For immediate release **10 May 2021**

Dignity plc

First quarter trading update

Dignity plc (Dignity, the Company or the Group), the UK's only listed provider of funeral related services, provides the following updates:

Summary

	13 week period ended 26 March 2021	13 week period ended 27 March 2020	Increase (per cent)
Underlying revenue (£million)	**94.7**	83.1	14
Underlying operating profit (£million)	**26.1**	19.4	35
Number of deaths	**204,000**	161,000	27

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.

Financial summary

Operating performance in the first quarter was above the Board's expectations as a result of the significantly higher than expected number of deaths. Funeral market share and average revenue were below the Board's expectations. Underlying operating profit by division is summarised in the table below:

	Funerals £m	**Crematoria £m**	**Central overheads £m**	**Group £m**
Underlying operating profit – Q1 2020	17.5	10.3	(8.4)	19.4
Impact of:				
Number of deaths	13.2	4.3	-	17.5
Market share	(3.7)	(0.9)	-	(4.6)
Average revenues	(5.4)	0.5	-	(4.9)
Cost base changes	-	-	(1.3)	(1.3)
Underlying operating profit – Q1 2021	**21.6**	**14.2**	**(9.7)**	**26.1**

Number of deaths

The absolute number of deaths increased by approximately 27 per cent to 204,000 from 161,000 in the comparative period last year as a result of COVID-19. Since the end of the quarter, the UK has witnessed deaths falling below the five year average.

Funeral operations

Funeral market share

The Group performed 23,800 funerals in the first 13 weeks of the year (Q1 2020: 20,000) in the United Kingdom. Just over one per cent of the funerals in each period were performed in Northern Ireland. Excluding Northern Ireland, these funerals represented approximately 11.5 per cent (Q1 2020: 12.2 per cent) of total estimated deaths in Great Britain. The year-on-year decline in market share is primarily attributable to a decline in full service and pre-arranged funeral plans partially off-set by continued growth in Simplicity cremations.

Whilst funerals divided by estimated deaths is a reasonable measure of Dignity's market share, the Group does not have a complete national presence and consequently, this calculation can only ever be an estimate. 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, calculations of market share, particularly over shorter periods, may not be comparable. Q1 2021 is impacted by COVID-19, as there is a greater delay between the date of registration of the death and the date of the funeral. The Group expects this to normalise during Q2, providing the number of COVID-19 deaths continues to reduce. In Q1 2020 COVID-19 had not yet had any material impact on the death rate and funeral volumes.

Average funeral revenue

	Funeral type	**FY 2020 Actual**	**Q1 2020 Actual**	**Q4 2020 Actual**	**Q1 2021 Actual**
Underlying average revenue (£)	Full service	3,337	3,521	3,351	3,354
	Simple services	1,941	1,972	1,937	1,929
	Pre-need	1,911	1,894	1,979	1,943
	Other (including Simplicity)	940	888	927	1,004
Volume mix (%)	Full service	39	50	43	41
	Simple service	25	14	21	21
	Pre-need	28	29	28	29
	Other (including Simplicity)	8	7	8	9
Underlying weighted average (£)		2,397	2,648	2,476	2,434
Ancillary revenue (£)		125	175	169	131
Underlying average revenue (£)		2,522	2,823	2,645	2,565
Full service volume as a percentage of full and simple		61	78	67	66

The table above shows the underlying weighted average revenue in the first quarter of the year was lower than Q4 2020. This reflects the change in mix, which has seen a one per cent increase in the percentage of Simplicity and other cremations. Underlying ancillary revenue per funeral was lower in the first quarter, primarily due to lower sales of memorial items.

Crematoria operations

The Group conducted 22,600 cremations (Q1 2020: 18,600), representing a market share of 11.1 per cent (Q1 2020 11.5 per cent). As explained above, the increase in the time between registering the death and the funeral taking place could impact on the comparability of the market share calculation. The Group expects this to normalise during Q2.

Crematoria grounds have been allowed to remain open during the latest COVID-19 restrictions. Consequently, memorial sales activity is in line with expectations and above the prior period.

Pre-need operations

Sales of pre-arranged funeral plans have exceeded expectations in the first quarter, resulting in active pre-arranged funeral plans of 571,000 compared to 558,000 at December 2020 and 532,000 at the end of March 2020.

The Group continues to progress with its preparations for regulation of the funeral plan market by the Financial Conduct Authority and has submitted its response to the March 2021 consultation paper.

Central overheads

	Total £m
Total overheads – 2020	8.4
Impact of:	
Digital activities	0.7
IT support fees	0.2
Other	0.4
Total overheads – 2021	**9.7**

Central overheads are expected to reduce as part of the strategic review.

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 2021 was 2.28 times (March 2020: 2.06 times; December 2020: 1.99 times). As such, the Group had EBITDA headroom of approximately £26.5 million against its financial covenant at the end of March 2021.

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 2021 was 1.88 times (March 2020: 1.63 times; December 2020: 1.57 times). These combined requirements are known as the Restricted Payment Condition ('RPC'). Given the ratios achieved, the RPC was achieved at March 2021. 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 and the risk of a big drop in the death rate, whilst the Group anticipates achieving the primary financial covenant, there is a possibility that the Group will not achieve the RPC at June 2021. 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 continues 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 2021, the Group held cash of approximately £71 million, approximately £39 million of which was held by Dignity plc, which is freely available for use as the Group sees fit. The plc cash balance has reduced by approximately £10 million, since December 2020, due to the additional tax payment required relating to the corporate interest restriction described in the 2020 Annual Report.

Board update
On 22 April 2021, Clive Whiley ceased to be a Director of the Company and Gary Channon was appointed as Executive Chairman. The Independent Non-Executive Directors, comprising Gillian Kent, Dean Moore and Paul Humphreys, all resigned from the Board, in the case of Gillian Kent and Paul Humphreys, this was with immediate effect. Dean Moore, given his current role as Interim Chief Financial Officer, will continue to serve as a Director for his three-month notice period to enable an orderly transition.

On 26 April 2021, James Wilson, Non-Executive Director, stepped down from the Board so as to keep the number of Phoenix Directors on the board to one following Gary Channon's appointment.

The process to recruit three new Non-Executive Directors, including a new Chairman, has commenced and this will result in a new Board with a majority of Independent Directors. At such time that a Non-Executive Chairman is appointed to the Board, Gary will become CEO until a CEO is appointed and at such time he will subsequently step down from the Board.

The current search for a CFO is continuing and the Board expects to make an appointment before Dean Moore departs.

Outlook
COVID-19 has had a distorting impact on the business both in terms of operations and the financial results, making comparisons to the prior year difficult. It also makes the short-term future hard to predict because we don't know whether we face a period of a lower than the average death rate or another wave of contagion and a subsequent higher number of deaths. The restrictions on funeral sizes continue to impact the average revenue per funeral. Setting all that aside, the Group remains financially robust and profitable. As previously indicated, the Group's future strategy will be outlined and presented at the time of the Group's AGM on 23 June 2021.

Gary Channon, Executive Chairman of Dignity, commented:
*"*As the limits on mourner numbers begin to ease, we expect to see a change in the services we are able to offer bereaved people and look forward to helping those who have lost someone say goodbye in a personal and meaningful way.

On 12 April 2021, I laid out my vision for Dignity which contained a number of potential actions aimed at securing Dignity's future and building a better business for bereaved people, our staff and our partners. As we navigate out of the pandemic, and in light of regulatory changes in our industry, our hope is to lead positive change in our sector and become the true market leader with an unrivalled focus on quality, standards and choice. We are working hard on this plan and look forward to presenting it to shareholders at our AGM on 23 June 2021.

I would like to thank all of our employees for their hard work and dedication over the last year in the most challenging of circumstances, and look forward to working alongside them as we move into Dignity's next phase of growth together. In addition, we have commenced a process to recruit a new Independent Chairman and Non-Executive Directors to help steer the strategic direction of Dignity's bright future. We will provide an update on appointments made in due course."

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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 https://www.dignityplc.co.uk/investors/.