ASX
ANNOUNCEMENT

PFP | PROPEL FUNERAL PARTNERS

24 October 2018

The Manager
ASX Market Announcements
ASX Limited, Level 4, Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

ASX Announcement
Propel Funeral Partners Limited (PFP)
Bell Potter Emerging Leaders Conference Presentation

Please find attached PFP presentation slides for release to the market.

The slides will be presented by Albin Kurti, Managing Director, at the Bell Potter Emerging Leaders Conference today. Please note that the presentation includes a trading update on Q1 FY19 and general comments regarding PFP's outlook for 1H FY19.

For and on behalf of the Board

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

-END-

About Propel:

Propel is listed on the Australian Stock Exchange and is the second largest provider of death care services in Australia and New Zealand. Propel currently operates from 108 locations, including 24 cremation facilities and 7 cemeteries.

For further information, please contact:

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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.

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BELL POTTER EMERGING LEADERS CONFERENCE PRESENTATION

Albin Kurti, Managing Director

24 October 2018

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 financials measures, such as Operating EBITDA, Operating EBIT and Operating NPAT which are not prescribed by Australian equivalents to International Financial Reporting Standards ('AIFRS') and represents the profit under AIFRS adjusted for specific non-recurring items. 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 report.

Capitalised words and phrases in this presentation will have the meaning given in the prospectus lodged by Propel on 25 October 2017 (**Prospectus**), unless otherwise stated.

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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Agenda

1. Key highlights for FY18
2. Business overview
3. Acquisition update and industry 'tail winds'
4. Trading update and outlook
5. Q&A

Appendix

1. Key highlights for FY18

Key highlights for FY18

1 TRADING UPDATE	**Revenue:**	⬆ **76%** to $80.9 million (FY17: $46.1 million)
	Funeral volumes:	⬆ **67%** to 10,111 (FY17: 6,054)
	ARPF[1]:	⬆ **5.5%** to $5,508 (FY17: $5,223)
2 EARNINGS[2]	**Operating EBITDA:**	⬆ **75%** to $21.5 million (FY17: $12.3 million)
	Operating NPAT[3]:	⬆ **125%** to $12.3 million (FY17: $5.5 million)
	Cash flow conversion[4]:	96.5% (FY17: 98.9%)
3 CAPITAL MANAGEMENT	**Operating cash flow[2,5]:**	⬆ **71%** to $20.7 million (FY17: $12.2 million)
	Net cash:	$28.3 million cash and no debt as at 30 June 2018
	Dividend:	⬆ **10%** 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: 108)
	Investment Strategy:	Entered new markets – WA and the ACT Expanded in existing markets – QLD, NSW and VIC Continued focus on delivering the Investment Strategy

[1]Average Revenue Per Funeral excluding disbursements and delivered prepaid funeral impacts
[2] Pro forma
[3] 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
[4] Operating EBITDA converted into pro forma, ungeared pre tax operating cash flow
[5] Ungeared, pre tax operating cash flow

Prospectus forecasts achieved

Propel outperformed the key Prospectus forecasts for FY18

	FY18 Pro forma actual	FY18 Prospectus Forecast	Achieved	Comments
Operating metrics				
Number of locations	103	80	✓	
Number of funerals	10,111	9,907	✓	
Average Revenue Per Funeral[1]	$5,508	$5,330	✓	
Financial metrics				
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[2]	96.5%	98.9%	-	Minor working capital movements

[1] Excluding direct disbursements and delivered prepaid funeral impacts
[2] Operating EBITDA converted into pro forma, ungeared pre tax operating cash flow

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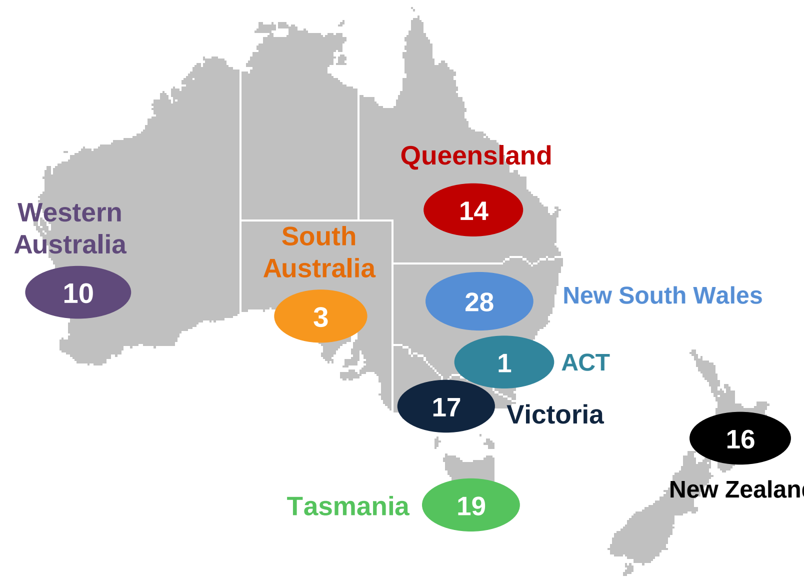
2. Business overview

Geographic presence

108 locations (54 freehold / 54 leasehold), including 24 cremation facilities and 7 cemeteries

June 2013

October 2018



FY12 FY13 FY14 FY15 FY16 FY17 FY18 FY19YTD

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*	*Expands in 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

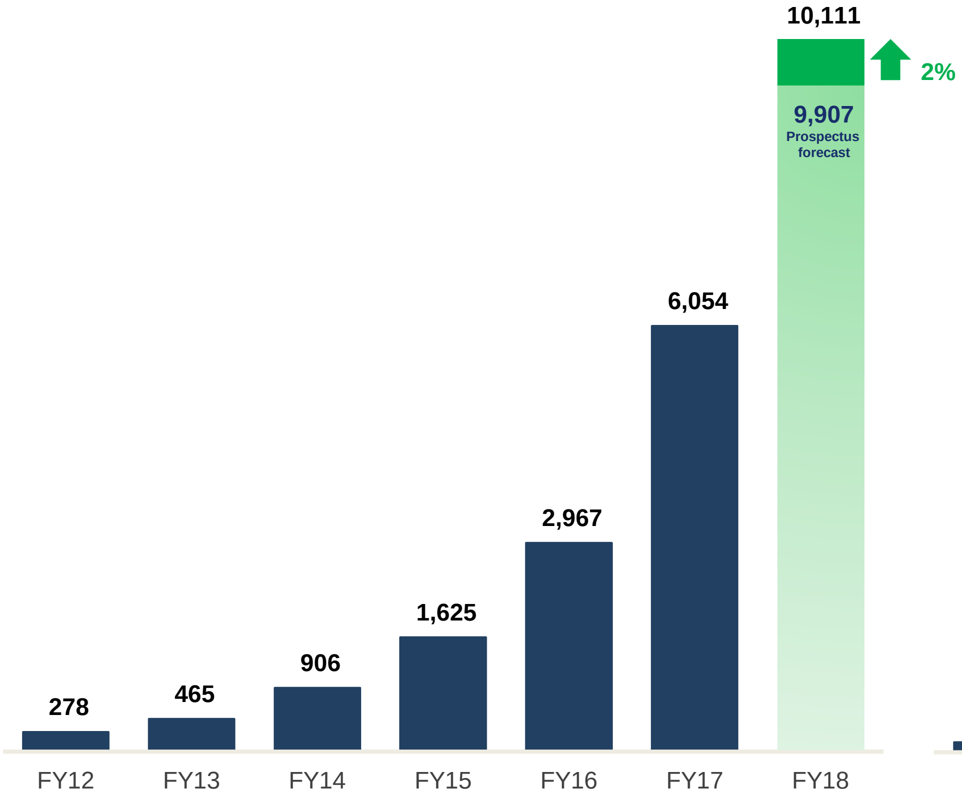
QLD	NSW/ACT	VIC	TAS	SA	WA	NZ
Gympie Funerals	Philpott Funerals & Monumental Masons	Quinn Funerals at Wesley Place	Millingtons Funeral Directors | Millingtons Cemeteries	Williams Funeral Services	Seasons Funeral Homes	Davis Funerals
Ross Funerals	WT Howard Funerals	Latrobe Valley Funeral Services	Phillip Stephens Funerals		JustCremations	Morris & Morris Funerals
Virgo Funerals	Burke & Hamilton Funerals	Handley Funeral Services South Gippsland & Phillip Island	Pinegrove Funerals			Return to Sender The Responsible Casket Company
Integrity Funerals	Riverina Funerals	North West Funerals	Huon Funerals Funeral Directors			Geards Funeral Home
Premier Funerals	Lightfoot Funerals Gunnedah	F. W. Barnes & Son				Scotts Funeral Services
Heritage Park Crematorium & Memorial Gardens	John Hossack Funeral Services	Hall Funerals				
Newhaven Funerals	William R. Groves Funeral Director	Conway Funeral Home				
Norwood Park	Parkview Funeral Home					
	McGuiness Funerals					
	Acacia Funerals					
	Lismore Funeral Services					
	Norwood Park					

Acquired since 1 July 2017

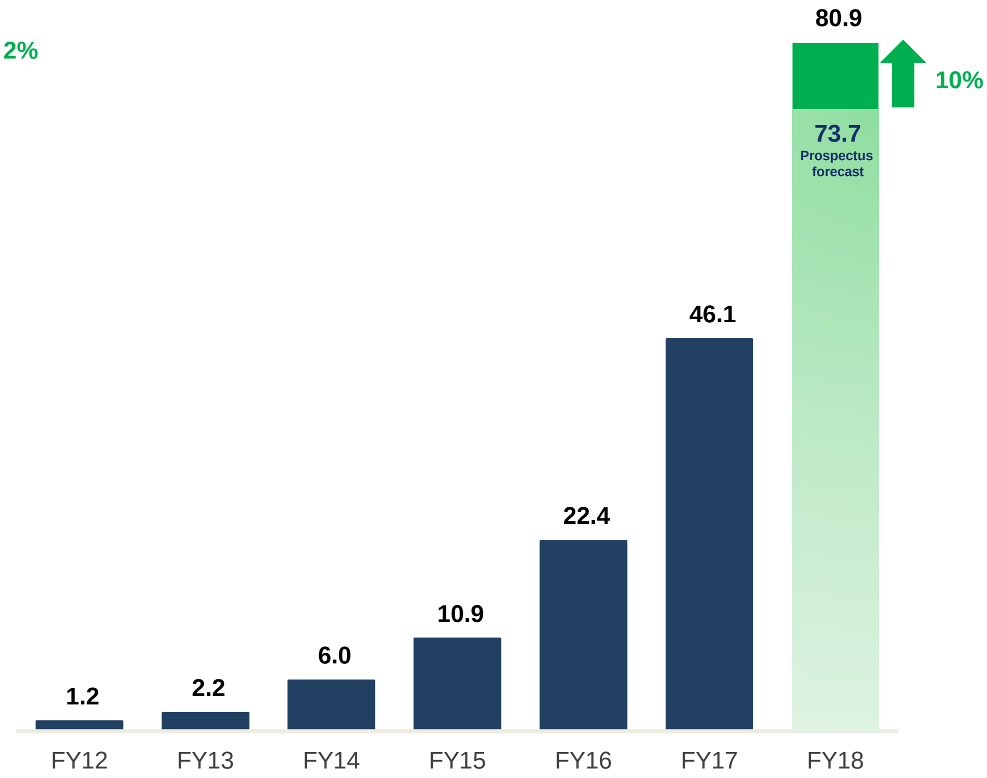
Volume and revenue growth

Propel has maintained a strong growth trajectory

Funeral volumes



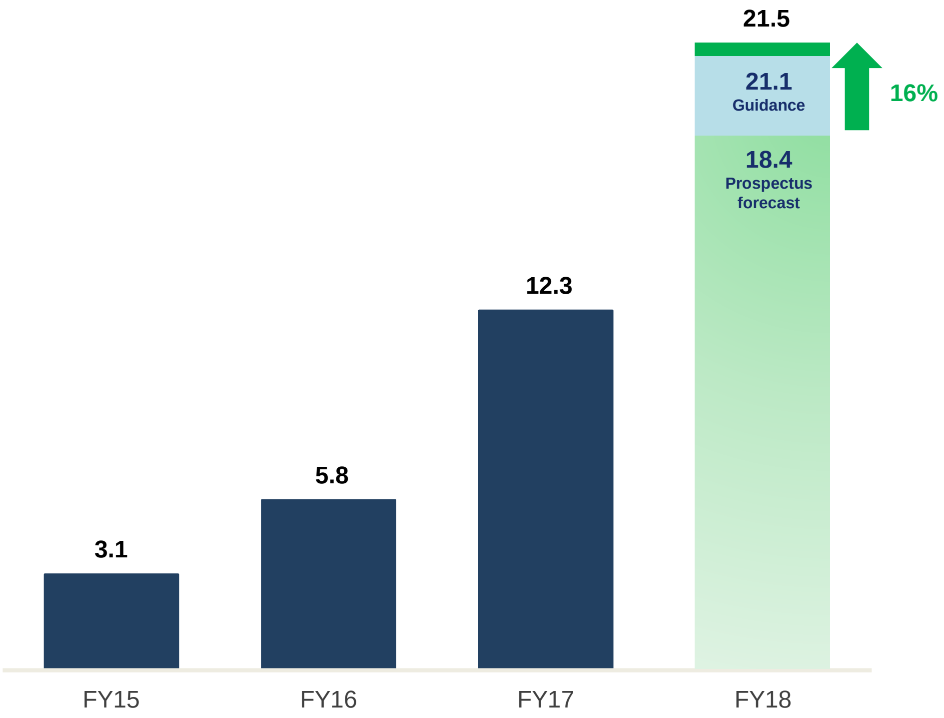
Revenue ($m)



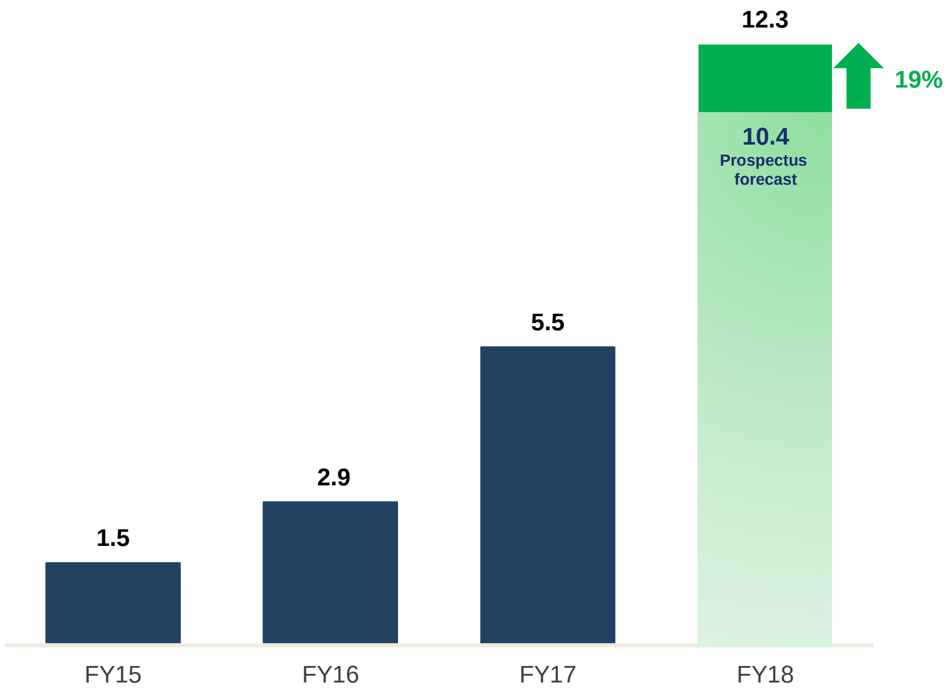
Earnings growth

Propel has maintained a strong growth trajectory

Operating EBITDA ($m)



Operating NPAT[1] ($m)



[1] 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

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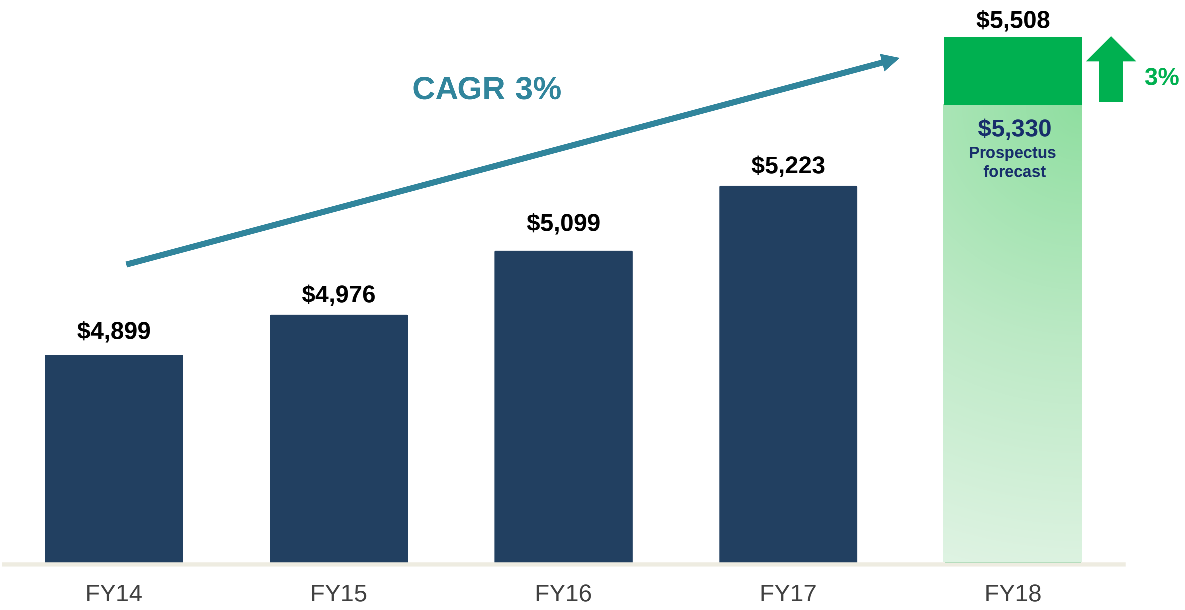
Average Revenue Per Funeral[1] growth

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



[1]Average Revenue Per Funeral excluding disbursements and delivered prepaid funeral impacts (ARPF)

3. Acquisition update and industry ‘tail winds’

Acquisition update

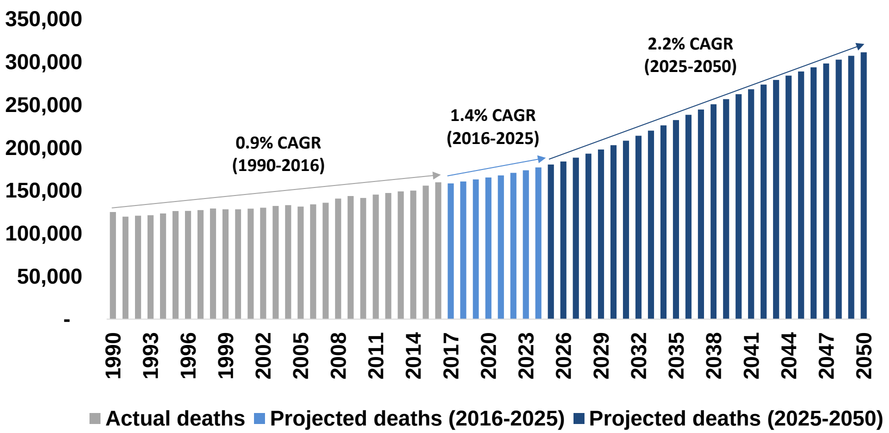
Propel is focussed on delivering its Investment Strategy

1	**DURING FY18**	**WA entry:**	Acquired Seasons Funerals
		NSW/VIC expansion:	Acquired Brindley Group
		ACT entry:	Acquired Norwood Park (ACT/NSW/QLD)
2	**YTD FY19**	**QLD expansion:**	Acquired Newhaven Funerals NQ
		Property acquisitions:	Acquired 3 freehold properties Exchanged 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 future acquisitions uncertain

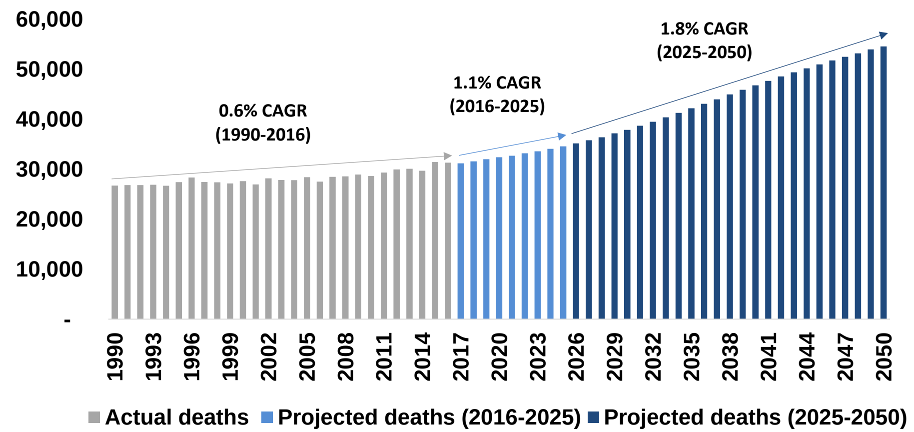
Increasing number of deaths

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

Australia[1]



New Zealand[2]



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

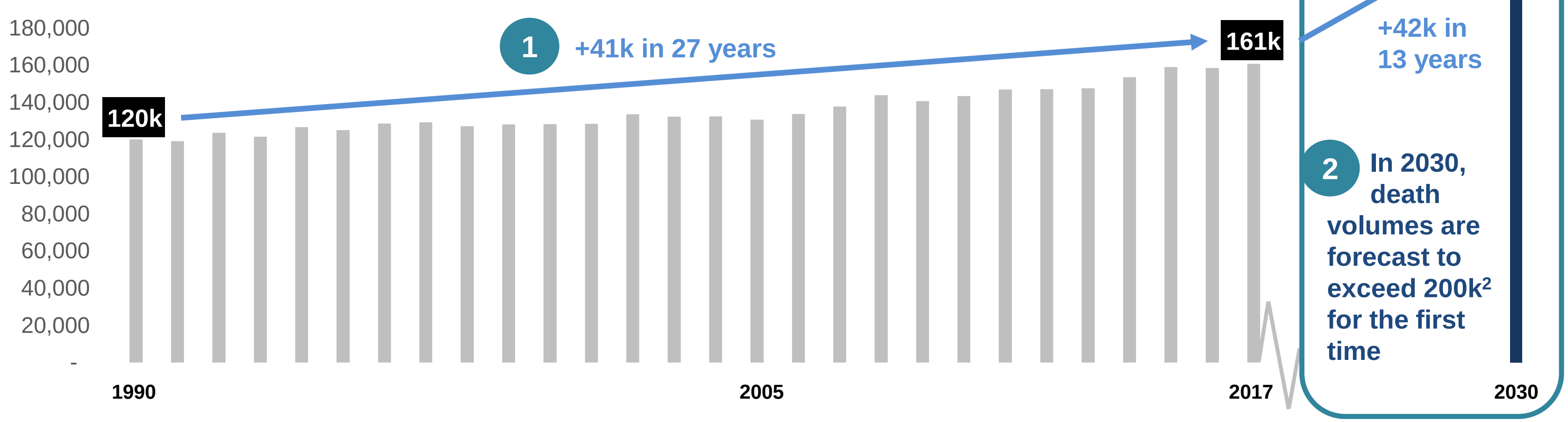
- Death volumes in New Zealand grew by 0.6% pa between 1990 and 2016[2]
- This is expected to increase by 1.1% pa from 2016 to 2025[2] and 1.8% from 2025 to 2050[2]

[1]Source: ABS (3101.0 Australian Demographic Statistics, Dec 2016) for Actual deaths by financial year. ABS (3222.0 Population Projections, Australia, 2012 (base) to 2101) for Projected deaths by financial year.
[2]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. (Table Reference: VSD022AA - Group: Deaths - VSD) for Actual deaths by financial year and Statistics New Zealand (National population projections, characteristics, 2016(base)-2068) for Projected deaths by financial year.

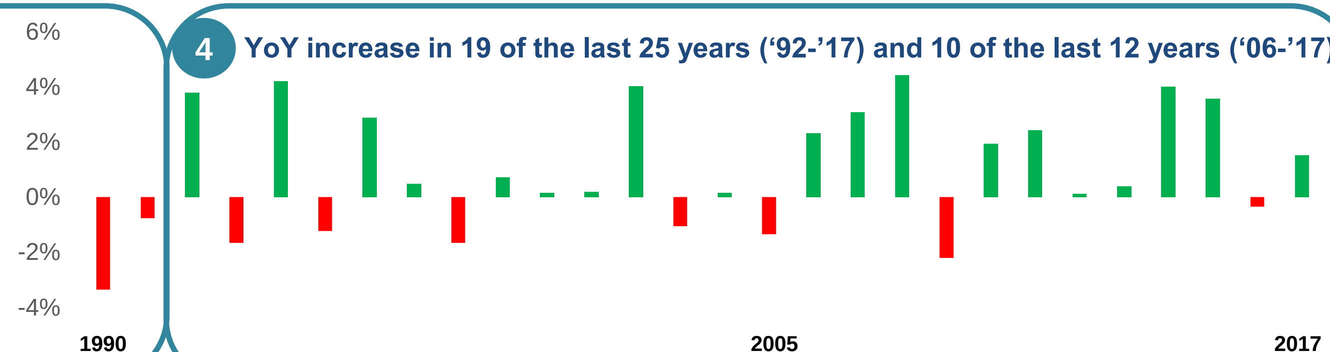
Death volumes fluctuate

Death volume growth is forecast to accelerate and prior YoY[1] declines rebounded quickly

Number of deaths per annum in Australia – 1990 to 2017[2]



YoY change (%) – 1990 to 2017[2]



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

4 YoY increase in 19 of the last 25 years ('92-'17) and 10 of the last 12 years ('06-'17)

5 In 2018, death volumes are expected to be down YoY, which will likely result in a deferral of death volumes into 2019 and beyond

[1]Year on year (YoY)
[2]Source: Australian Bureau of Statistics by calendar year

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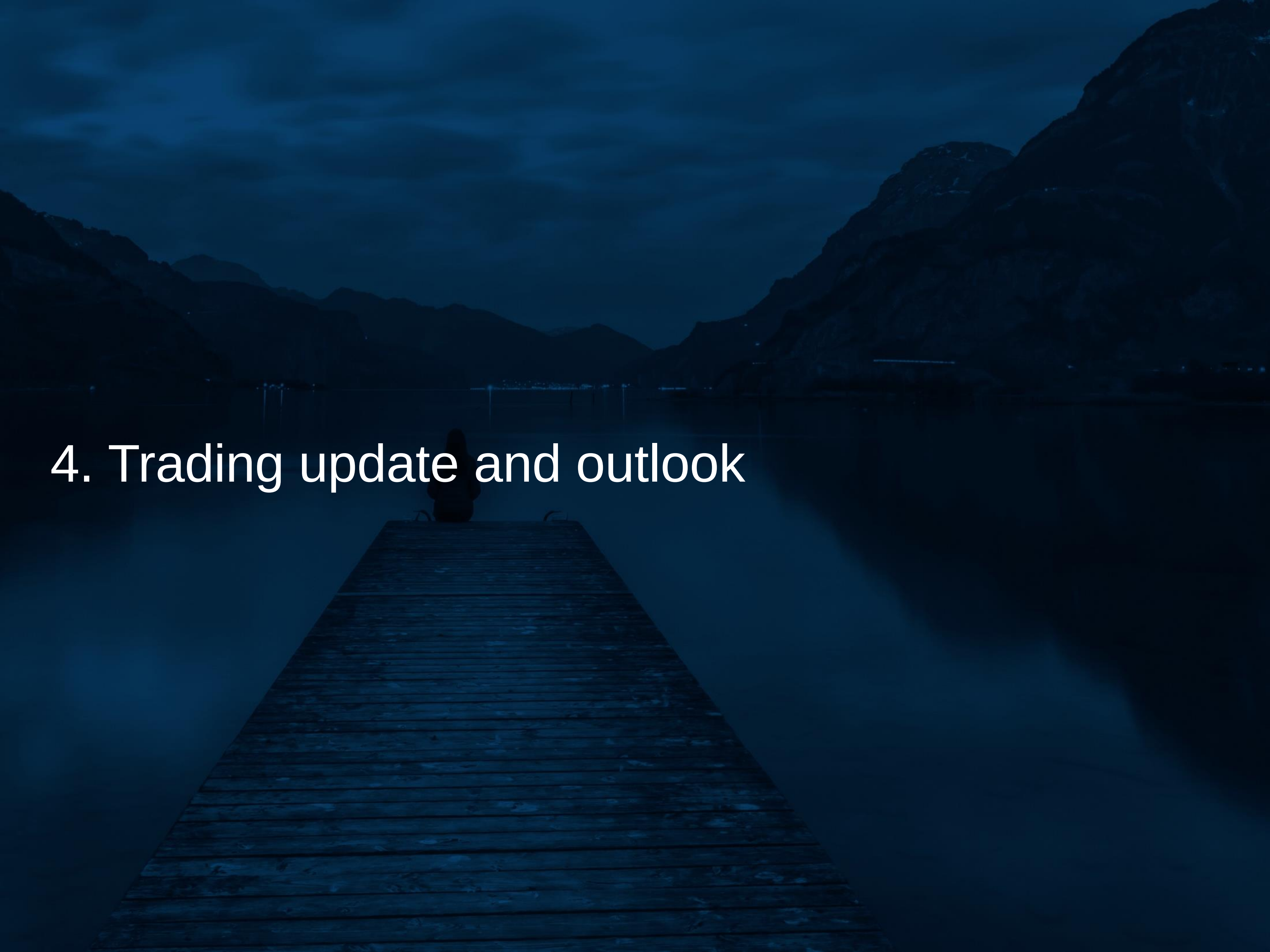
4. Trading update and outlook



Trading update and outlook

Record revenue and funeral volumes in Q1 FY19, despite soft market conditions

1 **TRADING UPDATE**	**Q1 FY19[1]:**	Record revenue (~$24 million, up ~20% on PCP[2]) and funeral volumes, with: • Operating EBITDA margin above 26%, consistent with FY18 • LFL[3] ARPF up on FY18 and within long term target growth range of 2-4% p.a. • cash conversion strong at ~100% • observable market share stable
2 **OUTLOOK**	**Funeral volumes:**	1H FY19: • cycling through a strong PCP (severe 2017 flu season) and current below trend funeral volumes (benign 2018 flu season) • assuming soft market conditions continue, LFL volumes expected to be down Historical experience suggests a rebound in funeral volumes in 2019
	Financial results:	Well placed to benefit from: • the solid start to FY19 in Q1 (despite soft market conditions) • acquisitions completed during and since FY18 • other potential future acquisitions (although timing is uncertain) • funeral volumes reverting to long term trends (although timing is uncertain)
3 **STRONG BALANCE SHEET**	**Well funded:**	Strong and conservative balance sheet, along with positive operating cash flows, provides financial flexibility to support potential future dividends and growth initiatives, including acquisitions: • current net cash position of ~$15 million • new $50 million senior debt facility • target dividend payout ratio unchanged at 75-85% (consistent with the Prospectus)

[1]Based on Propel's unaudited management accounts for Q1 FY19
[2]Prior corresponding period (PCP)
[3]Like for like (LFL)

5. Q&A

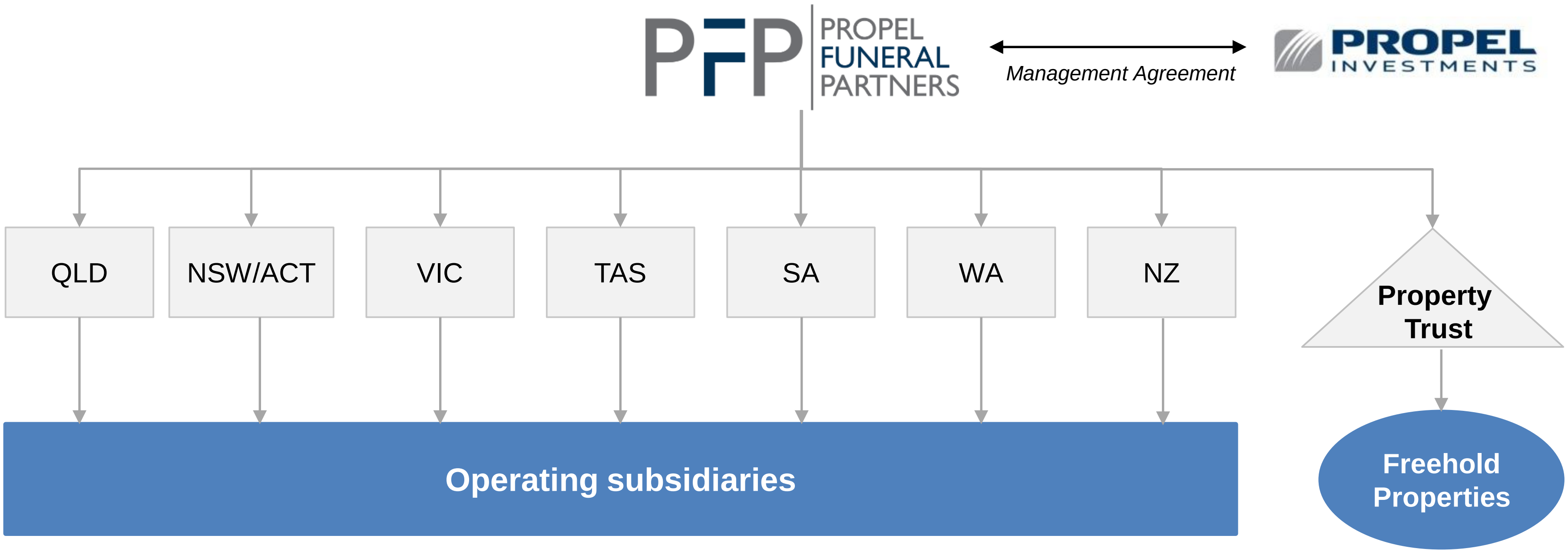
Appendix

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

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