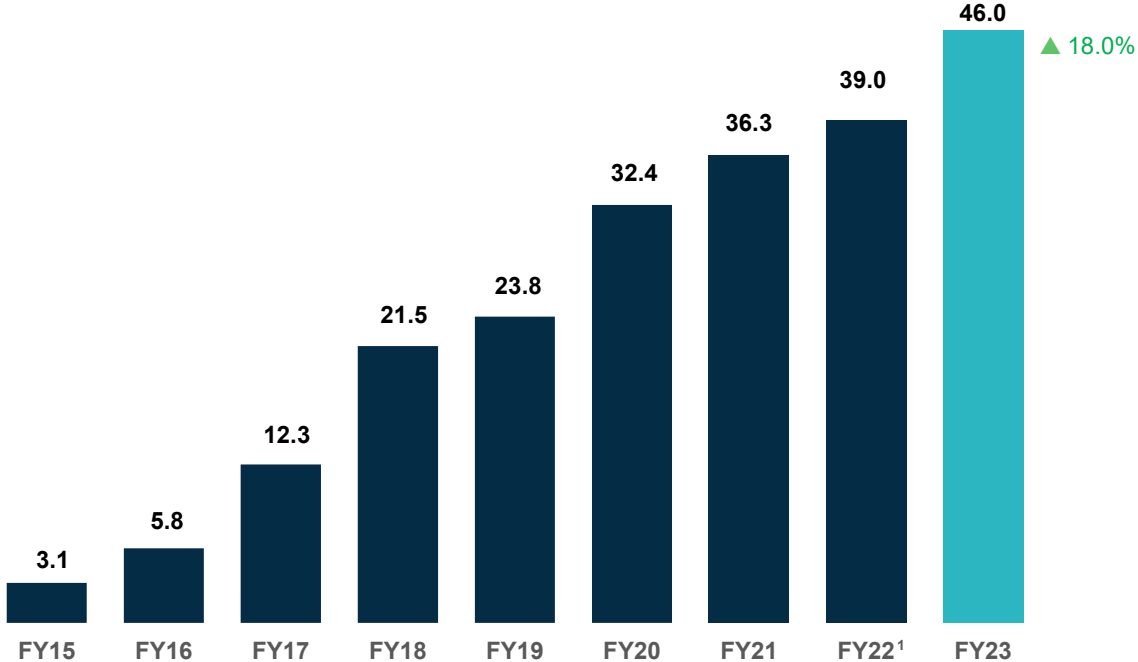
## 2 Revenue (\$m)



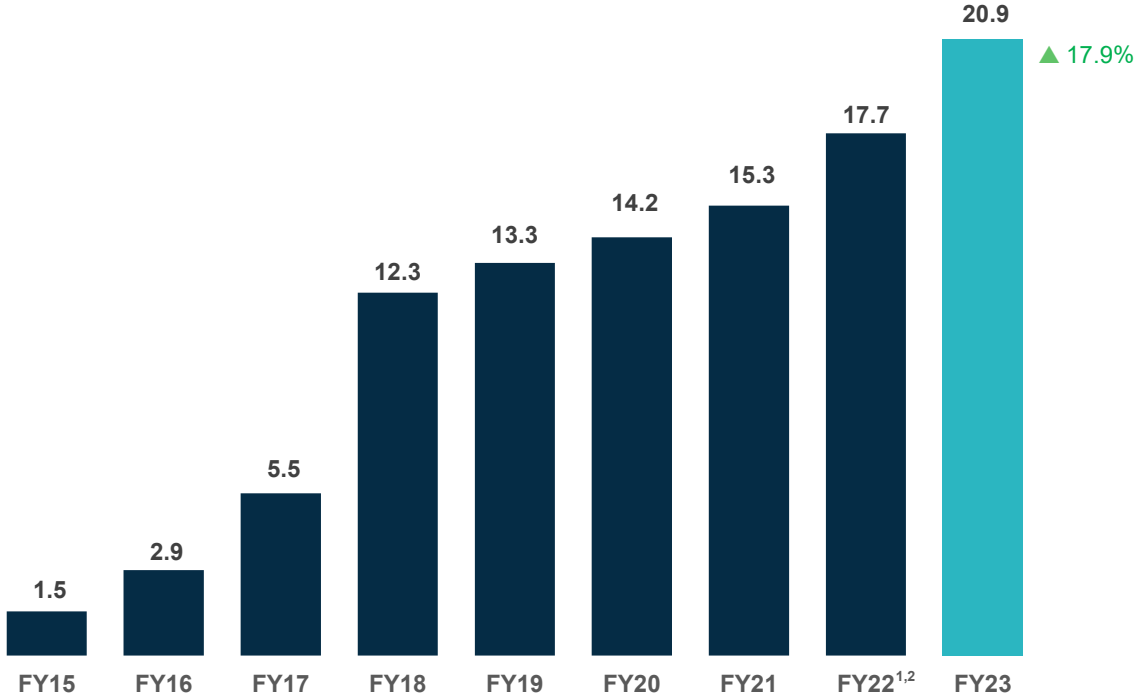
# Earnings Growth

Propel has maintained a strong growth trajectory

## 1 Operating EBITDA (\$m)



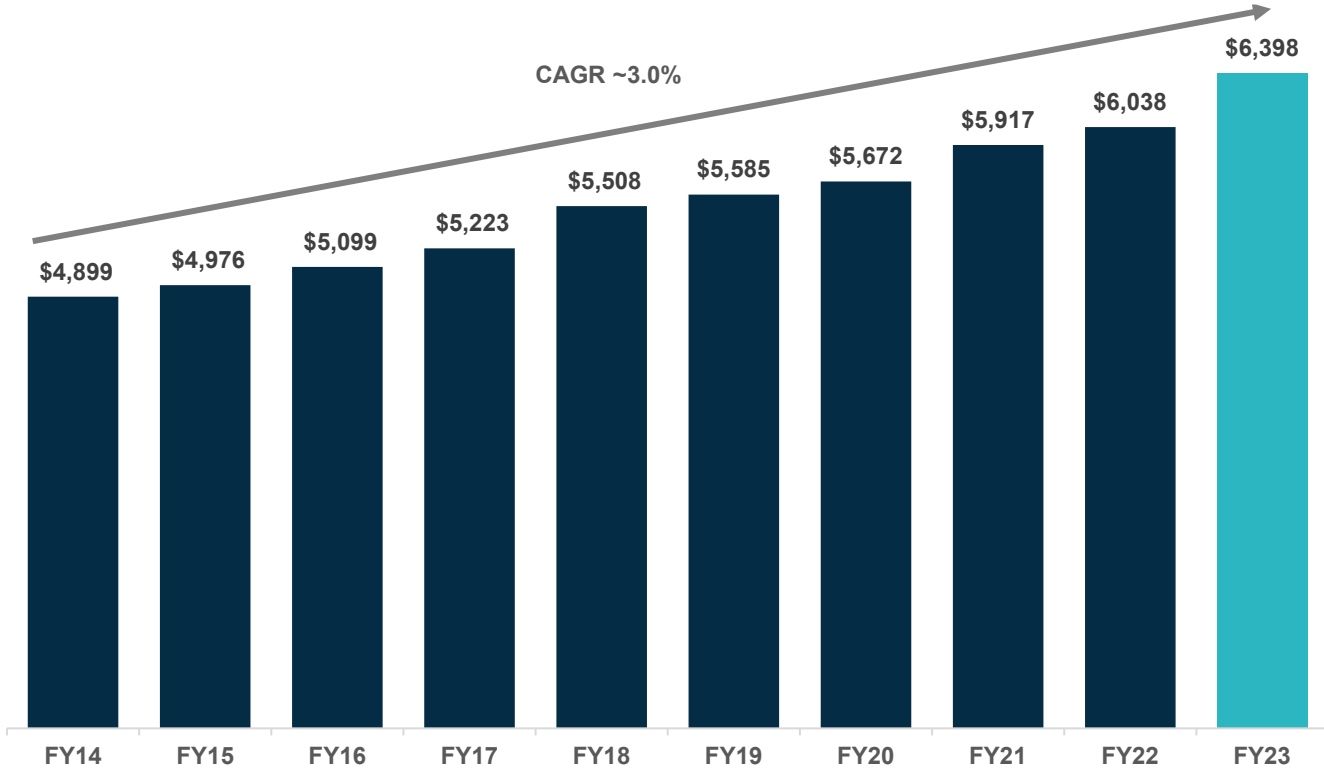
## 2 Operating NPAT (\$m)



1. Pro forma.  
2. Operating NPAT in FY22 has been restated to exclude the net financing charge on pre-paid contracts.

# Average Revenue Per Funeral Growth

Compound annual growth rate (CAGR) of ~3.0% since FY14

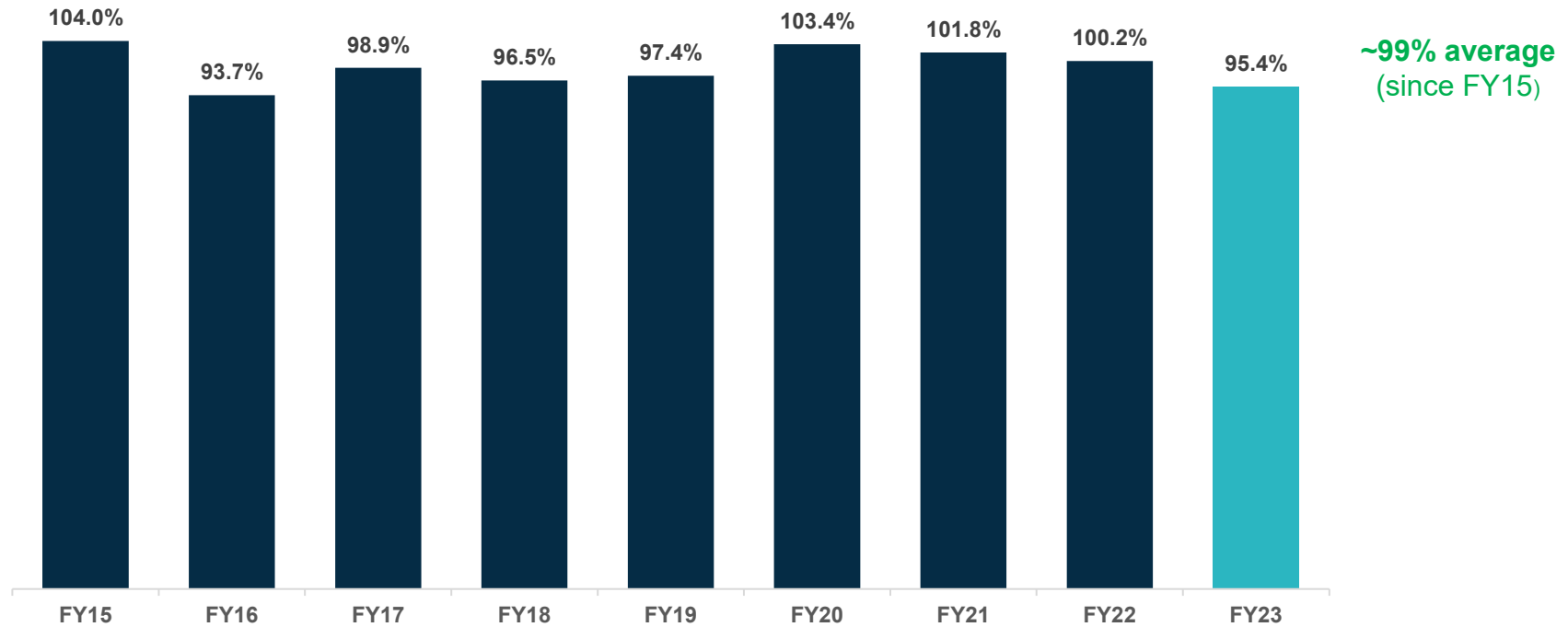


▲ ~6% on FY22  
(comparable up ~7%)



# Cash Flow Conversion

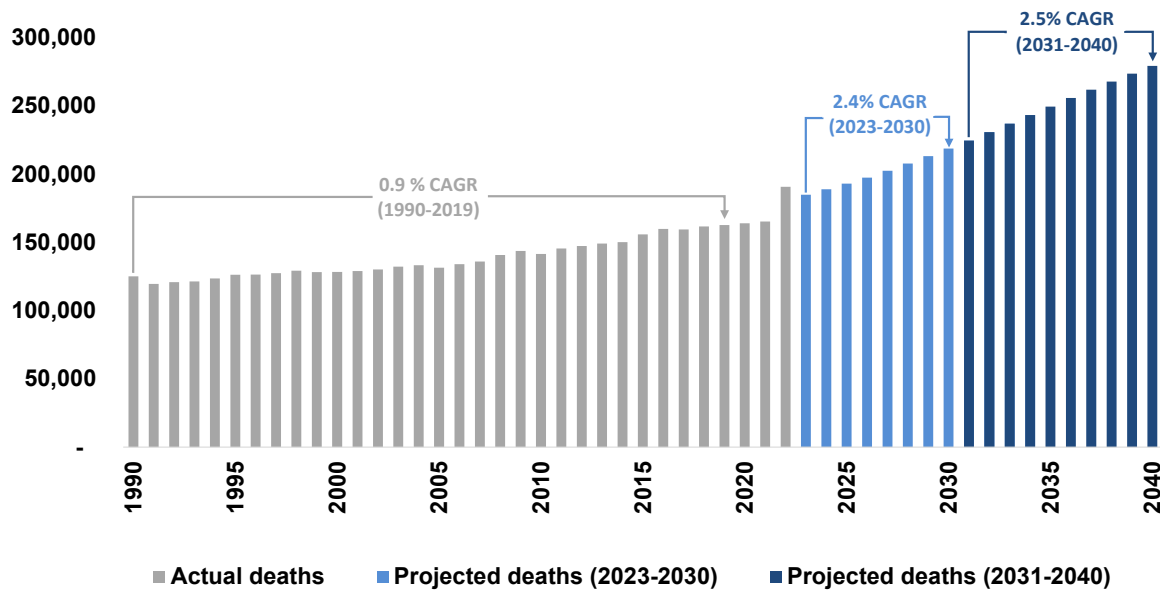
Consistently strong and has averaged ~99% since FY15



# Increasing Number of Deaths

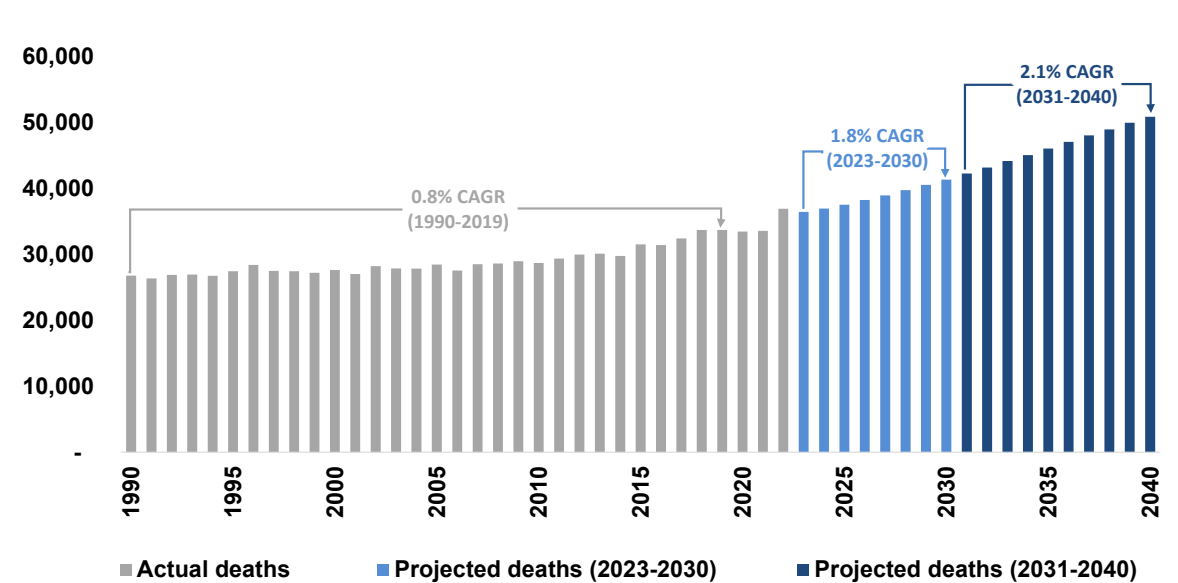
Number of deaths is the most significant driver of revenue in the death care industry

## 1 Australia



- Death volumes in Australia grew by 0.9% pa between 1990 and 2019<sup>1</sup>
- Death volumes are expected to increase by 2.4% pa from 2023 to 2030<sup>1</sup> and 2.5% from 2030 to 2040<sup>1</sup>

## 2 New Zealand



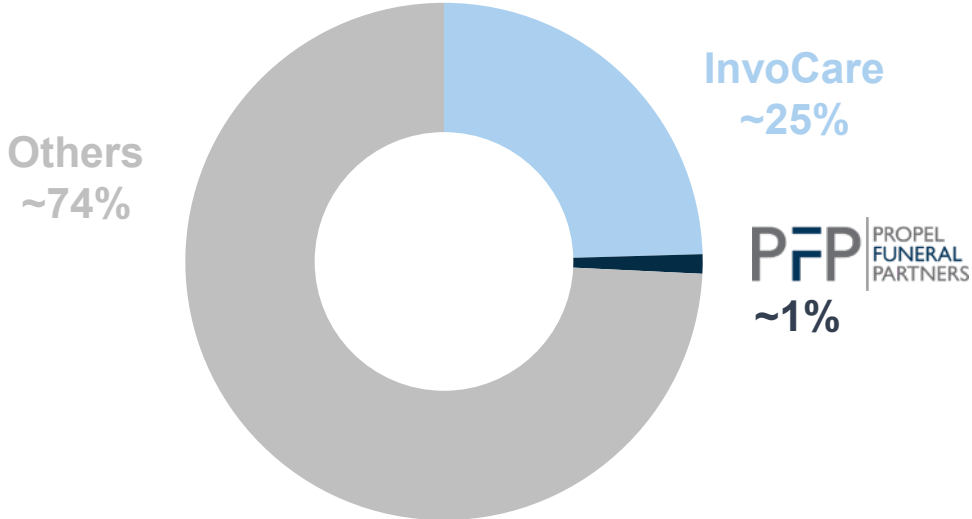
- Death volumes in New Zealand grew by 0.8% pa between 1990 and 2019<sup>2</sup>
- Death volumes are expected to increase by 1.8% pa from 2023 to 2030<sup>2</sup> and 2.1% from 2030 to 2040<sup>2</sup>

1. 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). 2019-2022 has been excluded from the historical CAGR due to COVID impacts on death volumes.  
 2. Source: 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, 2022(base)-2073) for projected deaths by financial year (released in July 2022). 2019-2022 has been excluded from the historical CAGR due to COVID impacts on death volumes.

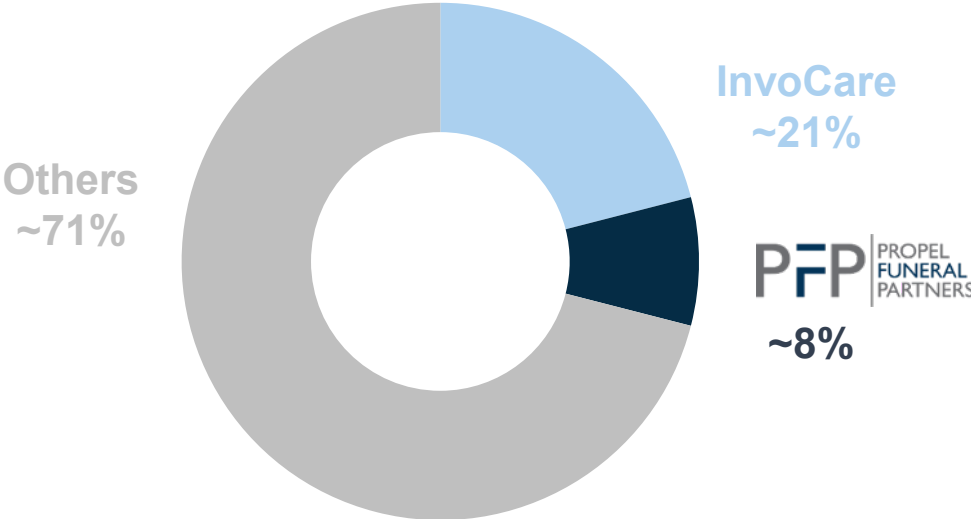
# Market share estimate (funeral volumes)

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

1 CY15<sup>1</sup>



2 CY22<sup>2</sup>



1. 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 Australia in CY15.  
2. Note: 190,755 actual deaths (ABS provisional mortality statistics) for market size, ~14,350 funerals performed by Propel (including annualised funerals relating to acquisitions completed in CY22) and 39,848 funerals performed by InvoCare in Australia in CY22 (page 24 of InvoCare's 2022 Annual Report to Shareholders dated 24 April 2023).

# Acquisitions

Propel has committed ~\$121 million<sup>1</sup> on acquisitions during the past ~12 months (~\$269 million<sup>1</sup> since its IPO)

## 1 FY23:

1. Community Funerals/ Cremation for Pets	Nov-22	Cairns, QLD
2. Mason Park Funerals	Nov-22	Wangaratta, VIC
3. Pets at Rest	Dec-22	Auckland, NZ
4. Seddon Park	Feb-23	Hamilton, NZ
5. Alfred James	Apr-23	Adelaide, SA

<b>Consideration:</b>	~\$44 million
<b>Revenue<sup>2</sup>:</b>	~\$16 million
<b>Locations:</b>	15 (10 freehold)
<b>Cremation facilities:</b>	3



## 2 FY24 YTD:

1. Olsens Funerals	Jul-23	Sydney, NSW
2. J Fraser & Sons	Jul-23	Southland, NZ
3. Harbour City Funeral Home	Aug-23	Wellington, NZ
4. Terry Longley and Tong & Peryer	Sep-23	Hawkes Bay, NZ

<b>Consideration:</b>	~\$77 million
<b>Revenue<sup>2</sup>:</b>	~\$30 million
<b>Locations:</b>	24 (19 freehold)
<b>Cremation facilities:</b>	2



## 3

Propel continues to explore other potential acquisitions in what is a highly fragmented industry, however, the timing associated with any future acquisitions is uncertain

1. Upfront cash and equity consideration paid. Excludes properties purchased subsequent to completion of a relevant business acquisition totalling \$27.7 million (excluding stamp duty). Subject to completion adjustments and exchange rate movement.  
2. Annual revenue prior to acquisition.

# Trading Update

A record Q1 for Propel, despite the funeral industry cycling strong death volume growth in the PCP

## Q1 FY24<sup>1</sup>:

Revenue:	✓	<b>\$52.8m</b>	<i>record Q1, materially above the PCP</i>
Operating EBITDA	✓	<b>\$14.4m</b>	<i>record Q1, materially above the PCP</i>
Funeral volumes:	✓	<b>5,450</b>	<i>record Q1, materially above the PCP (despite materially lower organic volumes, as the industry cycled &gt;10% volume growth in the PCP<sup>2</sup>)</i>
Average Revenue Per Funeral:	✓	<b>4.3%</b>	<i>growth on the PCP, above the Company's long term CAGR of 3.0%<sup>3</sup> (comparable up ~6% on the PCP)</i>
Acquisitions:	➔	<b>4</b>	<i>acquisitions completed (part period contributions to Q1)</i>

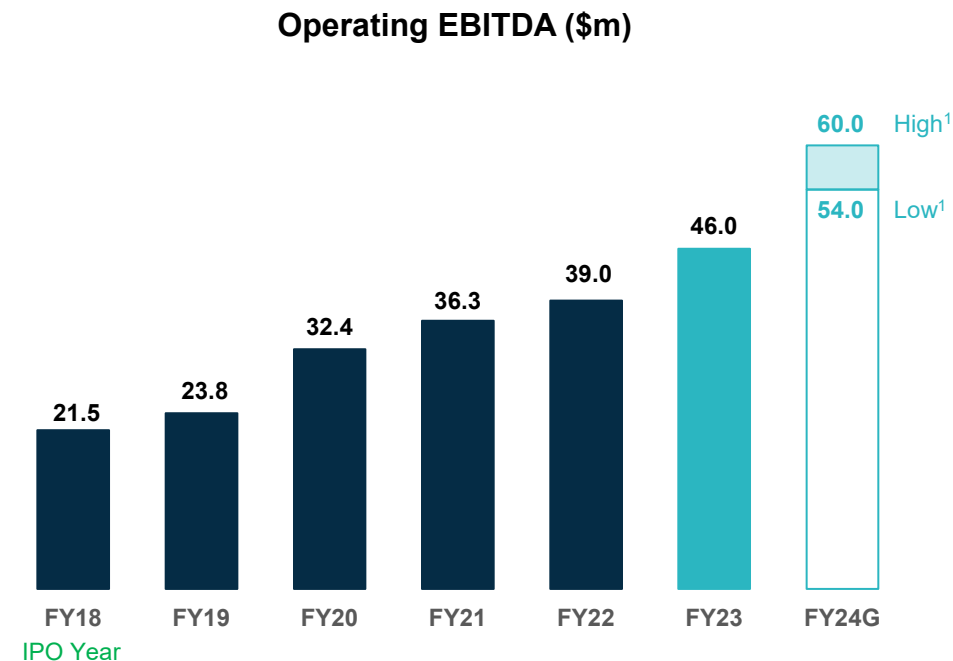
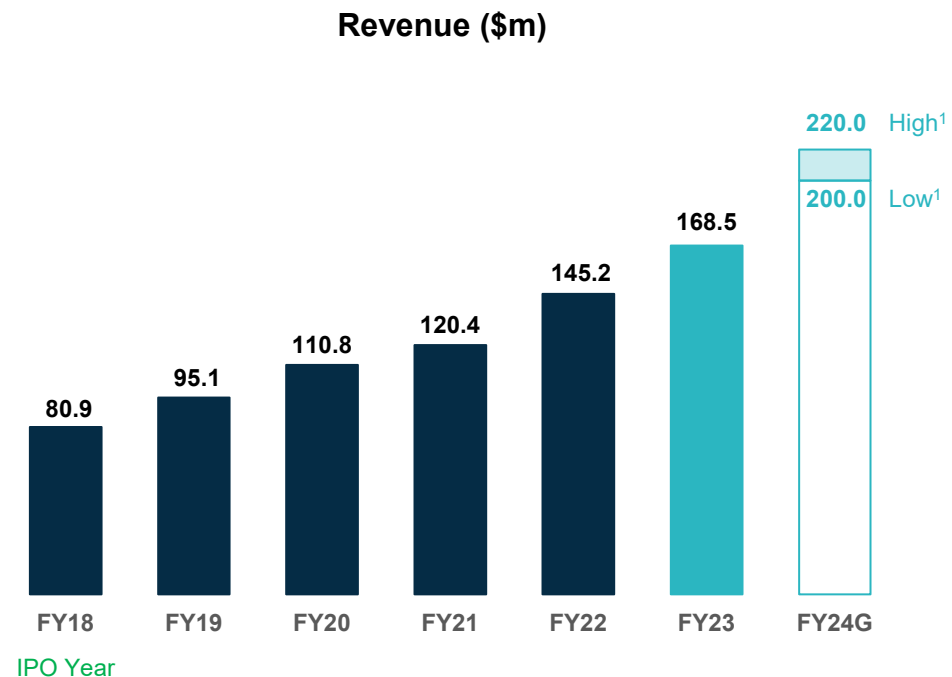
1. Based on the Company's unaudited management accounts for the three months ended 30 September 2023 (Q1 FY24).

2. Source: ABS and StatsNZ

3. The Company's compound annual growth rate (CAGR) since FY14 - refer to slide 12 of the FY23 Investor Presentation.

# FY24 guidance

Propel reaffirms its FY24 guidance range<sup>1</sup> for Revenue of \$200m-\$220m and Operating EBITDA of \$54m-60m



1. Based on a number of key assumptions, as summarised on slide 27 of the FY23 Investor Presentation, the Company's unaudited management accounts for Q1 FY24 and forecasts for the remainder of FY24.



### 3. Formal business and resolutions

# Formal business: Item 1

## Item 1: Financial report, directors' report and auditors' report

*“To receive and consider the Company’s financial report, director’s report and auditor’s report for the year ended 30 June 2023.”*

*Note: there is no requirement for shareholders to approve these reports*



# Formal business: Item 2

## Item 2: Remuneration report

*“That the remuneration report that forms part of the directors’ report of the Company for the financial year ended 30 June 2023 be adopted.”*

*Note: this resolution is advisory only and does not bind the directors of the Company.*

# Formal business: Item 3

## Item 3: Re-election of existing Director

*“That Mr Brian Scullin, being a director of the Company who retires by rotation under rule 6.7(b) of the Company’s constitution, and being eligible, is re-elected as a director of the Company.”*

# Formal business: Item 4

## Item 4: Re-election of existing Director

*“That Mr Fraser Henderson, being a director of the Company who retires by rotation under rule 6.7(b) of the Company’s constitution, and being eligible, is re-elected as a director of the Company.”*

# Formal business: Item 5

## Item 5: Resolution relating to the ratification of the issuance of ordinary shares (acquisition of Harbour City Funeral Home)

*“That approval is given to ratify the issue of 222,878 fully paid ordinary shares in the capital of the Company to HCF1 Limited as described in the Explanatory Memorandum to Shareholders which forms part of the notice of meeting.”*

# Formal business: Item 6

## Item 6: Resolution relating to the proposed issue of ordinary shares (acquisition of a property from which Terry Longley & Sons operates)

*“That approval is given to ratify the issue of 58,685 fully paid ordinary shares in the capital of the Company to Shannadore Longley, Monique Longley and BB S&M Longley Trustees Limited (as trustees) as described in the Explanatory Memorandum to Shareholders which forms part of the notice of meeting.”*



## 4. Shareholder questions

Votes to be counted

Meeting close – thank you



# Definitions

**ABS** means the Australian Bureau of Statistics.

**Average Revenue Per Funeral** means revenue from funeral operations, excluding direct disbursements (such as third party cemetery fees and third party cremation fees) and delivered pre-paid impacts, divided by the number of funerals in the relevant period.

**Bps** means basis points.

**Cash Flow Conversion %** means the percentage of Operating EBITDA converted to ungeared, pre-tax operating cash flow, adjusted for cash flow timing differences relating to Executive bonuses and excluding the termination fee and transaction costs in connection with the Management Internalisation.

**Cps** means cents per share.

**CY** means calendar year.

**FY** means financial year.

**Gearing Ratio** means net debt divided by net debt plus total equity.

**Group** means Propel and its wholly owned subsidiaries.

**IPO** means initial public offering.

**Management Internalisation** means the internalisation of key senior management functions of Propel completed in July 2021. Refer to Propel's ASX announcements dated 31 May 2021 and 26 July 2021.

**NEDs** means non-executive directors.

**Net Leverage Ratio** for covenant purposes includes adjustments – for example: (1) the Group's \$20m working capital facility is excluded from net debt; and (2) Operating EBITDA includes the annualised impact of acquisitions and is calculated on a pre AASB16 basis.

**NPAT** means net profit/(loss) after tax.

**NZ** means New Zealand.

**Operating EBITDA** means earnings before interest, tax, depreciation, amortisation and certain non-operating items, such as acquisition and transaction costs.

**Operating NPAT** means NPAT adjusted for certain non-operating items, such as acquisition costs and the non cash net financing charge on pre-paid contracts.

**PCP** means prior corresponding period.

**Pro forma** means statutory results excluding one-off items relating to the Management Internalisation and government subsidies and including the recurring impacts of the management internalisation, as if it had occurred on 1 July 2021.

**Prospectus** means the prospectus prepared by Propel in connection with the IPO.

# Important Notice and Disclaimer

This presentation contains summary information about Propel Funeral Partners Limited (ACN 616 909 310) (**Propel**) and its activities current as at the date of this presentation. Propel assumes no obligation to update such information. The information in this presentation is of general background only and does not purport to be complete. It has been prepared for use in conjunction with a verbal presentation and should be read in that context. It should also be read in conjunction with Propel's other periodic and continuous disclosure announcements filed with the Australian Securities Exchange (**ASX**).

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This presentation includes certain financial measures, such as Operating EBITDA, Operating EBIT and Operating NPAT which are not prescribed by Australian Accounting Standards (**AAS**) and represents the results under AAS adjusted for certain non-operating items, such as acquisitions and the non cash net financing charge on pre-paid contracts. The directors consider Operating EBITDA, Operating EBIT and Operating NPAT to reflect the core earnings of the Group. These financial measures, along with other measures, have not been subject to specific audit or review procedures by the Company's auditor, but have been extracted from the accompanying financial statements.

The FY15 to FY18 Operating EBITDA, Operating NPAT and Cash Flow Conversion numbers disclosed in this investor presentation are presented on a pro forma basis (consistent with the Prospectus and FY18 reporting), unless otherwise stated. For ease of comparison, FY22 is disclosed on a statutory and pro forma basis, as specified.

Capitalised words and phrases in this presentation will have the meaning given in the Prospectus and the definition slide set out in the Appendix.

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

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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## **PROPEL FUNERAL PARTNERS LIMITED**

Thursday, 23 November 2023 (9.30am)  
2023 Annual General Meeting

### **Address from the Chairman, Brian Scullin:**

#### **Slide 3**

Good morning everyone.

I’m Brian Scullin, Independent Chairman and Non-Executive Director of Propel Funeral Partners Limited.

I begin today by acknowledging the Traditional Custodians of the land on which we gather today, and pay my respects to Elders past, present and emerging.

On behalf of the Board, it is my pleasure to welcome you to Propel’s 2023 Annual General Meeting.

I have confirmed with the Company Secretary that we have a quorum present and the meeting has been validly constituted, so I declare the meeting open.

The Notice of Meeting was duly given and the meeting has been properly convened. We will turn to the resolutions towards the end of the meeting.

#### **Slide 4**

I am joined today by your other independent Non-Executive Directors, Naomi Edwards, Jennifer Lang and Peter Dowding, as well as Executive Director, Fraser Henderson and Managing Director, Albin Kurti.

Fraser and I present ourselves for re-election at today’s meeting.

Also here today are:

- Lilli Gladstone, Propel’s Chief Financial Officer;
- our audit partner from Nexia, Joseph Santangelo, who is here to address any questions you may have of him; and
- representatives from Link, our share registrar and lawyers Mills Oakley, who I thank for hosting today’s meeting.

## Slide 5

After my introduction, Albin will provide some comments on last year’s financial results and a trading update, among other matters. The formal matters of the Meeting will then be addressed and you will have the opportunity to raise questions. Where appropriate, we have sought to address questions received prior to the meeting, during the presentations.

As set out in the Notice of Meeting, in terms of the formal matters of the Meeting, all resolutions will be decided on a poll. In order to provide everyone with an opportunity to vote and in case anyone cannot stay for the whole Meeting, I now formally declare the poll open on all items, and the poll will remain open until I declare it closed. Please note that only shareholders, proxy holders and shareholder company representatives may vote on today’s resolutions.

Shareholders can cast their vote using a voting card. If you need assistance at any time, please signal to one of the representatives of Link. Once you have voted, please pass your voting cards to one of the representatives of Link.

At the conclusion of the Meeting, please join us for some light refreshments. My fellow directors and I are looking forward to having an opportunity to interact with you.

## Slide 6

The table on the screen shows the votes received prior to the cut off time in relation to the resolutions requiring a shareholder vote at today’s meeting. As you will see, there has been overwhelming support for each of the resolutions. I will come back to the resolutions later.

## Slide 7

On behalf of the Board, I would firstly like to acknowledge and thank all our staff for continuing to provide caring funeral and related services throughout FY23.

I am pleased to report that Propel continued its track record of delivering revenue and earnings growth.

The Company’s acquisition led growth strategy and diversification in providing essential funeral and related services across seven states and territories of Australia and in New Zealand, including regional and metropolitan markets, enabled it to deliver material growth in revenue, operating earnings and cash flows in FY23, which Albin will discuss in more detail shortly.

The Board elected to reward shareholders by declaring total dividends of 14.0 cents per share fully franked in connection with FY23.

As you would expect, the Board is mindful to strike the right capital structure to ensure the Company is appropriately funded without overstretching the balance sheet, so that Propel can continue to capitalise on growth opportunities, as and when they materialise. In that regard, as disclosed in August, Propel had significant liquidity and available funding capacity of approximately \$87 million.

One of the primary reasons for listing on the ASX was to enable the Company to access debt and equity markets more efficiently. During FY23, Propel expanded its senior debt facilities by \$55 million to \$255 million and also extended the debt maturity date to October 2027.

Since listing on the ASX in November 2017 with an IPO issue price of \$2.70, the Company has paid fully franked dividends totalling 65.9 cents per share, or circa 94 cents per share on a grossed up basis. At Propel’s closing share price of \$4.83 on 17 November 2023, this equates to a total shareholder return of circa 96% and total shareholder value accretion of approximately \$330 million since the IPO, before tax.

Propel remains focussed on a clearly defined growth strategy to acquire social infrastructure and assets which operate within the death care industry in Australia and New Zealand such as:

- private funeral home operators;
- funeral related properties and infrastructure; and
- cemeteries and crematoria.

This strategy is consistent with what was outlined in the Company’s Prospectus prepared in connection with its IPO, six years ago.

Demand for death care services is expected to grow in Australia and New Zealand because of increasing death volumes due to population growth and ageing of the “baby boomers”.

The death care industry is highly fragmented and the Company believes there is significant opportunity for further consolidation in Australia and New Zealand. Propel is well positioned to capitalise on acquisition opportunities. In that regard, the Company completed five acquisitions during FY23 and, subsequent to year end, has completed four further acquisitions.

During the last 12 months, there has been heightened interest and M&A activity in the deathcare industry both domestically and offshore.

In Australia, we have seen InvoCare taken private and in the UK, Dignity PLC was also taken private earlier this year. M&A activity in the industry has also occurred or is occurring in other parts of the world.

I believe this heightened interest reflects the attractiveness of the long term defensive growth characteristics and predictable cash flows of the deathcare industry to a wide range of investors and the value disconnect or price inefficiencies that can sometimes arise between public and private market equity investors.

In that regard and as disclosed on 23 October 2023 in response to recent media speculation:

- Propel has received inbound interest regarding a potential change of control transaction from multiple parties;
- the nature of this interest has been unsolicited, preliminary, highly conditional and non-binding;
- the Board is committed to acting in the best interests of the Company and its shareholders and to ensuring that a transaction (if any) occurs on a basis that is compelling;

- the Board has determined the interest received to date has not been compelling and has, therefore, elected not to engage with any party regarding its interest; and
- the Company has appointed financial and legal advisers and will continue to update the market in accordance with its continuous disclosure obligations but at this stage, no action is required by shareholders and there is nothing further to say on this matter.

Finally, I want to express my gratitude to my fellow directors, whom I thank for their considerable efforts, and to our shareholders, who I thank for their ongoing support.

I now invite Albin to take you through the FY23 financial results and other matters which I am sure will be of interest to you. Following Albin’s presentation, we will then return to the formal part of the business – matters requiring resolution, which are outlined in the Notice of Meeting.

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## Address from the Managing Director, Albin Kurti:

### Slide 8

Thanks Brian. Good morning everyone, thank you for being here.

First and foremost, I would like to acknowledge bereaved client families who farewelled loved ones during FY23.

I also acknowledge and recognise the hard work and dedication of our staff across Australia and New Zealand. Their professionalism, flexibility and commitment to providing essential and caring funeral and related services to the communities they serve, is greatly appreciated.

### Slide 9

In terms of today’s presentation, I’ll start with a brief recap of FY23. I will then:

- provide an overview of Propel’s business;
- touch on industry tailwinds and acquisitions;
- before concluding with a Q1 trading update and our FY24 guidance.

### Slide 10

FY23 was another record year for Propel.

Revenue increased 16% to \$168.5 million, on the back of a 9% increase in funeral volumes, including contributions from acquisitions and organic volume growth, despite cycling a strong prior year.

Average Revenue Per Funeral increased 6%, and on a comparable basis, was up 7%, in line with inflation.

Propel continued to grow earnings and maintained a healthy operating margin. Operating EBITDA increased 18% to \$46 million and Operating NPAT increased 17.9% to \$20.9 million.

Cash flow conversion remained strong at over 95%.

From a capital management perspective:

- as Brian mentioned, total dividends for the year were 14.0 cents per share, up 14.3% on the prior year and reflecting a payout ratio of 79%;
- during FY23 the Company expanded its senior debt facilities by \$55 million to \$255 million and, importantly, the debt maturity date was extended to October 2027 and a key covenant limit was increased; and
- Propel ended the year with a gearing ratio of 27%, a net leverage ratio of 1.7 times, and as disclosed in August, had available funding capacity of \$87 million, which will support Propel’s acquisition led growth strategy.



In terms of growth:

- Propel added 15 locations to its network in FY23, completing five new acquisitions in Queensland, Victoria, South Australia and New Zealand;
- subsequent to year end, Propel has completed four acquisitions, adding 24 locations to its network; and
- Propel has now deployed \$269 million on acquisitions since its IPO in November 2017

In terms of our outlook, the Company has made a positive start to FY24. I will provide a trading update towards the end of the presentation and will now provide a brief overview of the business.

### **Slide 11**

This slide illustrates how Propel’s network has evolved over the past 10 years.

We started with one funeral home in Queensland and today, we operate from 183 locations across Australia and New Zealand, including 37 cremation facilities and 9 cemeteries.

Of those 183 locations, the Company owns 109 of the properties, which are held at cost on the balance sheet at \$217 million.

### **Slide 12**

This slide shows Propel’s main operating brands in Australia and in New Zealand.

Each brand has a distinct identity and is well known in their respective markets.

Some have been around for many decades. For example, in Tasmania, Millingtons has been operating in and around Hobart for over 100 years and in New Zealand, J. Fraser has operated in Southland since the late 1800s.

The dotted lines show the brands relating to acquisitions completed, during and since FY23.

These brands are an important part of the goodwill of each business.

### **Slide 13**

As you can see on the left, the Company performed over 18,000 funerals in FY23, up 9% on the prior year.

The chart on the right shows that Propel generated revenue of \$168.5 million, up 16%.

## Slide 14

In terms of earnings growth:

- as you can see on the left, the Company generated Operating EBITDA of \$46 million in FY23, up 18% and a circa 15 fold increase since FY15; and
- the chart on the right shows that Propel generated Operating NPAT of \$20.9 million, up 17.9%.

## Slide 15

The chart on this slide shows Propel’s Average Revenue Per Funeral since FY14 which has grown at a compound annual growth rate of 3%.

In FY23, Average Revenue Per Funeral increased by 6% and, on a comparable basis, by 7%, in line with inflation.

## Slide 16

Cash conversion continues to be a key focus.

As you can see from this chart, Propel’s cash conversion has remained consistently high since FY15.

In FY23, cash conversion remained strong at over 95% which is pleasing.

I’ll now touch on Industry Trends and Acquisitions.

## Slide 17

These charts show that the number of deaths in Australia and New Zealand is forecast to both increase and accelerate, according to the Australian Bureau of Statistics and Stats NZ.

I won’t go through the specific growth rates, but the two observations I’d make are:

- firstly, few industries have the certainty of this tail wind profile; and
- secondly, death volume growth is not linear and it can fluctuate over shorter time horizons - from week to week, quarter to quarter and from year to year.

## Slide 18

The industry is highly fragmented in Australia and in New Zealand, with Propel the second largest in both countries.

Propel’s estimated market share in Australia has increased from circa 1% in 2015 to circa 8% in 2022.

Notwithstanding this significant increase, over 70% of the market is still owned by independent operators.

## Slide 19

Since its IPO six years ago today, Propel has deployed circa \$269 million on acquisitions, which are geographically spread across Australia and New Zealand.

In FY23, the Company deployed circa \$44 million on five acquisitions in Adelaide, Wangaratta, Cairns, Auckland and Hamilton.

So far in FY24, Propel has deployed circa \$77 million on four acquisitions in Sydney, Wellington, Invercargill and Havelock North in New Zealand.

Those acquisitions are expected to contribute positively to Propel’s financial results during the remainder of FY24 and beyond.

Moving forward, the team remains active in exploring both organic and inorganic growth opportunities. The acquisition pipeline is healthy and Propel is well positioned to continue consolidating what is a highly fragmented industry, but the timing of any future acquisitions, as you would appreciate, remains uncertain.

Moving to recent trading and guidance.

## Slide 20

Demand for funeral services is not correlated to inflation, interest rates or the economic cycle and Propel continues to be well positioned to generate sustainable long-term growth and value creation.

The Company’s positive momentum and financial performance in FY23 has continued into the start of the new financial year and I am pleased to advise that Q1 of FY24 was a record quarter for Propel, despite the funeral industry cycling strong death volume growth of greater than 10% in the PCP.

In Q1:

- Revenue was \$52.8 million, a record quarter and materially above the PCP;
- Operating EBITDA was \$14.4 million, a record quarter and materially above the PCP;
- Propel performed almost five and half thousand funerals, once again, a record quarter and materially above the PCP, with contributions from acquisitions more than offsetting materially lower organic volumes, as the Company cycled its strongest quarter of the prior year; and
- Average Revenue Per Funeral growth was 4.3% over the PCP, above the Company’s long term CAGR of 3%. Excluding acquisition impacts, comparable Average Revenue Per Funeral growth was strong at 6%.

It should be noted that Q1 trading only included part period contributions from four acquisitions completed during the quarter.

## Slide 21

Based on the Company’s Q1 trading performance and outlook for the remainder of the financial year, Propel re-affirms its FY24 guidance for:

- Revenue in the range of \$200 to \$220 million; and
- Operating EBITDA of \$54 to \$60 million.

As you would appreciate, this guidance is based on a number of assumptions and currently available information, including recent trading, inflation expectations and barring any unforeseen events.

In conclusion, I think the three key ‘take-away’s’ from today’s presentation are:

- one, FY23 was another record year for Propel. The Company achieved continued growth in key financial and operating metrics, on the back of materially higher funeral volumes and stronger Average Revenue Per Funeral;
- two, it has been a busy period of corporate and M&A activity, with Propel expanding its debt facilities and completing nine acquisitions during and since FY23, which significantly broaden the Company’s network in new and existing metropolitan and regional markets across Australia and New Zealand; and
- three, having deployed \$121 million on acquisitions in the past 12 months, Propel has made a positive start to, and expects to deliver continued growth in, FY24 and is well placed to navigate natural fluctuations in the death rate, the higher inflationary and interest rate environment, and to continue consolidating what is a highly fragmented and essential service industry that stands to benefit from the ageing population, for decades to come.

Before I hand back to Brian, I’d like to quickly thank:

- my fellow board members for their guidance and support during and since FY23;
- my colleagues Lilli Gladstone and Fraser Henderson and the small team at Propel’s head office for their hard work and dedication; and
- finally, our shareholders for their ongoing support.

With that, I’ll hand back to the Chair to cover the formal matters of the meeting and I’m happy to take questions during the Q&A session. Thank you.

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