DIGNITY NOTEHOLDER PRESENTATION

for the 52 week period ended 28 June 2024

Executive Summary

Making good progress across a number of key areas:

- Funeral estate right-sizing continued across 1H resulting in further closures of uneconomic branches
- Cost control actions implemented in 2023 starting to translate into an improved financial performance
- Funeral Plan Trust Surplus of £100m accessed in June while continuing to leave the Trusts very well capitalised
- Early repayment of the A Notes
  - £15.6m (£15.6m cash) in June
  - £67.0m (£65.0m cash) in July through the Tender Offer
- Zillah Byng-Thorne started as CEO in June, with further experience and expertise hired across key roles such as Chief Technology Officer (Mike Seery) and MD – Funeral Plans (Zack Sullivan)

- Market update provided on 18 September noting that the Group no longer expects to be able to effect the Proposed Refinancing that had previously been agreed with the Noteholders.
- 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

	H1'24	H1'23	Mvt
Number of deaths ('000s)	**322.3**	343.5	(6)%
Underlying revenue £m	**140.4**	151.7	(7)%
Underlying costs £m	**111.6**	124.6	10%
Underlying EBITDA £m	**28.8**	27.1	6%
Trust surplus received £m	**120.0**	-	0%
Underlying cash generated from operations £m	**20.5**	20.5	0%
CAPEX £m	**5.1**	18.4	(72)%
Net Debt £m	**418.6**	543.6	23%

- 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 6% lower at 322k, a continuation of the H2’23 trajectory
- Revenue 7% lower at £140m driven by a combination of the lower death rate, a reduction in market share partially off-set by price increases
- Costs reduced by 10% to £112m reflecting the efficiency initiatives implemented in H2’23
- Trust Surplus received in H1’24 totalling a £120m of gross cash (£20m in January; £100m in June), this being in addition to the £30m of gross cash received in H2’23
- As a consequence of Trust Surplus receipts net debt is lower at £418.6m. This position reflects a timing benefit of not having paid the associated taxes due on the Trust Surplus receipts received in June

Divisional Performance

Funerals

- Revenue is 6% lower at £95m reflecting a combination of 12% lower volumes (predominantly driven by a lower UK death rate and branch closures), partly off-set by an increase in average revenues of 7% to £2,560
- Tight cost control in the Funeral division improved profitability by £13.1m
- Overall EBITDA improved 45% to £24.0m

	Funerals	Crematoria	Central	Pre-arranged funeral plans	Group
	£m	£m	£m	£m	£m
Underlying EBITDA H1'23	**16.6**	**26.6**	**(14.5)**	(1.5)	**27.2**
Impact of:					
Number of deaths[1]	(5.8)	(2.7)	-	-	(8.5)
Market share[1]	(6.4)	(2.9)	-	-	(9.3)
Average revenues[1]	6.5	3.3	-	(3.3)	6.5
Cost base changes	13.1	(0.6)	(0.3)	0.7	12.9
Underlying EBITDA H1'24	**24.0**	**23.7**	**(14.8)**	**(4.1)**	**28.8**

(1) Represents revenue impact

Crematoria

- Revenue is 5% lower at £44m largely reflecting a 12% reduction in volumes from the lower death rate in the UK and the exit of a Local Authority relationship, partly offset by price increases implemented in early 2024 to mitigate inflationary pressures
- Costs in the Crematoria division were marginally higher year-on-year as tight cost control was unable to fully mitigate inflationary pressures
- Overall this resulted in an EBITDA of £23.7m, this being 11% lower than H1’23

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. Expect this position to improve in H2’24

Central overheads

- Broadly in line with H1’23 with cost action offsetting inflationary pressure

Dignity (2002) Limited Group Cash

- Consolidated cash position of £200m, includes £73.5m of cash held within the Funeral Plan Trusts - cash available to Dignity as at 28 June was £126.6m
- In addition to the gross Trust Surplus funds received, Dignity has also generated funds from its freehold disposal program (~£6m received to-date from a program total target of £20-25m after tax and fees)
- £67m of Class A Notes at 97 per cent of their outstanding principal amount, £65m cash, was returned to Noteholders in July through the Tender Offer
- £30m is held in the Loan Payments Account to settle future tax liabilities (predominantly associated with the income received from the Trust Surplus)
- Remaining £30m held to support business operations and CAPEX
- CAPEX agenda to support growth and regulation, inc. mercury abatement
- If there is available cash, in excess of business requirements, then we will consider further prepayments at future interest payment dates

	52 week period ending 28-Jun-24 £m	Post debt prepayment* July -24 £m	52 week period ending 29-Dec-23 £m
Dignity (2002) Limited consolidated cash	**200.1**	**135.1**	40.1
Less: Pre-need Trusts cash	**(73.5)**	**(73.5)**	(10.0)
Cash – Securitisation Trading Group	**126.6**	**61.6**	30.1
Represented by:			
Loan Payments Account	**32.4**	**32.4**	4.2
Elective Capex Account	**78.3**	**13.3**	18.6
Principal Reserve Account	**-**	**-**	-
Issuer Transaction Account	**0.1**	**0.1**	0.1
Cash held for operations	**15.3**	**15.3**	6.7
Other	**0.5**	**0.5**	0.5
Cash – Securitisation Trading Group	**126.6**	**61.6**	30.1

*£65 million of Class A Notes were prepaid in July 2024

Capital & Covenants

Dignity Group Holdings Limited

Net Debt	H1'24 £m	H1'23 £m
Secured Notes	**479.2**	511.1
Unamortised issue costs	**5.8**	0.4
Phoenix UK Fund Limited loan	**53.0**	50.3
Amounts owed to group undertakings	**10.7**	-
Gross debt	**548.7**	561.8
Cash and cash equivalents - Trading Group	**130.1**	18.2
Underlying Net Debt	**418.6**	543.6

- Net debt improved £125m to £418.6m driven by Trust Surplus withdrawals in H1’24
- £10m capital injection from owners via loan from parent company (£7m H2’23; £3m H1’24)
- Focus remains on improving cash generation to ensure the business is able to self-fund its ongoing requirements

Dignity (2002) Limited

Coverages & Covenants (include equity cure)

	Target	52 week period ending 28-Jun-24 £m	52 week period ending 29-Dec-23 £m
EBITDA for the Relevant Period		**39.8**	37.4
Equity cure for the Relevant Period		**15.4**	16.0
Free Cashflow for the Relevant Period		**24.5**	26.7
Debt Service for the Relevant Period		**32.0**	33.8
Financial Covenant			
EBITDA + equity cure DSCR	>=1.5	**1.73**	1.58
Restricted Payment Condition			
Free Cashflow DSCR	>=1.4	**0.77**	0.79
EBITDA + equity cure DSCR	>=1.85	**1.73**	1.58

- Cash transfer of £15.4 million in the Relevant Period was required to ensure the DSCR ratio was 1.5
- Following the settlement of the July 2024 Tender Offer on 16 July 2024 (£67.0 million principal prepayment of Class A Notes), the Debt Service for the Relevant Period is expected to reduce to c£24.2m per annum until 2035.
- The DSCR ratio, had this been applied to the financial covenant test as at 28 June 2024, would have been 1.60:1

Consents

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

- On 15 July, Dignity confirmed that the Minimum Proceeds Amount had been reduced to zero and that the IBLA will be amended and restated to reflect the consent

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

- On 18 September, Dignity announced that it no longer expects to be able to complete the Proposed Refinancing by 31 December

Current focus & Outlook

Current focus

- Embed new operating model into Funerals
- Return Crematoria to growth through targeting new direct cremation partnerships and enhancing the customer proposition for memorials

Summary & Outlook

- Business performance continues to move in the right direction, albeit the death rate remains lower than H2’23
- Corporate actions have started to address the capital structure through the early repayment of £82.6m of A Notes
- Team materially strengthened
- H1’24 trends expected to continue in H2’24 and are confident in the trajectory of the business for the full year

APPENDIX

Secured Notes amortisation – post £15.6m and £67m prepayment

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Capital structure	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Interest on Class A & B Notes	9.4	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	2.4	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	**11.8**	**23.8**	**23.8**	**23.8**	**23.8**	**23.8**	**23.8**	**23.8**	**23.8**	**23.8**	**23.8**	**33.4**	**33.4**

	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
Capital structure	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£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

	52 week period ending **28-Jun-24** **£m**	52 week period ending 29-Dec-23 £m
EBITDA per covenant calculation – Securitisation Group	**39.8**	37.4
Add: EBITDA of entities outside of Securitisation Group	**1.4**	1.6
Less: Non-cash items	**(0.6)**	(0.2)
EBITDA – Trading Group	**40.6**	38.8
Adjustment for the impact of IFRS 16	**11.2**	11.4
Underlying EBITDA - Trading Group	**51.8**	50.2