

Dignity Noteholder Presentation

52 weeks ended 27 December 2024



DIGNITY

Executive summary

Dignity has made significant strategic progress during 2024:

- EBITDA grew by 13% to £43.9m driven by strong cost management across the business despite a 3.5% reduction in the death rate
- Funeral estate rightsized resulting in the closure of 90 branches
- Early repayment of £82.6m of Secured Notes funded by Trust Surplus releases and freehold property estate disposals. A further £51.5m of unsecured debt was repaid in Q1 2025 through the Sale & Leaseback of 6 Crematoria sites
- £20m raised from property disposal program to support future investment in the business
- Acquisition of Farewill Limited to broaden audience reach, enhance customer experience, expand product offering, modernise technology and strengthen talent
- Full executive team in situ provides the foundations & expertise to transition the business towards its growth agenda
- On 1 August 2024, S&P Global Ratings affirmed its credit ratings on the Company's Class A Notes at 'B+(sf)' and Class B Notes at 'CC (sf)'. On 10 December 2024, Fitch Ratings upgraded Dignity Finance PLC's Class A Notes to 'BBB' from 'BB+' and the Class B Notes to 'CCC' from 'C'. Dignity has also been removed from the Ratings Watch Negative
- Remain confident and excited by the opportunities available to Dignity to be the UK's leading end-of-life provider

Financial summary

Dignity Group Holdings Limited

	FY 24	FY 23	Mvt
Number of deaths ('000s)	624.4	646.7	(3)%
Revenue £m	273.9	285.0	(4)%
Costs £m	230.0	246.2	7%
EBITDA £m	43.9	38.8	13%
Trust surplus received	120.0	30.0	300%
Cash generated from operations £m	44.7	38.6	16%
CAPEX £m	13.9	30.0	(54)%
Net Debt £m	433.5	521.0	17%

- EBITDA - earnings before interest, tax, depreciation and amortisation is a profit measure calculated before exceptional costs, consolidation of the funeral plan trusts and IFRS 16
- Cash generated from operations excludes Exceptional Costs, Trust surplus received and other cash adjustments on a cash paid basis.
- Exceptional Costs include amortisation of trade names, external transaction costs, restructuring costs, impairments, rescue plan transition costs, profit or loss on the sale of fixed assets and the associated taxation impacts.

- Death rate 3% lower at 624k
- Revenue 4% lower at £274m, driven by a lower death rate, closure of funeral branches, exiting 1 crematoria relationship with a Local Authority, partly offset by price rises to mitigate inflationary pressures
- Costs reduced by 7% to £230m reflecting efficiency initiatives & strong cost management
- Trust Surplus received in H1'24 totalling a £120m of gross cash (£20m in January; £100m in June) - tax payable on withdrawals
- Net Debt improved 17% to £433.5m due to the early repayment of £82.6m of Secured Notes in 2024. On an adjusted basis, after allowing for the further debt repayments in Q1'25, Net Debt stands at £382.0m

Divisional Performance

Funerals

- Net revenue 3% lower at £180.0m
- Funeral volumes reduced by 10.1% to 69,400 due to the lower death rate and the closure of 90 branches that did not meet the Group's financial return objectives, although the Group also lost share during a period of temporary disruption whilst the division was reorganised to improve the efficiency of operations
- EBITDA improved 45% to £33.4m largely driven by strong cost management, despite volume reductions

Crematoria

- Net revenue 2% lower at £85.0m
- Crematoria volumes reduced by 8.4% to 70,000, principally due to the lower death rate and the closure of one crematorium
- EBITDA reduced by 9.9% to £41.3m driven by the closure of one crematorium and inflationary pressures on a predominantly fixed cost base.

Central

- Strong cost management mitigating inflationary pressures

	Funerals	Crematoria	Central	Pre-arranged funeral plans	Group
	£m	£m	£m	£m	£m
EBITDA FY 23	23.0	45.8	(30.7)	0.7	38.8
Impact of:					
Number of deaths ⁽¹⁾	(6.1)	(3.0)	-	-	(9.1)
Market share ⁽¹⁾	(12.7)	(1.6)	-	-	(14.4)
Average revenues ⁽¹⁾	12.3	2.7	-	(2.7)	12.4
Cost base changes	16.9	(2.6)	1.2	0.7	16.2
EBITDA FY 24	33.4	41.3	(29.5)	(1.3)	43.9

(1) Represents revenue impact

Funeral Plans

- Historically a 'zero-sum' impact on Group profitability as marketing & admin withdrawals from the Trusts offset costs
- Loss reflects timing differences between costs incurred and recovery from the funeral plan trusts
- New cash structure in place from November 2024 to recover costs at point of sale

Capital & Covenants

A number of actions were considered and undertaken in 2024 as the Group looks to rightsize & optimise its capital structure

During the year Dignity explored the potential to repay the Secured Loan Notes in full but concluded that proceeding with the strategic options required to facilitate this were not in the best interests of the Dignity Group, its affiliates, or its key stakeholders

Capital structure actions undertaken:

- Early, partial repayment of £82.6m A Notes:
 - £15.6m (£15.6m cash) in June 2024
 - £67.0m (£65.0m cash) in July through the Tender Offer
- Partial repayment of related party loans in Q1 2025:
 - £50m Phoenix UK Fund Ltd loan facility
 - £1m SPWOne loan facility

Cash and cash equivalents of £51.4m (stated after the December debt service payment of £12m; £63.5m pre debt service payment), of which £28m is held in the Elective Capex Account and £4m is held in the Loan Payments Account to settle tax liabilities

As at FY24, Dignity was trading above the Debt Service Cover Ratio (DSCR) and is not reliant on the equity cure mechanism to meet its debt covenants

	FY 24	FY 24 adj**	FY 23
	£m	£m	£m
Net Debt			
Secured Notes*	413.2	413.2	499.6
Unamortised issue costs	4.6	4.6	6.0
Phoenix UK Fund Limited loan**	55.1	4.7	50.8
Amounts owed to group undertakings	12.0	10.9	7.3
Gross debt	484.9	433.4	563.7
Cash and cash equivalents - Trading Group*	51.4	51.4	42.7
Underlying Net Debt	433.5	382.0	521.0

*FY24 stated after December debt service payment that was paid after the Balance Sheet date (in line with scheduled IPD)

** post Sale & leaseback transactions completed in Q1'25

Dignity (2002) Limited		52 week period ending 27-Dec-24	52 week period ending 29-Dec-23
	Target	£m	£m
EBITDA for the Relevant Period		42.8	37.4
Equity cure for the Relevant Period		12.9	16.0
Free Cashflow for the Relevant Period		29.3	26.7
Debt Service for the Relevant Period		24.4	33.8
Financial Covenant			
EBITDA + equity cure DSCR	>=1.5	2.28	1.58
EBITDA DSCR	>=1.5	1.75	1.11
Restricted Payment Condition			
Free Cashflow DSCR	>=1.4	1.2	0.79
EBITDA + equity cure DSCR	>=1.85	2.28	1.58



Summary & Outlook

Summary

- Returned the business to EBITDA growth & improved cash generation
- Positive actions undertaken to improve and optimise the capital structure
- Executive team strengthened ready for growth

Outlook

- Business performance improved in 2024 and continues to move in the right direction in 2025, subject to death rate which is up c.2% YTD but lower than the ONS projections
- Cost & pricing action taken to mitigate headwinds from living wage, NI and rent on sale & leaseback
- Significant capex programme initiated to upgrade cremators and funerals business
- Continue to transition the business from a period of stabilisation and fix towards its ambitious growth agenda to be the UK's leading end-of-life provider

Appendix



DIGNITY

Notes interest & amortisation

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Capital structure												
Interest on Class A & B Notes	18.8	18.6	18.4	18.2	18.0	17.8	17.6	17.4	17.1	16.9	16.5	15.7
Principal repayments on Class A & B Notes	5.0	5.2	5.4	5.6	5.8	6.0	6.2	6.4	6.7	6.9	16.9	17.7
Cash cost	23.8	23.8	23.8	23.8	23.8	23.8	23.8	23.8	23.8	23.8	33.4	33.4

	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Capital structure												
Interest on Class A & B Notes	14.0	13.1	12.1	11.1	10.1	9.0	7.8	6.6	5.3	4.0	2.6	1.1
Principal repayments on Class A & B Notes	19.4	20.3	21.3	22.3	23.3	24.4	25.5	26.7	28.0	29.3	30.7	32.1
Cash cost	33.4	33.4	33.4	33.4	33.4	33.4	33.3	33.3	33.3	33.3	33.3	33.2