



DIGNITY PLC **INVESTOR PRESENTATION**

For the 26 week period ended 26 June 2020





INTERIM RESULTS



2020 Financial Performance

	26 week period ended 26 June 2020	26 week period ended 28 June 2019 restated	Increase per cent
Underlying revenue (£million)	169.1	155.3	9
Underlying operating profit (£million)	39.0	36.7	6
Underlying profit before tax (£million)	26.5	23.9	11
Underlying earnings per share (pence)	41.8	37.8	11
Underlying cash generated from operations (£million)	54.9	41.3	33
Revenue (£million)	197.1	176.0	12
Operating Profit (£million)	42.7	35.2	21
(Loss)/profit before tax (£million)	(13.6)	58.3	
Basic (loss)/earnings per share (pence)	(20.6)	95.0	
Cash generated from operations (£million)	40.4	39.2	3
Number of deaths	368,000	300,000	23

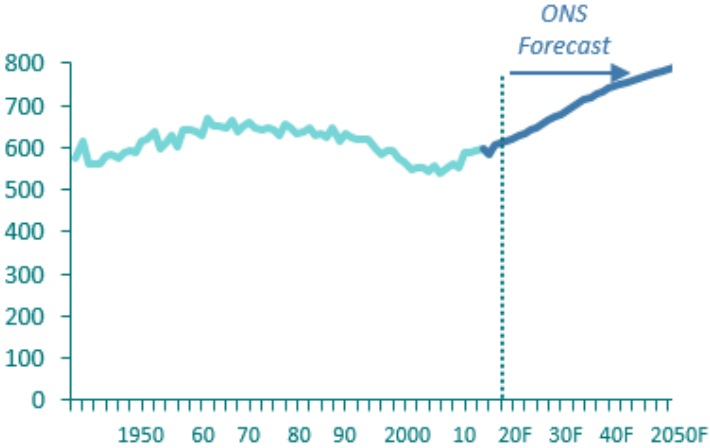
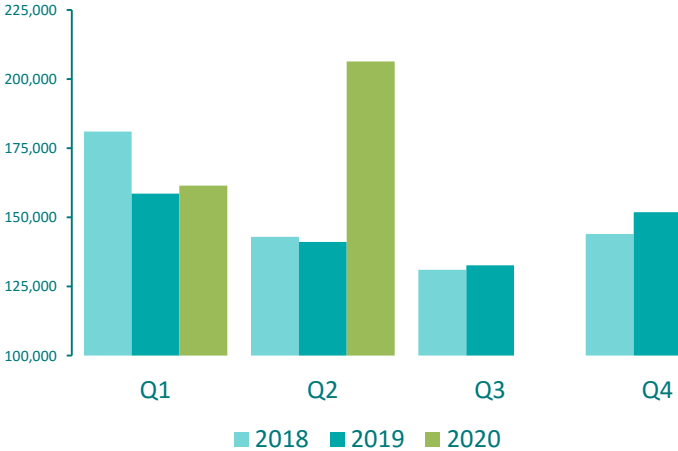
Alternative performance measures (APMs)

All measures marked as underlying in the table above and throughout this presentation 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.

Interim 2020 key points

- Number of deaths significantly higher than average principally due to COVID-19
- Funeral market share broadly stable
- Average income per funeral materially lower due to restrictions in client choices
- Strategic review on target notwithstanding impact of COVID-19
- CMA Provisional Decision Report due by end of August
- Business has prepared for possibility of lower volumes in coming years than original ONS expectations

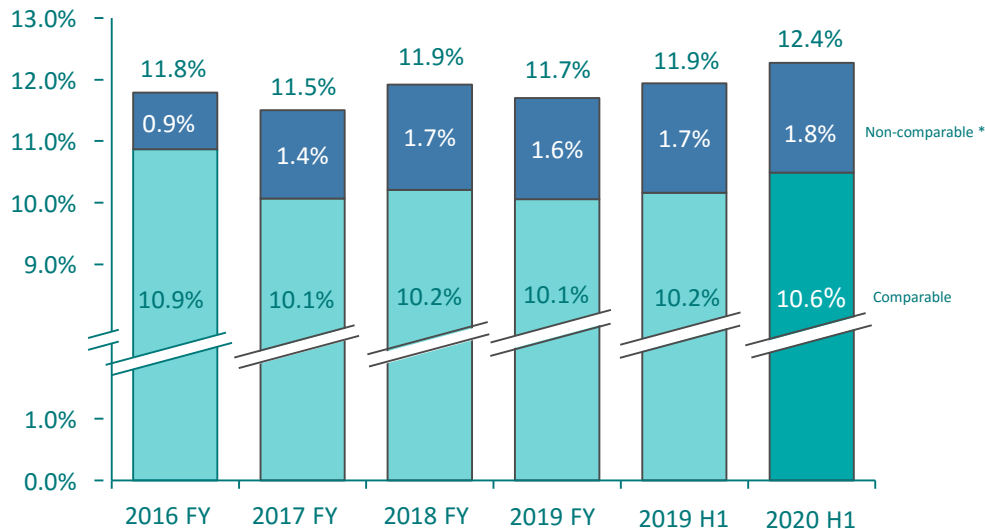
Number of deaths



Market share

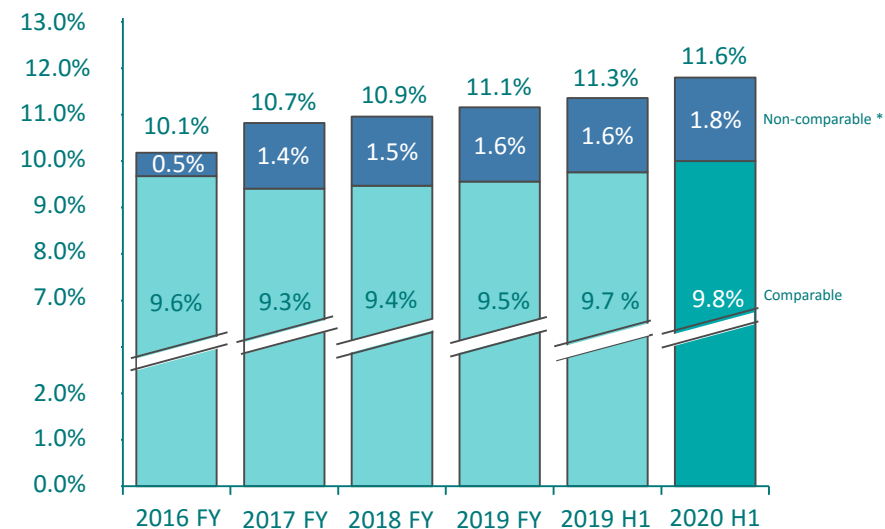
Funeral Comparable/non-comparable volume market share

Percent



Cremation Comparable/non-comparable volume market share

Percent



Note: * Non-comparable includes volumes from All Acquisitions 2015 to 2019

Funeral mix and underlying average income

		FY	Q1	Q2	H1	Q1	Q2	H1
		2019	2020	2020	2020	2019	2019	2019
Funeral type		Actual	Actual	Actual	Actual	Actual	Actual	Actual
Underlying average revenue (£)	Full service	3,578	3,521	3,080	3,341	3,542	3,585	3,558
	Simple and Limited service	2,047	1,972	1,953	1,956	2,159	2,000	2,089
	Pre-need	1,846	1,894	1,869	1,880	1,826	1,789	1,806
	Other (including Simplicity)	770	888	1,212	1,205	773	734	756
Volume mix (%)	Full service	52	50	26	37	52	53	52
	Simple and Limited service	14	14	37	26	14	13	14
	Pre-need	27	29	28	28	27	28	28
	Other (including Simplicity)	7	7	9	9	7	6	6
Underlying weighted average (£)		2,699	2,648	2,136	2,360	2,691	2,705	2,694
Ancillary revenue (£)		231	175	49	101	213	233	225
Underlying average revenue (£)		2,930	2,823	2,185	2,461	2,904	2,938	2,919
Full service volume as a percentage of full, simple and limited (%)		79	78	41	59	79	80	79

Average income per funeral in Q2 2020 impacted by limitations imposed by COVID-19 pandemic

Most recent data indicates 60 per cent of funerals are full service rather than simple

Crematoria & Memorial Group

- 11.6% share of all deaths (June 2019: 11.3%)
- Average cremation revenue reduced to £875 (June 2019: £911) due to a greater proportion of direct cremations
- Memorial income per cremation considerably down due to grounds being closed due to the pandemic
- 4 locations with planning consent for new crematoria. Strategic review will determine the next course of action

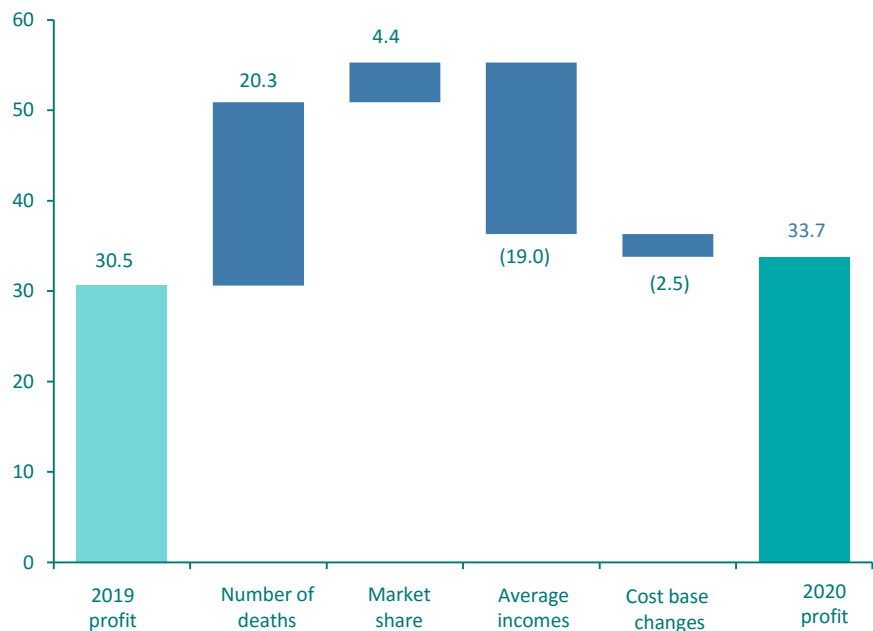
Pre-arranged Operations

- 537,000 active pre-arranged funerals as at the end of June (June 2019: 503,000)
- Demand for plans remains clear and the Group is optimistic of its ability to market plans in the future
- Pre-need trustees are reviewing investment strategy, focused on providing the Trading Group with greater Cash Flow certainty in a rolling five year period

Financial performance – Funeral services

Funeral services financial performance (2019 – 2020)

Millions of pounds

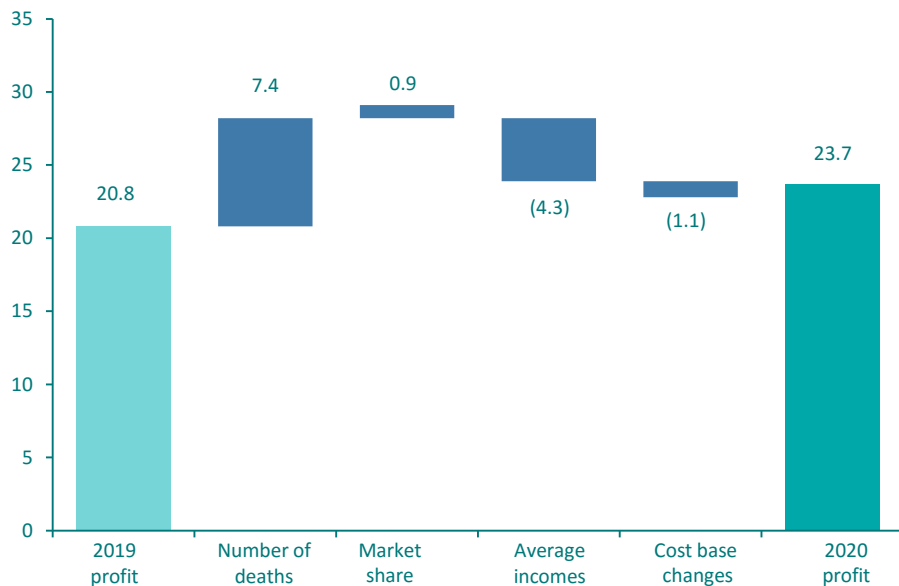


Financial summary	26 week period ended 26 June 2020	26 week period ended 28 June 2019	% Change
Underlying operating profit (£m)			
Funeral services	33.7	30.5	10.5
Crematoria	23.7	20.8	13.9
Pre-arranged funeral plans	-	-	-
Central overheads	(18.4)	(14.6)	26.0
Underlying operating profit (£m)	39.0	36.7	6.3

Financial performance – Crematoria

Crematoria financial performance (2019 – 2020)

Millions of pounds

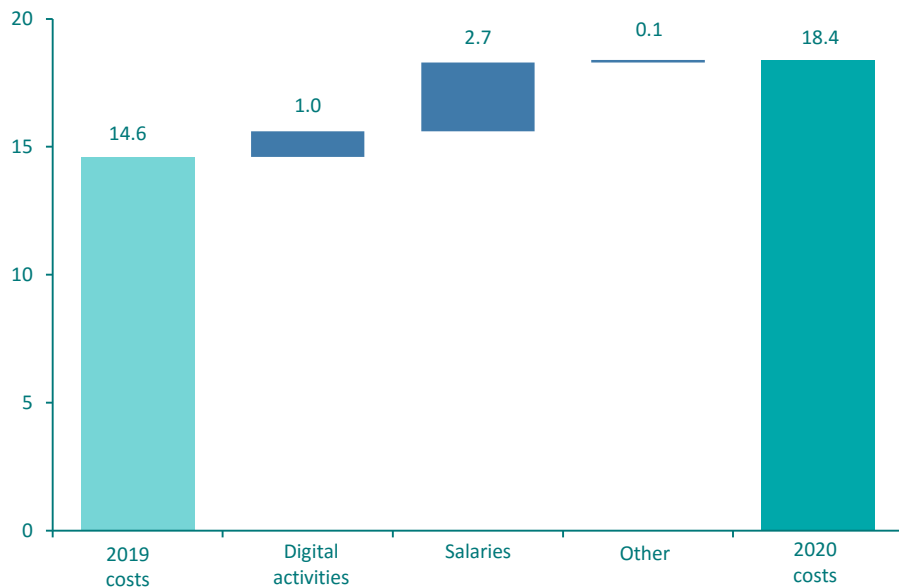


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Financial performance – Central overheads

Central overheads financial performance (2019 – 2020)

Millions of pounds



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Cash conversion

Cash generation summary	26 wks	26 wks	26 wks	26 wks	52 wks	52 wks
	26-Jun	26-Jun	28-Jun	28-Jun	27-Dec	27-Dec
	2020	2020	2019	2019	2019	2019
£m (except for amounts per share)	Profit	Cash	Profit	Cash	Profit	Cash
Underlying EBITDA	48.9		46.7		82.6	
Underlying cash generated from operations		54.9		41.3		71.8
Underlying depreciation and amortisation	(9.9)		(10.0)		(19.3)	
Maintenance capital expenditure		(4.5)		(3.9)		(9.8)
Underlying operating profit	39.0		36.7		63.3	
Underlying operating cash flow after capital expenditure		50.4		37.4		62.0
Underlying net finance costs	(12.5)		(12.8)		(25.6)	
Net finance payments		(12.1)		(12.4)		(24.5)
Underlying profit before tax	26.5		23.9		37.7	
Underlying cash generated before tax		38.3		25.0		37.5
Tax on underlying earnings	(5.6)		(5.0)		(7.4)	
Tax paid		(4.7)		(5.0)		(7.9)
Underlying earnings	20.9		18.9		30.3	
Underlying cash after tax		33.6		20.0		29.6
Weighted average number of ordinary shares in issue during the period (million)	50.0	50.0	50.0	50.0	50.0	50.0
Underlying earnings per share (pence)	41.8		37.8		60.6	
Cash per share (pence)		67.2		40.0		59.2

- Cash generation remains strong
- Timing differences on working capital

Capital structure

Securitisation

- Main source of debt funding continues to be from the Group's securitisation structure, which was restructured in 2014
 - £547.0 million principal outstanding publicly traded investment grade securitised debt in issue, £238.9 million issued at c.3.5% and £356.4 million issued at c.4.7%, overall cost c.4.2%
 - Fixed coupon and fully amortising – equates to annual cash debt service of £33.2 million per annum
 - Governed by EBITDA: DSCR ratio – at least 1.5:1
 - No remedial action required in respect of the Secured Notes in issue despite lower rating by S&P and Fitch
 - July 2020 restructure helps covenant headroom prospectively

Revolving credit facility

- £10 million revolving credit facility until July 2021 following internal restructure
 - Option to renew for a further year with RBS agreement
 - Margin of 150 – 225 basis points over LIBOR (depending on leverage)

Net debt

	26-Jun 2020 £m	28-Jun 2019 £m	27-Dec 2019 £m
Net amounts owing on Secured Notes	(546.5)	(551.3)	(551.3)
Add: unamortised issue costs	(0.5)	(0.5)	(0.6)
Gross amounts owing	(547.0)	(551.8)	(551.9)
Accrued interest on Secured Notes	(12.1)	-	(12.2)
Accrued interest on Revolving Credit Facility	-	(0.2)	-
Cash and cash equivalents - Trading Group	80.3	49.8	57.9
Net debt	(478.8)	(502.2)	(506.2)



CMA & Pre-need regulation

CMA

- On 28 May 2020, the CMA issued an updated administrative timetable. Consequently, their Provisional Decision Report is expected in August 2020. This will be followed by response hearings in the autumn, which the Group anticipates being invited to participate in
- The CMA has set a deadline of 29 January 2021 for any final responses to the Provisional Decision Report, consistent with their legal requirement to issue the Final Decision Report on or before 27 March 2021
- The Group has continued to engage positively with the CMA, responding to its information requests expediently and also providing detailed information to highlight the significant industry changes in 2019 and 2020, even before the impact of the pandemic
- The Group will make further announcements as appropriate

2018

CMA announced a market study into the funeral industry.

November 2018 CMA issued funeral market study interim report and consultation.

2019

In April 2019 CMAs issue statement published.

2020

June 2020 deadline for all parties' responses to working papers published in February.

August 2020 Provisional Decision Report.

September/ October 2020 Provisional Decision response hearings.

2021

March 2021 Statutory deadline.

2018

Dignity's response to interim report.

2019

Dignity letter issue in January 2019.

2020

June 2020 deadline for final submissions before the Provisional Decision Report.

2021

January 2021 final deadline for all parties' responses before final report.

Pre-need regulation

- As confirmed on 7 May 2020, HM Treasury intend to introduce secondary legislation in the fourth quarter of 2020 to bring pre-arranged funeral plans firms under the remit of the Financial Conduct Authority
- Regulation of the pre-need industry should follow 18 months after the enactment of this legislation
- Whilst the precise implications of regulation are not yet known, the Group continues to believe that regulation is necessary and welcomes its planned introduction as a required forerunner to further industry growth



Outlook

Outlook

Given the various uncertainties currently facing the business, the Group is not providing guidance on 2020 and beyond. We are however confident that the strategic review will result in a sustainable growth plan for the business, leaving it ready to respond to whatever challenges are presented by its markets and other external factors, which we remain determined to deliver without dilution for shareholders.

Executive Chairman's statement

“The turbulent trading conditions experienced in recent months have reinforced the need for businesses to be managed proactively in order to respond promptly to unexpected events. In particular, I would like to pay tribute to our staff, whose tireless efforts to support each other and our clients during these testing times has gone some way to allowing adequate closure for the bereaved. Their professionalism and flexibility has been crucial to providing respectful, high quality care to the deceased and their families notwithstanding the daily obstacles presented by the pandemic: whether it be high levels of colleague absence, the costly challenge of sourcing personal protective equipment or managing the pressure on mortuary space.

Their resilience leaves me in no doubt that the conclusion of our root and branch review of the business will ensure the Group is ready for any challenge in the future. In the interim, our focus on controlling discretionary spending will enhance covenant headroom, which together with appropriate cash management will provide the time necessary to implement those plans without the need for external capital.

With the exception of business rates relief, we expect to complete 2020 without any direct financial support from shareholders, nor indeed Her Majesty's Government, without furloughing any employee and having reinvested any benefit from business rates relief in the protection of the welfare of our staff and our clients.”

Forward-looking statements

This presentation and the Dignity plc investor website may contain certain 'forward-looking statements' with respect to Dignity plc ('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 presentation 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 in this statement. 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 presentation 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.



APPENDICES

Alternative performance measures

Prior year adjustments

As described in the Annual Report & Accounts for the period to 27 December 2019, the Group has changed its accounting policy in respect of certain pre-arranged funeral plan trusts and revised its adoption of IFRS 15 accordingly. These changes were applied retrospectively and therefore certain statutory amounts in respect of the 26 week period ended 28 June 2019 have been restated on the same basis.

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Non-underlying items

Income statement

	Funerel services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
26 week period ended 26 June 2020					
Non-trading					
Amortisation of acquisition related intangibles	2.0	0.2	0.1	-	2.3
External transaction costs	0.1	-	-	0.1	0.2
Loss on sale of fixed assets	0.1	-	-	-	0.1
Non-recurring					
Transformation Plan costs	-	-	-	3.8	3.8
Operating and competition review costs	-	-	-	1.2	1.2
	2.2	0.2	0.1	5.1	7.6
Taxation					(1.4)
					6.2
26 week period ended 28 June 2019					
Non-trading					
Amortisation of acquisition related intangibles	2.1	0.2	0.1	-	2.4
External transaction costs	-	0.2	-	-	0.2
Profit on sale of fixed assets	(0.9)	-	-	-	(0.9)
Non-recurring					
Transformation Plan costs	-	-	-	4.3	4.3
Operating and competition review costs	-	-	-	1.7	1.7
	1.2	0.4	0.1	6.0	7.7
Group's share of loss of associated undertakings					0.3
Taxation					(1.4)
					6.6
52 week period ended 27 December 2019					
Non-trading					
Amortisation of acquisition related intangibles	4.2	0.5	0.1	-	4.8
External transaction costs	-	0.7	0.1	0.1	0.9
Profit on sale of fixed assets	(1.0)	-	-	-	(1.0)
Non-recurring					
Transformation Plan costs	-	-	-	12.1	12.1
Operating and competition review costs	-	-	-	3.5	3.5
Trade name write-off	6.8	-	-	-	6.8
	10.0	1.2	0.2	15.7	27.1
Group's share of loss of associated undertakings					0.6
Impairment of investments in associated undertakings					5.4
Taxation					(4.9)
					28.2

Cash Flow

	26 week period ended		52 week period ended
	26-Jun 2020	28-Jun 2019	27-Dec 2019
	£m	restated £m	£m
Cash flows from operating activities	40.4	39.2	64.6
Cash flows of other adjustments - Trusts	15.7	(3.2)	(7.6)
Cash flows from operating activities - Trading Group	56.1	36.0	57.0
Other adjustments - IFRS 16	(6.0)	-	-
External transaction costs	-	0.6	0.8
Transformation Plan costs	3.8	4.2	11.2
Operating and competition review costs	1.0	0.5	2.8
Underlying cash generated from operations	54.9	41.3	71.8

Secured Notes amortisation

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Capital structure															
Interest on Class A & B Notes	23.4	23.1	22.7	22.3	21.9	21.5	21.1	20.7	20.2	19.8	19.3	18.8	18.3	17.7	17.2
Principal repayments on Class A & B Notes	9.8	10.2	10.5	10.9	11.3	11.7	12.1	12.6	13.0	13.5	14.0	14.5	15.0	15.5	16.0
Cash cost	33.2	33.3	33.2	33.2	33.2	33.2	33.2	33.3	33.2	33.3	33.3	33.3	33.3	33.2	33.2
	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Capital structure															
Interest on Class A & B Notes	16.5	15.7	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	16.9	17.7	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	33.4	33.4	33.3	33.3	33.3	33.3	33.3	33.2

EBITDA reconciliation

	H1 26-Jun-20 £m	LTM 26-Jun-20 £m	LTM 28 Dec 2019 £m
EBITDA per covenant calculation - Securitisation Group	41.7	73.0	72.3
Add: EBITDA of entities outside Securitisation Group	8.0	13.3	11.6
Less: Non cash items	(0.8)	(1.5)	(1.3)
Underlying operating profit before depreciation and amortisation – Group	48.9	84.8	82.6
Underlying depreciation and amortisation	(9.9)	(19.2)	(19.3)
Non-underlying items	(7.6)	(27.0)	(27.1)
Impact of Trust consolidation and IFRS 15	9.9	12.3	8.6
Impact of IFRS 16	1.4	1.4	-
Operating profit	42.7	52.3	44.8