DIGNITY BONDHOLDER PRESENTATION

for the 52 week period ended 29 December 2023

Executive Summary

2023 was a year of transition for Dignity:

- Acquired by Valderrama, the joint venture vehicle of SPWOne V and Castelnau Group in May 2023
- Management team refreshed & strengthened with appointment of Zillah Byng-Thorne (CEO – from June 2024), Steve Long (CFO) and several senior hires with further recruitment underway
- Supportive & constructive discussions held with bondholders
  - Consent Solicitation passed on 4 September – extension of previously agreed deadline to 29 December 2024
  - Consent Solicitation passed on 12 December – agreement to a potential early redemption of the A & B Notes at 100% and 84.25%, respectively

- Near-term action plan developed with execution underway:
  - Funeral estate right-sizing commenced with further refinement due in Q2/Q3 2024
  - Re-based prices across Funerals & Crematoria to address inflationary environment
  - CAPEX investment program underway to enhance ongoing estate
  - Central function headcount reductions focused on reducing support function costs
  - Funeral Plan Trusts remain well capitalised, after allowing for a £50m pre-tax withdrawal of surplus funds in Q4 2023 (£30m) & Q1 2024 (£20m), to support investment in the business.
  - Growth strategy for funeral plan sales initiated through branch network

- With the arrival of Zillah Byng-Thorne as CEO, the strategic blueprint will be revisited and defined ahead of a sustained period of investment & execution to create the UK's leading end of life provider

2023 Financial Summary

Dignity Group Holdings Limited

	FY'23	FY'22	Mvt
Number of deaths ('000s)	**646.7**	638.8	1%
Underlying revenue £m	**283.4**	270.4	5%
Underlying costs £m	**233.2**	223.4	4%
Underlying EBITDA	**50.2**	47.0	7%
Underlying cash generated from operations £m	**50.0**	44.1	13%
CAPEX £m	**30.0**	29.7	1%
Net Debt £m	**521.0**	508.8	2%

- EBITDA - Trading Group – Underlying earnings before interest, tax, depreciation and amortisation is a profit measure calculated before non-underlying items and other adjustments.
- Underlying cash generated from operations excludes non-underlying items and other adjustments on a cash paid basis and £30m Trust surplus received.
- Non-underlying items includes 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.
- Other adjustments includes the consolidation of the Trusts, the impact of IFRS 15 'Revenue from Contracts with Customers'.

- Death rate marginally higher at 647k, albeit there was a material slowdown in 2H 23 which has continued into 2024
- Revenue growth of 5% to £283m driven by a combination of the marginally higher death rate and price increases implemented in July-23
- Costs increased 4% to £233m driven by salary and property inflation, albeit these were partly mitigated by cost saving initiatives in 2H
- CAPEX slowed in 2H while strategic evaluation of the funeral estate was undertaken
- Net debt is higher than FY22 driven by the full drawn of the Phoenix UK facility in H1 23, £7m capital from new owners and £6m consent fees, albeit the position improved in 2H due to a £30m withdrawal of surplus funds from a Funeral Plan Trust

Divisional performance

Funerals

- Revenue growth of 6% to £186m reflecting a combination of broadly stable volumes and price increases, alongside a small change in funeral mix year-on-year
- Cost inflation across key items impacting profitability, with improving position in H2 following tighter control.
- Average revenue of £2,409 (+5%), with Attended up 13%
- Price increases implemented in July and November 2023 to mitigate continued inflation and improve profitability

Crematoria

- Revenue growth of 6% to £87m driven by a combination of volume growth (+1%) and price increases, partly offset by the mix impact of an increased number of Direct Cremations
- Costs reflect inflationary pressures across People & Utilities
- Price increases implemented in February 2024 to mitigate ongoing inflationary environment across the material cost categories

	Funerals	Crematoria	Central	Pre-arranged funeral plans	Group
	£m	£m	£m	£m	£m
Underlying EBITDA FY 2022	**29.8**	**48.3**	**(31.1)**	0.0	**47.0**
Impact of:					
Number of deaths[1]	2.2	1.0	0.0	0.0	3.2
Market share[1]	(1.7)	(0.1)	0.0	0.0	(1.8)
Average revenues[1]	9.2	4.0	0.0	0.0	13.2
Cost base changes	(8.7)	(4.2)	0.8	0.7	(11.4)
Underlying EBITDA FY 2023	**30.8**	**49.0**	**(30.3)**	**0.7**	**50.2**

(1) Represents revenue impact

Funeral Plans

- Historically a 'zero-sum' impact on Group profitability as marketing & admin withdrawals from the Trusts offset costs.
- Profit reflects catch up in cost recovery previously guided to.

Central overheads

- Broadly in line with FY22 with cost action offsetting inflationary pressure

Capital & Covenants

Dignity Group Holdings Limited

Net Debt	FY'23 £m	FY'22 £m
Secured Notes	**499.6**	516.1
Unamortised issue costs	**6.0**	0.4
Phoenix UK Fund Limited loan	**50.8**	-
Loan from immediate parent company	**7.3**	-
Gross debt	**563.7**	516.5
Cash and cash equivalents - Trading Group	**42.7**	7.7
Underlying Net Debt	**521.0**	508.8

- Net debt has increased to £521m reflecting cash requirements of the business that were in excess of the cash generated by the business in the period
- Phoenix facility (£50m) fully drawn in H1 2023 to meet obligations and pay expenses relating to the acquisition of Dignity plc
- £7m capital injection from new owners via loan from parent company
- Cash position improved in 2H 2023 aided by a £30m withdrawal of surplus funds from one Funeral Plan Trust. A further withdrawal of £20m was made in early 2024 from another Funeral Plan Trust
- Focus on ensuring the business transitions towards a position where it can self-fund its ongoing run-rate operations

Dignity (2002) Limited

Coverages & Covenants (include equity cure)

	Target	52 week period ending 29-Dec-23 £m	52 week period ending 30-Dec-22 £m
EBITDA for the Relevant Period		**37.4**	32.3
Equity cure for the Relevant Period		**16**	34.3
Free Cashflow for the Relevant Period		**26.7**	19.5
Debt Service for the Relevant Period		**33.8**	33.9
Financial Covenant			
EBITDA + equity cure DSCR	>=1.5	**1.58**	1.96
Restricted Payment Condition			
Free Cashflow DSCR	>=1.4	**0.79**	0.58
EBITDA + equity cure DSCR	>=1.85	**1.58**	1.96

- Operating performance in line with Group commentary
- There was a cash transfer made of £16.0 million in the Relevant Period ending 29 December 2023
- £13.3 million was required to ensure the DSCR ratio was 1.5 with an additional £2.7 million equity cure

Consents

There are two live consents with Noteholders:

Consent solicitation with Noteholders – partial redemption of the Class A Notes and temporary covenant waiver

- On 7 September 2022, a consent solicitation was launched with Class A Noteholders. This sought certain consents from Class A Noteholders for a potential transaction involving the realisation of value from selected crematoria assets, with the proceeds of such a transaction being applied towards a partial redemption of the Class A Notes, in line with the provisions of the current documentation
- On 7 August 2023, a further consent solicitation exercise was launched with the Class A Noteholders. The purpose of such proposals was to allow for £70 million (to be applied towards prepayment of the Class A Notes) to be funded from a wider variety of sources and not just a sale of the selected crematoria assets referred to above
- The September 2023 consent also: (i) reinstated the Financial Covenant waiver previously granted in 2022 (referred to above) for each Relevant Period ending on or before 30 June 2024 (or 31 December 2024 where the Borrower has delivered a certificate of intention to partially redeem the Class A Notes as envisaged by the consent solicitation), albeit there was a requirement to completely equity cure as a condition to the waiver as opposed to a cap; (ii) made certain changes to the calculation of Debt Service so as to enable a pay-down of debt to immediately be reflected in the calculation thereof; (iii) changed the definition of Material Adverse Effect so as to correct a manifest error in the documentation; and (iv) effectively extended (subject to certain milestones) the time period for the pay-down of the £70 million to the end of December 2024

Consent solicitation with Noteholders – full redemption of the Class A and Class B Notes

- On 20 November 2023, a further consent solicitation with respect to both the Class A and Class B Noteholders was launched in order to afford the Group the necessary flexibility to effect a holistic refinancing transaction which, if successfully executed, would allow for the Class A Notes to be redeemed in full at 100 per cent. of their then Principal Amount Outstanding and the Class B Notes to be redeemed in full at 84.25 per cent. of their then Principal Amount Outstanding, in each case on or before the Interest Payment Date falling in December 2024
- In addition, the December 2023 consents made certain amendments to the previous consent approved by Class A Noteholders in September 2023, such that: (i) cash paid by Dignity Group Holdings Limited to the Securitisation Group during the period from 30 September 2023 to 31 December 2023 (Q4 2023) would count towards the calculation of EBITDA for the Financial Covenant for each period in respect of which Q4 2023 forms part; and (ii) where the Borrower has delivered a certificate to the Security Trustee confirming that the proposed refinancing is expected to occur by the Interest Payment Date falling in December 2024, then the Financial Covenant waiver referred to above would apply to each Relevant Period ending on or before 31 December 2024.

Work remains ongoing to deliver a successful outcome for all stakeholders and further updates will be provided at the appropriate time

Summary and outlook

- Continue to make good progress since the acquisition by Valderrama

- Overall, we are pleased with performance to date, albeit the continued softness in the death rate will mask underlying improvements in 1H24

APPENDIX

Secured Notes amortisation

Capital structure	2024 £m	2025 £m	2026 £m	2027 £m	2028 £m	2029 £m	2030 £m	2031 £m	2032 £m	2033 £m	2034 £m	2035 £m	2036 £m
Interest on Class A & B Notes	21.9	21.5	21.1	20.7	20.2	19.8	19.3	18.8	18.3	17.7	17.2	16.5	15.7
Principal repayments on Class A & B Notes	11.3	11.7	12.1	12.6	13.0	13.5	14.0	14.5	15.0	15.5	16.0	16.9	17.7
Cash cost	**33.2**	**33.2**	**33.2**	**33.3**	**33.2**	**33.3**	**33.3**	**33.3**	**33.3**	**33.2**	**33.2**	**33.4**	**33.4**

Capital structure	2037 £m	2038 £m	2039 £m	2040 £m	2041 £m	2042 £m	2043 £m	2044 £m	2045 £m	2046 £m	2047 £m	2048 £m	2049 £m
Interest on Class A & B Notes	14.9	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	18.5	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**	**33.4**	**33.3**	**33.3**	**33.3**	**33.3**	**33.3**	**33.2**

EBITDA / operating loss reconciliation

	52 week period ending 29-Dec-23 £m	52 week period ending 30-Dec-22 £m
EBITDA per covenant calculation – Securitisation Group	**37.4**	32.3
Add: EBITDA of entities outside of Securitisation Group	**1.6**	2.8
Less: Non-cash items	**(0.2)**	(0.9)
Adjustment for prior year adjustment	-	0.7
EBITDA – Trading Group	**38.8**	34.9
Adjustment for the impact of IFRS 16	**11.4**	12.1
Underlying EBITDA	**50.2**	47.0
Less: Depreciation and amortisation	**(27.7)**	(32.2)
Less: Exceptional costs excluded from covenant calculations	**(87.6)**	(217.7)
Adjustment for the impact of Trust consolidation and IFRS 15	**(0.9)**	2.5
Statutory operating loss	**(66.0)**	(200.4)