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Condensed Interim Consolidated Financial Statements

As at and for the three months ending
March 31, 2021 and 2020 | Unaudited



PARK LAWN
CORPORATION

PARK LAWN CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2021 AND DECEMBER 31, 2020
(UNAUDITED)

	March 31, 2021	December 31, 2020
Assets		
Current assets		
Cash	\$ 41,339,062	\$ 31,475,091
Accounts receivable	15,808,920	14,015,313
Pre-need receivables, current portion (Note 4)	33,849,837	33,120,302
Inventories, current portion (Note 5)	11,626,946	12,103,621
Prepaid expenses and other assets (Note 14)	5,204,380	11,971,945
	<u>107,829,145</u>	<u>102,686,272</u>
Non-current assets		
Pre-need receivables, net of current portion (Note 4)	72,619,270	72,013,545
Inventories, net of current portion (Note 5)	91,732,776	95,211,242
Land held for development (Note 7)	28,070,709	26,414,299
Property and equipment (Note 8)	225,945,280	227,201,137
Care and maintenance trust fund investments (Note 9)	255,255,389	246,001,481
Pre-need merchandise and service trust fund investments (Note 10)	295,394,652	293,048,584
Deferred tax assets	5,117,901	5,142,370
Goodwill and intangibles (Note 6 and 12)	417,350,853	422,504,504
Deferred commissions (Note 13)	32,745,023	32,814,234
Prepaid expenses and other assets (Note 14)	8,117,235	8,097,713
	<u>1,432,349,088</u>	<u>1,428,449,109</u>
TOTAL ASSETS	<u>\$ 1 540 178 233</u>	<u>\$ 1 531 135 381</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 26)	\$ 47,624,297	\$ 45,172,738
Dividends payable (Note 20)	1,127,333	1,123,452
Current portion of long-term debt (Note 15)	344,650	353,389
Current portion of notes payable (Note 16)	2,019,227	2,697,019
Current portion of lease liabilities (Note 17)	1,973,183	2,154,722
	<u>53,088,690</u>	<u>51,501,320</u>
Non-current liabilities		
Long-term debt, net of current portion (Note 15)	137,762,579	143,347,019
Notes payable, net of current portion (Note 16)	7,445,258	7,963,765
Lease liabilities, net of current portion (Note 17)	4,910,241	5,136,666
Senior Unsecured Debentures (Note 18)	82,143,058	81,964,547
Deferred tax liabilities	13,185,031	12,501,714
Deferred revenue (Note 19)	177,621,827	176,170,396
Care and maintenance trusts' corpus (Note 9)	255,255,389	246,001,481
Deferred pre-need receipts held in trust (Note 10)	295,394,652	293,048,584
	<u>973,718,035</u>	<u>966,134,172</u>
Shareholders' Equity		
Share capital (Note 21)	507,994,794	505,560,310
Contributed surplus	10,491,104	11,406,852
Accumulated other comprehensive income	(24,426,083)	(16,327,689)
Retained earnings	17,047,537	10,673,762
	<u>511,107,352</u>	<u>511,313,235</u>
Non-controlling interest	2,264,156	2,186,654
	<u>513,371,508</u>	<u>513,499,889</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 1,540,178,233</u>	<u>\$ 1,531,135,381</u>
Commitments and Contingencies (Note 28)		
Subsequent Events (Note 30)		

Approved by the Board of Directors

"Paul G. Smith"

Paul G. Smith - Chairman, Director

"Steven Scott"

Steven Scott - Director

The accompanying notes to the condensed interim consolidated financial statements are an integral part of these condensed interim consolidated

PARK LAWN CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(UNAUDITED)

	March 31, 2021	March 31, 2020
Net revenue		
Net sales (Note 23)	\$ 85,272,603	\$ 66,783,712
Income from care and maintenance funds (Note 9)	2,523,768	2,751,720
Interest and other income	1,780,928	1,728,505
	<u>89,577,299</u>	<u>71,263,937</u>
Cost of sales	<u>14,245,534</u>	<u>10,598,568</u>
Gross profit	<u>75,331,765</u>	<u>60,665,369</u>
Operating expenses		
General and administrative	37,793,122	32,886,265
Amortization of intangibles (Note 12)	590,667	648,483
Maintenance	8,048,003	7,751,489
Advertising and selling	10,329,277	7,696,113
Finance costs (Note 24)	2,542,588	2,389,785
Share based incentive compensation (Note 22 and 26)	955,421	1,407,376
	<u>60,259,078</u>	<u>52,779,511</u>
Earnings from operations	15,072,687	7,885,858
Acquisition and integration costs (Note 6)	(1,170,845)	(3,462,853)
Other income (expenses) (Note 25)	(53,185)	(2,979,677)
	<u>13,848,657</u>	<u>1,443,328</u>
Earnings before income taxes	13,848,657	1,443,328
Income tax expense	<u>4,016,864</u>	<u>636,836</u>
Net earnings for the period	<u>\$ 9,831,793</u>	<u>\$ 806,492</u>
Net earnings attributable to:		
Equity holders of PLC	\$ 9,754,291	\$ 734,057
Non-controlling interest	<u>77,502</u>	<u>72,435</u>
	<u>\$ 9,831,793</u>	<u>\$ 806,492</u>
Attributable to equity holders of PLC		
Net earnings per share - basic	<u>\$ 0.327</u>	<u>\$ 0.025</u>
Net earnings per share - diluted	<u>\$ 0.324</u>	<u>\$ 0.025</u>
Weighted average number of common shares:		
- basic	<u>29,841,755</u>	<u>29,635,025</u>
- diluted	<u>30,122,589</u>	<u>29,684,141</u>

The accompanying notes to the condensed interim consolidated financial statements are an integral part of these condensed interim consolidated financial statements.

PARK LAWN CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(UNAUDITED)

	March 31, 2021	March 31, 2020
Net earnings for the period	\$ 9,831,793	\$ 806,492
Item of other comprehensive income to be subsequently reclassified to net earnings		
Foreign currency translation of foreign operations	(8,098,394)	57,538,640
Comprehensive income	<u>\$ 1,733,399</u>	<u>\$ 58,345,132</u>

The accompanying notes to the condensed interim consolidated financial statements are an integral part of these condensed interim consolidated financial statements.

PARK LAWN CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(UNAUDITED)

	# of Common Shares Issued and Outstanding	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income/Loss	Non Controlling Interest	Shareholders' Equity
Balance at January 1, 2020	29,354,844	\$ 502,047,830	\$ 7,618,962	\$ 5,091,160	\$ (2,112,155)	\$ 1,879,038	\$ 514,524,835
Dividends declared (Note 20)	-	-	-	(3,353,562)	-	-	(3,353,562)
Shares issued:							
Dividend reinvestment plan (Note 21)	23,848	629,957	-	-	-	-	629,957
Equity incentive plan (Note 22)	46,420	-	1,042,222	-	-	-	1,042,222
Other comprehensive income	-	-	-	-	57,538,640	-	57,538,640
Net earnings for the period	-	-	-	734,057	-	72,435	806,492
Balance at March 31, 2020	<u>29,425,112</u>	<u>\$ 502,677,787</u>	<u>\$ 8,661,184</u>	<u>\$ 2,471,655</u>	<u>\$ 55,426,485</u>	<u>\$ 1,951,473</u>	<u>\$ 571,188,584</u>
Balance at January 1, 2021	29,564,526	\$ 505,560,310	\$ 11,406,852	\$ 10,673,762	\$ (16,327,689)	\$ 2,186,654	513,499,889
Dividends declared (Note 20)	-	-	-	(3,380,516)	-	-	(3,380,516)
Equity incentive plan (Note 22)	-	-	953,485	-	-	-	953,485
Shares issued:							
Dividend reinvestment plan (Note 21)	19,275	565,251	-	-	-	-	565,251
Exercise of Equity incentive plan (Note 22)	82,847	1,869,233	(1,869,233)	-	-	-	-
Other comprehensive loss	-	-	-	-	(8,098,394)	-	(8,098,394)
Net earnings for the period	-	-	-	9,754,291	-	77,502	9,831,793
Balance at March 31, 2021	<u>29,666,648</u>	<u>\$ 507,994,794</u>	<u>\$ 10,491,104</u>	<u>\$ 17,047,537</u>	<u>\$ (24,426,083)</u>	<u>\$ 2,264,156</u>	<u>\$ 513,371,508</u>

The accompanying notes to the condensed interim consolidated financial statements are an integral part of these condensed interim consolidated financial statements.

PARK LAWN CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(UNAUDITED)

	March 31, 2021	March 31, 2020
Cash provided by (used in):		
Operating activities		
Net earnings for the period	\$ 9,831,793	\$ 806,492
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Acquisition and integration costs	1,170,845	3,462,853
Deferred tax expense	861,278	(636,836)
Depreciation of property and equipment, and amortization of intangibles (Note 8 and 12)	3,710,413	3,817,885
Amortization of cemetery property	2,099,467	1,724,752
Amortization of deferred commissions (Note 13)	1,594,235	767,984
Amortization of deferred financing costs (Note 15 and 24)	229,910	85,555
Accretion expense on senior unsecured debentures (Note 18 and 24)	178,511	-
Interest on lease liabilities (Note 17 and 24)	91,705	80,113
Share based incentive compensation (Note 22)	953,485	1,302,651
Loss on forgiveness of loan and other non-cash amounts (Note 25 and 26)	-	1,511,179
(Gain) loss on disposal of property and equipment (Note 8)	11,346	(32,924)
Changes in working capital that provided (required) cash:		
Accounts receivable	513,235	1,840,929
Net receipts on pre-need activity	(1,383,672)	(3,192,451)
Merchandise inventories	(94,623)	352,662
Prepaid expenses and other assets	(9,310)	(1,815,005)
Deferred commissions (Note 13)	(1,931,928)	(1,219,747)
Accounts payable and accrued liabilities	1,732,881	2,539,010
Cash provided by (used in) operating activities	19,559,571	11,395,102
Investing activities		
Acquisition and integration costs	(1,170,845)	(3,462,853)
Net cash on acquisitions (Note 6)	-	(39,356,889)
Additions to cemetery property	(1,060,397)	(2,118,525)
Acquisition of property and equipment (Note 8)	(4,305,640)	(3,624,279)
Proceeds on disposal of property and equipment (Note 8)	1,277,759	66,409
Additions to computer software	(173,613)	(117,612)
Cash interest from other assets	648,454	54,250
Disposals (additions) to prepaid expenses and other assets	6,051,899	(371,125)
Cash provided by (used in) investing activities	1,267,617	(48,930,624)
Financing activities		
Proceeds from issuance of long-term debt (Note 15)	3,300,000	44,618,491
Repayment of long-term debt (Note 15)	(9,116,627)	(1,114,482)
Proceeds (repayment) of note payable (Note 16)	(1,075,299)	327,860
Proceeds (repayment) of lease liabilities (Note 17)	(473,669)	(430,168)
Dividends and distributions paid	(2,815,265)	(2,723,605)
Financing costs (Note 15)	(24,975)	(167,437)
Cash provided by (used in) financing activities	(10,205,835)	40,510,659
Translation adjustment on cash	(757,382)	3,664,977
Net increase (decrease) in cash	9,863,971	6,640,114
Cash, beginning of period	31,475,091	21,255,330
Cash, end of period	\$ 41,339,062	\$ 27,895,444
Supplemental disclosures:		
Income taxes paid	\$ 115,000	\$ 160,231
Interest expense paid	\$ 822,782	\$ 2,160,455

The accompanying notes to the condensed interim consolidated financial statements are an integral part of these condensed interim consolidated financial statements

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
AS AT AND FOR THE THREE MONTHS ENDING MARCH 31, 2021 AND 2020

1. NATURE OF OPERATIONS

Park Lawn Corporation (the “Company” or “PLC”), located at 2 St. Clair Ave. West, Suite 1300, Toronto, Ontario, M4V 1L5, is an Ontario corporation which owns and operates cemeteries, crematoriums and funeral homes in Canada and the U.S. The Company is publicly traded on the TSX with the stock symbol of PLC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The accompanying unaudited condensed interim consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”), including International Accounting Standards 34, Interim Financial Reporting (“IAS 34”), on a basis consistent with policies disclosed in the Company’s annual audited consolidated financial statements for the fiscal year ended December 31, 2020 which were prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

Certain information and footnote disclosure normally included in the annual audited consolidated financial statements, prepared in accordance with IFRS, have been omitted or are condensed. These unaudited condensed interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended December 31, 2020.

The financial information included herein reflects all adjustments that, in the opinion of management, are necessary for a fair presentation of the results for the interim periods presented. The results of operations for the periods ended March 31, 2021 and 2020 are not necessarily indicative of the results to be expected for the full year.

These unaudited condensed interim consolidated financial statements were approved by the board of directors of the Company (the “Board of Directors”) on May 13, 2021.

b. Basis of presentation

The unaudited condensed interim consolidated financial statements of the Company have been prepared on a historical cost basis with the exception of certain financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
AS AT AND FOR THE THREE MONTHS ENDING MARCH 31, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

c. Basis of consolidation

The unaudited condensed interim consolidated financial statements incorporate the financial statements of the Company and entities, including structured entities (“SEs”) controlled by the Company. Control exists when the Company is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investment entities

The Company consolidates SEs when it has control over such SEs, irrespective of the size of the equity investment held in a particular SE.

Pre-need merchandise and service trust fund investments represent amounts set aside in both provincially and state legislated trust funds related to pre-need cemetery and funeral contracts. Care and maintenance trust fund investments represent amounts set aside in trust for provincially and state legislated care and maintenance fund obligations and non-legislated care and maintenance fund investments related to cemetery interment right sales. These trust funds are SEs as defined in IFRS 12, “Disclosure of interests in other entities.” The Company assesses control over these entities in accordance with IFRS 10, “Consolidated financial statements.” In accordance with this guidance, the Company has determined that the Company is the primary beneficiary of these trusts, as the Company is exposed to the majority of variable losses and returns associated with these trusts and has the ability to affect those returns through its power over the trusts. The Company directs the investment policies of these trust funds to obtain the majority of the benefits of the activities of these trusts.

Pre-need trust fund

The pre-need merchandise and service trust funds are recorded at fair value and amortized cost. Any unrealized net gain or loss resulting from changes in the fair value of the legislated trust funds, as well as accumulated and undistributed income, are recorded to deferred pre-need receipts held in trust.

Care and maintenance trust fund

The care and maintenance fund investments are recorded at fair value and amortized cost. Any unrealized net gain or loss resulting from changes in the fair value of the cemetery care and maintenance fund investments is recorded to the care trusts’ corpus.

Transactions eliminated on consolidation

All intra-group transactions, balances, income, and expenses are eliminated in full on consolidation.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
AS AT AND FOR THE THREE MONTHS ENDING MARCH 31, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

d. Functional currency

The unaudited condensed interim consolidated financial statements are presented in Canadian dollars, which is also the parent company's functional currency. Each entity within the consolidated group determines its own functional currency and items included in the unaudited condensed interim consolidated financial statements of each entity are remeasured using the functional currency. The financial statements of foreign subsidiaries for which the functional currency is not the Canadian dollar are translated into Canadian dollars using the exchange rate in effect at the end of the reporting period for assets and liabilities and the average exchange rates for the period for revenue, expenses and cash flows. Foreign exchange differences arising on translation are recognized in other comprehensive income and in accumulated other comprehensive income in shareholders' equity.

Within each entity, transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to the currency at the exchange rate at that date. Foreign exchange differences arising on translation are recognized in the consolidated statements of earnings. Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction.

e. Earnings per share

Basic earnings per share are computed by dividing net earnings by the weighted average number of common shares outstanding for the period. Diluted earnings per share are calculated using the same method as basic earnings per share adjusted for the weighted average number of common shares outstanding for the period to reflect the dilutive impact, if any, of convertible instruments and equivalents, assuming they were exercised for the number of common shares calculated by applying the treasury stock method.

f. Business combinations

The Company applies the acquisition method in accounting for business combinations.

The Company measures goodwill as the difference between the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, and the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

The consideration transferred includes the fair value of the assets transferred (including cash), liabilities incurred by the Company on behalf of the acquiree, and equity interests issued by the Company. The consideration transferred also includes the fair value of any contingent consideration.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
AS AT AND FOR THE THREE MONTHS ENDING MARCH 31, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

f. Business combinations – continued

Transaction costs that the Company incurs in connection with a business combination, such as finders' fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed in the period as incurred and included in the unaudited condensed interim consolidated statements of earnings as acquisition and integration costs.

3. CRITICAL ESTIMATES AND JUDGEMENTS

Use of estimates

The preparation of these unaudited condensed interim consolidated financial statements requires management to make certain estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the unaudited condensed interim consolidated financial statements and the reported expenses during the period. Actual results could differ from these estimates. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period could result in a material adjustment to the carrying amounts of assets, liabilities, and equity in the event that actual results differ from assumptions. These assumptions are disclosed in Note 3 to its annual audited consolidated financial statements for the year ended December 31, 2020.

The Company is continuing to adapt to evolving regulatory measures and health authority guidelines concerning COVID-19 pandemic. The outbreak of this contagious illness continues to pose a threat to the health and economic wellbeing of our employees and their families, the families we serve, our vendors and the Company. In all communities we serve, funeral homes and cemeteries have been classified as essential services and we have remained open to serve our families at their time of need. The pandemic could lead to interruptions in our supply chain and temporary closures of our supplier facilities. The extent to which COVID-19 and its effect on the economy will impact our business is indeterminable, and it is not possible to reliably estimate the length and severity of COVID-19 related impacts on the financial results and operations of the Company. The Company is monitoring the situation closely and will continue to make all efforts to minimize the risk to employees, customers and other stakeholders. Given the Company's ability to continue operating its business, no indicators of impairment were identified in relation to COVID-19.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
AS AT AND FOR THE THREE MONTHS ENDING MARCH 31, 2021 AND 2020

4. PRE-NEED RECEIVABLES

	March 31, 2021	December 31, 2020
Pre-need receivables, current portion	\$ 33,849,837	\$ 33,120,302
Pre-need receivables, net of current portion	72,619,270	72,013,545
Total	<u>\$ 106,469,107</u>	<u>\$ 105,133,847</u>

The above is net of an allowance for sales returns of \$12,931,863 at March 31, 2021 (at December 31, 2020 - \$13,101,436).

5. INVENTORIES

	March 31, 2021	December 31, 2020
Merchandise inventories	\$ 4,444,365	\$ 4,365,474
Cemetery lots	47,119,819	49,585,386
Crypts and niches	43,227,158	45,197,532
Construction in progress	8,568,380	8,166,471
Total	103,359,722	107,314,863
Current portion	11,626,946	12,103,621
Non-current portion	<u>\$ 91,732,776</u>	<u>\$ 95,211,242</u>

There were no inventory write-downs in either period.

6. BUSINESS COMBINATIONS

Acquisitions completed in fiscal 2020

The following table summarizes the statement of financial position impact on the acquisition date of the Company's business combinations that occurred in the period ended December 31, 2020:

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
AS AT AND FOR THE THREE MONTHS ENDING MARCH 31, 2021 AND 2020

6. BUSINESS COMBINATIONS – continued

Acquisitions completed in fiscal 2020 – continued

	Final Family Legacy and Harpeth Hills (i)	Preliminary J.F. Floyd (ii)	Final Other (iii)	Total
Assets acquired:				
Cash	\$ 1,814,726	\$ 226,621	\$ -	\$ 2,041,347
Accounts receivable	1,830,190	2,397,503	-	4,227,693
Pre-need receivables	3,913,730	-	-	3,913,730
Inventories	7,719,078	9,206,230	57,329	16,982,637
Land held for development	949,857	1,479,481	-	2,429,338
Property and equipment	25,011,093	7,238,852	1,743,995	33,993,940
Care and maintenance trust fund investment	10,556,556	7,959,370	-	18,515,926
Pre-need merchandise and service trust fund investments	13,338,371	4,549,532	916,939	18,804,842
Deferred commissions	2,006,826	723,930	-	2,730,756
Prepaid expenses and other assets	105,996	614,099	-	720,095
Goodwill	42,159,001	7,230,177	2,133,887	51,523,065
Intangibles	6,478,200	3,487,917	327,220	10,293,337
Total assets	<u>\$ 115,883,624</u>	<u>\$ 45,113,712</u>	<u>\$ 5,179,370</u>	<u>\$ 166,176,706</u>
Liabilities assumed:				
Accounts payable and accrued liabilities	\$ 2,214,495	\$ 277,948	\$ -	\$ 2,492,443
Note payable	756,675	-	-	756,675
Lease liabilities	183,103	-	1,419,540	1,602,643
Deferred tax liabilities	-	1,190,795	-	1,190,795
Care and maintenance trusts' corpus	10,556,556	7,959,370	-	18,515,926
Deferred pre-need receipts held in trust	13,338,371	4,549,532	916,939	18,804,842
Deferred revenue	19,836,136	5,899,015	-	25,735,151
	<u>46,885,336</u>	<u>19,876,660</u>	<u>2,336,479</u>	<u>69,098,475</u>
Fair value of consideration transferred:				
Cash consideration	40,156,875	24,326,595	2,715,670	67,199,140
Converted promissory note	27,102,791	-	-	27,102,791
Deferred cash consideration	1,178,037	1,325,700	127,220	2,630,957
Working capital adjustment	560,585	(415,242)	-	145,343
	<u>68,998,288</u>	<u>25,237,053</u>	<u>2,842,890</u>	<u>97,078,231</u>
Total liabilities and considerations	<u>\$ 115,883,624</u>	<u>\$ 45,113,713</u>	<u>\$ 5,179,369</u>	<u>\$ 166,176,706</u>

- (i) On January 31, 2020 the Company completed the acquisition of all the outstanding stock and membership interests of Family Legacy, LLC (“Family Legacy”) for a purchase price of \$68,998,288 (US\$51,976,111), a business with 12 locations operating in Nashville, Tennessee, as well as all of the outstanding membership interests in WG-TN and HHMG (“Harpeth Hills”) a large combination business located in Nashville, Tennessee. In connection with the Harpeth Hills acquisition, a promissory note of \$27,102,791 (US\$20,416,415) was converted to equity interest in Harpeth Hills. The above acquisition expands PLC’s U.S. operations into the high-growth middle Tennessee metropolitan market by adding four combination funeral home and cemetery properties, seven stand-alone funeral homes and two stand-alone cemeteries. The transaction was funded with proceeds from PLC’s existing credit facility.

PARK LAWN CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
AS AT AND FOR THE THREE MONTHS ENDING MARCH 31, 2021 AND 2020

6. BUSINESS COMBINATIONS – continued

Acquisitions completed in fiscal 2020 – continued

- (ii) On October 1, 2020, the Company completed the acquisition of the assets of Bowers Funeral Service Ltd. (“Bowers”), a three-location funeral home business located in Salmon Arm, Golden and Revelstoke, British Columbia for a purchase price of \$1,920,545. The Bowers’ acquisition was funded with the cash on hand and it expands PLC’s presence in British Columbia.
- (iii) On November 2, 2020, the Company completed the acquisition of all the outstanding stock of J.F. Floyd Mortuary, Crematory, and Cemetery (“J.F. Floyd”), a group of businesses located in Spartanburg and Charleston, South Carolina for a purchase price of \$25,237,053 (US\$19,036,776). The J.F. Floyd acquisition adds three combination funeral home and cemetery properties, one stand-alone funeral home, six stand-alone cemeteries and one stand-alone crematory. The addition of these businesses strengthens PLC’s operational footprint in South Carolina and provides a platform from which it can continue to expand into the southeast region of the U.S.

The fair value allocations for J.F. Floyd’s acquisition are based on preliminary purchase allocations conducted by management. As the acquisition is within the measurement period under IFRS 10, it continues to be refined. The Company is gathering information to finalize the fair value of land held for development, inventories and deferred revenue.

- (iv) On December 15, 2020, the Company completed the acquisition of the assets of Winscott Funeral Service Corp. (“Winscott”), a business located in Benbrook, Texas for a purchase price of \$922,345 (US\$725,000). The Winscott acquisition adds one funeral home location. The addition of this business strengthens PLC’s operational footprint in the Dallas/Fort Worth region of Texas.

The above acquisitions include deferred cash consideration which primarily relates to non-compete agreements and other seller notes. In relation to these acquisitions, the Company incurred expenses on legal services, financial and tax due diligence, post closing audits, premiums for representation and warranty insurance, preparation of independent valuation reports to substantiate purchase price allocations, preparation of reports for regulatory compliance purposes, and internal compensation.

For the above acquisitions, goodwill encompasses qualitative factors such as location heritage and workforce synergies.

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7. LAND HELD FOR DEVELOPMENT

Land held for development represents land held for future cemetery, funeral and other development opportunities. At March 31, 2021 land held for development had a net book value of \$28,070,709 (at December 31, 2020 - \$26,414,299).

8. PROPERTY AND EQUIPMENT

	January 1, 2021	Acquired in business combinations	Additions	Disposals	Foreign currency translation	March 31, 2021
Cost:						
Land	\$ 59,669,959	-	177,240	-	(666,470)	\$ 59,180,729
Buildings, cemetery and funeral	147,177,921	-	3,718,352	(1,513,292)	(1,491,186)	147,891,795
Machinery, equipment and automotive	25,019,932	-	1,265,591	(194,426)	(254,705)	25,836,392
Cemetery improvements	17,208,805	-	166,860	-	(163,719)	17,211,946
Right-of-use asset	10,556,446	-	158,825	(133,209)	(47,151)	10,534,911
Total	259,633,063	-	5,486,868	(1,840,927)	(2,623,231)	260,655,773
Accumulated depreciation:						
Buildings, cemetery and funeral	13,913,121	-	1,452,687	(326,025)	(127,026)	14,912,757
Machinery, equipment and automotive	10,912,426	-	997,879	(118,228)	(105,396)	11,686,681
Cemetery improvements	4,066,661	-	124,153	-	(35,426)	4,155,388
Right-of-use asset	3,539,718	-	545,027	(107,569)	(21,509)	3,955,667
Total	32,431,926	-	3,119,746	(551,822)	(289,357)	34,710,493
Net book value	\$ 227,201,137					\$ 225,945,280

	January 1, 2020	Acquired in business combinations	Additions	Disposals	Foreign currency translation	December 31, 2020
Cost:						
Land	\$ 52,698,436	8,057,925	279,240	(101,911)	(1,263,731)	\$ 59,669,959
Buildings, cemetery and funeral	120,933,778	18,210,258	11,498,415	(498,132)	(2,966,398)	147,177,921
Machinery, equipment and automotive	21,199,779	1,659,300	2,987,559	(320,210)	(506,496)	25,019,932
Cemetery improvements	11,301,600	4,468,471	1,846,565	-	(407,831)	17,208,805
Right-of-use asset	8,222,081	1,597,986	1,155,936	(305,842)	(113,715)	10,556,446
Total	214,355,674	33,993,940	17,767,715	(1,226,095)	(5,258,171)	259,633,063
Accumulated depreciation:						
Buildings, cemetery and funeral	7,991,384	-	6,398,064	(116,101)	(360,226)	13,913,121
Machinery, equipment and automotive	7,110,147	-	4,151,264	(68,869)	(280,116)	10,912,426
Cemetery improvements	3,453,310	-	685,756	-	(72,405)	4,066,661
Right-of-use asset	1,740,955	-	2,091,157	(230,700)	(61,694)	3,539,718
Total	20,295,796	-	13,326,241	(415,670)	(774,441)	32,431,926
Net book value	\$ 194,059,878					\$ 227,201,137

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8. PROPERTY AND EQUIPMENT - continued

Property and equipment depreciation expense amounted to \$3,119,746 and \$3,169,402 for the three month period ended March 31, 2021 and 2020, respectively, and is included in general and administrative expenses on the unaudited condensed interim consolidated statements of earnings.

Included in additions at March 31, 2021 are \$2,542,950 of additions at Canadian cemeteries and funeral sites (at December 31, 2020 - \$6,669,749) and \$2,943,918 of additions at U.S. cemeteries and funeral sites (at December 31, 2020 - \$11,097,966).

During the three month period ended March 31, 2021, the Company sold property for a sale price of \$1,277,759 realizing a net loss of \$11,346.

During the three month period ended March 31, 2020, the Company sold property for a sale price of \$66,409 realizing a net gain of \$32,924.

The gains and losses described above on the sale of property and equipment are included in other income (expenses).

Management has reviewed the valuation of the property and equipment and has not identified any indicators of impairment in the value of the property and equipment.

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9. CARE AND MAINTENANCE TRUST FUND INVESTMENTS

The Company's care and maintenance trust funds were established, as required by provincial and state regulations, to receive principal contributions from the Company upon the sale of cemetery lots, mausoleum crypts and niches.

Pursuant to the requirements of provincial and state regulations, the Company is required to deposit a portion of the proceeds received in respect of the sale of cemetery lots, mausoleum crypts and niches into trust. Such amounts are treated as a cost of sale at the time of the sale.

The principal of these trusts is recorded in the unaudited condensed interim consolidated statements of financial position and represents these contributions to the trusts. The corpus generally remains in perpetuity and the income may be paid to the Company to be used exclusively for eligible care and maintenance of the cemeteries and crematoriums as defined by provincial and state regulations. Many states require capital gains and losses to be held in perpetuity in these trusts, however, certain states allow net capital gains and losses to be included in the income that is paid to the Company. Additionally, some states allow a total return distribution to the Company which may contain income, net capital appreciation, and principal.

Investment income recognized in operations amounted to \$2,523,768 and \$2,751,720 for the three month period ended March 31, 2021 and 2020, respectively. If the income earned by the trusts should exceed eligible care and maintenance expenses incurred by the Company, the excess would be added to the capital of the trusts and would not be eligible for pay out to the Company in the future.

Care and maintenance trust fund investments consist of the following:

	Fair Value		Cost	
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
Cash and cash equivalents	\$ 20,782,932	\$ 9,015,412	\$ 20,782,950	\$ 9,015,429
Equities	115,545,496	105,871,706	94,922,262	92,725,178
Fixed income	76,172,429	90,476,562	74,880,531	89,285,287
Alternative investments	23,571,236	21,681,390	20,290,802	18,403,283
Preferred stocks	19,183,296	18,956,411	18,455,427	18,648,435
	<u>\$ 255,255,389</u>	<u>\$ 246,001,481</u>	<u>\$ 229,331,972</u>	<u>\$ 228,077,612</u>

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10. PRE-NEED MERCHANDISE AND SERVICE TRUST FUND INVESTMENTS

Pre-need merchandise and service trust funds were established as required by provincial and state regulations to hold funds paid in advance of need, to purchase when required at-need supplies and services such as funeral services, merchandise, grave and crypt openings. When the services are performed, the Company withdraws the money held in the trust funds to pay for the supplies and services.

Pre-need merchandise and service trust fund investments consist of the following:

	Fair value		Cost	
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
Cash and cash equivalents	\$ 17,766,436	\$ 8,852,595	\$ 17,766,436	\$ 8,852,595
GIC's	29,711,076	29,859,660	29,711,076	29,859,660
Equities	110,473,457	101,145,960	85,767,823	82,084,696
Fixed income	92,904,860	107,459,914	91,546,994	104,629,412
Alternative investments	39,252,651	39,385,007	33,810,564	32,529,371
Preferred stocks	5,286,172	6,345,448	5,123,311	6,195,069
	<u>\$ 295,394,652</u>	<u>\$ 293,048,584</u>	<u>\$ 263,726,204</u>	<u>\$ 264,150,803</u>

11. PREARRANGED FUNERAL INSURANCE CONTRACTS

In addition to trust funded prearranged funeral services contracts, the Company also has prearranged funeral services contracts which are funded by insurance. As of March 31, 2021, the current face amount of pre-funded policies was \$371,439,153 (at December 31, 2020 – \$368,903,733). Families who have prearranged with the Company will receive a refund to the extent that the face amount of the policy exceeds the current retail value of the merchandise and services to be provided. The insurance funded contracts are not included in the unaudited condensed interim consolidated financial statements as the Company is not the beneficiary of the policy. Amounts funded through insurance are available to the Company when the funeral services are performed.

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12. GOODWILL AND INTANGIBLES

The changes in the carrying amount of goodwill and intangible assets at March 31, 2021 were:

	January 1, 2021	Acquired in business combinations	Additions	Foreign currency translation	March 31, 2021
Cost:					
Goodwill	\$ 391,232,208	-	-	(4,358,114)	\$ 386,874,094
Non-compete agreements	13,333,894	-	-	(92,334)	13,241,560
Brand	21,845,476	-	-	(264,466)	21,581,010
Computer software	1,663,925	-	173,613	(21,683)	1,815,855
Total	428,075,503	-	173,613	(4,736,597)	423,512,519
Accumulated amortization:					
Non-compete agreements	5,570,999	-	590,667	-	6,161,666
Computer software	-	-	-	-	-
Total	5,570,999	-	590,667	-	6,161,666
Net book value	\$ 422,504,504				\$ 417,350,853

	January 1, 2020	Acquired in business combinations	Additions	Foreign currency translation	December 31, 2020
Cost:					
Goodwill	\$ 353,316,157	51,523,065	-	(13,607,014)	\$ 391,232,208
Non-compete agreements	10,441,200	3,026,883	-	(134,189)	13,333,894
Brand	15,168,684	7,266,454	-	(589,662)	21,845,476
Computer software	969,705	-	751,600	(57,380)	1,663,925
Total	379,895,746	61,816,402	751,600	(14,388,245)	428,075,503
Accumulated amortization:					
Non-compete agreements	3,122,968	-	2,448,031	-	5,570,999
Computer software	-	-	-	-	-
Total	3,122,968	-	2,448,031	-	5,570,999
Net book value	\$ 376,772,778				\$ 422,504,504

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13. DEFERRED COMMISSIONS

	March 31, 2021	December 31, 2020
Deferred commissions		
Opening balance:	\$ 32,814,234	\$ 28,191,067
Acquired in business combinations	-	2,730,756
Additions	1,931,928	7,490,472
Amortization	(1,594,235)	(4,675,670)
Foreign currency translation	(406,904)	(922,391)
Closing balance:	<u>\$ 32,745,023</u>	<u>\$ 32,814,234</u>

14. PREPAID EXPENSES AND OTHER ASSETS

	March 31, 2021	December 31, 2020
Promissory note	\$ -	\$ 6,694,170
Prepaid expenses and other	5,204,380	5,277,775
Total current other assets	<u>\$ 5,204,380</u>	<u>\$ 11,971,945</u>

	March 31, 2021	December 31, 2020
Secured convertible debt investment	\$ 6,422,499	\$ 6,399,249
Prepaid expenses and other	1,694,736	1,698,464
Total non-current other assets	<u>\$ 8,117,235</u>	<u>\$ 8,097,713</u>

i) Current other assets

Included in current other assets at December 31, 2020 was a promissory note of \$6,500,000 to Serenity Valley Mausoleum Inc. (“Serenity Mausoleum”) and Serenity Valley P. Lawn Management Inc. (“Serenity Management”) which was measured at amortized cost. The promissory note was repaid in the first quarter of 2021.

ii) Non-current other assets

Included in non-current other assets is a \$6,300,000 (at December 31, 2020 - \$6,300,000) secured debt investment in Humphrey Funeral Home A. W. Miles – Newbigging Chapel Limited (“Humphrey”) which is measured at fair value. The debenture bears interest at 5% and is convertible into equity of Humphrey on maturity, on November 9, 2023 at the option of the Company. The debenture is due on demand after a period of five years. The fair value of the secured debt investment approximates the book value.

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15. LONG-TERM DEBT

	March 31, 2021	December 31, 2020
Revolving loan facility	\$ 138,363,500	\$ 144,064,440
Mortgages	999,482	1,020,781
Other debt	570,633	646,508
Deferred financing costs	(1,826,386)	(2,031,321)
Total	138,107,229	143,700,408
Current portion	344,650	353,389
Non-current portion	\$ 137,762,579	\$ 143,347,019

Revolving loan facility

On November 22, 2019, the Company amended its existing syndicated bank financing arrangement to increase its borrowing capacity to \$300,000,000 (\$250,000,000 committed credit facility and additional \$50,000,000 accordion facility). The credit facility has a term of five years with a maturity date of January 18, 2025. The revolving facility bears variable interest at the banker's acceptance rate plus an applicable margin based on a leverage ratio calculation.

In March 2020, as part of the COVID-19 contingency planning process, the Company requested that its lending syndicate increase its leverage ratio from 3.5 times to 4.0 times on a temporary basis from May 8, 2020 through June 29, 2021. The leverage ratio would reduce to 3.75 times on June 30, 2021 and then revert to not more than 3.5 times on September 30, 2021 and thereafter. The financing arrangement amended in March 2020 has a term of five years. In addition, the Company requested a temporary increase of \$25,000,000 in credit availability to provide additional liquidity for a period of one year commencing May 8, 2020. The lending syndicate approved both requests effective May 8, 2020. Subsequently, on August 21, 2020, the Company cancelled the temporary increase of \$25,000,000.

At March 31, 2021, there was \$138,363,500 outstanding under the credit facility (at December 31, 2020 - \$144,064,440). Deferred financing costs have been capitalized and are being amortized over the term of 5 years using the effective interest rate method. For the three month period ended March 31, 2021 and 2020, the amortization of deferred financing costs was \$229,910 and \$85,555, respectively. At March 31, 2021, standby letters of credit issued utilizing \$764,023 of the credit line (at December 31, 2020 - \$764,023).

Other debt

Other debt relates to equipment and is secured by the vehicles. This debt has interest rates ranging from 3.0% to 9.0% and remaining terms of 1 to 5 years.

Debt covenants

The Company was in compliance with all of its covenants in 2021 and 2020.

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16. NOTES PAYABLE

	March 31, 2021	December 31, 2020
Notes payable	\$ 9,464,485	\$ 10,660,784
Current portion	2,019,227	2,697,019
Non-current portion	<u>\$ 7,445,258</u>	<u>\$ 7,963,765</u>

Notes payable

- i) The Company has an outstanding note payable of \$1,346,877 (at December 31, 2020 - \$1,355,804) to the former owner of real estate acquired by a cemetery. The note calls for yearly payments of \$50,000 at 0% interest until the note matures in 2113. Payments of principal are allowed to be deferred until the cemetery achieves positive cash flow. The note was discounted upon recognition to reflect an imputed interest rate of 5%. The note is nonrecourse and is subject to a development agreement that can be terminated by either party after May 9, 2023. The loan can be prepaid at any time without penalty.
- ii) The Company has outstanding notes payable of \$8,117,607 (at December 31, 2020 - \$9,304,980) to former owners of previously acquired businesses, primarily non-compete agreements, and notes related to the financing of the general business insurance policies. These notes payable have interest rates ranging from 2% to 6% and remaining terms of 1 to 10 years.

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17. LEASE LIABILITIES

Lease liabilities relate to office space, machinery, and equipment.

	March 31, 2021	December 31, 2020
Future minimum lease payments		
Due in less than one year	\$ 2,096,922	\$ 2,277,776
Due between one and two years	1,333,304	1,430,314
Due between two and three years	1,114,601	1,128,935
Due thereafter	3,545,015	3,741,628
Interest	(1,206,418)	(1,287,265)
Present value of minimum lease payments	6,883,424	7,291,388
Current portion	1,973,183	2,154,722
Non-current portion	<u>\$ 4,910,241</u>	<u>\$ 5,136,666</u>

Lease liabilities interest expense charged to operations amounted to \$91,705 and \$80,113 for the three month period ended March 31, 2021 and 2020, respectively.

18. SENIOR UNSECURED DEBENTURES

On July 14, 2020, the Company completed a bought deal offering of Senior Unsecured Debentures (“Debentures”) due December 31, 2025. A total of \$75,000,000 aggregate principal amount of Debentures were issued at a price of \$1,000 per Debenture. PLC also granted the underwriters an option to purchase up to an additional \$11,250,000 aggregate principal amount of Debentures, on the same terms and conditions. This option was exercised in full following the closing of the offering for total gross proceeds of \$86,250,000. The issuance included transaction costs of \$4,615,199 inclusive of \$250,000 in management compensation. The net proceeds from the offering were used to pay down the Company’s existing credit facility to free up capacity to fund potential future acquisition opportunities and for general corporate purposes.

The Debentures bear interest at a rate of 5.75% per annum, payable semi-annually in arrears on June 30 and December 31 of each year commencing on December 31, 2020 and will mature on December 31, 2025.

The debentures are measured at amortized cost using the effective interest method over the life of the debenture.

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18. SENIOR UNSECURED DEBENTURES – continued

The balance of the debentures as at March 31, 2021 consists of the following:

	March 31, 2021
Face value upon issuance	\$ 86,250,000
Debt issuance costs	(4,615,199)
Fair value upon issuance	81,634,801
Accretion expense for 2020	329,746
Balance at December 31, 2020	81,964,547
Accretion expense for the period	178,511
Balance at March 31, 2021	\$ 82,143,058

The Debentures may not be redeemed by the Company prior to December 31, 2023 (the “First Call Date”).

On or after the First Call Date and prior to December 31, 2024, the Debentures may be redeemed by the Company, in whole or in part from time to time, on not more than 60 days and not less than 30 days prior notice at a redemption price equal to 102.875% of the principal amount of the Debentures redeemed plus accrued and unpaid interest, if any, up to but excluding the date set for redemption.

On or after December 31, 2024 and prior to December 31, 2025 (the “Maturity Date”), the Debentures may be redeemed by the Company, in whole or in part from time to time, on not more than 60 days and not less than 30 days prior notice at a redemption price equal to the principal amount of the Debentures redeemed plus accrued and unpaid interest, if any, up to but excluding the date set for redemption.

Interest expense on the debentures for the three month period ended March 31, 2021 totaled \$1,222,859 (for the three month period ended March 31, 2020 - \$nil). Accretion expense for the three month period ended March 31, 2021 totaled \$178,511 (for the three month period ended March 31, 2020 - \$nil).

The Company has the right, at its sole discretion, to redeem or repay outstanding principal amounts thereunder at redemption or maturity of the Debentures by issuing Shares rather than the payment of cash. Shares will be valued at the 20-day volume weighted average price (“VWAP”), less a 5% discount. If such option is exercised by the Company, holders of Debentures will become holders of equity securities of PLC and will, consequently, be subject to the general risks and uncertainties affecting equity shareholders, including the ability to claim an entitlement only in its capacity as a shareholder.

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19. DEFERRED REVENUE

Deferred revenue represents the amount of unperformed pre-arranged cemetery and funeral contracts. The components of deferred revenue consist of the following:

	March 31, 2021	December 31, 2020
Cemetery and funeral merchandise, lots, crypts, and niches	\$ 97,158,790	\$ 97,250,590
Cemetery and funeral services	80,463,037	78,919,806
Total	<u>\$ 177,621,827</u>	<u>\$ 176,170,396</u>

20. DIVIDENDS

The Company declares and pays cash dividends on a monthly basis to shareholders. The total amount of dividends declared by the Company for the three month period ended March 31, 2021 and 2020 were \$3,380,516 or \$0.114 per share and \$3,353,562 or \$0.114 per share, respectively. The monthly dividend was \$0.038 per share in all periods.

21. SHARE CAPITAL

Authorized

Common shares

The Company is authorized to issue an unlimited number of common shares. All common shares issued are fully paid. The holders of common shares are entitled to share equally in dividends, returns of capital and to vote at shareholders' meetings.

Shares issued and outstanding

	Number of Common Shares	Amount
Balance January 1, 2020	29,354,844	\$ 502,047,830
Shares issued pursuant to:		
Dividend reinvestment plan	84,377	2,105,158
Equity incentive plan (Note 22)	125,305	1,407,322
Balance December 31, 2020	<u>29,564,526</u>	<u>\$ 505,560,310</u>
Shares issued pursuant to:		
Dividend reinvestment plan	19,275	565,251
Equity incentive plan (Note 22)	82,847	1,869,233
Balance March 31, 2021	<u>29,666,648</u>	<u>\$ 507,994,794</u>

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21. SHARE CAPITAL - continued

Dividend reinvestment plan

On October 13, 2015, the Company announced the implementation of a dividend reinvestment plan (“DRIP”). The DRIP allows eligible shareholders of PLC to reinvest their cash dividends into additional common shares of PLC, which will be issued from treasury or purchased on the open market on the applicable dividend payment date. If common shares are issued from treasury, the price at which such common shares are issued will be the volume weighted trading price of the Company’s common shares over the five business days immediately preceding such dividend payment date less a discount, if any, of up to 5%, at the Company’s election. The Company has determined to set the initial discount for purchases under the DRIP at 3%. The Company may, subject to the terms of the DRIP, alter or eliminate any discount at any time. For the three month period ended March 31, 2021, 19,275 common shares were issued under the DRIP (for the year ended December 31, 2020 – 84,377).

22. EQUITY INCENTIVE PLAN

At the annual and special meeting of shareholders held on May 31, 2016, the shareholders of the Company approved an equity incentive plan, as was subsequently amended and restated in May 2019 (the “EIP”). The purpose of the EIP is to, among other things: (i) provide the Company with a mechanism to attract, retain and motivate qualified directors, officers and employees of the Company, including its subsidiaries, (ii) reward directors, officers and employees that have been granted awards under the EIP for their contributions toward the long-term goals and success of the Company, and (iii) enable and encourage such directors, officers and employees to acquire common shares of the Company as long-term investments and proprietary interests in the Company.

On June 22, 2020, the shareholders of the Company approved a second amended and restated omnibus EIP. The amended EIP provides flexibility to the Company to grant equity-based incentive awards in the form of DSUs, RSUs, PSUs, and options to acquire common shares (“Options”). The number of common shares that may be issued upon the settlement of awards granted under the EIP may not exceed 2,400,000 common shares of the Company.

The Board plans to credit all DSUs and RSUs with dividend equivalents in the form of additional DSUs and RSUs, as applicable. Dividend equivalents vest in proportion to, and settle in the same manner as, the awards to which they relate.

Deferred share units

With the exception of the Chair of the Board, all directors of the Company are required to receive at least 50% of their annual Board retainers in equity, although they may elect to receive a greater percentage pursuant to the terms of the EIP. Directors will receive such equity in the form of DSUs. Provided, however, in lieu of DSUs, a director may elect to receive the equity portion of their retainer in cash which then must be used to purchase an equivalent amount of equity on the open market. As it pertains to the Chair of the Board, the Chair is required to receive at least 35% of his annual board retainer in the form of

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22. EQUITY INCENTIVE PLAN - continued

Deferred share units - continued

equity, although he may elect to receive a greater percentage pursuant to the terms of the EIP. The Chair will receive such equity in the form of DSUs. Provided, however, in lieu of DSUs, the Chair may elect to receive the equity portion of his retainer in cash which then must be used to purchase an equivalent amount of equity on the open market.

A DSU is a unit equivalent in value to a common share credited by means of a bookkeeping entry in the books of the Company. The number of DSUs granted is determined by the five-day volume weighted average trading price (the "Market Price"), but their value is tied to the then trading price of PLC's common shares. Upon settlement (typically on termination of service), holders will receive, in respect of each vested DSU, one fully paid and non-assessable common share or cash. At this time, the Board plans to settle DSUs for shares. Subject to the terms of an award agreement, DSUs will vest immediately at the date of grant. DSUs will be granted to directors every three months for services rendered. The DSU costs are expensed to share based incentive compensation as granted. The fair value of the DSU is determined based on the fair value of the shares on the date of issuance.

Under the EIP, the following DSUs were granted by the Company and are outstanding. Each dividend equivalent represents one common share.

	March 31, 2021	December 31, 2020
Outstanding, beginning of the period	38,068	36,860
Awarded	7,678	10,514
Redemptions	(2,290)	(9,982)
Dividend equivalents	177	676
Outstanding, end of the period	<u>43,633</u>	<u>38,068</u>

Restricted share units

A RSU is a unit equivalent in value to a common share credited by means of a bookkeeping entry in the books of the Company which entitles the holder to receive one common share for each RSU after a specified vesting period determined by the Plan Administrator (as defined in the EIP), in its sole discretion. RSUs vest according to the terms of the applicable award agreement. All RSUs awarded to date vest within three years of their grant date.

Upon settlement, holders will receive, in respect of each vested RSU, either: (i) one fully paid and non-assessable common share, or (ii) subject to the approval of the Plan Administrator, a cash payment determined with reference to the Market Price in the same manner as with DSUs. At this time, the Board plans to settle RSUs for shares.

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22. EQUITY INCENTIVE PLAN – continued

Restricted share units – continued

Under the EIP, the following RSUs were granted by the Company and are outstanding. Each dividend equivalent represents one common share. As at December 31, 2020, 122,738 of the awarded and outstanding RSUs have vested.

The RSU costs are expensed to share based incentive compensation as it's vested. The fair value of the RSU is determined based on the fair value of the shares on the date of issuance. The weighted average issuance price for the three month period ended March 31, 2021 was \$28.21 (for the twelve month period ended December 31, 2020 - \$28.42).

	March 31, 2021	December 31, 2020
Outstanding, beginning of the period	260,840	246,200
Awarded	1,137	115,888
Forfeited	(3,343)	(6,148)
Redemptions	(80,556)	(99,641)
Dividend equivalents	1,030	4,541
Outstanding, end of the period	179,108	260,840

Performance Share Units

A PSU is a unit equivalent in value to a common share credited by means of a bookkeeping entry in the books of the Company. PSUs vest according to the terms of the applicable award agreement. The PSUs listed below will cliff vest on March 31, 2022. The actual number of share units earned with respect to the three year performance period is subject to a multiplier (of between 0 and 1.5 times) and based on the average “bonus score” (which itself is determined with reference to the Board-approved annual bonus score card) obtained over a three-year performance period. The PSU costs are expensed to share based incentive compensation as vested. The fair value of the PSU is determined based on the fair value of the shares on the date of issuance multiplied by the bonus score.

Under the EIP, the following PSUs were granted by the Company and are outstanding. Each dividend equivalent represents one common share. None of the awarded and outstanding PSUs have vested.

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22. EQUITY INCENTIVE PLAN – continued

Performance Share Units - continued

	March 31, 2021	December 31, 2020
Outstanding, beginning of the period	24,537	61,266
Awarded	-	-
Forfeited	-	(21,674)
Redemptions	-	(15,684)
Dividend equivalents	103	629
Outstanding, end of the period	24,640	24,537

Options

On May 21, 2020, 390,000 options were granted. The trading price of the Company's shares at the time of the grant was \$22.26. The fair market value of options was determined using the Black-Scholes valuation model with the following implicit assumptions: average risk-free rate of interest of 0.35%, dividend rate of 2.05%, volatility of 28.03%, forfeiture rate of 0% and an expected life of 5 years.

Performance Options

On October 5, 2020, 80,000 options were granted. The trading price of the Company's shares at the time of the grant was \$27.94. The fair market value of options was determined using the Black-Scholes valuation model with the following implicit assumptions: average risk-free rate of interest of 0.26%, dividend rate of 1.63%, volatility of 28.23%, forfeiture rate of 0% and an expected life of 4 years. In addition, due to non-vesting conditions the options were discounted using a Fannerty model, which assumed an estimated term of 7 years and a risk-free rate of 0.26%. The options were then adjusted for non-vesting performance conditions with a weighted average expectancy of 38%.

Grant Date	Expiry Date	Exercise		01-Jan-20	Granted	Exercised	Expired	Forfeited	31-Mar-21	Vested	Unvested
		Price									
May 30, 2019	June 30, 2023	\$ 25.43		1,058,000	-	-	-	(378,000)	680,000	-	680,000
July 15, 2019	June 30, 2023	\$ 28.37		320,000	-	-	-	-	320,000	-	320,000
May 21, 2020	May 21, 2025	\$ 20.98		-	390,000	-	-	-	390,000	-	390,000
October 5, 2020	October 30, 2024	\$ 27.70		-	80,000	-	-	-	80,000	-	80,000
				1,378,000	470,000	-	-	(378,000)	1,470,000	-	1,470,000
Weighted Average Exercise Price		\$	26.11	\$	22.12	\$	-	\$	25.43	\$	25.01

The compensation expense in respect of EIP amounted to \$955,421 and \$1,407,376 for the three month periods ended March 31, 2021 and 2020, respectively. Included in the compensation expense is \$1,936 and \$104,725, respectively, of legal and administrative fees related to the issuance of EIP. The counterpart has been reflected in contributed surplus. Management plans to settle all DSUs, RSUs, PSUs and Options by issuing shares. When the DSUs, RSUs, PSUs and Options are settled for shares, the amounts previously credited to contributed surplus are transferred to share capital.

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23. NET SALES

	Three Months Ended March 31,	
	2021	2020
Sales	\$ 88,363,503	\$ 69,074,344
Contributions to care and maintenance trust funds	(3,090,900)	(2,290,632)
Net sales	<u>\$ 85,272,603</u>	<u>\$ 66,783,712</u>

The Company has made an accounting presentation change to present the contributions to care and maintenance trust funds as a separate line below sales in the unaudited condensed interim statements of earnings. A line item called “Net sales” had been added.

The Company has reclassified the contributions to care and maintenance previously presented as cost of sales in the December 31, 2020 audited consolidated financial statements to net sales. The reclassification is a presentation change within gross profit on the unaudited condensed interim statement of earnings and has no impact on consolidated shareholders’ equity, consolidated net earnings or the consolidated cash flows. The Company has made this accounting presentation change as to better reflect the economics of sale transactions, to provide comparability among peers and to provide transparency on the impact of the accounting for contributions to care and maintenance trust funds.

24. FINANCE COSTS

	Three Months Ended March 31,	
	2021	2020
Finance costs:		
Interest on revolving loan facility (Note 15)	\$ 758,248	\$ 2,090,395
Interest on senior unsecured debentures (Note 18)	1,222,859	-
Interest on mortgages and other debt (Note 15)	133,471	149,535
Interest on lease liabilities (Note 17)	91,705	80,113
Amortization of deferred financing costs (Note 15)	229,910	85,555
Accretion expense on senior unsecured debentures (Note 18)	178,511	-
Interest capitalized to construction	(28,301)	(15,813)
Unrealized foreign exchange on finance costs	(43,815)	-
Total	<u>\$ 2,542,588</u>	<u>\$ 2,389,785</u>

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25. OTHER INCOME (EXPENSES)

	Three Months Ended March 31,	
	2021	2020
Special Committee (i)	\$ -	\$ (905,722)
Restructuring costs (ii)	-	(386,145)
Agreement (iii)	-	(1,720,734)
Legal costs (iv)	(41,839)	-
(Loss) Gain on sale of property and equipment (Note 8)	(11,346)	32,924
	<u>\$ (53,185)</u>	<u>\$ (2,979,677)</u>

- (i) Special Committee costs are \$nil and \$905,722 for the three month periods ended March 31, 2021 and 2020, respectively, relating to the Special Committee's strategic review work, corporate governance matters and executive management transition preparedness as previously referred to, including Board fees, legal, CEO search fees and other professional fees. The Special Committee of the Board was dissolved on May 12, 2020.
- (ii) Restructuring costs are \$nil and \$386,145 for the for the three month periods ended March 31, 2021 and 2020, respectively.
- (iii) Agreement is comprised of costs relating to the transition of Mr. Clark, former CEO of the Company in the first quarter of 2020 of \$1,720,734 (notwithstanding the terms of Mr. Clark's employment agreement) consisting of:
- forgiveness of a \$1,648,439 loan and accrued interest of \$16,665, provided by the Company to the Nine Two Seven Limited;
 - the forfeiture of 21,674 PSUs and immediate vesting of 10,632 PSUs which resulted in other expense of \$74,382;
 - the forfeiture of 378,000 options which resulted in other income of \$334,811;
 - the payment of \$93,000 in legal expenses incurred by Mr. Clark in connection with his departure and other consideration valued in the amount of \$223,059.

On May 10, 2020, the Company and Mr. Clark entered into an agreement resulting in the Company having no further financial obligations to Mr. Clark. On May 12, 2020, Mr. Clark resigned from the Board.

- (iv) Legal costs are \$41,839 and \$nil for the three month periods ended March 31, 2021 and 2020, respectively. Legal costs related to the defense of intellectual property created by the Company and the preservation and recovery of investments made or authorized by Mr. Clark.

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26. RELATED PARTY TRANSACTIONS AND BALANCES

Employee share loan plan

At the annual and special meeting of shareholders held on June 18, 2013, the shareholders of the Company approved an employee share loan plan - the “ESLP”.

Amounts issued under the ESLP were as follows:

- On October 7, 2013, the Company loaned \$1,575,000 to Nine Two Seven Limited, to acquire 210,000 common shares of the Company. Nine Two Seven Limited is owned by a former director and officer of the Company. The loan bore interest at a rate of 3.2% per annum payable upon maturity on August 27, 2023;
- On January 7, 2015, the Company loaned \$746,200 to Nine Two Seven Limited to acquire 65,000 common shares of the Company. The loan bore interest at a rate of 3.2% per annum payable upon maturity on January 7, 2025.

The two loans described above were forgiven in the amount of \$1,665,104 on February 17, 2020 (see Note 25).

On January 7, 2015, under the ESLP the Company loaned \$1,258,750 to Leeder Holdings Inc. to acquire 125,000 common shares of the Company. Leeder Holding Inc. is owned by a former officer and director of the Company. The loan bore interest at a rate of 3.2% per annum payable upon maturity on January 7, 2025. The Company has agreed to forgive a \$1,035,750 loan provided by the Company to Leeder Holdings Inc. and agreed to the accelerated vesting of 4,878 performance share units and 4,878 restricted share units on December 31, 2020.

Key management compensation

Key management includes the members of the Board, the Chief Executive Officer, the Chief Financial Officer and the President and Chief Operating Officer. The compensation paid or payable to key management is shown below:

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26. RELATED PARTY TRANSACTIONS AND BALANCES – continued

Key management compensation - continued

	Three Months Ended March 31, 2021	2020
Directors' fees and management compensation	\$ 1,766,775	\$ 1,241,302
	Three Months Ended March 31, 2021	2020
Agreement (Note 25 iii)	\$ -	\$ 1,720,734

Directors' fees and management compensation included in share-based incentive for the three month periods ended March 31, 2021 and 2020 were \$402,341 and \$558,569 respectively. At March 31, 2021, included in accounts payable and accrued liabilities are directors' fees and management compensation of \$2,232,016 (at December 31, 2020 - \$1,525,650).

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Fair value of financial instruments

Cash, accounts receivable, pre-need receivables, accounts payables and accrued liabilities, dividends payable, long-term debt and notes payable are financial instruments whose fair values approximate their carrying values due to their short-term maturity, variable interest rates or current market rates for instruments with fixed rates.

The fair value hierarchy under which the Company's financial instruments are valued is as follows:

- Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 includes inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly or indirectly;
- Level 3 includes inputs for the assets or liability that are not based on observable market data.

As at March 31, 2021, the fair value of the secured debt investment in Humphrey's (see Note 14) is valued under Level 3.

As at March 31, 2021, the care and maintenance and pre-need merchandise and service trust funds and related liabilities are carried at fair value under Level 1, Level 2, Level 3, and amortized cost.

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27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued

Fair value of financial instruments – continued

The trust assets are valued as follows:

Care and maintenance trust fund investments at March 31, 2021

		Level 1	Level 2	Level 3	Amortized	
		Quoted market	Valuation	Valuation	cost	
	Cost	price	technique -	technique - non-		Total fair value
			observable	observable		
			market inputs	market inputs		
Cash and cash equivalents	\$ 20,782,950	\$ 20,782,932	\$ -	\$ -	\$ -	\$ 20,782,932
Equities	94,922,262	115,545,496	-	-	-	115,545,496
Fixed income	74,880,531	59,955,186	-	10,379,822	5,837,421	76,172,429
Alternative investments	20,290,802	-	-	23,571,236	-	23,571,236
Preferred stocks	18,455,427	19,183,296	-	-	-	19,183,296
	<u>\$ 229,331,972</u>	<u>\$ 215,466,910</u>	<u>\$ -</u>	<u>\$ 33,951,058</u>	<u>\$ 5,837,421</u>	<u>\$ 255,255,389</u>

Care and maintenance trust fund investments at December 31, 2020

		Level 1	Level 2	Level 3	Amortized	
		Quoted market	Valuation	Valuation	cost	
	Cost	price	technique -	technique - non-		Total fair value
			observable	observable		
			market inputs	market inputs		
Cash and cash equivalents	\$ 9,015,429	\$ 9,015,412	\$ -	\$ -	\$ -	\$ 9,015,412
Equities	92,725,178	105,871,706	-	-	-	105,871,706
Fixed income	89,285,287	72,804,769	-	9,025,262	8,646,531	90,476,562
Alternative investments	18,403,283	-	-	21,681,390	-	21,681,390
Preferred stocks	18,648,435	18,956,411	-	-	-	18,956,411
	<u>\$ 228,077,612</u>	<u>\$ 206,648,298</u>	<u>\$ -</u>	<u>\$ 30,706,652</u>	<u>\$ 8,646,531</u>	<u>\$ 246,001,481</u>

Pre-need merchandise and service trust fund investments at March 31, 2021

		Level 1	Level 2	Level 3	Amortized	
		Quoted market	Valuation	Valuation	cost	
	Cost	price	technique -	technique - non-		Total fair value
			observable	observable		
			market inputs	market inputs		
Cash and cash equivalents	\$ 17,766,436	\$ 17,766,436	\$ -	\$ -	\$ -	\$ 17,766,436
GIC's	29,711,076	29,711,076	-	-	-	29,711,076
Equities	85,767,823	110,473,457	-	-	-	110,473,457
Fixed income	91,546,994	90,739,327	-	2,165,533	-	92,904,860
Alternative investments	33,810,564	-	-	39,252,651	-	39,252,651
Preferred stocks	5,123,311	5,286,172	-	-	-	5,286,172
	<u>\$ 263,726,204</u>	<u>\$ 253,976,468</u>	<u>\$ -</u>	<u>\$ 41,418,184</u>	<u>\$ -</u>	<u>\$ 295,394,652</u>

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27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT – continued

Fair value of financial instruments – continued

Pre-need merchandise and service trust fund investments at December 31, 2020						
		Level 1	Level 2	Level 3	Amortized	
	Cost	Quoted market price	Valuation technique - observable market inputs	Valuation technique - non-observable market inputs	cost	Total fair value
Cash and cash equivalents	\$ 8,852,595	\$ 8,852,595	\$ -	\$ -	\$ -	\$ 8,852,595
GIC's	29,859,660	29,859,660	-	-	-	29,859,660
Equities	82,084,696	101,145,960	-	-	-	101,145,960
Fixed income	104,629,412	101,611,629	-	5,072,906	775,379	107,459,914
Alternative investments	32,529,371	-	-	39,385,007	-	39,385,007
Preferred stocks	6,195,069	6,345,448	-	-	-	6,345,448
	<u>\$ 264,150,803</u>	<u>\$ 247,815,292</u>	<u>\$ -</u>	<u>\$ 44,457,913</u>	<u>\$ 775,379</u>	<u>\$ 293,048,584</u>

Market Risk

Pre-need merchandise and service trust funds

The principal objective of the pre-need cemetery and funeral trusts are to preserve the original principal balance invested in the trust and to achieve growth in the principal over time to preserve and increase the purchasing power of the assets. Since pre-need contracts generally take several years to turn at-need, the funds deposited into the pre-need trusts are invested through several investment cycles. The risk profiles of the investments are adjusted to achieve the desired goal and are weighted toward fixed income and equities with both a capital growth and income component. The portfolio is diversified and managed by professional fund managers specialized in this asset class with a long-term view on acceptable risk tolerance.

Perpetual Care trust funds

The cemetery perpetual care trust funds, in accordance with provincial and state regulations, emphasize yield orientated investments that prioritize current investment income with some capital appreciation over time in order to provide for the care and maintenance of the cemetery properties. In most jurisdictions, only investment income received, and not capital gains, may be applied to pay the cost of eligible care and maintenance expenses. If income from this trust should exceed eligible care and maintenance expenses, the excess must be added to the capital of the trust and would not be eligible for pay out to the Company in the future.

In order to achieve current investment income and some longer-term capital growth, the cemetery perpetual care fund portfolio is weighted more heavily to fixed income and yield oriented equity investments. The portfolio is diversified and managed by professional fund managers specialized in this asset class with a long-term view on acceptable risk tolerance.

28. COMMITMENTS AND CONTINGENCIES

Litigation

From time to time the Company is subject to legal proceedings and claims arising in the ordinary course of business. Some of the more frequent ordinary routine litigations incidental to our business are based on burial practices claims and employment related matters. Management is of the opinion based upon information presently available, that it is unlikely that any such liability, to the extent not provided for by insurance or otherwise, would have a material adverse effect in relation to the Company's consolidated financial position, liquidity or results of operations.

Construction

The Company has 14 construction commitments with the remaining balance of \$13,463,553, primarily for the construction of Westminster funeral visitation and reception centre in Toronto, Ontario and for funeral homes, mausoleums and cemetery development in the United States. To date, the Company has spent \$21,000,002 on these construction commitments in progress.

29. SEGMENTED INFORMATION

IFRS 8 - "Operating Segments" defines an operating segment as a component of an entity that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance; and for which discrete financial information is available.

The Company has two operating segments, one which provides goods and services associated with the disposition and memorialization of remains in Canada and the other which provides the same goods and services in the United States. The Company's operating segments are consistent with its geographic segments, and therefore the required disclosures are made below.

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29. SEGMENTED INFORMATION – continued

Geographic information

For the Company's geographically segmented non-current assets the Company has allocated based on the location of assets, as follows:

	March 31, 2021	December 31, 2020
Canada	\$ 214,564,618	\$ 206,887,380
United States	1,217,784,470	1,221,561,729
Total	<u>\$ 1,432,349,088</u>	<u>\$ 1,428,449,109</u>

For the Company's geographically segmented net revenue, the Company has allocated net revenue based on the location of the customer, as follows:

	Three Months Ended March 31, 2021	2020
Net revenue:		
Net sales:		
Canada	\$ 9,743,304	\$ 8,225,382
United States	75,529,299	58,558,330
Total net sales	<u>85,272,603</u>	<u>66,783,712</u>
Income from care and maintenance funds:		
Canada	1,103,140	1,025,000
United States	1,420,628	1,726,720
Total income from care and maintenance funds	<u>2,523,768</u>	<u>2,751,720</u>
Interest and other income:		
Canada	517,441	470,025
United States	1,263,487	1,258,480
Total interest and other income	<u>1,780,928</u>	<u>1,728,505</u>
Total net revenue:		
Canada	11,363,885	9,720,407
United States	78,213,414	61,543,530
Total net revenue	<u>\$ 89,577,299</u>	<u>\$ 71,263,937</u>

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30. SUBSEQUENT EVENTS

Wisconsin

Effective as of April 1, 2021 the Company completed the acquisition of Wichmann Funeral Home & Crematory, Inc., BDB Company LLP and 312 Milwaukee Street, LLC in Appleton, Menasha, Kaukauna and Kimberly, Wisconsin (collectively the “Wichmann Businesses”). The Wichmann Businesses consist of five funeral homes and one cremation business which complements PLC’s existing operations in and around the Madison area.

North Carolina

On April 22, 2021 the Company completed the acquisition of the assets of West Funeral Home, Inc., West Monument Company and Cemetery, Inc. and Sky View Memorial Park, Inc., in Asheville and Weaverville, North Carolina (collectively the “West Businesses”). The West Businesses consist of one funeral home, three cemeteries and one monument company and complement PLC’s existing North Carolina operations.

Tennessee

On May 1, 2021 the Company completed the acquisition of all of the issued and outstanding membership interests of Cremation Society of Tennessee and Family Care Services, LLC, as well as all of the issued and outstanding stock of Polk Memorial Gardens Corporation and Williams Funeral Home, Inc. with businesses located in Columbia, Mt. Pleasant and Pulaski, Tennessee (collectively the “Williams Businesses”). The Williams Businesses consist of two funeral homes, three cemeteries and one cremation business. The addition of the Williams businesses greatly expands PLC’s presence in the middle Tennessee market which is widely known as one of the fastest growing regions in the United States.

The above transactions were financed with funds from the Company’s credit facility and available cash on hand.

31. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the March 31, 2021 unaudited condensed interim consolidated financial statements with no effect on our previously reported results of operations, consolidated financial position, or cash flows.



PARK LAWN
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PARK LAWN CORPORATION



MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Quarter Ending March 31, 2021



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The following Management's Discussion and Analysis (this "**MD&A**") provides a review of corporate and market developments, results of operations and financial position of Park Lawn Corporation ("**PLC**" or the "**Company**") for the three month period ended March 31, 2021. This discussion should be read in conjunction with the Company's interim unaudited condensed consolidated financial statements and accompanying notes for the three month period ended March 31, 2021, together with the Company's audited consolidated financial statements and MD&A for the year ended December 31, 2020 and the accompanying notes contained therein. Information contained in this MD&A is based on information available to management as of May 13, 2021. Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars.

Forward-Looking Information

All information other than statements of current and historical fact contained in this MD&A is forward-looking information. In certain cases, forward-looking information can be identified by the use of words such as "plans", "expects", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "believes", or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will", "occur" or "be achieved", and similar words or the negative thereof. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement.

Forward-looking information in this MD&A includes, but is not limited to, statements regarding the impact of COVID-19 on the Company's business, the growth targets that PLC aspires to achieve by the end of 2022, the EBITDA (as defined below) multiples that the Company generally expects to pay for acquisitions, future earnings generated by recent acquisitions completed by the Company, expected synergies of acquisitions completed by the Company, the Company's business generally, future development and construction, future financial position and business strategy, the healthcare industry, potential acquisitions, potential business partnering, litigation, the ability of the Company to procure additional sales from new and existing customers, and the Company's plans and objectives. By its nature, forward-looking information is inherently uncertain, is subject to risk and is based on numerous assumptions, including those set out under the heading "Outlook" in PLC's management's discussion and analysis for the second quarter of 2018 (filed on SEDAR on August 14, 2018), and that the risk mitigation strategies undertaken with respect to COVID-19 will be effective, recent acquisitions will perform as expected, PLC will be able to implement business improvements and achieve cost savings, PLC will be able to retain key personnel, there will be no unexpected expenses occurring as a result of the pending or completed acquisitions, multiples will remain at or below levels paid by PLC for previously announced acquisitions, the Canadian dollar to United States dollar exchange rate will remain consistent, the acquisition and financing markets will remain accessible, capital can be obtained at reasonable costs and PLC's current business lines will operate and obtain synergies as expected, as well as risks and assumptions regarding present and future business strategies, the environment in which the Company will operate in the future, expected revenues, expansion plans and the Company's ability to achieve its goals. Although management of the Company believes that the expectations represented in such forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct.

The future outcomes that relate to forward-looking information may be influenced by many factors that could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking information, including, but not limited to, risks associated with the current COVID-19 pandemic; risks associated with the Company's growth strategy; risks



associated with the geographic concentration of the Company's operations; risks associated with the Company's reliance on key personnel; risks associated with the potential to maintain effective internal controls over financial reporting; tax related risks; risks associated with the Company's non-controlled interests; risks associated with relations with the Company's unionized and non-unionized employees; risks associated with self-insurance and insurance coverage and limits; risks associated with the Company's fixed operating costs; risks associated with changing consumer preferences; risks associated with the increasing number of cremations; risks associated with litigation and professional liability practice claims; risks associated with competition in the industry and markets in which the Company operates; risks associated with the capital expenditure requirements of the Company's business; regulatory risks; environmental and health and safety risks; cybersecurity risks and the other risk factors described under the heading "Risk Factors" in the Company's most recent Annual Information Form. The Company cautions that such list of factors is not exhaustive, and when relying on forward-looking information to make decisions with respect to the Company, readers should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking information.

There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. Forward-looking information is provided as of the date of this MD&A or such other date specified herein, and the Company assumes no obligation to update or revise such forward-looking information to reflect new events or circumstances, except as required under applicable securities laws.

Financial Statements and Accounting Policies

The Company prepares its financial statements in Canadian dollars in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of consolidated financial statements. The Company's significant accounting policies are summarized in Note 2 to its audited consolidated annual financial statements for the year ended December 31, 2020. PLC's interim unaudited condensed consolidated financial statements for the period ended March 31, 2021, are prepared in accordance with the accounting policies disclosed in Note 2 to its audited consolidated annual financial statements for the year ended December 31, 2020.

Consolidation

The Company's interim unaudited condensed consolidated financial statements for the three month period ended March 31, 2021 include the accounts of the Company and its subsidiaries. All significant accounts and transactions between consolidated entities are eliminated. A minority interest held by any party in a property that the Company controls is reflected as "non-controlling interest" in the interim unaudited condensed consolidated financial statements.

The interim unaudited condensed consolidated financial statements are presented in Canadian dollars, which is also the parent company's functional currency. Each entity within the consolidated group determines its own functional currency and items included in the consolidated financial statements of each entity are remeasured using the functional currency. The consolidated financial statements of foreign subsidiaries for which the functional currency is not the Canadian dollar are translated into Canadian dollars using the exchange rate in



effect at the end of the reporting period for assets and liabilities and the average exchange rates for the period for net revenue, expenses and cash flows. Foreign exchange differences arising on translation are recognized in other comprehensive income and in accumulated other comprehensive income in shareholders' equity.

Within each entity, transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to the currency at the exchange rate at that date. Foreign exchange differences arising on translation are recognized in the consolidated statements of earnings. Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction.

In general, as a majority of the Company's net earnings are a result of USD denominated operations, the Company benefits from a weaker CAD and is adversely impacted by a stronger CAD as net earnings from US operations, USD denominated financings, and USD general and administrative expenses are translated into CAD.

The following table provides CAD/USD average exchange rates for the three months ended March 31, 2021 and 2020, as well as period end exchange rates for each of the aforementioned periods.

Exchange Rate	Three month period ended,		Year Ended
	March 31, 2021	March 31, 2020	December 31, 2020
Average	1.2660	1.3449	1.3415
Period End	1.2575	1.4187	1.2732

The average exchange rates in the table above are for entities that are owned for the entire period or year end. For entities acquired during the year, an average exchange rate is calculated from their acquisition date to the period end date. The period end exchange rate is the same for all entities owned at the period or year end.

Description of Non-IFRS Measures

Management uses both IFRS and Non-IFRS Measures to monitor and assess the Company's operating performance. Non-IFRS Measures adjust for the impact of certain expenses and income that have been recognized under IFRS when analyzing operating performance. Management believes that the excluded items are not reflective of the Company's underlying operating performance and make comparisons of underlying financial performance between periods difficult. As such, management believes that Non-IFRS measures may be useful to investors and other third parties because they allow for greater transparency with respect to key metrics used by the Company in its financial and operational decision making. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

These Non-IFRS measures are intended to provide additional information and should not be considered in isolation nor as a substitute for measures of performance prepared in accordance with IFRS. In this MD&A, management uses the following measures, which are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are unlikely to be comparable to similar measures presented by other organizations:



- **Adjusted Net Earnings** – The Company defines Adjusted Net Earnings as net earnings adjusted for non-recurring, one-time or non-cash income or expense, and other items. The Company uses Adjusted Net Earnings to assist in evaluating its operating performance. The Company believes that this Non-IFRS measure provides meaningful supplemental information to investors and other third parties regarding operating results because it excludes certain income or expense items which are non-cash in nature and/or do not relate to core operating activities of the Company’s underlying business and which may not be indicative of the Company’s future financial results.

The adjustments may include, but are not limited to, the after-tax impact of acquisition and integration costs, share based compensation, amortization of intangibles and other gains or losses.

Please see – “Discussion of Operating Results - Adjusted Net Earnings” below for a reconciliation of the Company’s net earnings to Adjusted Net Earnings.

- **EBITDA** - the Company defines EBITDA as earnings from operations before finance costs, taxes, depreciation and amortization (including amortization of tangible and intangible assets and amortization of cemetery property). The Company believes EBITDA to be an important measure that allows investors and other third parties to assess the operating performance of its ongoing business and to compare its results to prior periods and to the results of its competitors.

The Company’s cemetery property inventory is acquired or constructed over many years, if not decades, in advance of its sale. The cash associated with this investing activity is a cash outflow in the period in which the inventory is acquired or constructed and classified as investing activities in the Company’s consolidated statement of cash flows. As sales occur, the Company draws down its inventory by making a non-cash charge to cost of goods sold.

Please see the “Discussion of Operating Results - EBITDA and Adjusted EBITDA” and “Unaudited Quarterly Information” below for a reconciliation of the Company’s earnings from operations to EBITDA.

- **Adjusted EBITDA** - Adjusted EBITDA is EBITDA adjusted for non-cash share based compensation. The Company believes that the inclusion of Adjusted EBITDA also provides useful supplementary information to investors and other third parties that allows them to assess the operating performance of the Company’s ongoing business and to compare its results to prior periods and to the results of its competitors.

Please see the “Discussion of Operating Results - EBITDA and Adjusted EBITDA” and “Unaudited Quarterly Information” below for a reconciliation of the Company’s EBITDA to Adjusted EBITDA.

- **Adjusted EBITDA Margin** – the Company calculates Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of total net revenue. The Company believes the Adjusted EBITDA Margin helps to assess the operating performance of the Company and to compare its results to prior periods and to the results of its competitors.



- **Free Cash Flow** - Free Cash Flow is defined as cash provided by (used in) operating activities less maintenance capital expenditures to maintain its existing operations, inventory additions to its cemetery properties, and lease payments. The Company believes that the inclusion of Free Cash Flow is useful as it relates cash flow from operations to the capital that is spent to continue and improve business operations. Free Cash Flow facilitates our ability to strengthen the Company's balance sheet, repay our debt obligations, pay cash dividends, and fund organic growth initiatives and acquisitions.

Please see "Dividends and Free Cash Flow" below for a reconciliation of the Company's earnings from operations to Free Cash Flow.

- **Comparable Operations** – consists of business units or locations owned by the Company for the entire period from January 1, 2020 and ending March 31, 2021.
- **Acquired Operations** – consists of business units or locations acquired by the Company during the period from January 1, 2020 and ending March 31, 2021.
- **Total Debt** – consists of the aggregate of the face amount of long term debt, notes payable and senior unsecured debentures, plus the face amount of deferred financing costs and debt issuance costs.
- **Leverage Ratio** – is calculated as total indebtedness to trailing twelve months Adjusted EBITDA. Leverage Ratio is defined by the Company's credit agreement. Total indebtedness as defined by the Company's credit agreement, includes the face value of bank debt, mortgages, vehicle loans, notes payable and letter of credits, excludes lease liabilities, and is offset by cash on hand. Trailing twelve months Adjusted EBITDA is calculated in accordance with the credit agreement and includes Adjusted EBITDA for Acquired Operations in the period relative to a 12 month period (or pro-rated as necessary) prior to acquisition by the Company.

This non-IFRS measure helps to assess the Company's ability to repay the principal of its total indebtedness and assess the Company's use of leverage in the performance of the Company's operations.

- **Interest Coverage Ratio** – is calculated as the ratio of trailing twelve months Adjusted EBITDA to interest expense. Interest Coverage Ratio is defined by and calculated in accordance with the Company's credit agreement.

This non-IFRS measure helps to assess the Company's ability to service its ongoing interest payments.



Overview

PLC is an Ontario corporation listed on the Toronto Stock Exchange under the stock symbol of “PLC”. PLC is the only Canadian publicly listed cemetery, funeral and cremation operating company.

The Company is one of the largest providers of deathcare products and services in North America. The Company sells its products and services both at the time of need (at-need) and on a pre-arranged basis (pre-need). As at March 31, 2021, PLC operated in 5 Canadian provinces and 15 U.S. states. The Company and its subsidiaries operated 123 cemeteries and 116 funeral homes (including 24 on-sites, where a funeral home is located on a cemetery), each of which serviced different areas and provided a different combination of products and services. The Company's primary products and services are cemetery lots, crypts, niches, monuments, caskets, urns and other merchandise, funeral services, after life celebration services, and cremation services.

The Company's growth strategy includes organic initiatives and future acquisitions. Organic initiatives include the build-out of inventory at new or existing cemetery properties, remodeling of existing funeral homes, construction of new stand-alone funeral homes and construction of new on-site funeral homes (referred to as combination properties). The deathcare industry continues to be a highly fragmented market in North America, and the Company plans to continue its acquisition growth strategy where opportunities are attractive and can be integrated with its existing operations or provide an entry to new markets. The Company generally expects to pay earnings multiples based on stabilized EBITDA of 6x – 8x for the quality and size of the transactions it considers, with a premium paid for size of the acquired business. Ultimately, as each transaction is unique, multiples paid for acquisitions may be outside of this range as the circumstances require.

In North America, we continue to adapt to evolving regulatory measures and health authority guidelines concerning the COVID-19 pandemic. The outbreak of this contagious illness continues to pose a threat to the health and economic wellbeing of our employees and their families, the families we serve, our vendors and the Company. In all communities we serve, funeral homes and cemeteries have been classified as essential services and we have remained open to serve our families at their time of need. In recognition of the challenges our employees face as first responders working on the front lines, our ongoing focus remains on the safety and security of them and their families. We have implemented enhanced safety protocols and procedures designed for working with any deceased who may have been infected by COVID-19. Likewise, we have also put into place, and continue to adjust as may be required by local authorities, safety protocols and procedures in regard to our interactions with our customers to protect the health and safety of all concerned. We implemented web broadcasting of funeral services in our funeral homes and provided other alternatives to traditional visitations and services so that friends and family could be included at the funeral service of loved ones. In addition, stay at home orders impacted the way we conducted our pre-need sales such that we are now utilizing different strategies and technology to help us through the selling process under these challenging times. Further, the pandemic created a triggering effect whereby we now have a backlog of family contacts and sales opportunities. We also implemented work from home policies where possible to reduce the risk of our employees being exposed to the infection.

As the pandemic began to unfold in early 2020 it was unclear as to the severity or the duration of COVID-19 including the financial impact it might have on the Company in the weeks and months ahead. With that in mind, the Company implemented contingency planning procedures in early March 2020 to limit the financial risk to our business. This included implementing measures to reduce operating expenses in certain areas of the



business including minimizing the use of part time employees, eliminating non-essential expenses such as travel, reduced marketing and advertising expenditures, reduced corporate expenses where possible and managed field level maintenance programs to essential matters only. We also deferred or slowed the pace of a number of planned maintenance and growth capital expenditure programs until we had a clearer view of the impact of the pandemic on the Company's business. In addition, the Company also examined our acquisition pipeline and deferred many of the opportunities as we focused on preserving financial flexibility. Finally, we restructured the Company's credit facility to provide additional liquidity and relaxed covenants for a specific period of time.

Management's focus in the near term was on operations and completing the integration of our existing businesses.

Due to the various measures we implemented and the great work of our people, the pandemic has not to date had a materially negative impact on the overall financial performance of the business. As a result, the Company was able to reactivate several growth-oriented objectives during the second half of 2020, including certain capital expenditure programs and our acquisition program.

Additionally, the Canadian and U.S. governments announced measures to support workers and businesses through the COVID-19 crisis. On March 27, 2020, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security Act ("**CARES Act**") which includes modifications to the limitation on business interest expense and net operating loss provisions, and provides a payment delay of employer payroll taxes during 2020 after the date of enactment. The Company has evaluated the income tax provisions of the CARES Act and determined they have no significant effect on the computation of our estimated effective tax rate for the three month period ended March 31, 2021. However, the payment of approximately \$3,500,000 of the employer portion of payroll taxes that were otherwise due in 2020 has been delayed with 50% due by December 31, 2021 and the remaining 50% by December 31, 2022. On December 27, 2020, the U.S. government enacted the Consolidated Appropriations Act of 2021 ("**CAA**"). The CAA includes provisions extending certain CARES Act provisions and adds coronavirus relief, tax and health extenders. The Company will continue to evaluate the impact of the CAA and its impact on our financial statements in 2021 and beyond. The CAA program has not had a significant impact for the three month period ended March 31, 2021. In Canada, the programs allowed for a deferral of certain income taxes and HST payments until June 30, 2020, however, more significant was the Canada Emergency Wage Subsidy ("**CEWS**") program. This program initially allowed for qualifying companies to recover 75% of certain wages paid in March to June 2020, and the Company applied for and received \$1,028,872 in wage subsidies for the first two claim periods. The Government announced an additional CEWS program on July 13, 2020 extending it to December 2020, however, the Company did not qualify for further wage subsidies. The 2021 Federal Budget proposes to extend the CEWS program to September 25, 2021. The Company will continue to monitor its entitlement to payments under CEWS, however, does not expect to qualify at this time.

Furthermore, in July 2020, the Company raised \$81,634,801 (net of commissions to underwriters and transaction costs) from the issuance of publicly traded Senior Unsecured Debentures ("**Debentures**") due December 31, 2025. The net proceeds were used to repay a portion of the Company's outstanding credit facility, providing further liquidity and financial flexibility for the Company. For purposes of testing the covenants under the Company's credit facility, the Debentures are not included as part of total indebtedness. The Company intends to use the enhanced borrowing capacity under the credit facility to fund future acquisitions and for general corporate purposes. The Company has the right, at its sole discretion, to redeem or repay



outstanding principal amounts thereunder at redemption or maturity of the Debentures by issuing Shares rather than the payment of cash. Shares will be valued at the 20 day volume weighted average price (“VWAP”), less a 5% discount. If such option is exercised by the Company, holders of Debentures will become holders of equity securities of PLC and will, consequently, be subject to the general risks and uncertainties affecting equity shareholders, including the ability to claim an entitlement only in its capacity as a shareholder.



Financial Highlights

The table below summarizes selected financial information for the period ended March 31, 2021 and the relevant comparable period:

	March 31, 2021	December 31, 2020
Cash	\$ 41,339,062	\$ 31,475,091
Total Assets	\$ 1,540,178,233	\$ 1,531,135,381
Total Non-current liabilities	\$ 973,718,035	\$ 966,134,172
Total Debt ⁽¹⁾	\$ 235,648,099	\$ 242,642,512
Total Shareholder's Equity	\$ 513,371,508	\$ 513,499,889
Monthly Dividend Paid per Share	\$ 0.038	\$ 0.038
Leverage Ratio	1.23x	1.55x
Interest Coverage Ratio	16.81x	12.45x

⁽¹⁾ Total Debt – consists of the aggregate of the face amount of long term debt, notes payable and senior unsecured debentures, each as shown on the consolidated statement of financial position of the Company for the period ended March 31, 2021 (being an aggregate of \$229,714,771), plus the face amount of deferred financing costs of \$1,826,386 and debt issuance costs of \$4,106,942 and for the period ended December 31, 2020 (being an aggregate of \$236,325,738), plus the face amount of deferred financing costs of \$2,031,321 and debt issuance costs of \$4,285,453.

	Three Months Ended March 31,		
	2021	2020	Increase(decrease)
Net Revenue	\$ 89,577,299	\$ 71,263,937	\$ 18,313,362
Gross Profit	\$ 75,331,765	\$ 60,665,369	\$ 14,666,396
Earnings From Operations	\$ 15,072,687	\$ 7,885,858	\$ 7,186,829
Net Earnings, PLC shareholders	\$ 9,754,291	\$ 734,057	\$ 9,020,234
Adjusted Net Earnings, PLC shareholders	\$ 12,045,018	\$ 7,569,603	\$ 4,475,415
Adjusted EBITDA, PLC shareholders	\$ 24,244,111	\$ 17,090,087	\$ 7,154,024
Gross Profit Margin	84.1%	85.1%	(1.0%)
Adjusted EBITDA Profit Margin	27.2%	24.2%	3.0%
Net Earnings Per Share - Basic	\$ 0.327	\$ 0.025	\$ 0.302
Net Earnings Per Share - Diluted	\$ 0.324	\$ 0.025	\$ 0.299
Adjusted Net Earnings Per Share - Basic	\$ 0.404	\$ 0.255	\$ 0.148
Adjusted Net Earnings Per Share - Diluted	\$ 0.400	\$ 0.255	\$ 0.145
Adjusted EBITDA Per Share - Basic	\$ 0.812	\$ 0.577	\$ 0.236
Adjusted EBITDA Per Share - Diluted	\$ 0.805	\$ 0.576	\$ 0.229
Weighted Average Number of Common Shares			
Basic	29,841,755	29,635,025	206,730
Diluted	30,122,589	29,684,141	438,448

Adjusted Net Earnings, Adjusted EBITDA and Adjusted EBITDA Profit Margin are non-IFRS measures.
See "Description of Non-IFRS Measures".



First Quarter Summary

- For the three month period ended March 31, 2021 net revenue increased approximately 26% over the three month period ended March 31, 2020.
- For the three month period ended March 31, 2021 net revenue from Comparable Operations, excluding foreign exchange impacts, increased approximately 21% over the three month period ended March 31, 2020.
- Both at-need and pre-need net sales at the Company's U.S. funeral homes and throughout the cemetery businesses drove increased revenue for the three month period ended March 31, 2021, relative to the three month period ended March 31, 2020.
- Diluted net earnings per share to PLC shareholders increased approximately 1209% for the three month period ended March 31, 2021, compared to the three month period ended March 31, 2020.
- Net earnings per share for the three month period ended March 31, 2021 increased relative to the three month period ended March 31, 2020, primarily as a result of an increase in earnings from operations, as well as, reduced acquisition and integration and other expenses.
- Diluted Adjusted Net Earnings per share to PLC shareholders increased approximately \$0.145 or 57% for the three month period ended March 31, 2021 compared to the three month period ended March 31, 2020.
- Diluted Adjusted EBITDA per share to PLC shareholders increased approximately 40% for the three month period ended March 31, 2021 compared to the three month period ended March 31, 2020.
- Adjusted EBITDA margin for the three month period ended March 31, 2021 was 27.2%, a 3% increase over the comparable period in 2020.
- The Company's leverage ratio decreased 0.32x to 1.23x based on the terms of the Company's credit facility, and inclusive of the Company's outstanding debentures totaled 2.22x as at March 31, 2021.
- The Company's interest coverage ratio increased 4.36x to 16.81x based on the terms of the Company's credit facility, and inclusive of interest from the Company's outstanding debentures totaled 9.97x as of March 31, 2021.
- On March 30, 2021 the Company announced that it had entered into three definitive agreements to acquire businesses in Wisconsin, North Carolina, and Tennessee.
- On April 1, 2021 the Company acquired five funeral homes (collectively the "**Wichmann Businesses**") located in and around the Madison, Wisconsin area.
- On April 22, 2021 the Company acquired one funeral home and three cemeteries (collectively the "**West Businesses**") to complement its existing operations in North Carolina.
- On May 1, 2021 the Company acquired two funeral homes and three cemeteries (collectively the "**Williams Businesses**") expanding the Company's presence in the middle Tennessee market.
- The three transactions represent approximately 1,659 calls and 456 interments per year and were financed with available cash on hand and funds from the company's credit facility. Once these businesses are fully integrated, the combination of the Wichmann, West and Williams Businesses together with Winscott Funeral Service Corp. ("**Winscott**"), which was acquired by the Company on December 15, 2020, are expected to add approximately US\$3,600,000 in Adjusted EBITDA annually.



Discussion of Operating Results

Three Months ended March 31, 2021

Net Revenue

Net revenue for the three month period ended March 31, 2021 was \$89,577,299 compared to \$71,263,937 in the same period in 2020. This represents an increase of \$18,313,362 or 25.7%, over the same period in 2020.

Net revenue is derived primarily from net sales of property, merchandise and services by the Company's cemetery, funeral and cremation businesses. Net revenue, cost of sales and gross profit for the three month periods ended March 31, 2021 and 2020 are as follows:

	<u>March 31, 2021</u>	<u>March 31, 2020</u>
Net sales	\$ 85,272,603	\$ 66,783,712
Income from care and maintenance funds	2,523,768	2,751,720
Interest and other income	1,780,928	1,728,505
Net revenue	89,577,299	71,263,937
Cost of sales	14,245,534	10,598,568
Gross profit	<u>\$ 75,331,765</u>	<u>\$ 60,665,369</u>

Net sales for the three month period ended March 31, 2021 were \$85,272,603 compared to \$66,783,712 in the same period of 2020. This represents an increase of \$18,488,891 or 27.7%, over the same period in 2020. The increase in net sales related to increased demand in both at-need and pre-need funeral and cemetery services experienced during the three month period ended March 31, 2021, as well as, net revenue related to the timing of Acquired Operations.

Income from care and maintenance funds for the three month period ended March 31, 2021 was \$2,523,768 compared to \$2,751,720 in the same period of 2020, which represents a decrease of \$227,952 or 8.3%.

Interest and other income for the three month period ended March 31, 2021 was \$1,780,928 compared to \$1,728,505 in the same period in 2020, which represents a slight increase of \$52,423 or 3.0%.

Net revenue from Comparable Operations, excluding the impact of foreign exchange, increased approximately 21.4% from strong sales in both Canada and the U.S.

The Company experienced increases in at-need net sales, which correlated with an increase in deaths in both Canada and the United States during the first half of the first quarter, and experienced strong pre-need cemetery sales throughout the period. In addition, where jurisdictions began to loosen COVID-19 restrictions the businesses experienced average net revenue per call growth over the comparable three month period ended March 31, 2020.



Additional increases in net revenue were a result of the acquisitions of WG-TN, LLC and Harpeth Hills Memory Gardens Inc. (collectively, “**Harpeth Hills**”) and Family Legacy, LLC (“**Family Legacy**”) on January 31, 2020, Bowers Funeral Service (“**Bowers**”) on October 1, 2020, the J. F. Floyd Mortuary, Crematory and Cemetery (“**J. F. Floyd**”) on November 2, 2020, and Winscott on December 15, 2020.

Cost of sales for the three month period ended March 31, 2021 was \$14,245,534 compared to \$10,598,568 in the same period in 2020. This represents an increase of \$3,646,966 or 34.4%, over the same period in 2020 and is primarily a result of increased net sales activity during the quarter, as well as increased pre-need sales throughout the quarter.

Gross profit for the three month period ended March 31, 2021 increased to \$75,331,765 from \$60,665,369 in the same period in 2020 and gross profit margin for the three month period ended March 31, 2021, decreased slightly to 84.1% compared to 85.1% for the same period in 2020.

Operating Expenses

Operating expenses for the three month period ended March 31, 2021 were \$60,259,078 compared to \$52,779,511 in the same period in 2020. This represents an increase of \$7,479,567 or 14.2% over the same period in 2020, as indicated below:

	<u>March 31, 2021</u>	<u>March 31, 2020</u>
General and administrative	\$ 37,793,122	\$ 32,886,265
Amortization of intangibles	590,667	648,483
Maintenance	8,048,003	7,751,489
Advertising and selling	10,329,277	7,696,113
Finance costs	2,542,588	2,389,785
Share based incentive compensation	955,421	1,407,376
	<u>\$ 60,259,078</u>	<u>\$ 52,779,511</u>

The overall increase in operating expenses quarter over quarter was due to increases in general and administrative expenses from both Comparable and Acquired Operations, as well as, higher advertising and selling expenses resulting from increased sales.

The Company’s general and administrative expenses increased primarily as a result of the aforementioned acquisitions in 2020, as well as, additional labour and costs associated with increased at-need services and corporate level overhead.

Amortization of intangibles represents the amount of amortization of intangible assets acquired as a result of business combinations. Amortization of intangibles decreased by \$57,816 for the three month period ended March 31, 2021 compared to the same period in 2020.



Advertising and selling expenses, increased primarily as a result of increased pre-need cemetery sales and the associated sales commissions particularly in the Company's northeast operations and Acquired Operations.

Finance costs for the three month period ended March 31, 2021 primarily include interest expense on the Company's credit facility and interest expense on the Debentures. Finance costs increased by \$152,803 for the three month period ended March 31, 2021 compared to the same period in 2020 as a result of the higher total debt including Debentures issued in July 2020 and higher amortization of deferred finance costs associated with establishing and amending the credit facility and accretion expense on the Debenture offering.

The Company's EIP was established in the second quarter of 2016, as a means of compensating directors and designated employees of the Company and its subsidiaries, and of promoting share ownership and alignment with shareholders' interests. The EIP provides for the grant of DSUs, RSUs, PSUs and Options. The plan was amended in May of 2019 and subsequently in June of 2019. Compensation expense associated with these units for the three month period ended March 31, 2021 was \$955,421 compared to \$1,407,376 for the same period in 2020 which represents a decrease of \$451,955 as a result of less grants issued under the EIP during the three month period ended March 31, 2021 compared to the same quarter in 2020. Share based incentive compensation expense will vary based on vesting conditions, performance metrics, the value of the underlying security, and the timing of when awards are issued.

As a result of the above, earnings from operations for the three month period ended March 31, 2021 totaled \$15,072,687 compared to \$7,885,858 for the same period in 2020. This represents an increase of \$7,186,829 or 91.1% quarter over quarter.

Other income and expenses for the three month period ended March 31, 2021 and 2020 are as follows:

	March 31, 2021	March 31, 2020
Earnings from operations	\$ 15,072,687	\$ 7,885,858
Acquisition and integration costs	(1,170,845)	(3,462,853)
Other income (expenses)	(53,185)	(2,979,677)
Earnings before income taxes	13,848,657	1,443,328
Income tax expense	4,016,864	636,836
Net earnings for the period	<u>\$ 9,831,793</u>	<u>\$ 806,492</u>

During the three month period ended March 31, 2021 and 2020, the Company incurred acquisition and integration expenses of \$1,170,845 and \$3,462,853, respectively. Acquisition expenses will vary from period to period depending on the size and level of acquisition activity, and include expenses relating to legal, financial and tax due diligence, post closing audits, representation and warranty insurance premiums, preparation of independent valuation reports, the preparation of reports for regulatory compliance purposes, and internal compensation.

Other income (expenses) comprised of the following:



- \$nil and \$905,722 of expenses for the three month period ended March 31, 2021 and 2020, respectively, relating to the Special Committee's strategic review of corporate governance matters and executive management transition preparedness (as referred to above under "Overview"), including Board fees, and legal, CEO search and other professional fees;
- \$nil and \$386,145 of expenses for the three month period ended March 31, 2021 and 2020, respectively, in restructuring costs;
- \$nil and \$1,720,734 of expenses for the three month period ended March 31, 2021 and 2020, respectively, relating to the transition of Mr. Clark;
- \$41,839 and \$nil of expenses for the three month period ended March 31, 2021 and 2020, respectively, including legal costs for the defence of intellectual property created by the Company and the preservation of certain investments made or authorized by Mr. Clark;
- Net loss of \$11,346 and net gain of \$32,924 related to sale of property for the three month period ended March 31, 2021 and 2020, respectively.

Income tax expense for the three month period ended March 31, 2021 was \$4,016,864 compared to \$636,836 for the same period in 2020. The effective tax rate for the three month period ended March 31, 2021 was 29.0% which is higher than the Company's statutory tax rates primarily as a result of certain permanent differences in operating expenses that are not deductible expenses for tax purposes, such as share based compensation expenses, offset by non-taxable dividend income. The effective tax rate for the same period in 2020 was 44.1%. The higher effective tax rate in the first quarter of 2020 was primarily due to forgiveness of loans.

As a result of the above, the Company's after-tax earnings from operations for the three month period ended March 31, 2021 totaled \$9,831,793 compared to \$806,492 for the same period in 2020 which represents an increase of \$9,025,301 or 1119.1% over the same period in 2020.

Earnings Per Share

The weighted average diluted number of common shares outstanding for the three month period ended March 31, 2021 increased to 30,122,589 compared to 29,684,141 for the same period in 2020, an increase of 438,448 or 1.5%. The increase in outstanding shares relates to the issuance of shares pursuant to the Company's dividend reinvestment plan ("DRIP") and an increase in equity incentive awards that have vested.

Fully diluted earnings per common share attributable to PLC shareholders for the three month period ended March 31, 2021 were \$0.324 compared to \$0.025 for the same period in 2020.

Adjusted Net Earnings

Net earnings for the three month periods ended March 31, 2021 and 2020 as stated, have been significantly impacted by certain one-time, non-recurring or non-cash revenue and expense, and other items that management believes should be highlighted to better explain the Company's operating performance for the periods under review on an adjusted basis. The table below reconciles Adjusted Net Earnings for the three month periods ended March 31, 2021 and 2020 to the Company's net earnings:



	Three Months Ended March 31,	
	2021	2020
Net Earnings	\$ 9,754,291	\$ 734,057
Adjusted for the impact of:		
Amortization of intangible assets	590,667	648,483
Share based compensation	955,421	1,407,376
Acquisition and integration costs	1,170,845	3,462,853
Other (income) expenses	53,185	2,979,677
Tax effect on the above items	(479,391)	(1,662,843)
Adjusted Net Earnings, PLC shareholders	\$ 12,045,018	\$ 7,569,603
Adjusted Net Earnings - per share		
Basic	\$ 0.404	\$ 0.255
Diluted	\$ 0.400	\$ 0.255
Weighted Average Shares		
Basic	29,841,755	29,635,025
Diluted	30,122,589	29,684,141

Adjusted Net Earnings is non-IFRS measure. See "Description of Non-IFRS Measures".

Adjusted Net Earnings attributable to PLC shareholders for the three month period ended March 31, 2021 was \$12,045,018 or \$0.400 per share compared to \$7,569,603 or \$0.255 per share for the same period in 2020. This represents an increase of 59.1% in the Adjusted Net Earnings and 56.9% in the Adjusted Net Earnings per share over the same three month period in 2020. **EBITDA and Adjusted EBITDA**

The table below reconciles EBITDA and Adjusted EBITDA for the three month periods ended March 31, 2021 and 2020 to earnings from operations:



	Three Months Ended March 31,	
	2021	2020
Earnings from operations	\$ 15,072,687	\$ 7,885,858
Adjusted for the impact of:		
Finance costs	2,542,588	2,389,785
Depreciation and amortization	3,710,413	3,817,885
Amortization of cemetery property	2,099,467	1,724,752
Non-controlling interest	(136,465)	(135,569)
EBITDA, PLC shareholders	23,288,690	15,682,711
Share based compensation	955,421	1,407,376
Adjusted EBITDA, PLC shareholders	\$ 24,244,111	\$ 17,090,087
EBITDA, PLC shareholders - per share		
Basic	\$ 0.780	\$ 0.529
Diluted	\$ 0.773	\$ 0.528
Adjusted EBITDA, PLC shareholders - per share		
Basic	\$ 0.812	\$ 0.577
Diluted	\$ 0.805	\$ 0.576
Weighted Average Shares Outstanding		
Basic	29,841,755	29,635,025
Diluted	30,122,589	29,684,141

EBITDA and Adjusted EBITDA are non-IFRS measures. See "Description of Non-IFRS Measures".

Adjusted EBITDA attributable to PLC shareholders for the three month period ended March 31, 2021 was \$24,244,111 compared to \$17,090,087 during the same period in 2020, which represents an increase of \$7,154,024 or 41.9%. The fully diluted Adjusted EBITDA per share for the three month period ended March 31, 2021 was \$0.805 compared to \$0.576 for the same period in 2020, a quarter over quarter increase of \$0.229 or 39.8%.

The Adjusted EBITDA profit margin for the three month period ended March 31, 2021 was 27.2% compared to 24.2% for the same period in 2020.

Geographic Information

For the Company's geographically segmented non-current assets the Company has allocated based on the location of assets, as follows:

	March 31, 2021	December 31, 2020
Canada	\$ 214,564,618	\$ 206,887,380
United States	1,217,784,470	1,221,561,729
Total	<u>\$ 1,432,349,088</u>	<u>\$ 1,428,449,109</u>



For the Company's geographically segmented net revenue, the Company has allocated net revenue based on the location of the customer, as follows:

	Three Months Ended March 31,	
	2021	2020
Net revenue:		
Net sales:		
Canada	\$ 9,743,304	\$ 8,225,382
United States	75,529,299	58,558,330
Total net sales	85,272,603	66,783,712
Income from care and maintenance funds:		
Canada	1,103,140	1,025,000
United States	1,420,628	1,726,720
Total income from care and maintenance funds	2,523,768	2,751,720
Interest and other income:		
Canada	517,441	470,025
United States	1,263,487	1,258,480
Total interest and other income	1,780,928	1,728,505
Total net revenue:		
Canada	11,363,885	9,720,407
United States	78,213,414	61,543,530
Total net revenue	\$ 89,577,299	\$ 71,263,937

Liquidity and Capital Resources

The Company's principal sources of liquidity are cash provided from operations and from the issuance of debt and equity instruments. The Company had a net working capital of \$54,740,455 as at March 31, 2021 including \$41,339,062 in cash. Net working capital is calculated as the difference between the Company's current assets and its current liabilities.

The Company's credit facility is comprised of a \$250,000,000 committed credit and an additional \$50,000,000 accordion facility and matures on January 18, 2025. In March 2020, as part of the COVID-19 contingency planning process, the Company requested that its lending syndicate increase its leverage ratio from 3.5 times to 4.0 times on a temporary basis from May 8, 2020 through June 29, 2021. The leverage ratio would reduce to 3.75 times on June 30, 2021 and then revert to not more than 3.5 times on September 30, 2021 and thereafter. In addition, the Company requested a temporary increase of \$25,000,000 in credit availability to provide additional liquidity for a period of one year commencing May 8, 2020. The lending syndicate approved both requests effective May 8, 2020. On August 21, 2020, based on the positive performance of its operations, the Company cancelled the temporary increase of \$25,000,000.

In July 2020, the Company raised \$86,250,000 in gross proceeds from the issuance of publicly traded Debentures. The proceeds were used to repay a portion of the outstanding credit facility. For purposes of testing the covenants under the Company's credit facility, the Debentures are not included as part of total indebtedness. The Company intends to use the enhanced borrowing capacity under the credit facility to fund future acquisitions and for general corporate purposes.



The credit facility requires the Company to maintain a Leverage Ratio of less than 4 times. It also requires the Company to maintain an Interest Coverage Ratio of greater than 3 times. As of March 31, 2021, the Company was in compliance with both covenant tests with the Leverage Ratio being 1.23 times and the Interest Coverage Ratio being 16.81 times.

At March 31, 2021, the Company had \$139,127,523 outstanding on the credit facility including letters of credit. The Company has an undrawn balance on its credit facility of \$110,872,477 and \$41,339,062 in cash on hand as at March 31, 2021, this provides the Company with \$152,211,539 in liquidity.

As at March 31, 2021, the Company had other debt of \$11,034,600 comprised of vehicle loans, mortgages on certain funeral homes and notes payable to former business owners supporting non-compete and warranty agreements and related to the financing of the general business insurance policies. Further, the Company had \$6,883,424 in lease liabilities. The Debentures balance as at March 31, 2021 was \$82,143,058, net of debt issuance costs and accretion expense of \$4,106,942.

Summary of principal repayments by year

	Apr 1-Dec 31	Jan 1-Dec 31	Jan 1-Dec 31	Jan 1-Dec 31	Jan 1-Dec 31		Total
	2021	2022	2023	2024	2025	Thereafter	
Revolving loan facility	\$ -	\$ -	\$ -	\$ -	\$ 138,363,500	\$ -	\$ 138,363,500
Mortgages	64,367	88,860	92,250	95,691	99,420	558,893	999,482
Other debt	199,471	225,485	68,981	52,988	17,904	5,804	570,633
	263,838	314,345	161,231	148,679	138,480,824	564,697	139,933,615
Deferred financing costs	(604,957)	(396,139)	(396,139)	(396,139)	(33,012)	-	(1,826,386)
Total	\$ (341,119)	\$ (81,794)	\$ (234,908)	\$ (247,460)	\$ 138,447,812	\$ 564,697	\$ 138,107,229



Lease liabilities

	March 31, 2021	December 31, 2020
Future minimum lease payments		
Due in less than one year	\$ 2,096,922	\$ 2,277,776
Due between one and two years	1,333,304	1,430,314
Due between two and three years	1,114,601	1,128,935
Due thereafter	3,545,015	3,741,628
Interest	(1,206,418)	(1,287,265)
Present value of minimum lease payments	6,883,424	7,291,388
Current portion	1,973,183	2,154,722
Non-current portion	<u>\$ 4,910,241</u>	<u>\$ 5,136,666</u>

The Company has 14 construction commitments with the remaining balance of \$13,463,553, primarily for the construction of the Westminster funeral visitation and reception centre in Toronto, Ontario and for funeral homes, mausoleums, and cemetery development in the United States. To date the Company has spent \$21,000,002 on these construction commitments in progress.

From December 2013 to March 2021, the Company raised approximately \$505,000,000 from the issuance of common shares to fund various growth initiatives. The Company may use additional share or debenture offerings to fund future growth initiatives if, and when, such opportunities arise.

Dividends and Free Cash Flow

The Company uses Free Cash Flow as a measure of, among other things, the sustainability of its dividend. The table below summarizes the calculation of Free Cash Flow from the Company's operations for the three month periods ended March 31, 2021 and 2020 compared to its dividend payout:

	Three Months Ended	
	March 31, 2021	March 31, 2020
Cash provided by (used in) operating activities	\$ 19,559,571	\$ 11,395,102
Maintenance capital expenditures	(1,849,730)	(1,183,511)
Inventory additions	(853,819)	(328,549)
Lease payments	(473,669)	(430,168)
Free cash flow from operations	<u>\$ 16,382,353</u>	<u>\$ 9,452,874</u>
Free cash flow from operations per common share-diluted	<u>\$ 0.544</u>	<u>\$ 0.318</u>
Dividends per common share	<u>\$ 0.114</u>	<u>\$ 0.114</u>
Payout ratio	<u>21%</u>	<u>36%</u>
Weighted average shares outstanding - diluted	<u>30,122,589</u>	<u>29,684,141</u>

Free Cash Flow is a non-IFRS measure. See "Description of Non-IFRS Measures".



As calculated above, the Company's Free Cash Flow from operations was \$16,382,353 for the three month period ended March 31, 2021 compared to \$9,452,874 for the same period in 2020. This represents Free Cash Flow per fully diluted common share of \$0.544 and \$0.318 for the three month periods ended March 31, 2021 and 2020, respectively.

The Company paid dividends of \$0.114 per common share for the three month periods ended March 31, 2021 and 2020. The dividends paid represent 21% and 36% of Free Cash Flow for the three month periods ended March 31, 2021 and 2020, respectively.

For the three month period ended March 31, 2021 and March 31, 2020, the Company declared dividends to shareholders totaling \$0.114 per share. The following table sets forth the per share amounts of monthly dividends declared and paid by the Company since January 1, 2021.

Month	Dividend Record Date	Payment Date	Per Share
April, 2021	April 30, 2021	May 14, 2021	0.038
March, 2021	March 31, 2021	April 15, 2021	0.038
February, 2021	February 28, 2021	March 15, 2021	0.038
January, 2021	January 31, 2021	February 15, 2021	0.038
Total dividends per share			<u>\$ 0.152</u>

The Company previously used "adjusted cash flow" as a measure of, among other things, the sustainability of its dividend (see, for example, the Company's MD&A for the year ended December 31, 2020). Management believes Free Cash Flow is more useful than adjusted cash flow to assess the Company's ability to strengthen its balance sheet, repay out debt obligations, pay cash dividends, and fund organic growth initiatives and acquisitions. Both adjusted cash flow and Free Cash Flow are Non-IFRS measures. See "Description of Non-IFRS measures".

Care and Maintenance Trust Funds

The Company contributes a portion of all lot, crypt and niche sales to the Care and Maintenance Trust Funds in accordance with regulatory requirements. During the three month period ended March 31, 2021, the Company contributed \$2,096,984 to the trust funds compared to \$2,032,115 during the same period in 2020. The Care and Maintenance Trust Fund assets are included in the Consolidated Statement of Financial Position at market value. As of March 31, 2021, the balance of the trust funds was \$255,255,389 compared to \$246,001,481 as at December 31, 2020. The increase is primarily a result of contributions to the trust funds and investment gains during the current quarter. The Care and Maintenance Trust Fund assets are offset by a corresponding liability for Care and Maintenance Trusts' Corpus.

As of March 31, 2021, the Company had net unrealized gains in the Care and Maintenance Trust Funds of \$25,923,418, which represents a 11.3 % net unrealized gain to the original cost basis.



Pre-Need Merchandise and Service Trust Funds

The Company maintains Pre-Need Merchandise and Service Trust Funds for the deposit of cash received for the purchase of pre-need merchandise and services to be delivered at some future date. When the merchandise is delivered and the services are performed, the Company receives the current market value for the service from the Pre-Need Merchandise and Service Trust Funds. The Pre-Need Merchandise and Service Trust Fund assets are included in the Consolidated Statement of Financial Position at market value. The assets within the trust funds had a market value at March 31, 2021 of \$295,394,652 compared to \$293,048,584 as at December 31, 2020. The increase in fair value since December 31, 2020 is a result of investment gains during the current quarter. The Pre-Need Merchandise and Service Trust Funds are offset by a corresponding liability for Deferred Pre-Need Receipts held in trust.

As of March 31, 2021, the Company had net unrealized gains in the Pre-Need Merchandise and Service Trust Funds of \$31,668,447, which represents a 12.0% net unrealized gain to the original cost basis. The unrealized gains are muted because of the higher cash positions and the Canadian GIC's. Adjusting for those items the net unrealized gain at March 31, 2021 on the other investments was 14.6%.

Prearranged Funeral Insurance Contracts

In addition, to trust funded prearranged funeral services contracts, the Company also has prearranged funeral services contracts which are funded by insurance. At March 31, 2021, and December 31, 2020, the current face amounts of pre-funded policies were \$371,439,153 and \$368,903,733, respectively. Families who have prearranged with the Company will receive a refund to the extent that the face amount of the policy exceeds the current retail value of the merchandise and services to be provided. The insurance funded contracts are not included in the consolidated financial statements as the Company is not the beneficiary of the policy. Amounts funded through insurance are available to the Company when the funeral services are performed.

Finance Assurances

The Company has entered arrangements with certain surety companies whereby such companies agree to issue surety bonds on the Company's behalf as financial assurance. When selling pre-need contracts, the Company may purchase surety bonds where allowed by state law. The surety bonds are used to support the Company's pre-need cemetery merchandise sales activities, in lieu of trusting certain amounts of funds received from the customer. The amount of the bond posted is generally determined by the total amount of pre-need contract that would otherwise be required to be trusted, in accordance with state law. The obligations underlying these surety bonds are recorded as deferred revenue. At March 31, 2021, the Company had surety bonds in place having an aggregate face value of \$42,965,389.



Unaudited Quarterly Information

	2021 Q1	2020 Q4	2020 Q3	2020 Q2
Net revenue ⁽¹⁾	\$89,577,299	\$90,366,948	\$80,267,397	\$81,531,826
Earnings from operations	\$15,072,687	\$13,283,003	\$8,940,533	\$10,582,088
Net earnings, PLC shareholders	\$9,754,291	\$6,260,955	\$5,403,038	\$6,632,514
Adjusted Net Earnings, PLC shareholders	\$12,045,018	\$10,522,986	\$7,748,660	\$8,784,310
Net earnings per share - basic, PLC shareholders ⁽²⁾	\$0.327	\$0.210	\$0.181	\$0.223
Net earnings per share - diluted, PLC shareholders ⁽²⁾	\$0.324	\$0.209	\$0.180	\$0.223
Adjusted Net Earnings per share - diluted, PLC shareholders ⁽²⁾	\$0.400	\$0.351	\$0.259	\$0.295
Earnings from operations (per above)	15,072,687	13,283,003	8,940,533	10,582,088
Finance costs	2,542,588	2,610,030	2,720,149	2,133,827
Depreciation and amortization	3,710,413	4,073,309	3,964,144	3,918,934
Amortization of cemetery property	2,099,467	2,908,059	2,448,478	1,834,266
Non-controlling interest	(136,465)	(194,280)	(135,916)	(176,474)
EBITDA, PLC shareholders	23,288,690	22,680,121	17,937,388	18,292,641
Share based compensation	955,421	1,501,744	1,165,547	1,195,402
Adjusted EBITDA, PLC shareholders	\$ 24,244,111	\$ 24,181,865	\$ 19,102,935	\$ 19,488,043
Adjusted EBITDA margin ^{(1), (3)}	27.2%	27.0%	24.0%	24.1%
Adjusted EBITDA per share - diluted, PLC shareholders ⁽²⁾	\$0.805	\$0.806	\$0.638	\$0.654
	2020 Q1	2019 Q4	2019 Q3	2019 Q2
Net revenue ⁽¹⁾	\$71,263,937	\$67,007,259	\$64,777,893	\$56,603,681
Earnings from operations	\$7,885,858	\$4,607,987	\$6,721,601	\$5,854,384
Net earnings, PLC shareholders	\$734,057	\$543,706	\$1,579,106	\$1,458,782
Adjusted Net Earnings, PLC shareholders	\$7,569,603	\$4,776,840	\$6,581,920	\$5,658,024
Net earnings per share - basic, PLC shareholders ⁽²⁾	\$0.025	\$0.018	\$0.053	\$0.049
Net earnings per share - diluted, PLC shareholders ⁽²⁾	\$0.025	\$0.018	\$0.053	\$0.049
Adjusted Net Earnings per share - diluted, PLC shareholders ⁽²⁾	\$0.255	\$0.160	\$0.221	\$0.190
Earnings from operations (per above)	7,885,858	4,607,987	6,721,601	5,854,384
Finance costs	2,389,785	1,553,732	1,462,582	1,376,255
Depreciation and amortization	3,817,885	3,879,428	3,884,364	3,272,249
Amortization of cemetery property	1,724,752	2,492,331	2,054,922	1,790,868
Non-controlling interest	(135,569)	(70,175)	(133,277)	(213,237)
EBITDA, PLC shareholders	15,682,711	12,463,303	13,990,192	12,080,519
Share based compensation	1,407,376	934,197	1,116,805	933,333
Adjusted EBITDA, PLC shareholders	\$ 17,090,087	\$ 13,397,500	\$ 15,106,997	\$ 13,013,852
Adjusted EBITDA margin ^{(1), (3)}	24.2%	20.1%	23.5%	23.4%
Adjusted EBITDA per share - diluted, PLC shareholders ⁽²⁾	\$0.576	\$0.450	\$0.507	\$0.438

⁽¹⁾ For the three month period ended March 31, 2021 the presentation of care and maintenance contributions has been reclassified from cost of sales to net revenue. The comparative amounts in the statement of earnings have also been reclassified for consistency.



⁽²⁾ The sum of the quarterly amounts per share, basic and diluted, may not equal the period amount due to the rounding and use of weighted average shares outstanding.

⁽³⁾ Adjusted EBITDA margin includes amounts attributable to the non-controlling interest.

The changes in the Company's quarter over quarter results are primarily the result of growth in revenue through acquisitions as well as organic growth. The Company's business is not seasonal in nature but can be generally subject to some seasonal fluctuations. The Company's consolidated financial statements are reported in Canadian dollars. Accordingly, the quarterly results are directly affected by fluctuations in exchange rates for United States currency.



Related Party Transactions

As discussed in this section and disclosed elsewhere in the MD&A, the Company's related parties include the following persons and entities: (i) associates, or entities which are controlled or significantly influenced by the Company; (ii) key management personnel, which are comprised of the directors and officers of the Company; and (iii) entities controlled by key management personnel.

Effective March 31, 2020, Mr. Clark stepped down as CEO of the Company. Upon his departure, the Company and Mr. Clark entered into an agreement, and subsequently amended that agreement, which contained the following financial terms, which total \$1,720,734 (notwithstanding the terms of Mr. Clark's employment agreement):

- forgiveness of a \$1,648,439 loan and accrued interest of \$16,665, provided by the Company to Nine Two Seven Limited under the Company's ESLP;
- the forfeiture of all equity incentives held by Mr. Clark, other than 10,632 PSUs and 1,651 DSUs. Since all the forfeited equity incentive awards previously issued to Mr. Clark had been previously expensed as part of share-based compensation, this resulted in other income of \$260,429 for the quarter ended March 31, 2020;
- the payment of \$93,000 in legal expenses incurred by Mr. Clark in connection with his departure;
- other consideration valued in the amount of \$223,059; and
- no other payments, including in respect of bonuses, notice or severance.

Disclosure Controls and Procedures

National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filing* ("NI 52-109") requires public companies in Canada to submit annual and interim certificates relating to the design and effectiveness of the disclosure controls and procedures that are in use at the company. Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure.

Subject to the limitations set out below, the Company's management, under the supervision of the CEO and the CFO, has designed and maintained a set of disclosure controls and procedures to ensure that information required to be disclosed by the Company in its annual filing, interim filings or other reports filed or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Internal Controls over Financial Reporting

The CEO and the CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management conducted its evaluation based on the framework set forth in the Internal Control-Integrated Framework (2013) issued by



the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation under this framework, management concluded that the Company's internal control over financial reporting was effective as of March 31, 2021.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be designed effectively can provide only reasonable assurance with respect to financial reporting and financial statement preparation.

Limitation on Scope of Design

The CEO and CFO have limited the scope of design of disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of J.F. Floyd which was acquired during the fourth quarter 2020.

This scope limitation is in accordance with section 3.3(1)(b) of NI 52-109, which allows an issuer to limit the design of disclosure controls and procedures and internal control over financial reporting for a business that the issuer acquired not more than 365 days before the last day of the period covered by this MD&A.

The following is a summary of certain financial information related to the recent acquisition of J.F. Floyd:

	J. F. Floyd March 31, 2021
Net revenue	\$ 4,778,628
Net earnings	\$ 1,448,921
Current assets	\$ 3,635,375
Non-current assets	\$ 32,143,597
Current liabilities	\$ 1,365,258
Non-current liabilities	\$ 22,115,987

Changes in Internal Controls over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting during the 2021 fiscal year that have affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Shares Outstanding

The authorized capital of the Company consists of an unlimited number of common shares. As at March 31, 2021, there were 29,666,648 common shares issued and outstanding, representing an increase of 102,122 common shares issued and outstanding since December 31, 2020. The increase in the number of common shares is the result of the issuance of shares pursuant to the Company's DRIP and EIP. As at April 30, 2021, there were 29,673,236 common shares issued and outstanding. In addition, the Company has 2,400,000



common shares reserved and available for grant and issuance under the EIP. As at April 30, 2021, 1,713,977 DSUs, RSUs, PSUs and Options were outstanding.

Risks

We are actively assessing and responding, where possible, to the effects of the COVID-19 pandemic on the Company's employees, customers, suppliers and other stakeholders. The Company has taken a number of measures to mitigate the negative effects of the COVID-19 pandemic as outlined above under "Overview". However, the pandemic continues to represent a material risk to our business. The outbreak of contagious illness such as this can impact our business operations in the short term including our staff and the families we serve, our pre-need funeral and cemetery sales performance, local precautionary legislation may impact our at-need services by restricting the size and number of funeral services, and the economic impact of the pandemic may impact the income we receive from our trust funds. Although in most jurisdictions funeral homes and cemeteries are classified as essential services, and we plan to remain open to serve our families at their time of need, the COVID-19 outbreak will be different in each city, state and province we operate in, we may need to temporarily reduce staffing or close certain of our facilities. Additionally, the pandemic could lead to interruptions in our supply chain and temporary closures of our supplier facilities.

The extent to which COVID-19 and its effect on the economy will impact our business is highly uncertain and may lead to adverse changes in our cash flows, working capital levels, debt balances, operating results and financial position in the future.

The Company is monitoring the situation closely and will continue to make all efforts to minimize the risk to employees, customers and other stakeholders.

Additional Information

Additional information relating to the Company, including the Company's AIF, is available on SEDAR at www.sedar.com and on the Company's website at www.parklawncorp.com.