# ASX
ANNOUNCEMENT

PFP PROPEL FUNERAL PARTNERS

18 February 2019

## North Queensland Acquisition

Propel Funeral Partners Limited (ASX: PFP) (**Propel**) is pleased to announce it has executed a conditional sale agreement to acquire the entire issued capital of Morleys Funerals Pty Ltd, its associated businesses (together, the **Morleys Group**) and certain freehold properties.

Established in 1961 and currently a fourth generation family business, the Morleys Group operates from six locations, is the largest funeral services provider in Townsville, North Queensland and has historically performed a total of approximately 900 funerals per annum. As part of the proposed transaction, Propel will also acquire:

- Woongarra Crematorium and Memorial Gardens, which is situated on approximately 21 hectares of land and has been providing cremation services and memorials to the Townsville community for over half a century;
- Pet Heaven NQ, an established pet cremation and cemetery business operating on the outskirts of Townsville that has historically performed over 2,000 pet cremations and burials per annum; and
- two freehold properties, noting that Propel will have an option to acquire one of four leasehold properties.

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

- $13.3 million[1] in cash; and
- 344,828 ordinary shares in the capital of Propel to be issued at $2.90 each which will be subject to a three year escrow arrangement[2].

Albin Kurti, Managing Director of Propel, said "Propel has long admired the Morleys Group. Not only is it the leading provider of funeral services in Townsville, the Morley family is highly respected within the Australian funeral industry. We are honoured that Managing Director, Ray Valdeter, and the Morley family have chosen to partner with us. Ray is a life member of the Australian Funeral Directors Association and is a doyen of the industry, who has amassed a vast network of contacts during a distinguished career spanning almost 50 years."

Mr Valdeter, who along with other family members, will continue their involvement with the Morleys Group, said "I was first approached by Propel in 2015, so this isn't a decision the family and I have rushed into or taken lightly and we've appreciated Propel's patience and desire to partner with us. I have been monitoring Propel's progress and have been very impressed with what they have achieved in Australia and New Zealand. Their 'business as usual' approach resonated with our family. We also like that our future shareholding in Propel ensures a strong alignment and we're pleased that our dedicated and loyal staff will be joining a supportive and growing funeral operator. This transaction is also a vote of confidence in Townsville, which sadly has been devastated by recent flooding. I'm grateful that Propel hasn't been deterred and has taken a long term view of the region. Furthermore, as has been our focus over the last 58 years in which we've been operating in Townsville, the Morleys Group will continue to support the local economy and will continue local sponsorships, charitable and community support. This strategic partnership with Propel will enable us to enjoy some of the fruits of our labour and still allow us to continue to operate the business, ensuring the Morley Group's level of service and traditional values will continue for the community of Townsville, which is a great outcome. The Morley family has invested heavily into Townsville for over half a century and this partnership will enable us to continue our unique services to the community and broaden our investment base in Townsville. We appreciate the support provided to us by our client families, loyal staff and friends over many years and we will continue to do our very best to retain their confidence and support. It is indeed a special privilege for us to be able to continue to assist our client families through what is often the most difficult phase of their lives."

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1 Excluding completion adjustments and transaction costs.

2 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 98,163,089 to 98,507,917 (if the transaction completes prior to the acquisition of Dils – refer announcement dated 12 December 2018 (**Dils Transaction**)) or from 99,373,678 to 99,718,506 (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, and Propel will not be seeking shareholder approval, in relation to the proposed issue of shares.

Mr Kurti added, "The Morleys Group will further diversify Propel's operations by enabling us to enter Townsville, a new region where we don't currently have a presence. It also provides us with a small exposure to the pet cremation industry, which is an interesting adjacency. We look forward to welcoming Ray, the Morley family and all staff members to Propel."

Completion of the proposed transaction is expected to occur prior to 30 June 2019, following satisfaction (or waiver) of conditions such as confirmatory due diligence and relevant consents from third parties. Propel intends to fund the cash amounts payable on completion from its $50 million debt facility, which is currently undrawn.

The Morleys Group generated revenue of approximately $7.8 million in FY18 and is expected to increase Propel's annual revenue in the order of 7-8%[3]. The proposed transaction is expected to be earnings accretive in year one.

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**About Propel:**

Propel is listed on the Australian Stock Exchange and is the second largest private provider of death care services in Australia and New Zealand. Propel currently operates from 109 locations, including 25 cremation facilities and 8 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.

[3] Including estimated annual revenue contributions from acquisitions announced (both those completed and those not yet completed).