Funeral firm Dignity swept up by investors in £281m takeover deal

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uneral firm Dignity has been swept up by a group of investors linked to its former chief executive in a takeover move worth around £281 million, as it cautioned investors over tumbling profits.

A bidding consortium consisting of SPWOne V Ltd and Castelnau Group, whose investment manager is Phoenix Asset Management Partners, made a final offer of 550p per each share, which Dignity said it had accepted.

Castelnau and Phoenix were already major shareholders of Dignity, with a combined stake of 29.08% prior to the takeover offer.

The deal values the group at £789 million when taking into account both its market cap and the cost to pay off its debts.

Gary Channon, former chief executive officer of Dignity, co-founded Phoenix and works as its chief investment officer, which Dignity said will allow investors to benefit from his previous leadership.

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The group said that the deal will give shareholders the opportunity to receive a cash premium for investing in Dignity at a time that it is facing “a number of uncertainties”, and that the firm will benefit from becoming private.

Increased competition in the funerals market, introducing cheaper funeral options like direct cremations, and a more cash-conscious consumer have all impacted the business’s performance over the past year.

Sir Peter Wood, chair of SPWOne, said: “Dignity has long-term growth potential – the signs are clear to me.

“However, given the challenges and significant development work needed, the best way forward for Dignity is as a private company, benefiting from our unique combination of experience and customer-orientated expertise.

“We are offering a very fair price in cash, or shareholders can stay on the journey with us as we look to implement our strategy to create significant value over the medium term.”

Dignity also revealed on Monday that it expects its underlying operating profits to have more than halved last year compared to the previous year, hitting a maximum of £20 million, down from £55.8 million in 2021.

Underlying revenues are expected to be no more than £275 million, a drop from £312 million the prior year.

And the group’s net debt position is set to have increased to £508 million at the end of 2022.

Dignity said it is putting a new strategy in place which is beginning to show early signs of increasing its share of the market, and address its operational challenges.

“However, as previously reported, performance continues to be impacted by changes in pricing strategy and the continued shift towards lowered-priced products, despite higher-than-average death rate persisting post-Covid”, the firm said.

Shares in Dignity jumped by nearly 8% on Monday morning.