For immediate release **11 May 2020**

Dignity plc

COVID-19 update

Dignity plc (Dignity, the Company, or the Group), the UK's only listed provider of funeral related services, provides the following updates, in addition to that provided on 3 April 2020:

Trading update

Operating performance in the first quarter was broadly in line with the Board's expectations when allowing for the number of deaths witnessed in the period and some early operational impacts of COVID-19.

	13 week period ended 27 March 2020	13 week period ended 29 March 2019	Increase/ (decrease) (per cent)
Underlying revenue (£million)	**83.1**	81.1	2
Underlying operating profit (£million)	**19.4**	21.7	(11)
Number of deaths	**161,000**	159,000	1

Alternative performance measures ('APMs')
All measures marked as underlying in the table above and throughout this announcement are alternative performance measures. The Board believes that whilst statutory reporting measures provide financial performance of the Group under GAAP, APMs are necessary to enable users of the financial statements to fully understand the trading performance and financial position of the business. The APMs provided are aligned with those used in the day-to-day management of the business and allow for greater comparability across periods.

	Funerals £m	**Crematoria** £m	**Central overheads £m**	**Group** £m
Underlying operating profit – Q1 2019	18.4	10.9	(7.6)	21.7
Impact of:				
Number of deaths	0.8	0.4	-	1.2
Market share	1.1	0.3	-	1.4
Average incomes	(1.4)	(0.7)	-	(2.1)
Cost base changes	(1.4)	(0.6)	(0.8)	(2.8)
Underlying operating profit – Q1 2020	**17.5**	**10.3**	**(8.4)**	**19.4**

However, this statement will elaborate on how the impact COVID-19 is more significant since the end of the first quarter.

Number of deaths

The absolute number of deaths increased by approximately one per cent to 161,000 from 159,000 in the comparative period last year. Sadly, since the end of the quarter, the UK has witnessed in excess of 20,000 deaths in a single week, the highest since the beginning of 2000. The number of possible incremental deaths as a result of COVID-19 is a matter of substantial speculation. Should 2020 witness a large number of incremental deaths, beyond the 600,000 originally anticipated by the Office for National Statistics, then it is possible that 2021 and 2022 could experience a lower number of deaths than in 2019. The Group will not speculate on the most likely outcome.

Funeral operations

Funeral market share

The Group performed 20,000 funerals in the first 13 weeks of the year (Q1 2019: 19,200), representing a market share of 12.2 per cent (Q1 2019: 12.0 per cent). The current crisis means that analysis of the various trials being undertaken by the Group is unlikely to be meaningful in the coming months, as clients are unable to make all the choices they would normally make to personalise their funeral arrangements. Allied to this, market share is calculated based on a fixed assumption of one week between the registration of the death and the date of the funeral. Therefore, if clients choose to delay funerals, calculations of market share, particularly over shorter periods, may not be comparable.

Average funeral income

	Funeral type	Q4 2019 Actual	FY 2019 Actual	Q1 2020 Actual	Q1 2019 Actual
Average underlying income (£)	Full service	3,613	3,578	3,521	3,542
	Simple services	1,995	2,047	1,972	2,159
	Pre-need	1,899	1,846	1,894	1,826
	Other (including Simplicity)	780	770	888	773
Volume mix (%)	Full service	52	52	50	52
	Simple service	13	14	14	14
	Pre-need	28	27	29	27
	Other (including Simplicity)	7	7	7	7
Weighted average (£)		2,724	2,699	2,648	2,691
Ancillary underlying income (£)		214	231	175	213
Average income per funeral (£)		2,938	2,930	2,823	2,904

As demonstrated in the table, average income in the first quarter of the year was lower than the last quarter of 2019. This reflects the continued roll out of the Group's tailored funeral options, trials of different lower priced propositions, and the early impact of COVID-19. Underlying ancillary income per funeral was lower in the first quarter, reflecting lower sales of memorial and other items.

As a result of the crisis, the Group decided to temporarily withdraw the provision of limousines in the interests of the welfare of our staff and clients. Other choices such as church services also stopped being possible during this time. In April, these changes have had a significant impact on the Group's average income per funeral: firstly, average income from full service funerals has reduced to approximately £3,150. In addition, as might be expected, the proportion of clients choosing a simple funeral compared to a full service funeral has increased dramatically to approximately 60 per cent compared to the 20 per cent seen in the first quarter. Combining these impacts means the Group is currently achieving an overall weighted average income per funeral before ancillary revenues of approximately £2,200 compared to £2,648 achieved in the first quarter of 2020.

Crematoria operations

For most of the quarter, crematoria operated as expected. However, whilst cremation activity continues as normal, legislation required all crematoria to close their grounds to the general public, unless they were attending a cremation service. Consequently, memorial sales activity started to decline in March, resulting in slightly lower revenue than anticipated. Guidance on access to crematoria and cemetery grounds is evolving. However, memorial sales activity will be lower than normal whilst broader lockdown measures are in place. Whilst this will be temporary, it is unclear what proportion of memorial activity that would have otherwise been sold will be able to be recovered later in the year once operations resume.

Pre-need operations

Sales of pre-arranged funeral plans were as anticipated in the first quarter, resulting in active pre-arranged funeral plans of 532,000 compared to 523,000 at December 2019 and 493,000 at the end of March 2019.

In April, whilst many potential members continue to actively research pre-arranged plans online, certain routes to market, in particular those selling face to face have seen a decline in activity. The Group continues to assess appropriate pre-arranged marketing activity considering the current situation.

In its 2019 annual report, the Group disclosed that the actuarial valuations of the Trusts that hold and invest monies of a significant proportion of the active pre-arranged funeral plans showed a surplus equivalent to two per cent of the assets held. The Trusts' investment strategies are expected to provide returns in excess of inflation in the longer-term, but will however, result in volatility year-on-year in the value of the Trusts' assets. As a result of the impact of the current crisis on global markets, this volatility has been seen since the year end. Information as of the middle of April estimates that the actual valuation would now show a deficit equivalent to approximately six per cent of the Trusts' assets. This reflects an estimated 10 per cent decline in the market value of the Trusts' assets from approximately £1 billion to circa £900 million.

On 7 May 2020, HM Treasury indicated that as a result of COVID-19, the government now intends that the secondary legislation bringing funeral plan firms within the remit of the Financial Conduct Authority ('FCA') will be laid before parliament in the fourth quarter of 2020 and that this date will be kept under review as the crisis progresses. They intend for the full FCA regulatory framework to come fully into force 18 months after the legislation is made.

Central overheads
Operating costs in the first quarter reflect recruitment made during the latter part of 2019, together with some incremental marketing costs. We anticipate central overheads reducing as part of our root and branch review of the business once clear of the current COVID-19 cost pressures.

Capital structure

Secured Notes
The Group's primary financial covenant under the Secured Notes requires EBITDA to total debt service to be above 1.5 times. The ratio at March 2020 was 2.06 times (March 2019: 2.13 times; December 2019: 2.13 times). As such, the Group had EBITDA headroom of approximately £19 million against its financial covenant at the end of March 2020.

Whilst not a covenant, in order for the Group to transfer excess cash from the securitisation group to Dignity plc, it must achieve both a higher EBITDA to total debt service ratio of 1.85 times and achieve a Free Cash Flow to total debt service (a defined term in the securitisation documentation) of at least 1.4 times. This latter ratio at March 2020 was 1.63 times (March 2019: 1.57 times; December 2019: 1.65 times). These combined requirements are known as the Restricted Payment Condition ('RPC'). Given the ratios achieved, the RPC was achieved at March 2020. These covenant calculations use a prescribed definition of EBITDA detailed in the loan documentation and only represents the profit of a sub group of the Group which is party to the loans (the 'securitisation group').

Given the pressures created by COVID-19, whilst the Group anticipates achieving the primary financial covenant, it is likely that the Group will not achieve the RPC at June 2020. Failure to pass the RPC at June would not be a covenant breach and would not cause an acceleration of any debt repayments. Furthermore, any cash not permitted to be transferred whilst the RPC is not achieved will be available to be transferred at a later date once the RPC requirement is achieved. Therefore, given the Group had already taken the decision to temporarily suspend dividend payments, in practical terms, failure of the RPC will not have a material impact on the day-to-day operation of the Group.

Cash balances
At the end of March 2020, the Group held cash of approximately £57 million, approximately £29 million of which was held by Dignity plc, which is freely available for use as the Group sees fit. This is a similar level of cash held by Dignity plc at the end of December 2019. As the Group has paused the Transformation Plan, dividends and crematoria developments, use of this balance is expected to be limited. Alongside this, the Group continues to plan to preserve operating cash generated through the management of its cost base.

Board update
The Group continues to make progress with the appointment to the Board of a further independent non-executive director and is progressing its search for a new Chief Executive Officer. Further announcements will be made as and when appropriate.

Outlook
For the reasons set out on 3 April, further to FCA, FRC & PRA guidance and as detailed further in this announcement, the Group is not providing guidance on 2020 and beyond. It continues to monitor the situation carefully and will report further on its strategic review when it releases its interim results.

Clive Whiley, Executive Chairman of Dignity, commented:
"COVID-19 is presenting a unique set of challenges for the UK as a whole and for Dignity. I am proud to be part of a business that has such an important role to play during this crisis. I am particularly thankful to all our staff who have adapted quickly in these times of uncertainty to help our clients remember their loved ones in as personal a way as possible with the restrictions in place. They, together with all those working in the funeral industry, are an easily forgotten subset of key workers who all deserve our thanks.

We continue to progress the strategic review of the business, initiated upon my appointment in September 2019, which is designed to position the Group for all eventualities. However, with the pausing of discretionary spend wherever possible, combined with healthy cash balances that are freely available for the Group's use and the means to improve headroom against our covenants, liquidity remains robust for the time being.

Finally we have chosen not to furlough any employees and do not intend to approach Her Majesty's Government for direct financial support, beyond business rates relief which we anticipate reinvesting in protecting our staff, where the various government schemes designed to protect jobs and people's livelihoods are intended for small businesses and sectors that are under threat more directly than Dignity. "

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Forward-looking statements
This announcement and the Dignity plc investor website may contain certain 'forward-looking statements' with respect to Dignity plc ("the Company") and the Group's financial condition, results of its operations and business, and certain plans, strategy, objectives, goals and expectations with respect to these items and the economies and markets in which the Group operates.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'should', 'will', 'would', 'expects', 'believes', 'intends', 'plans', 'targets', 'goal' or 'estimates' or, in each case, their negative or other variations or comparable terminology. Forward-looking statements are not guarantees of future performance. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Many of these assumptions, risks and uncertainties relate to factors that are beyond the Group's ability to control or estimate precisely. There are a number of such factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in the economies and markets in which the Group operates; changes in the legal, regulatory and competition frameworks in which the Group operates; changes in the markets from which the Group raises finance; the impact of legal or other proceedings against or which affect the Group; changes in accounting practices and interpretation of accounting standards under IFRS, and changes in interest and exchange rates.

Any forward-looking statements made in this announcement or the Dignity plc investor website, or made subsequently, which are attributable to the Company or any other member of the Group, or persons acting on their behalf, are expressly qualified in their entirety by the factors referred to above. Each forward-looking statement speaks only as of the date it is made. Except as required by its legal or statutory obligations, the Company does not intend to update any forward-looking statements.

Nothing in this announcement or on the Dignity plc investor website should be construed as a profit forecast or an invitation to deal in the securities of the Company.

Other information
Dignity (2002) Limited (the holding company of those companies subject to the securitisation) has today issued reports to the Rating Agencies (Fitch and Standard & Poor's), the Security Trustee and the holders of the Secured Notes issued in October 2014 in connection with the securitisation.

Copies of these reports are available at http://www.dignityfuneralsplc.co.uk.