Condensed Interim Consolidated Financial Statements



As at and for the nine months ending September 30, 2023 and 2022 | Unaudited



# **NOTICE TO READER**

Park Lawn Corporation's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements.

<u>(signed)</u> "*Deborah Robinson*" Deborah Robinson Chair, Director <u>(signed)</u> "*Marilyn Brophy*" Marilyn Brophy Director

#### PARK LAWN CORPORATION CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED) AS AT SEPTEMBER 30, 2023 AND DECEMBER 31, 2022

(U.S. dollars unless otherwise stated)

		September 30, 2023	Ι	December 31, 2022
			'	tated, Measurement d Adjustment - see Note 5)
Assets				
Current assets				
Cash	\$	27,559,338	\$	30,277,742
Accounts receivable (Note 3)		16,143,756		19,856,421
Pre-need receivables, current portion (Note 3) Inventories, current portion (Note 4)		17,903,477 9,518,465		28,192,812 11,013,722
Prepaid expenses and other assets		6,788,384		3,654,259
Assets held for sale (Note 26)		295,123,078		
		373,036,498		92,994,956
Non-current assets		42 512 872		71 2/2 11/
Pre-need receivables, net of current portion (Note 3) Inventories, net of current portion (Note 4)		42,512,872 49,005,350		71,263,116 69,492,768
Land held for development (Note 6)		27,177,819		26,881,392
Property and equipment (Note 7)		273,146,187		271,765,074
Care and maintenance trust fund investments (Note 8)		166,817,668		209,459,602
Pre-need merchandise and service trust fund investments (Note 9)		177,984,621		239,292,825
Deferred tax assets		1,616,922		1,788,714
Goodwill and intangibles (Note 5 and 11)		422,370,113		458,506,634
Deferred commissions Interest rate swaps (Note 23)		12,910,950		30,881,614
Prepaid expenses and other assets		1,003,687 162,630		4,981,632
		1,174,708,819		1,384,313,370
TOTAL ASSETS	\$	1,547,745,317	\$	1,477,308,326
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	\$	32,512,239	\$	46,737,441
Dividends payable		2,851,757		2,873,446
Current portion of long-term debt (Note 12)		31,409		43,622
Current portion of notes payable (Note 13) Current portion of lease liabilities		5,370,282 1,656,030		14,213,582 1,501,111
Liabilities directly associated with assets held for sale (Note 26)		208,557,231		-
		250,978,948		65,369,202
Non-current liabilities				
Long-term debt, net of current portion (Note 12)		195,281,737		150,122,645
Notes payable, net of current portion (Note 13) Lease liabilities, net of current portion		11,312,044 12,688,124		10,821,758
Senior Unsecured Debentures (Note 14)		61,965,818		4,262,169 61,650,585
Deferred tax liabilities		17,991,864		17,094,252
Deferred revenue (Note 15)		94,772,427		167,639,298
Care and maintenance trusts' corpus (Note 8)		166,817,668		209,459,602
Deferred pre-need receipts held in trust (Note 9)		177,984,621		239,292,825
		738,814,303		860,343,134
Shareholders' Equity Share capital (Note 17)		511,847,295		510,337,446
Contributed surplus		13,386,257		11,354,370
Accumulated other comprehensive loss		(6,972,930)		(7,026,942)
Retained earnings		39,691,444		36,931,116
		557,952,066		551,595,990
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	Ş	1,547,745,317	Ş	1,477,308,326
Commitments and Contingencies (Note 24)				

Commitments and Contingencies (Note 24) Subsequent Events (Note 27)

# Approved by the Board of Directors "Deborah Robinson"

Deborah Robinson - Chair, Director

"Marilyn Brophy" Marilyn Brophy, Director

#### PARK LAWN CORPORATION CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS (UNAUDITED) FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 (U.S. dollars unless otherwise stated)

<b>Revenue</b> Sales Income from care and maintenance funds (Note 8) Interest and other income	\$ 2023 83,863,388	\$	2022	 2023		2022
Sales Income from care and maintenance funds (Note 8)	\$	s	7/ 20/ 411	 		
Income from care and maintenance funds (Note 8)	\$	S	74 204 411			
	 0 000 074	-	76,396,114	\$ 248,296,088	\$	228,949,131
Interest and other income	 2,300,376		2,497,355	7,547,882		6,990,454
	1,340,337		1,978,136	 3,671,190		4,026,842
	87,504,101		80,871,605	259,515,160		239,966,427
Operating expenses						
Cost of sales (Note 18)	15,480,317		13,122,173	44,780,820		39,760,745
General and administrative	35,707,300		33,248,721	106,687,413		98,248,370
Maintenance	7,501,707		7,176,433	20,651,668		20,600,171
Advertising and selling	 7,723,449		7,982,200	 22,156,601		22,468,176
	66,412,773		61,529,527	194,276,502		181,077,462
Gross profit	 21,091,328		19,342,078	 65,238,658		58,888,965
Other expenses						
Corporate general and administrative	8,610,950		6,376,207	23,434,280		18,054,881
Amortization of intangibles (Note 11)	413,184		162,662	1,094,444		864,235
Finance costs (Note 19)	4,863,726		2,209,301	12,674,954		5,490,681
Fair value adjustment on interest rate swaps (Note 23)	(540,024)		-	(1,003,687)		-
Share-based incentive compensation (Note 20 and 22)	609,301		1,153,906	3,779,139		3,839,149
Acquisition and integration costs (Note 5)	2,430,578		1,834,889	5,972,132		4,591,205
Other (income) expenses (Note 21)	99,566		89,080	3,099,917		(1,438,421)
	 16,487,281		11,826,045	49,051,179		31,401,730
Earnings before income taxes	4,604,047		7,516,033	16,187,479		27,487,235
Income tax expense	 1,307,555		2,192,125	 4,539,260		7,653,423
Net earnings for the period	\$ 3,296,492	Ş	5,323,908	\$ 11,648,219	Ş	19,833,812
Net earnings per share						
- basic	\$ 0.096	\$	0.155	\$ 0.339	\$	0.579
- diluted	\$ 0.094	\$	0.153	\$ 0.335	\$	0.570
Weighted average number of common shares, net of shares held in trust (Note 20):						
- basic	34,464,063		34,315,507	34,334,784		34,268,572
- diluted	 35,200,918		34,706,835	 34,734,518		34,801,694

#### PARK LAWN CORPORATION CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(U.S. dollars unless otherwise stated)

		Three Months En	ded Septe		Nine Months Ended September 30,					
		2023		2022		2023	2022			
Net earnings for the period Item of other comprehensive income to be subsequently reclassified to net earnings	Ş	3,296,492	\$	5,323,908	\$	11,648,219	\$	19,833,812		
Foreign currency translation of foreign operations		60,790		(149,651)		54,012		(199,643)		
Comprehensive income	Ş	3,357,282	\$	5,174,257	\$	11,702,231	\$	19,634,169		

#### PARK LAWN CORPORATION CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED) FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(U.S. dollars unless otherwise stated)

	# of Common Shares Issued and Outstanding	Share Capital	(	Contributed Surplus	Retained Earnings	Со	Accumulated Other omprehensive ncome/Loss	Shareholders' Equity
Balance at January 1, 2022	33,930,209	\$ 509,011,563	\$	11,939,676	\$ 24,481,044	\$	(5,398,833)	\$ 540,033,450
Dividends declared (Note 16)	-	-		-	(9,068,724)		-	(9,068,724)
Equity incentive plan (Note 20)	-	-		3,778,507	-		-	3,778,507
Shares issued: Dividend reinvestment plan (Note 17 i)	63,515	1,655,602		-	-		-	1,655,602
Exercise of Equity incentive plan (Note 20)	81,847	1,644,856		(1,644,856)	-		-	-
Acquisition of non-controlling interest (Note 17 ii)	-	(270,556)		-	-		-	(270,556)
Shares purchased under normal course issuer bid and held in trust for future settlement of share based incentive compensation (Note 17 iii)	(200,985)	(3,018,098)		-	(687,498)		-	(3,705,596)
Foreign currency translation of foreign operations	-	-		-	-		(199,643)	(199,643)
Net earnings for the period				-	 19,833,812			19,833,812
Balance at September 30, 2022	33,874,586	\$ 509,023,367	\$	14,073,327	\$ 34,558,634	Ş	(5,598,476)	\$ 552,056,852
Balance at January 1, 2023	33,939,153	\$ 510,337,446	\$	11,354,370	\$ 36,931,116	\$	(7,026,942)	\$ 551,595,990
Dividends declared (Note 16)	-	-		-	(8,616,071)		-	(8,616,071)
Equity incentive plan (Note 20)	-	-		3,744,152	-		-	3,744,152
Shares issued: Dividend reinvestment plan (Note 17 i)	115,595	2,233,262		-	-		-	2,233,262
Exercise of Equity incentive plan (Note 20)	89,310	1,972,155		(1,712,265)	-		-	259,890
Shares purchased under normal course issuer bid and held in trust for future settlement of share based incentive compensation (Note 17 iii)	(178,799)	(2,695,568)			(271,820)			(2,967,388)
Foreign currency translation of foreign operations	-	-		-	-		54,012	54,012
Net earnings for the period				-	 11,648,219		-	11,648,219
Balance at September 30, 2023	33,965,259	\$ 511,847,295	\$	13,386,257	\$ 39,691,444	\$	(6,972,930)	\$ 557,952,066

#### PARK LAWN CORPORATION CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(U.S. dollars unless otherwise stated)

	Three Months Ended September 30, 2023 2022					Nine Months Ended September 30, 2023 2022			
Cash provided by (used in):									
Operating activities									
Net earnings for the period	\$	3,296,492	\$ 5	,323,908	\$	11,648,219	\$	19,833,812	
Adjustments to reconcile net income to cash provided by (used in) operating activities:									
Acquisition and integration costs (Note 5)		2,430,578	1	,834,889		5,972,132		4,591,205	
Deferred tax expense		766,075		(136,610)		1,066,404		142,688	
Depreciation of property and equipment, and amortization of intangibles (Note 7 and 11)		4,344,419	3	,532,315		12,089,719		9,960,942	
Cost of property sales (Note 18)		2,389,353	1	,819,936		5,372,433		5,245,488	
Deferred financing costs (Note 12 and 19)		192,893		118,266		519,603		334,386	
Accretion expense on Senior Unsecured Debentures (Note 14 and 19)		161,482		154,913		469,838		459,926	
Interest on lease liabilities (see Note 19)		212,490		78,898		506,978		241,981	
Share based incentive compensation (Note 20)		600,881	1	,134,209		3,744,152		3,778,507	
Proceeds from excercised stock options		384		-		259,890		-	
(Gain) loss on disposal of property and equipment (Note 7 and 21)		(9,633)		(14,139)		(54,762)		(1,852,150	
Loss on the sale of non-strategic business (Note 7 and 21)		-		-		2,579,491		-	
Impairment of other assets (Note 21)		-				-		153,972	
Fair value adjustments on interest rate swaps (Note 23)		(540,024)				(1,003,687)			
Changes in working capital that provided (required) cash:		(510,021)				(1,000,007)			
Accounts receivable (Note 3)		1,519,400		(642,755)		2,549,208		82,030	
Net receipts on pre-need activity		(4,063,964)		,066,950		6,530,183		1,714,13	
Merchandise inventories		183,023		(241,096)		188,388		(143,57	
Prepaid expenses and other current assets		4,923,846		,212,892		4,075,187		(301,61	
Accounts payable and accrued liabilities		740,331		,601,358		(6,829,676)		1,800,37	
						/			
ash provided by (used in) operating activities		17,148,027	10	,843,934		49,683,700		46,042,101	
vesting activities									
Acquisition and integration costs (Note 5)		(2,430,578)	(1	,834,889)		(5,972,132)		(4,591,205	
Net cash on acquisitions (Note 5)		(13,963,308)	(34	,576,537)		(48,713,308)		(49,376,53	
Acquisition of non-controlling interest (Note 17)		-		-		-		(270,55	
Additions to cemetery property		(1,759,155)	(1	,116,165)		(4,475,219)		(3,046,64	
Acquisition of property and equipment (Note 7)		(2,959,902)	(4	,558,619)		(9,727,062)		(13,212,27	
Additions of land held for development		(58,022)		-		(1,211,154)		-	
Proceeds on disposal of property and equipment (Note 7)		-		-		902,380		2,624,81	
Additions to intangible assets (Note 11)		(305,796)		(188,986)		(688,035)		(605,873	
Cash interest from other assets		54,851		120,264		228,614		181,210	
Cash provided by (used in) investing activities		(21,421,912)	(42	,154,932)		(69,655,917)		(68,297,070	
inancing activities									
Proceeds from issuance of long-term debt (Note 12)		15,238,590	42	,587,017		60,138,590		46,439,65	
Repayment of long-term debt (Note 12)		(5,658,477)		(59,261)		(15,114,777)		(146,54	
Repayment of note payable (Note 13)		(554,668)		(643,423)		(13,458,596)		(2,751,63	
Repayment of lease liabilities		(686,808)		(290,483)		(1,734,547)		(1,174,16	
Dividends and distributions paid (Note 16)		(2,147,741)		,203,557)		(6,397,498)		(5,390,15	
Financing costs		-		(247,389)		(214,878)		(251,03	
Common share purchased and held in trust (Note 17)		(2,967,388)		,707,832)		(2,967,388)		(3,707,83	
ash provided by (used in) financing activities		3,223,507		,435,073		20,250,906		33,018,28	
ranslation adjustment on cash		282,130		(435,032)		2,907		(480,24	
et increase (decrease) in cash		(768,247)		,689,043		281,596		10,283,07	
ash, beginning of period		31,327,585		,379,826		30,277,742		20,785,79	
ash, end for period before reclassified to assets held for sale	\$	30,559,338	\$ 31	,068,869	\$	30,559,338	\$	31,068,86	
ash reclassified to assets held for sale		(3,000,000)		-		(3,000,000)		-	
ash, end of period	\$	27,559,338	\$	-	\$	27,559,338	\$	-	
applemental disclosures:									
upplemental disclosures: Income taxes paid	\$	1,702,420	\$ 1	,351,428	\$	5,948,939	\$	5,536,063	

## **1. NATURE OF OPERATIONS**

Park Lawn Corporation (the "Company" or "PLC"), located at 2 St. Clair Ave. East, Suite 705, Toronto, Ontario, M4T 2T5, 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 Toronto Stock Exchange (the "TSX") under the stock symbol "PLC" and "PLC.U", its U.S. denominated ticker symbol, under which purchases and sales of common shares of the Company ("Common Shares") can be made in U.S. dollars.

# 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 Standard 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, 2022, 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, 2022.

These unaudited condensed interim consolidated financial statements were approved by the board of directors of the Company (the "Board of Directors") on November 9, 2023.

#### b. Finance costs

Finance costs consist of interest expense on loans and borrowings, amortization of deferred financing costs and payments on interest rate swap arrangements.

#### c. Fair value measurement

The Company measures financial instruments, convertible debentures and hedge arrangements at fair value at each statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

#### PARK LAWN CORPORATION NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 (U.S. dollars unless otherwise stated)

# 3. ACCOUNTS RECEIVABLE AND PRE-NEED RECEIVABLES

	Se	eptember 30, 2023	December 31, 2022			
Accounts receivable	\$	17,299,213	\$	19,856,421		
Reclassified to assets held for sale		(1,155,457)		-		
Accounts receivable	\$	16,143,756	\$	19,856,421		
Pre-need receivables, current portion	\$	28,210,900	\$	28,192,812		
Reclassified to assets held for sale		(10,307,423)		_		
Pre-need receivables, current portion	\$	17,903,477	\$	28,192,812		
Pre-need receivables, net of current portion	\$	68,474,367	\$	71,263,116		
Reclassified to assets held for sale		(25,961,495)				
Pre-need receivables, net of current portion	\$	42,512,872	\$	71,263,116		

Included in the figures above are allowances for doubtful accounts as shown in the table below:

	Se	ptember 30, 2023	December 31, 2022			
Beginning of the period/year	\$	5,961,068	\$	3,458,600		
Additions to allowances		3,317,000		2,823,751		
Cancellations		(546,146)		(300,414)		
Foreign currency translation		(2,021)		(20,869)		
End of the period/year		8,729,901		5,961,068		
Reclassified to assets held for sale		(2,290,718)		-		
End of the period/year	\$	6,439,183	\$	5,961,068		

Allowance for doubtful accounts is included in accounts receivable.

Included in the figures above are allowances for sales returns as shown in the table below:

	Sej	ptember 30, 2023	December 31, 2022				
Beginning of the period/year	\$	9,202,423	\$	8,666,042			
Additions to allowances		1,386,685		3,848,169			
Cancellations		(851,803)		(3,311,788)			
End of the period/year		9,737,305		9,202,423			
Reclassified to assets held for sale		(5,513,278)		-			
End of the period/year	\$	4,224,027	\$	9,202,423			

Allowance for sales returns is included in pre-need receivables.

#### PARK LAWN CORPORATION NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 (U.S. dollars unless otherwise stated)

# 4. INVENTORIES

56	2023 2023	D	ecember 31, 2022
\$	5,232,092 45,340,645 21,170,832 7,711,511	\$	4,772,801 40,501,245 30,298,259 4,934,185
\$	79,455,080	\$	80,506,490
	(20,931,265)		-
\$	58,523,815	\$	80,506,490
\$	11,203,931 (1,685,466) 9,518,465	\$	11,013,722 - 11,013,722
\$	68,251,149 (19,245,799) 49,005,350	\$	69,492,768 
	\$ \$ \$	2023 \$ 5,232,092 45,340,645 21,170,832 7,711,511 \$ 79,455,080 (20,931,265) \$ 58,523,815 \$ 11,203,931 (1,685,466) \$ 9,518,465 \$ 68,251,149 (19,245,799)	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$

There were no inventory write-downs in either period.

# 5. BUSINESS COMBINATIONS

Acquisitions completed in fiscal 2023

	Ι	Preliminary		Preliminary		Preliminary	Total
	Q1 Acquisitions		Q2 Acquisitions		(	Q3 Acquisitions	
Assets acquired:							
Inventories	\$	195,273	\$	938,603	\$	106,458	\$ 1,240,334
Property and equipment		5,682,374		8,024,727		13,268,833	26,975,934
Care and maintenance trust fund investments		-		216,027		-	216,027
Pre-need merchandise and service trust fund investments		1,429,346		-		5,249,256	6,678,602
Goodwill		7,332,897		9,297,515		6,281,525	22,911,937
Intangibles		1,616,000		2,828,000		3,556,512	8,000,512
Total assets	\$	16,255,890	\$	21,304,872	\$	28,462,584	\$ 66,023,346
Liabilities assumed:							
Lease liabilities		-		-		8,724,438	\$ 8,724,438
Care and maintenance trusts' corpus		-		216,027		-	216,027
Deferred pre-need receipts held in trust		1,429,346		-		5,249,256	6,678,602
		1,429,346		216,027		13,973,694	15,619,067
Fair value of consideration transferred:							
Cash consideration		14,250,000		20,500,000		13,963,308	\$ 48,713,308
Deferred cash consideration		576,544		588,845		525,582	1,690,971
		14,826,544		21,088,845		14,488,890	50,404,279
Total liabilities and considerations	\$	16,255,890	\$	21,304,872	\$	28,462,584	\$ 66,023,346

Acquisitions completed in fiscal 2023 - continued

- (i) On March 13, 2023, the Company acquired substantially all the assets of Meyer Brothers Funeral Homes, a business consisting of five stand-alone funeral homes located in Sioux City, Iowa, South Sioux City, Nebraska and Ponca, Nebraska for a purchase price of \$14,826,544.
- (ii) On April 10, 2023, the Company acquired substantially all the assets of Carson-Speaks Chapel in Independence, Missouri; Speaks Buckner Chapel in Buckner, Missouri; Speaks Suburban Chapel in Independence Missouri; and Oak Ridge Memory Gardens in Independence, Missouri ("Speaks"), a business consisting of three stand-alone funeral homes and one stand-alone cemetery.
- (iii) On June 26, 2023, the Company acquired substantially all the assets of Cobb Funeral Chapel and Cobb Suncrest Memorial Gardens ("Cobb"), a business consisting of one on-site funeral home and cemetery located in Moultrie, Georgia.

Purchase price for Speaks and Cobb was \$21,088,845.

- (iv) On July 17, 2023, the Company acquired substantially all the assets of Ward Funeral Home Limited ("Ward") in Brampton, Woodbridge and Toronto, Ontario, a business consisting of three standalone funeral homes.
- (v) On August 8, 2023, the Company acquired substantially all the assets of M.W. Becker Funeral Home, Ltd. ("MWB"), a standalone funeral home business in Keswick, Ontario.
- (vi) On August 14, 2023, the Company acquired substantially all the assets of Forrest & Taylor Funeral Home Limited ("Forrest & Taylor"), a standalone funeral home business in Sutton, Ontario.

The collective purchase price for Ward, MWB and Forrest & Taylor was \$14,488,890.

#### Acquisitions completed in fiscal 2022

The Company has restated the comparative figures in the consolidated statement of financial position based on the measurement period adjustments related to the purchase price allocations for the acquisitions of Farris, Shackelford, Ertel, Brown's, Taylor, Muehlebach, and Jacoby (as defined below). The following table summarizes the effects of the change on the line items of the consolidated statement of financial position for the year ended December 31, 2022.

	December 31,	December 31,
	2022	2022
	As previously stated Adjustments	As restated
Pre-need receivables, net of current portion	<i>71,106,794 156,322</i>	\$ 71,263,116
Inventories, net of current portion	69,399,807 92,961	69,492,768
Property and equipment	270,446,079 1,318,995	271,765,074
Goodwill and intangibles	461,704,757 (3,198,123)	458,506,634
Prepaid expenses and other assets	5,050,926 (69,294)	4,981,632
Deferred revenue	(169,338,437) 1,699,139	(167,639,298)
Total	\$ 708,369,926 \$	\$ 708,369,926

The following table summarizes the statement of financial position impact on the acquisition date of the Company's business combinations that occurred in the year ended December 31, 2022:

		Final		Final		Final	Ι	Preliminary		Total
	Q2	Acquisitions	Q3	Acquisitions	Q4	Acquisitions	Q4	Acquisitions		
Assets acquired:										
Accounts receivable	\$	12,189	Ş	9,932	Ş	-	\$	-	Ş	22,121
Pre-need receivables		-		156,322		-		-		156,322
Inventories		246,817		1,457,029		416,405		-		2,120,251
Land held for development		200,000		99,812		63,200		570,000		933,012
Property and equipment		5,495,282		20,340,192		10,323,296		4,804,863		40,963,633
Care and maintenance trust fund investments		168,435		2,122,381		191,868		1,636,757		4,119,441
Pre-need merchandise and service trust fund										
investments		143,103		2,891,871		1,489,972		6,008,493		10,533,439
Goodwill		8,392,795		12,355,664		17,460,471		3,394,324		41,603,254
Intangibles		1,498,000		4,003,000		3,759,348		903,000		10,163,348
Prepaid expenses and other assets		-		1,533,855		-		-		1,533,855
Total assets	Ş	16,156,621	Ş	44,970,058	Ş	33,704,560	\$	17,317,437	Ş	112,148,676
Liabilities assumed:										
Accounts payable and accrued liabilities	\$	-	\$	1,488,267	\$	-	\$	-	Ş	1,488,267
Lease liabilities		20,306		81,447		246,294		-		348,047
Deferred revenue		11,208		1,511,000		69,995		-		1,592,203
Care and maintenance trusts' corpus		168,435		2,122,381		191,868		1,636,757		4,119,441
Deferred pre-need receipts held in trust		143,103		2,891,871		1,489,972		6,008,493		10,533,439
		343,052		8,094,966		1,998,129		7,645,250		18,081,397
Fair value of consideration transferred:										
Cash consideration		14,800,000		35,555,000		18,512,688		9,400,000		78,267,688
Deferred cash consideration		1,013,569		1,320,092		13,193,743		272,187		15,799,591
		15,813,569		36,875,092		31,706,431		9,672,187		94,067,279
Total liabilities and considerations	\$	16,156,621	\$	44,970,058	\$	33,704,560	\$	17,317,437	\$	112,148,676

Acquisitions completed in fiscal 2022 - continued

- (i) On April 18, 2022, the Company acquired substantially all the assets of Chancellor Funeral Home and Garden of Memories ("Chancellor"), a business consisting of one stand-alone funeral home and one combination funeral home and cemetery property located in Byram and Florence, Mississippi.
- On September 6, 2022, the Company acquired substantially all the assets of Hudson Funeral Home & Cremation Services ("Hudson"), a business consisting of one stand-alone funeral home located in Durham, North Carolina.

Purchase price for Chancellor and Hudson was \$15,813,569.

- (iii) On August 8, 2022, the Company acquired substantially all the assets of Farris Funeral Service, Inc. and Affiliated Service Group, Inc. ("Farris"), a group of businesses consisting of one standalone funeral home and one on-site funeral home and cemetery located in Abingdon, Virginia.
- (iv) On September 12, 2022, the Company acquired substantially all the assets of Shackelford Corporation ("Shackelford"), a group of businesses consisting of eight stand-alone funeral homes, two stand-alone cemeteries and one on-site funeral home and cemetery located in and around the Savannah, Tennessee.

Purchase price for Farris and Shackelford was \$36,875,092.

- (v) On October 5, 2022, the Company acquired substantially all the assets of Ertel Funeral Home & Crematory ("Ertel"), a stand-alone funeral home located in Cortez, Colorado.
- (vi) On November 2, 2022, the Company acquired substantially all the assets of Brown's Cremation & Funeral Service ("Brown's"), a stand-alone funeral home located in Grand Junction, Colorado.
- (vii) On November 7, 2022, the Company acquired substantially all the assets of Taylor Funeral Home ("Taylor") consisting of three stand-alone funeral homes and one on-site funeral home and cemetery combination located in Delta, Cedaredge, Hotchkiss and Paonia, Colorado.
- (viii) On November 14, 2022, the Company acquired substantially all the assets of Muehlebach Funeral Care, Skradski-Pierce Funeral Home and Assurance Cremation Society (collectively "Muehlebach"), a business consisting of three stand-alone funeral homes located in Kansas City, Missouri.
- (ix) On November 28, 2022, the Company acquired substantially all the assets of Park Lawn Funeral Home and Memorial Park Cemetery & Green Lawn Cemetery, Park Lawn Northland Chapel and Glenridge Cemetery in Kansas City and Liberty, Missouri (collectively "Park Lawn Missouri"), a business consisting of one on-site, one stand-alone funeral home and one stand-alone cemetery located in Kansas City, Missouri for a purchase price of \$9,672,187.
- (x) On December 12, 2022, the Company acquired substantially all the assets of Schrader, Aragon & Jacoby Funeral Home, Mountain View Memorial Park and Bustard & Jacoby Funerals, Cremation, Monuments and Receptions (collectively "Jacoby") consisting of two stand-alone funeral homes and one stand-alone cemetery located in Cheyenne and Casper, Wyoming.

The collective purchase price for Ertel, Brown's, Taylor, Muehlebach and Jacoby was \$31,706,431.

Acquisitions completed in fiscal 2022 - continued

The fair value allocations for Park Lawn Missouri acquisition are based on preliminary purchase allocations conducted by management. As the acquisition is within the measurement period under IFRS 3 they are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The Company is gathering information to finalize the fair value of land held for development, property and equipment and goodwill and intangibles.

The purchase price allocation for the Chancellor acquisition was finalized in the first quarter of 2023, for Hudson, Farris, Ertel, Brown's, Taylor, Muehlebach and Jacoby acquisitions in the second quarter of 2023 and for Shackelford acquisition in the third quarter of 2023.

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, preparation of independent valuation reports to substantiate purchase price allocations, preparation of reports for regulatory compliance purposes, and internal compensation. External acquisition costs were \$1,610,528 and \$1,283,231 and internal acquisition costs were \$820,050 and \$551,658 for the three month period ended September 30, 2023, and 2022, respectively. External acquisition costs were \$3,568,798 and \$3,231,281 and internal acquisition costs were \$2,403,334 and \$1,359,924 for the nine month period ended September 30, 2023, and 2022, respectively.

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

# 6. LAND HELD FOR DEVELOPMENT

Land held for development represents land held for future cemetery, funeral, and other development opportunities.

	January 1, 2023	Acquired in business combinations	Additions	Transferred to inventory	Reclassified to assets held for sale	Foreign currency translation	September 30, 2023
Cost:							
Land held for development	26,881,392		1,057,773	(17,965)	(735,673)	(7,708)	27,177,819
Total	\$ 26,881,392						\$ 27,177,819
	January 1, 2022	Acquired in business combinations	Additions	Transferred to inventory	Disposals	Foreign currency translation	December 31, 2022
Cost:							
Land held for development	26,247,318	933,012	126,383	(221,627		(203,694)	26,881,392
Total	\$ 26,247,318						\$ 26,881,392

# 7. PROPERTY AND EQUIPMENT

	Jai	nuary 1, 2023	Acquired in business combinations	Additions	Reclassified to assets held for sale	Disposals	Foreign currency translation	Se	eptember 30, 2023
Cost:									
Land	\$	64,122,274	5,064,516	-	(3,748,212)	(576,634)	(25,664)	\$	64,836,280
Buildings, cemetery and									
funeral property		193,908,172	10,443,562	5,747,476	(20,418,851)	(1,232,976)	(86,280)		188,361,103
Machinery, equipment		27 121111	-	2 2 4 0 0 0 0	(7 520 75 ()	(21.2.0.1.0)	(2( 702)		25 544 020
and automotive Cemetery improvements		37,424,114	2,743,419	3,269,998 709,588	(7,530,756)	(313,044)	(26,793)		35,566,938 8,360,400
Right-of-use asset		9,897,666 8,458,659	8,724,437	1,270,652	(2,036,322) (186,108)	(202,871) (115,033)	(7,661) (127,606)		18,025,001
Right-of-use asset		0,430,039	0,724,437	1,270,052	(100,100)	(115,055)	(127,000)		18,025,001
Total		313,810,885	26,975,934	10,997,714	(33,920,249)	(2,440,558)	(274,004)		315,149,722
Accumulated depreciation: Buildings, cemetery and funeral property Machinery, equipment and automotive Cemetery improvements Right-of-use asset		19,190,186 15,601,699 4,241,378 3,012,548	- - -	5,144,000 3,935,665 528,553 1,387,057	(4,173,631) (4,313,944) (1,833,028) (133,823)	(179,121) (212,946) (81,804) (72,769)	(14,609) (9,337) (3,790) (8,749)		19,966,825 15,001,137 2,851,309 4,184,264
Total		42,045,811	_	10,995,275	(10,454,426)	(546,640)	(36,485)		42,003,535
Net book value	\$	271,765,074		, , , , , , ,				\$	273,146,187

	Jar	wary 1, 2022	Acquired in business combinations	Additions	Transfers	Disposals	Foreign currency translation	Ν	ecember 31, 2022 (Restated, Ieasurement Period justment - See Note 5)
Cost: Land Buildings, cemetery and	\$	56,891,055	3,981,999	357,120	3,372,505	(271,560)	(208,845)	\$	64,122,274
funeral property		149,959,754	31,695,992	13,344,944	1,192,282	(685,735)	(1,599,065)		193,908,172
Machinery, equipment and automotive Cemetery improvements Right-of-use asset		29,040,173 14,598,994 8,296,058	5,343,096 (405,500) 348,046	4,017,934 692,120 3,597,438	(4,564,787)	(710,801) (214,839) (3,455,613)	(266,288) (208,322) (327,270)		37,424,114 9,897,666 8,458,659
Total		258,786,034	40,963,633	22,009,556		(5,338,548)	(2,609,790)		313,810,885
Accumulated depreciation: Buildings, cemetery and funeral property Machinery, equipment		14,849,055	-	5,025,953	-	(469,096)	(215,726)		19,190,186
and automotive		11,328,757	-	4,376,967	-	43,647	(147,672)		15,601,699
Cemetery improvements Right-of-use asset		3,622,149 3,614,563	-	728,288 1,742,398	-	(41,802) (2,247,031)	(67,257) (97,382)		4,241,378 3,012,548
Total		33,414,524	_	11,873,606		(2,714,282)	(528,037)		42,045,811
Net book value	\$	225,371,510						\$	271,765,074

Property and equipment depreciation expense amounted to \$3,931,235 and \$3,369,653 for the three month period ended September 30, 2023, and 2022, respectively, and \$10,995,275 and \$9,096,707 for the nine month period ended September 30, 2023, and 2022, respectively. Included in property and equipment is depreciation expense related to corporate assets of \$148,750 and \$151,910 for the three month period ended September 30, 2023, and 2022, respectively, and \$441,646 and \$270,618 for the nine month period ended September 30, 2023, and 2022, respectively. Depreciation expense is included in general and administrative expenses and corporate general and administrative expenses on the consolidated statements of earnings.

# 7. PROPERTY AND EQUIPMENT - continued

Included in additions at September 30, 2023, are \$1,808,709 of additions at Canadian cemeteries and funeral sites (at December 31, 2022 - \$5,493,530) and \$9,189,005 of additions at U.S. cemeteries and funeral sites (at December 31, 2022 - \$16,516,026).

The amount of interest capitalized to development costs on property was \$87,705 and \$nil for the three month period ended September 30, 2023, and 2022, respectively, and \$202,788 and \$329,388 for the nine month period ended September 30, 2023, and 2022, respectively. Capitalization rate used to determine the amount of borrowing costs eligible for capitalization was 7.0% and 2.5% for the three month period ended September 30, 2022, respectively, and 6.2% and 1.7% for the nine month period ended September 30, 2023, and 2022, respectively.

During the three month period ended September 30, 2023, the Company disposed of land and miscellaneous equipment realizing a net gain of \$9,633. During the nine month period ended September 30, 2023, the Company disposed of land and miscellaneous equipment for a sale price of \$902,380 realizing a net gain of \$54,762. Also included in disposition is property and equipment related to the sale of a non-strategic cemetery business (see Note 21).

During the three month period ended September 30, 2022, the Company disposed of land and miscellaneous equipment which resulted in a net gain of \$14,139. During the nine month period ended September 30, 2022, the Company disposed of land and miscellaneous equipment for a sale price of \$2,624,814 realizing a net gain of \$1,852,156.

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

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

# 8. CARE AND MAINTENANCE TRUST FUND INVESTMENTS

Investment income recognized in operations amounted to \$2,300,376 and \$2,497,355 for the three month period ended September 30, 2023, and 2022, respectively, and \$7,547,882 and \$6,990,454 for the nine month period ended September 30, 2023, and 2022, respectively.

The Company contributed \$2,642,064 and \$1,234,005 to the care and maintenance trust funds for the three month period ended September 30, 2023, and 2022, respectively, and \$7,391,665 and \$7,063,513 to the care and maintenance trust funds for the nine month period ended September 30, 2023, and 2022, respectively.

Care and maintenance trust fund investments consist of the following:

		Fair Value and A	Amorti	zed Cost		Co	ost	
	Se	eptember 30, 2023	December 31, 2022		Se	September 30, 2023		ecember 31, 2022
Cash and cash equivalents	\$	12,632,052	\$	7,865,262	\$	12,627,883	\$	7,865,262
Fixed Income								
Canadian								
Corporate		4,110,815		4,236,363		4,694,681		4,805,071
Government US		138,700		143,646		128,641		128,955
Corporate		54,853		718,745		95,305		829,476
Government		-		929,496		-		1,061,705
Equities								
Canadian		41,711,659		49,517,250		38,761,309		42,925,182
US		266		62,946		36		18,731
Canadian Preferred		4,771,164		2,575,322		4,856,919		2,553,175
US Preferred		-		82,424		-		102,624
Mutual Funds/ETFs								
Equity		38,121,990		36,323,989		39,115,786		38,574,050
Fixed Income		49,568,219		51,938,733		55,739,007		60,932,657
Preferred		23,087,443		23,392,118		30,346,352		30,764,692
Alternative		33,183,302		31,673,308		33,514,833		31,015,692
		207,380,463		209,459,602		219,880,752		221,577,272
Reclassified to assets held for sale		(40,562,795)		-		(44,520,933)		-
	\$	166,817,668	\$	209,459,602	\$	175,359,819	\$	221,577,272

## 9. PRE-NEED MERCHANDISE AND SERVICE TRUST FUND INVESTMENTS

		Fair Value and A	Amorti	zed Cost		Co	ost	
	September 30, 2023		D	December 31, 2022		September 30, 2023		December 31, 2022
Cash and cash equivalents GIC's	\$	50,306,523 29,895,720	\$	34,221,250 24,540,120	\$	50,320,874 29,895,720	\$	34,239,751 24,540,120
Fixed Income		27,075,720		24,340,120		27,075,720		24,540,120
Canadian								
Corporate		-		_		_		-
Government		-		-		-		-
US								
Corporate		4,314,105		5,767,732		4,340,516		5,894,672
Government		181,283		1,268,055		213,412		1,477,244
Equities								
Canadian		141,147		194,708		106,265		142,512
US		431,220		1,707,553		311,903		1,529,347
Canadian Preferred		23,712		5,177		23,615		6,295
US Preferred		-		308,328		-		392,128
Mutual Funds/ETFs								
Equity		83,697,211		80,465,512		95,851,245		101,710,959
Fixed Income		38,095,617		38,596,985		43,844,308		44,288,872
Preferred		-		-		-		-
Alternative		53,897,339		52,217,405		48,689,400		47,639,746
		260,983,877		239,292,825	_	273,597,258		261,861,646
Reclassified to assets held for sale		(82,999,256)		-		(80,229,625)		-
	\$	177,984,621	\$	239,292,825	\$	193,367,633	\$	261,861,646

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

# **10. PREARRANGED FUNERAL INSURANCE CONTRACTS**

In addition to trust funded pre-arranged funeral service contracts, the Company also has pre-arranged funeral service contracts which are funded by insurance. As of September 30, 2023, the current face amount of pre-funded policies was \$591,584,138 (as at December 31, 2022 – \$532,083,602). Families who have pre-arranged 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.

# 11. GOODWILL AND INTANGIBLES

The changes in the carrying amount of goodwill and intangible assets as at September 30, 2023, were:

	Jan	uary 1, 2023	Acquired in business combinations	Additions	Reclassified to assets held for sale	Foreign currency translation	September 30, 2023
Cost:							
Goodwill	\$	414,192,112	22,911,937	-	(66,489,618)	(109,741)	370,504,690
Non-compete agreements		15,390,301	4,459,483	-	-	(29,071)	19,820,713
Brand		32,349,500	3,541,029	-	-	(15,452)	35,875,077
Computer software		2,798,659		688,035			3,486,694
Total		464,730,572	30,912,449	688,035	(66,489,618)	(154,264)	429,687,174
Accumulated amortization:							
Non-compete agreements		6,090,363	-	994,262	-	(1,321)	7,083,304
Computer software		133,575		100,182			233,757
Total		6,223,938		1,094,444		(1,321)	7,317,061
Net book value	\$	458,506,634					\$ 422,370,113

The changes in the carrying amount of goodwill and intangible assets as at December 31, 2022, were:

	Jar	nuary 1, 2022	Acquired in business combinations	Additions	Disposals	Foreign arrency translation	December 31, 2022 (Restated, Measurement Period Adjustment - See Note 5)
Cost:							
Goodwill	\$	373,510,819	41,603,254	-	-	(921,961)	414,192,112
Non-compete agreements		12,907,091	2,954,348	73,360	(503,000)	(41,498)	15,390,301
Brand		25,140,500	7,209,000	-	-	-	32,349,500
Computer software		2,006,281		792,378			2,798,659
Total		413,564,691	51,766,602	865,738	(503,000)	(963,459)	464,730,572
Accumulated amortization:							
Non-compete agreements		5,556,101	-	1,051,066	(503,000)	(13,804)	6,090,363
Computer software		-		133,575			133,575
Total		5,556,101		1,184,641	(503,000)	(13,804)	6,223,938
Net book value	\$	408,008,590					\$ 458,506,634

Amortization expense amounted to \$413,184 and \$162,662 for the three month period ended September 30, 2023, and 2022, respectively, and \$1,094,444 and \$864,235 for the nine month period ended September 30, 2023, and 2022, respectively.

#### PARK LAWN CORPORATION NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 (U.S. dollars unless otherwise stated)

## **12. LONG-TERM DEBT**

	S	eptember 30, 2023	Γ	December 31, 2022
Credit facility	\$	196,307,750	\$	151,377,460
Other debt		55,562		91,540
Deferred financing costs		(1,050,166)		(1,302,733)
Total		195,313,146		150,166,267
Current portion		31,409		43,622
Non-current portion	\$	195,281,737	\$	150,122,645

#### Credit Facility

On February 21, 2023, the Company and one of its U.S. subsidiaries entered into a fourth amended and restated credit agreement as borrowers, with a syndicate of lenders led by National Bank of Canada (as amended, amended and restated, renewed, extended, supplemented, replaced or otherwise modified from time to time, the "Credit Facility"). The Credit Facility has an overall borrowing capacity of \$240 million and a maturity date of August 31, 2027. Additionally, the Credit Facility includes a \$60 million tranche for a term of one-year, maturing on February 21, 2024. Based on the borrowing currency, the Credit Facility bears variable interest at the banker's acceptance rate (where borrowing currency is CAD) or secured overnight financing rate (where borrowing currency is USD) plus an applicable margin based on a leverage ratio calculation.

All amounts borrowed may be repaid at any time and re-borrowed, subject to certain terms and conditions. PLC's obligations are guaranteed by each of the Company's wholly owned material subsidiaries. The Credit Facility also includes certain financial and non-financial covenants that PLC must comply with.

During the first quarter of 2023, the Company, through one of its subsidiaries, entered into interest rate swap transactions with three of the Company's syndicate lenders under the Credit Facility, whereby, the parties agreed to exchange at specified intervals, fixed and variable interest amounts (see Note 23).

## 12. LONG-TERM DEBT – continued

#### Credit facility - continued

As at September 30, 2023, there was \$196,307,750 outstanding under the Credit Facility (as at December 31, 2022 - \$151,377,460). Deferred financing costs have been capitalized and are being amortized over the term of the Credit Facility. The amortization of deferred financing costs were \$192,893 and \$118,266 for the three month period ended September 30, 2023, and 2022, respectively, and \$519,603 and \$334,386 for the nine month period ended September 30, 2023, and 2022, respectively. As at September 30, 2023, standby letters of credit were issued utilizing \$547,973 of the Credit Facility (as at December 31, 2022 - \$564,078).

#### Other debt

Other debt relates to equipment and is secured by the vehicles. This debt has interest rates ranging from 3% to 9% and remaining terms of 1 to 5 years.

#### Debt covenants

The Company was in compliance with all its debt covenants pursuant to the Credit Facility and the Debentures.

#### **13. NOTES PAYABLE**

	Se	2023	D	ecember 31, 2022
Notes payable	\$	16,682,326	\$	25,035,340
Current portion		5,370,282		14,213,582
Non-current portion	\$	11,312,044	\$	10,821,758

#### Notes payable

- *i)* The Company has an outstanding note payable of \$1,071,075 (as at December 31, 2022 \$1,071,075) 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.
- The Company has outstanding notes payable of \$15,611,251 (as at December 31, 2022 \$23,964,265) to former owners of previously acquired businesses, primarily for the deferred consideration. Included in the notes payable at December 31, 2022, was deferred consideration of \$11,499,341 which was paid in January 2023 for the Jacoby acquisition. These notes payable have imputed interest rates ranging from 2% to 6% and remaining terms of up to 10 years.

#### 13. NOTES PAYABLE - continued

Summary of principal repayments by year

			 e between and two		ie between ee and four	 ie between ur and five			
	Due	e in one year	years	years	years	years	1	hereafter	Total
Notes payable	\$	5,370,282	\$ 2,500,650	\$ 1,922,153	\$ 1,619,097	\$ 1,523,313	\$	3,746,831	\$ 16,682,326

# 14. SENIOR UNSECURED DEBENTURES

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.

The balance of the Debentures as at September 30, 2023, consists of the following:

	Se	eptember 30, 2023		
Balance at December 31, 2021	\$	65,237,067		
Accretion expense in 2022		611,953		
Foreign currency translation		(4,198,435)		
Balance at December 31, 2022	\$	61,650,585		
Accretion expense in 2023		469,838		
Foreign currency translation		(154,605)		
Balance at September 30, 2023	\$	61,965,818		

Interest expense on the Debentures amounted to \$931,856 and \$957,062 for the three month period ended September 30, 2023, and 2022, respectively, and \$2,757,153 and \$2,891,060 for the nine month period ended September 30, 2023, and 2022, respectively. Accretion expense amounted to \$161,482 and \$154,913 for the three month period ended September 30, 2023, and 2022, respectively, and 2022, respectively, and \$469,838 and \$459,926 for the nine month period ended September 30, 2023, and 2022, respectively. The transaction costs are amortized over the life of the Debentures, and as of September 30, 2023, the total unamortized portion of the transaction costs was \$1,464,248.

#### **15. DEFERRED REVENUE**

Deferred revenue represents the amount of unperformed pre-arranged cemetery and funeral contracts.

The components of deferred revenue consist of the following:

	S	eptember 30, 2023	(Resta	December 31, 2022 ated, Measurement d Adjustment - See Note 5)
Cemetery and funeral merchandise, lots, crypts, and niches	\$	103,396,354	\$	98,221,529
Cemetery and funeral services		71,024,707		69,417,769
Total		174,421,061		167,639,298
Reclassified to liabilities directly associated with assets held for sale		(79,648,634)		-
Total	\$	94,772,427	\$	167,639,298

# 16. DIVIDENDS

The Company makes quarterly dividend payments to its shareholders of record on the last business day of each quarter, with dividends expected to be paid in April, July, October, and January of each calendar year, subject to approval of the directors of the Company. The dividend rate is C\$0.114 per Common Share per quarter. The total amount of dividends declared by the Company were \$2,886,574 and \$2,948,613 for the three month period ended September 30, 2023, and 2022, respectively, and \$8,616,071 and \$9,068,724 for the nine month period ended September 30, 2023, and 2022, respectively.

# **17. 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.

# 17. SHARE CAPITAL - continued

Shares issued and outstanding

	Number of Common Shares	Amount			
Balance January 1, 2022	33,930,209	\$	509,011,563		
Shares issued pursuant to:					
Dividend reinvestment plan (i)	105,387		2,348,834		
Equity incentive plan (Note 20)	104,542		2,265,703		
Acquisition of non-controlling interest (ii)	-		(270,556)		
Shares purchased under normal course issuer bid and held in trust for future settlement of share based incentive compensation (iii)	(200,985)		(3,018,098)		
Balance December 31, 2022, net of shares held in trust (iii)	33,939,153	\$	510,337,446		
Shares issued pursuant to:					
Dividend reinvestment plan (i)	115,595	\$	2,233,262		
Equity incentive plan (Note 20)	89,310		1,972,155		
Shares purchased under normal course issuer bid and held in trust for future					
settlement of share based incentive compensation (iii)	(178,799)		(2,695,568)		
Balance September 30, 2023, net of shares held in trust (iii)	33,965,259	\$	511,847,295		

#### (i) Dividend reinvestment plan

For the nine month period ended September 30, 2023, 115,595 Common Shares were issued under the DRIP (for the year ended December 31, 2022 – 105,387).

# 17. SHARE CAPITAL - continued

#### (ii) Acquisition of non-controlling interest

On January 25, 2022, the Company purchased an additional 20% of the issued and outstanding equity of one of its subsidiaries for total consideration of \$270,556. This transaction was accounted for as an equity transaction in accordance with IFRS 10 and attributed to the Company's equity holders.

# (iii) Shares purchased under normal course issuer bid ("NCIB") and held in trust for future settlement of share-based incentive compensation

On August 10, 2023, the Company received approval from the TSX to renew its NCIB. Under the NCIB, the Company may, during the twelve-month period commencing August 17, 2023, and ending August 16, 2024, purchase up to a maximum of 3,391,575 Common Shares, representing 10% of its public float of issued and outstanding Common Shares as at August 4, 2023. All Common Shares purchased by the Company under the NCIB are cancelled or transferred to and held by a trust established by PLC (the "Trust") for the settlement of awards issued under the Company's equity incentive plan (the "EIP"). Purchases made by the Company are made on the open market through the facilities of the TSX and or alternative Canadian trading systems, in accordance with applicable TSX and other applicable trading system rules. The actual number of Common Shares purchases are limited to 15,708 Common Shares, other than block purchase exceptions.

Additionally, PLC entered into an automatic securities purchase plan ("ASPP") with its designated broker in connection with the NCIB to facilitate the purchase of Common Shares during times when PLC would ordinarily not be permitted to purchase Common Shares due to regulatory restrictions or self-imposed black-out periods. Before entering a black-out period, PLC may, but is not required to, instruct the broker to make purchases under the NCIB based on parameters set by PLC in accordance with the ASPP, TSX rules and applicable securities laws.

Since the inception of its NCIB which commenced on August 17, 2022, the Company has purchased 379,784 Common Shares through open market purchases on the TSX and/or alternative Canadian trading systems, at a weighted average price of approximately C\$23.90 per Common Share for total cash consideration, including commission, of \$6,720,279 (C\$9,076,335). For the nine month period ended September 30, 2023, the Company purchased 178,799 Common Shares for aggregate consideration of \$2,967,388 (C\$4,014,847). As at the date hereof, 307,141 Common Shares are held in the Trust for the settlement of awards issued under the EIP.

PLC established the Trust to hold Common Shares purchased under the NCIB for the purpose of settling awards (other than Options granted to Canadian Taxpayers) under the EIP. In conjunction with the EIP, the Company may make contributions to the Trust, which contributions will be used by the Trust to acquire Common Shares for the benefit of the participants under the EIP.

# 17. SHARE CAPITAL - continued

(iii) Shares purchased under normal course issuer bid ("NCIB") and held in trust for future settlement of share-based incentive compensation - continued

The Trust is considered SE and is consolidated in the Company's financial statements with the cost of the acquired shares recorded at book value as a reduction to share capital. Any premium on the acquisition of the Common Shares above book value is applied to retained earnings until the Common Shares are issued to settle RSU and PSU awards.

The Company has repurchased 379,784 Common Shares in aggregate under NCIB and 307,141 are held in trust.

	September 30,	December 31,
_	2023	2022
Common shares repurchased under the NCIB and held in trust (number of shares)		
Outstanding, beginning of the period	200,985	-
Shares purchased	178,799	200,985
Shares used for EIP award redemptions	(72,643)	-
Outstanding, end of the period	307,141	200,985

For the nine month period ended September 30, 2023, the Company repurchased 178,799 Common Shares for aggregate consideration of \$2,967,388 (C\$4,014,847). For the year ended December 31, 2022, the Company repurchased 200,985 Common Shares for aggregate consideration of \$3,752,891 (C\$5,061,488).

			September 30, 2023			· · · · · · · · · · · · · · · · · · ·		
Common shares repurchased under the NCIB and held in trust (number of shares) for the period ended Cash consideration paid Premium charged to retained earnings Reduction in common share capital		\$	2,96 27	8,799 7,388 1,820 5,568	\$		200,985 ,752,891 734,793 ,018,098	
Net earnings for the period	1 	hree Months En 2023 3,296,492	Months Ended September 30, Nine Mont 2022 2023				Ended September 30, 2022	
Basic weighted average number of common shares, net of shares held in trust Dilutive effect of equity incentive plan (Note 20) Diluted weighed average number of common shares, net of shares held in trust		34,464,063 736,855 35,200,918		34,315,507 391,328 34,706,835		34,334,784 399,734 34,734,518		34,268,572 533,122 34,801,694
Net earnings per share - basic Net earnings per share - diluted	\$ \$	0.096 0.094	Ş Ş	0.155 0.153	\$ \$	0.339 0.335	\$ \$	0.579 0.570

#### PARK LAWN CORPORATION NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 (U.S. dollars unless otherwise stated)

## **18. COST OF SALES**

	Three Months Ended September 30,					Nine Months Ended Septembe			
		2023		2022		2023		2022	
Cost of sales - merchandise	\$	10,584,760	\$	9,293,236	\$	32,325,134	\$	28,432,644	
Cost of sales - cemetery lots, crypts and niches (cost of property)		2,389,353		1,819,935		5,372,433		5,245,488	
Cost of sales - services		1,647,750		1,326,569		4,682,388		3,957,359	
Cost of sales - labour		858,454		682,433		2,400,865		2,125,254	
Total cost of sales	\$	15,480,317	\$	13,122,173	\$	44,780,820	Ş	39,760,745	

# **19. FINANCE COSTS**

	Three Months Ended September 30,				Ν	ine Months End	ed September 30,	
	2023		2022		2023			2022
Finanœ costs:								
Interest on credit facility (Note 12)	\$	3,501,233	\$	717,936	Ş	8,581,905	\$	1,448,143
Interest on Senior Unsecured Debentures (Note 14)		931,856		957,062		2,757,153		2,891,060
Interest on mortgages, other debt and notes payable (Note 12 and 13)		198,260		198,966		407,325		462,947
Interest on lease liabilities		212,490		78,894		506,978		241,981
Amortization of deferred financing costs (Note 12)		192,893		118,266		519,603		334,386
Accretion expense on senior unsecured debentures (Note 14)		161,482		154,913		469,838		459,926
Interest capitalized to construction (Note 7)		(87,705)		-		(202,788)		(329,388)
Unrealized foreign exchange on finance costs		(993)		(16,736)		68,339		(18,374)
Interest adjustment on interest rate swaps		(245,790)		-		(433,399)		-
Total	\$	4,863,726	\$	2,209,301	\$	12,674,954	\$	5,490,681

Interest capitalized to construction relates to long-term inventory and property, plant and equipment construction projects.

## 20. EQUITY INCENTIVE PLAN

Deferred Share Units ("DSUs")

Pursuant to the EIP, the following DSUs were granted by the Company and are outstanding. Each dividend equivalent represents one Common Share.

	September 30,	December 31,
	2023	2022
Outstanding, beginning of the period	46,777	47,748
Awarded	13,388	14,825
Redemptions	-	(16,476)
Dividend equivalents	677	680
Outstanding, end of the period	60,842	46,777

Restricted Share Units ("RSUs")

Pursuant to the EIP, the following RSUs were granted by the Company and are outstanding. Each dividend equivalent represents one Common Share. The RSU costs are expensed to share based incentive compensation when the RSUs vest. The fair value of the RSU is determined based on the fair value of the Common Shares on the date of issuance. As at September 30, 2023, 211,666 of the awarded and outstanding RSUs have vested. The weighted average issuance price for the nine month period ended September 30, 2023, was \$18.52 or C\$24.96.

	September 30,	December 31,
	2023	2022
Outstanding, beginning of the period	271,524	250,738
Awarded	861,516	69,527
Redemptions	(72,643)	(51,119)
Cancellations/Forfeited	(83,093)	(918)
Dividend equivalents	3,904	3,296
Outstanding, end of the period	981,208	271,524

#### 20. EQUITY INCENTIVE PLAN - continued

Performance Share Units ("PSUs")

Pursuant to the EIP, the following PSUs were granted by the Company and are outstanding. Each dividend equivalent represents one Common Share. As at September 30, 2023, 88,941 of the awarded and outstanding PSUs have vested.

	September 30,	December 31,
	2023	2022
Outstanding, beginning of the period	192,400	112,226
Awarded	99,732	115,983
Redemptions	(7,467)	(36,929)
Canœllations/Forfeited	(2,586)	-
Dividend equivalents	2,498	1,120
Outstanding, end of the period	284,577	192,400

Stock Options and Performance Options ("Options")

Exercise									
Grant Date	Expiry Date	Price	30-Jun-23	Vested	Unvested				
May 21, 2020	May 21, 2025	\$ 15.06	276,667	-	276,667				
October 5, 2020	October 30, 2024	\$ 20.88	80,000	-	80,000				
			356,667	-	356,667				
We	eighted Average Ex	ercise Price	\$ 18.60	\$ 19.77	\$ 18.60				

The compensation expenses in respect of EIP awards amounted to \$609,301 and \$1,153,906 for the three month period ended September 30, 2023, and 2022, respectively, and \$3,779,139 and \$3,839,149 for the nine month period ended September 30, 2023, and 2022, respectively. Included in the compensation expenses are legal and administrative fees related to the issuance of EIP awards of \$8,421 and \$19,697 for the three month period ended September 30, 2023, and 2022, respectively, and \$34,988 and \$60,642 for the nine month period ended September 30, 2023, and 2022, respectively. The counterpart has been reflected in contributed surplus. Management plans to settle all DSUs, RSUs, PSUs and Options by issuing Common Shares from treasury or (other than Options granted to Canadian Taxpayers) by delivery of Common Shares from the Trust. When the DSUs, RSUs, PSUs and Options are settled for Common Shares, the amounts previously credited to contributed surplus are transferred to share capital.

# 21. OTHER INCOME (EXPENSES)

	Three Months Ended September 30,				Ν	ember 30,		
	2023		2022		2023			2022
Legal and other costs	\$	(109,199)	\$	(103,219)	\$	(575,188)	\$	(259,763)
Gain (Loss) on disposal of property and equipment (Note 7)		9,633		14,139		54,762		1,852,156
Loss on disposal of non-strategic business		-		-		(2,579,491)		-
Impairment on other assets		-		-		-		(153,972)
	\$	(99,566)	\$	(89,080)	Ş	(3,099,917)	Ş	1,438,421

Legal and other costs were \$109,199 and \$103,219 for the three month period ended September 30, 2023, and 2022, respectively, and \$575,188 and \$259,763 for the nine month period ended September 30, 2023, and 2022, respectively. Legal and other costs relate to the preservation of certain historical investments and obligations associated with those investments, as well as costs for the defense of intellectual property created by the Company.

On May 1, 2023, the Company sold a non-strategic cemetery business in the state of New York for a nominal amount, incurring loss on disposition of \$2,579,491.

# 22. RELATED PARTY TRANSACTIONS AND BALANCES

#### Key management compensation

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

	Three Months Ended September 30,					Nine Months End	led September 30,		
		2023		2022		2023		2022	
Key management compensation	\$	1,648,329	Ş	1,303,437	\$	5,460,283	\$	4,460,526	
Directors' fees		110,994		128,257		361,936		411,743	
Total	\$	1,759,323	Ş	1,431,694	Ş	5,822,219	\$	4,872,269	

Directors' fees and key management compensation included in share-based incentive were \$649,474 and \$663,263 for the three month period ended September 30, 2023, and 2022, respectively, and \$2,898,194 and \$2,240,066 for the nine month period ended September 30, 2023, and 2022, respectively. Key management compensation included in acquisition and integration costs were \$243,149 and \$180,385 for the three month period ended September 30, 2023, and 2022, respectively, and \$456,212 for the nine month period ended September 30, 2023, and 2022, respectively. As at September 30, 2023, included in accounts payable and accrued liabilities are directors' fees and key management compensation of \$1,253,511 (as at December 31, 2022 - \$1,038,245).

# 22. RELATED PARTY TRANSACTIONS AND BALANCES – continued

#### Key management compensation - continued

Through a limited partnership formed by a subsidiary of the Company as general partner, and a trustee on behalf of certain of the Company's care and maintenance trust funds, as limited partners ("Haines LP"), the Company completed the purchase of four industrial units of property in Mississauga, Ontario, Canada (the "Haines Properties") in the second quarter of 2023. A purchase and sale agreement for the Haines Properties was entered into by Haines LP for an aggregate purchase price of C\$3,331,885. The Haines Properties are leased by Haines LP to a funeral home owned by the Company on substantially the same terms as the prior lease for the Haines Properties, with increases in rent to align with market rates.

On July 17, 2023, PLC acquired substantially all the assets of Ward, consisting of three stand-alone funeral homes located in Brampton, Woodbridge and Toronto, Ontario. This business was owned in-part by John Ward, a former director of the Company who did not stand for re-election to the Board for the 2023-2024 service year.

# 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

#### Fair value of financial instruments

Cash, accounts receivable, current portion of pre-need receivables, accounts payable 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 September 30, 2023, the senior unsecured debentures (see Note 14) are valued under Level 2 and have a fair value of \$61,947,752 (as at December 31, 2022 - \$63,041,591).

As at September 30, 2023, 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.

# 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - continued

Fair value of financial instruments - continued

The trust assets are valued as follows:

	Cost	Level 1 Quoted market price	Level 2 Valuation technique - observable market inputs	Level 3 Valuation technique - non- observable market inputs	Amortized cost	Total fair value
Cash and cash equivalents	\$ 12,627,883	\$ -	\$ -	\$ -	\$ 12,632,052	\$ 12,632,052
Fixed Income						
Canadian						
Corporate	4,694,681	380,308	-	-	3,730,507	4,110,815
Government	128,641	138,700	-	-	-	138,700
US						
Corporate	95,305	54,853	-	-	-	54,853
Government	-	-	-	-	-	-
Equities						
Canadian	38,761,309	41,711,659	-	-	-	41,711,659
US	36	266	-	-	-	266
Canadian Preferred	4,856,919	4,771,164	-	-	-	4,771,164
US Preferred	-	-	-	-	-	-
Mutual Funds/ETFs						
Equity	39,115,786	38,121,990	-	-	-	38,121,990
Fixed Income	55,739,007	49,568,219	-	-	-	49,568,219
Preferred	30,346,352	23,087,443	-	-	-	23,087,443
Alternative	33,514,833			33,183,302		33,183,302
	\$ 219,880,752	\$ 157,834,602	\$	\$ 33,183,302	\$ 16,362,559	\$ 207,380,463

Care and maintenance trust fund investments at December 31, 2022

		Level 1	Level 2 Valuation technique -	Level 3 Valuation technique - non-	Amortized cost	
		Quoted market	observable	observable		
	Cost	price	market inputs	market inputs		Total fair value
Cash and cash equivalents	\$ 7,865,262	\$ -	\$ -	\$ -	\$ 7,865,262	\$ 7,865,262
Fixed Income						
Canadian						
Corporate	4,805,071	544,863	-	-	3,691,500	4,236,363
Government	128,955	143,646	-	-	-	143,646
US						
Corporate	829,476	666,452	-	-	52,293	718,745
Government	1,061,705	929,496	-	-	-	929,496
Equities						
Canadian	42,925,182	49,517,250	-	-	-	49,517,250
US	18,731	62,946	-	-	-	62,946
Canadian Preferred	2,553,175	2,575,322	-	-	-	2,575,322
US Preferred	102,624	82,424	-	-	-	82,424
Mutual Funds/ETFs						
Equity	38,574,050	36,323,989	-	-	-	36,323,989
Fixed Income	60,932,657	51,938,733	-	-	-	51,938,733
Preferred	30,764,692	23,392,118	-	-	-	23,392,118
Alternative	31,015,692			31,673,308		31,673,308
	\$ 221,577,272	\$ 166,177,239	<u>\$</u>	\$ 31,673,308	\$ 11,609,055	\$ 209,459,602

## 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - continued

	January 1, 2023	Investment purchases	Investment dispositions	Capital distributions	Foreign exchange	Change in fair value	September 30, 2023
Alternative	31,673,308	9,730,063	(2,879,412)	(29,362)	(9,316)	(5,301,979)	33,183,302
Total	\$ 31,673,308						\$ 33,183,302
	January 1, 2022	Investment purchases	Investment dispositions	Capital distributions	Foreign exchange	Change in fair value	December 31, 2022
Alternative	24,023,844	17,883,681	(9,228,133)		(466,755)	(539,329)	31,673,308
Total	\$ 24,023,844						\$ 31,673,308

Fair value of financial instruments - continued

The Company's trust funds have investments in alternative investments, they relate to direct limited partnerships in real estate properties, private funds with interests in, private market real estate, infrastructure, and private debt. Some of these investments are more liquid than others. The trust funds cannot redeem interests of indirect limited partnerships unless the underlying asset is sold. The general partners of such direct limited partnerships have not communicated the timing of any immediate liquidations.

#### PARK LAWN CORPORATION NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 (U.S. dollars unless otherwise stated)

#### 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - continued

Fair value of financial instruments - continued

		Level 1	Level 2 Valuation	Level 3 Valuation	Amortized cost	
	Cost	Quoted market price	valuation technique - observable market inputs	valuation technique - non- observable market inputs	cost	Total fair value
Cash and cash equivalents	\$ 50,320,874	\$ -	\$ -	\$ -	\$ 50,306,523	\$ 50,306,523
GIC's	29,895,720	-	29,895,720	-	-	29,895,720
Fixed Income						
Canadian						
Corporate	-	-	-	-	-	-
Government	-	-	-	-	-	-
US						
Corporate	4,340,516	4,314,105	-	-	-	4,314,105
Government	213,412	181,283	-	-	-	181,283
Equities						
Canadian	106,265	141,147	-	-	-	141,147
US	311,903	431,220	-	-	-	431,220
Canadian Preferred	23,615	23,712	-	-	-	23,712
US Preferred	-	-	-	-	-	-
Mutual Funds/ETFs						
Equity	95,851,245	83,697,211	-	-	-	83,697,211
Fixed Income	43,844,308	38,095,617	-	-	-	38,095,617
Preferred	-	-	-	-	-	-
Alternative	48,689,400			53,897,339		53,897,339
	\$ 273,597,258	\$ 126,884,295	\$ 29,895,720	\$ 53,897,339	\$ 50,306,523	\$ 260,983,877

Pre-need merchandise and service trust fund investments at September 30, 2023

Pre-need merchandise and service trust fund investments at December 31, 2022

		Level 1	Level 2 Valuation	Level 3 Valuation	Amortized cost	
		Quoted market	technique - observable	technique - non- observable		
	Cost	price	market inputs	market inputs		Total fair value
Cash and cash equivalents	\$ 34,239,751	\$ -	\$ -	ş -	\$ 34,221,250	\$ 34,221,250
GIC's	24,540,120	-	24,540,120	-	-	24,540,120
Fixed Income						
Canadian						
Corporate	-	-	-	-	-	-
Government	-	-	-	-	-	-
US						
Corporate	5,894,672	5,767,732	-	-	-	5,767,732
Government	1,477,244	1,268,055	-	-	-	1,268,055
Equities						
Canadian	142,512	194,708	-	-	-	194,708
US	1,529,347	1,707,553	-	-	-	1,707,553
Canadian Preferred	6,295	5,177	-	-	-	5,177
US Preferred	392,128	308,328	-	-	-	308,328
Mutual Funds/ETFs						
Equity	101,710,959	80,465,512	-	-	-	80,465,512
Fixed Income	44,288,872	38,596,985	-	-	-	38,596,985
Preferred	-	-	-	-	-	-
Alternative	47,639,746			52,217,405	-	52,217,405
	\$ 261,861,646	\$ 128,314,050	\$ 24,540,120	\$ 52,217,405	\$ 34,221,250	\$ 239,292,825

## 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - continued

	January 1, 2023	Investment purchases	Investment dispositions	Capital Distributions	Foreign exchange	Change in fair value	September 30, 2023
Alternative	52,217,405	7,913,743	(5,232,500)	(168,617)		(832,692)	53,897,339
Total	\$ 52,217,405						\$ 53,897,339
	January 1, 2022	Investment purchases	Investment dispositions	Capital Distributions	Foreign exchange	Change in fair value	December 31, 2022
Alternative	30,921,261	25,468,428		(206,294)		(3,965,990)	52,217,405
Total	\$ 30,921,261						\$ 52,217,405

Fair value of financial instruments – continued

The Company's trust funds have investments in alternative investments, they relate to direct limited partnerships in real estate properties, private funds with interests in, private market real estate, infrastructure, and private debt. Some of these investments are more liquid than others. The trust funds cannot redeem interests in direct limited partnerships unless the underlying asset is sold. The general partners of such direct limited partnerships have not communicated the timing of any immediate liquidations.

# 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - continued

Fair value of financial instruments - continued

#### (i) Risk management

Management manages a portion of its variable-rate Credit Facility using interest rate swaps that alter its exposure to the impact of changing interest rates. The interest rate swaps are not designated as hedging instruments and as a result, the changes in fair value are recognized in earnings in the consolidated statement of net income and comprehensive income.

As of September 30, 2023, a 100 basis-point change in interest rates, assuming all other variables are constant, would result in a \$1,963,078 change in the Company's finance costs over the next 12 months excluding the impact of the \$100 million interest rate swaps.

#### (ii) <u>Interest rate swaps</u>

The interest rate swaps are not designated as a hedge for accounting purposes. These swaps are used to manage interest rate exposure over the period of the interest rate swaps. The differential to be paid or received on all swap agreements is accrued as interest rates change and is recognized in finance costs over the life of the respective agreements. The interest rate swaps contain no credit risk-related contingent features.

On February 23, 2023, the Company, through one of its subsidiaries, entered into an interest rate swap with one of the Company's syndicate lenders of the Credit Facility whereby the parties agreed to exchange at specified intervals, fixed and variable interest amounts calculated by reference to a notional amount of \$50 million. The transaction, effective February 27, 2023, matures on February 27, 2026, and has a variable to fixed interest rate swap arrangement of 4.372%.

On March 9, 2023, the Company, through one of its subsidiaries, entered into an interest rate swap with one of the Company's syndicate lenders of the Credit Facility whereby the parties agreed to exchange at specified intervals, fixed and variable interest amounts calculated by reference to a notional amount of \$25 million. The transaction, effective March 3, 2023, matures on March 3, 2026, and has a variable to fixed interest rate swap arrangement of 4.520%.

On March 13, 2023, the Company, through one of its subsidiaries, entered into an interest rate swap with one of the Company's syndicate lenders of the Credit Facility whereby, the parties agreed to exchange at specified intervals, fixed and variable interest amounts calculated by reference to a notional amount of \$25 million. The transaction, effective April 3, 2023, matures on April 3, 2025, and has a variable to fixed interest rate swap arrangement of 3.900%.

The fair value adjustment on the interest rate swaps were \$540,024 and \$nil for the three month period ended September 30, 2023, and 2022, respectively, and \$1,003,687 and \$nil for the nine month period ended September 30, 2023, and 2022, respectively.

### 23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - continued

Fair value of financial instruments - continued

#### (ii) Interest rate swaps - continued

The following table is a summary of the interest rate swap agreements and their respective carrying values as of September 30, 2023:

	Maturity date	Fixed rate	Notional amount	Carrying value and fair value
Interest rate swap agreements, as of September 30, 2023				
Interest rate swap agreement	2/27/2026	4.372%	50,000,000	122,793
Interest rate swap agreement	3/3/2026	4.520%	25,000,000	406,417
Interest rate swap agreement	4/3/2025	3.900%	25,000,000	474,477
			<b>\$</b> 100,000,000	<b>\$</b> 1,003,687

The valuation of these instruments was determined using discounted cash flow analyses based on the contractual terms of the derivatives, including the period to maturity of each instrument, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair values determined are based on significant other observable inputs (Level 2). Changes in fair value are recognized as net change in fair value of interest rate swaps in the accompanying consolidated statement of net income and comprehensive income.

The following table summarizes the beginning and ending fair value and the unrealized gain (loss) for the interest rate swaps for the period presented:

	September 30, 2023
Interest rate swaps at January 1, 2023	-
Fair value adjustment on interest rate swaps Jan 1 - Mar 31	(1,600,790)
Interest rate swaps at March 31, 2023	(1,600,790)
Fair value adjustment on interest rate swaps Apr 1 - Jun 30	2,064,453
Interest rate swaps at June 30, 2023	463,663
Fair value adjustment on interest rate swaps Jul 1 - Sep 30	540,024
Interest rate swaps at Septmber 30, 2023	\$ 1,003,687

### 24. 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.

### 24. COMMITMENTS AND CONTINGENCIES - continued

#### **Commitments**

The Company has 14 ongoing commitments with the remaining balance of \$60,749,687 for the construction of funeral homes and mausoleums, cemetery developments in the United States and a long-term commitment with one of its principal suppliers. To date, the Company spent \$9,784,182 on these commitments.

To remain competitive with low-end providers, effective February 1, 2023, PLC entered into a five-year commitment with one of its principal suppliers to purchase at least \$50,000,000 of burial and cremation products and merchandise, enabling it to attract price conscious consumers focused on comparing prices, and product and service offerings.

On September 19, 2023, the Company entered into a commercial property lease for new corporate head office space in Houston, Texas with an expected commencement date in the third quarter of 2024. The lease is for 135 months and the base rent is approximately \$1,000,000 per annum.

### 25. 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.

#### Geographic information

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

	_	September 30, 2023		December 31, 2022
Canada United States	\$	193,183,406 1,354,561,911	\$	171,249,043 1,306,059,283
Total	\$	1,547,745,317	\$	1,477,308,326

#### Geographic information - continued

For the Company's geographically segmented total liabilities the Company has allocated based on the location of liabilities, as follows:

	 September 30, 2023		December 31, 2022
Canada United States	\$ 199,351,624 790,441,627	\$	172,678,576 753,033,760
Total	\$ 989,793,251	\$	925,712,336

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

	Three Months Ended September 30,			1	ptember 30,			
	2023		2022		2023		2022	
Revenue:								
Sales:								
Canada	\$	8,068,555	\$	7,348,329	\$	22,130,158	\$	21,496,978
United States		75,794,833		69,047,785		226,165,930		207,452,153
Total sales		83,863,388		76,396,114		248,296,088		228,949,131
Income from care and maintenance funds:								
Canada		864,654		924,374		2,819,928		2,816,885
United States		1,435,722		1,572,981		4,727,954	_	4,173,569
Total income from care and maintenance funds		2,300,376		2,497,355		7,547,882		6,990,454
Interest and other income:								
Canada		87,990		95,142		277,310		266,483
United States		1,252,347		1,882,994		3,393,880		3,760,359
Total interest and other income		1,340,337		1,978,136		3,671,190		4,026,842
Total revenue:								
Canada		9,021,199		8,367,845		25,227,396		24,580,346
United States		78,482,902		72,503,760		234,287,764		215,386,081
Total revenue	\$	87,504,101	\$	80,871,605	\$	259,515,160	\$	239,966,427
Total net earnings/loss:								
Canada <sup>(1)</sup>		(2,873,991)		(1,189,696)		(8,139,443)		(3,781,995)
United States		6,170,483		6,513,604		19,787,662		23,615,807
Total net earnings/loss	\$	3,296,492	\$	5,323,908	\$	11,648,219	\$	19,833,812

<sup>(1)</sup> Canada's net loss includes shared based incentive compensation and public company costs.

Operating segments

	Three Months Ended September 30, 2023						23
		Cemetery	Fu	neral Home		Corporate	Total
Revenue							
Sales	\$	33,011,393	\$	50,851,995	\$	- \$	83,863,388
Income from care and maintenance funds		2,300,376		-		-	2,300,376
Interest and other income		1,139,229		140,644		60,464	1,340,337
Total revenue		36,450,998		50,992,639		60,464	87,504,101
Operating expenses							
Cost of sales		8,732,364		6,747,953		-	15,480,317
General and administrative		8,636,841		27,070,459		-	35,707,300
Maintenance		5,972,837		1,528,870		-	7,501,707
Advertising and selling		4,968,147		2,755,302		-	7,723,449
Total operating expenses		28,310,189		38,102,584		-	66,412,773
Gross profit		8,140,809		12,890,055		60,464	21,091,328
Other expenses							
Corporate general and administrative		-		-		8,610,950	8,610,950
Amortization of intangibles		15,550		364,240		33,394	413,184
Finance costs		17,522		308,004		4,538,200	4,863,726
Fair value adjustment on interest rate swaps		-		-		(540,024)	(540,024)
Share-based incentive compensation		-		-		609,301	609,301
Acquisition and integration costs		14,374		62,129		2,354,075	2,430,578
Other (income) expenses		-		(9,633)		109,199	99,566
Total other expenses		47,446		724,740		15,715,095	16,487,281
Earnings before income taxes		8,093,363		12,165,315		(15,654,631)	4,604,047
Income tax expense		2,185,208		3,284,636		(4,162,289)	1,307,555
Net earnings for the period	\$	5,908,155	\$	8,880,679	\$	(11,492,342) \$	3,296,492

Operating segments - continued

	Three Months Ended September 30, 2022						
		Cemetery	emetery Funeral Home			Corporate	Total
Revenue							
Sales	\$	35,349,191	\$	41,046,923	\$	- \$	76,396,114
Income from care and maintenance funds		2,497,355		-		-	2,497,355
Interest and other income		1,812,196		191,020		(25,080)	1,978,136
Total revenue		39,658,742		41,237,943		(25,080)	80,871,605
Operating expenses							
Cost of sales		7,494,235		5,627,938		-	13,122,173
General and administrative		10,503,637		22,745,085		-	33,248,721
Maintenance		5,925,755		1,250,678		-	7,176,433
Advertising and selling		4,870,313		3,111,887		-	7,982,200
Total operating expenses		28,793,940		32,735,588		-	61,529,527
Gross profit		10,864,803		8,502,356		(25,080)	19,342,078
Other expenses							
Corporate general and administrative		-		-		6,376,207	6,376,207
Amortization of intangibles		10,550		118,718		33,394	162,662
Finance costs		126,649		122,698		1,959,954	2,209,301
Share-based incentive compensation		-		-		1,153,906	1,153,906
Acquisition and integration costs		4,418		626,453		1,204,018	1,834,889
Other (income) expenses		-		(14,139)		103,219	89,080
Total other expenses		141,617		853,730		10,830,698	11,826,045
Earnings before income taxes		10,723,186		7,648,626		(10,855,778)	7,516,033
Income tax expense		2,895,260		2,065,129		(2,768,264)	2,192,125
Net earnings for the period	\$	7,827,926	\$	5,583,497	\$	(8,087,514) \$	5,323,908

Operating segments - continued

	Nine Months Ended September 30, 2023							
		Cemetery Funeral Home Corporate						Total
Revenue								
Sales	\$	98,114,761	\$	150,181,327	\$	- \$	5 2	248,296,088
Income from care and maintenance funds		7,547,882		-		-		7,547,882
Interest and other income		2,942,490		551,147		177,553		3,671,190
Total revenue		108,605,133		150,732,474		177,553	2	259,515,160
Operating expenses								
Cost of sales		24,595,286		20,185,534		-		44,780,820
General and administrative		28,020,831		78,666,582		-	1	106,687,413
Maintenance		16,169,669		4,481,999		-		20,651,668
Advertising and selling		13,991,945		8,164,656		-		22,156,601
Total operating expenses		82,777,731		111,498,771		-	1	194,276,502
Gross profit		25,827,402		39,233,703		177,553		65,238,658
Other expenses								
Corporate general and administrative		-		-		23,434,280		23,434,280
Amortization of intangibles		50,270		943,992		100,182		1,094,444
Finance costs		59,640		684,723		11,930,591		12,674,954
Fair value adjustment on interest rate swaps		-		-		(1,003,687)		(1,003,687)
Share-based incentive compensation		-		-		3,779,139		3,779,139
Acquisition and integration costs		33,406		544,038		5,394,688		5,972,132
Other (income) expenses		2,538,755		(14,026)		575,188		3,099,917
Total other expenses		2,682,071		2,158,727		44,210,381		49,051,179
Earnings before income taxes		23,145,331		37,074,976		(44,032,828)		16,187,479
Income tax expense		6,249,239		10,010,244		(11,720,223)		4,539,260
Net earnings for the period	\$	16,896,092	\$	27,064,732	\$	(32,312,605) \$	5	11,648,219

Operating segments - continued

	Nine Months Ended September 30, 2022						
	Cemetery	Funeral Home	Corporate	Total			
Revenue							
Sales	\$ 102,146,708	\$ 126,802,423	\$ -	\$ 228,949,131			
Income from care and maintenance funds	6,990,454	-	-	6,990,454			
Interest and other income	3,248,440	547,599	230,803	4,026,842			
Total revenue	112,385,602	127,350,022	230,803	239,966,427			
Operating expenses							
Cost of sales	22,132,723	17,628,022	-	39,760,745			
General and administrative	31,643,816	66,604,554	-	98,248,370			
Maintenance	16,847,542	3,752,629	-	20,600,171			
Advertising and selling	14,784,035	7,684,141	-	22,468,176			
Total operating expenses	85,408,116	95,669,346	-	181,077,462			
Gross profit	26,977,486	31,680,676	230,803	58,888,965			
Other expenses							
Corporate general and administrative	-	-	18,054,881	18,054,881			
Amortization of intangibles	(39,021)	803,075	100,181	864,235			
Finance costs	213,037	442,171	4,835,473	5,490,681			
Share-based incentive compensation	-	-	3,839,149	3,839,149			
Acquisition and integration costs	4,418	824,271	3,762,516	4,591,205			
Other (income) expenses	(1,861,230)	9,073	413,736	(1,438,421)			
Total other expenses	(1,682,796)	2,078,590	31,005,936	31,401,730			
Earnings before income taxes	28,660,282	29,602,086	(30,775,133)	27,487,235			
Income tax expense	7,738,276	7,992,563	(8,077,416)	7,653,423			
Net earnings for the period	\$ 20,922,006	\$ 21,609,523	\$ (22,697,717)	\$ 19,833,812			

### 26. ASSETS HELD FOR SALE

On October 17, 2023, PLC announced that it has entered into a definitive agreement to divest substantially all of the assets of The Park Lawn Cemetery Company (USA), Inc., PLC Saber Ltd. and PLC Citadel Ltd. The divestiture includes 72 cemeteries in Kentucky, Michigan, North Carolina and South Carolina and 11 funeral homes in Kentucky and North Carolina (the "Disposal Businesses"). The transaction is valued at approximately \$70,000,000 consisting of \$55,000,000 in cash and the remaining \$15,000,000 in deferred compensation, bearing interest at 10% per annum, to be received by PLC within 5 years following the closing of the transaction. Following the receipt of regulatory approval and the satisfaction of customary closing conditions for a transaction of this type, the transaction is anticipated to close prior to year-end 2023.

At September 30, 2023, the Disposal Businesses are classified as assets held for sale.

The major classes of assets and liabilities of the Disposal Businesses are classified as held for sale as at September 30, 2023 are as follows:

	September 30, 2023			
Assets:				
Cash	\$	3,000,000		
Accounts receivable		1,155,457		
Pre-need receivables		36,268,918		
Inventories		20,931,265		
Prepaid expenses and other assets		823,686		
Land held for development		735,673		
Property and equipment		23,465,823		
Care and maintenance trust fund investments		40,562,795		
Pre-need merchandise and service trust fund investments		82,999,256		
Goodwill		66,489,618		
Deferred commission		18,690,587		
Assets held for sale	\$	295,123,078		
Liabilities:				
Accounts payable and accrued liabilities	\$	5,297,163		
Lease liabilities		49,383		
Deferred revenue		79,648,634		
Care and maintenance trusts' corpus		40,562,795		
Deferred pre-need receipts held in trust		82,999,256		
Liabilities directly associated with assets held for sale		208,557,231		
Net assets directly associated with disposal group	\$	86,565,847		

### 27. SUBSEQUENT EVENTS

On October 16, 2023, PLC acquired substantially all the assets of Christy-Smith Funeral Homes located in Sioux City, Iowa (Collectively "Christy-Smith"). The Christy-Smith acquisition expands Park Lawn's footprint in the Sioux City, Iowa metropolitan market through the addition of two stand-alone funeral homes.

On October 17, 2023, PLC announced that it has entered into a definitive agreement to divest substantially all of the assets of The Park Lawn Cemetery Company (USA), Inc., PLC Saber Ltd. and PLC Citadel Ltd. (see Note 26).

### **28. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the September 30, 2023, consolidated statements of earnings.







MANAGEMENT'S DISCUSSION AND ANALYSIS For the Quarter Ending September 30, 2023



# Contents

Additional Information	
Forward-Looking Information	
Financial Statements, Accounting Policies and Critical Estimates	5
Consolidation	6
Currency	6
Description of non-IFRS measures	6
Overview	9
Financial Highlights	10
Third Quarter Summary	
Subsequent Events	12
Discussion of Operating Results	13
Geographic Information	25
Operating Segments	26
Liquidity and Capital Resources	30
Dividends and Free Cash Flow	32
Care and Maintenance Trust Funds	33
Pre-Need Merchandise and Service Trust Funds	34
Prearranged Funeral Insurance Contracts	34
Finance Assurances	34
Quarterly Information	35
Related Party Transactions	36
Disclosure Controls and Procedures	36
Shares Outstanding	
Risks and Uncertainties	



The following Management's Discussion and Analysis (this "**MD&A**") provides a review of corporate and market developments, results of operations and the financial position of Park Lawn Corporation ("**PLC**" or the "**Company**") for the three and nine month period ended September 30, 2023. This discussion should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and accompanying notes for the three and nine month period ended September 30, 2023, together with the Company's audited consolidated financial statements and MD&A for the year ended December 31, 2022, and the accompanying notes contained therein. Information contained in this MD&A is based on information available to management as of November 9, 2023. Unless otherwise stated, all amounts discussed herein are denominated in U.S. dollars.

## **Additional Information**

Additional information relating to the Company, including the Company's latest Annual Information Form ("**AIF**"), is available on SEDAR+ at <u>www.sedarplus.com</u> under the Company's profile and on the Company's website at <u>www.parklawncorp.com</u>.

## 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", "believes", "aspirational", "targets", "goals", "objectives", "aims" 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, the Company's aspirational growth targets for the end of 2026, statements regarding the EBITDA (as defined below) multiples that the Company generally expects to pay for acquisitions, the financial impact of recent and pending acquisitions and divestitures 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 deathcare 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, both general and specific, which give rise to the possibility that actual results or events could differ materially from the Company's expectations expressed in, or implied by, such forward-looking statements and that our business outlook, objectives, plans and strategic priorities may not be achieved. These statements are not guarantees of future performance or events, and readers are cautioned against relying on any of these forward-looking statements. Forward-looking statements are presented in this MD&A for the purpose of assisting investors and others in understanding PLC's objectives, strategic priorities and business outlook as well as its anticipated operating environment. Readers are cautioned, however, that such information may not be appropriate for other purposes. The Company has made certain economic, market and operational assumptions in preparing the forward-looking statements in this MD&A, including that recent acquisitions will perform as expected, pending divestitures will have a positive impact on the operations and financial standing of the Company, 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 and dispositions, 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. If PLC's assumptions turn out to be inaccurate, its actual results could be materially different.

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: political conflict, including from the economic sanctions imposed or to be imposed as a result thereof; adverse economic and financial market conditions; a declining level of commercial activity, and the resulting negative impact on the demand for, and prices of, PLC's products and services; the impact of inflation on the Company's business; the impact of higher interest rates on the Company's business; supply chain disruptions and product delivery delays; the failure to attract, develop and retain a diverse and talented team capable of furthering PLC's business strategies; the risk that the fair value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market; risks associated with the Company's growth strategy; the geographic concentration of the Company's operations; the Company's reliance on key personnel; the ability to maintain effective internal controls over financial reporting; tax related risks; the Company's noncontrolled interests; relations with the Company's unionized and non-unionized employees; self-insurance and insurance coverage and limits; the Company's fixed operating costs; changing consumer preferences; the increasing number of cremations; litigation and professional liability practice claims; competition in the industry and markets in which the Company operates; the capital expenditure requirements of the Company's business; pandemic, epidemic and other public health risks, and the adverse effects from the measures implemented or to be implemented as a result thereof; 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 AIF, for the year ended December 31, 2022 which is available on SEDAR+ at www.sedarplus.com and on the Company's website at www.parklawncorp.com. The Company cautions that such a list of factors is not exhaustive, and other factors could also materially adversely affect its performance. 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.

Forward-looking statements, including those contained in this MD&A for periods beyond 2023 involve longer-term assumptions and estimates than forward-looking statements for 2023 and are consequently subject to greater uncertainty. In particular, in addition to the assumptions set forth above, the Company's long-term aspirational growth targets of achieving: (a) a total of \$150 million of pro forma Adjusted EBITDA (as defined below), and (b) achieving Adjusted Net Earnings per share exceeding \$2.00 by the end of 2026 assumes: the achievement of approximately 70% of growth through acquisitions, and approximately 30% of growth through organic means; the ability to continue to acquire premier independent businesses in both new and existing markets, and to obtain the financing required to complete such acquisitions; the completion of acquisition opportunities in high-growth markets at a rate of \$75-\$125 million per year; the continued successful investments in individual businesses to achieve organic growth and in projects and initiatives which yield improved asset productivity, including mausoleum developments, the development of existing and new cemetery properties, and development of on-site funeral homes; recent and future acquisitions will perform as expected; multiples remaining at or below levels paid by PLC for previously announced acquisitions; acquisition and financing markets will remain accessible; that PLC will continue to effectively integrate the strategic partners and acquired businesses into the Company's existing operations; continued high performance of the Company's existing business operations; that PLC will continue to capitalize on ongoing operational improvements to both existing and acquired businesses through the full implementation, deployment and integration of PLC's proprietary industry software; the achievement of further market share penetration in the markets the Company currently operates in through further community involvement, exceptional customer service and target marketing; no material changes to the Company's earnings prospects; no material adverse impacts to the Company's long-term investments and credit markets; no significant changes to the industry landscape or



regulatory environment; continued availability of skilled talent and source materials to execute on the Company's organic growth plans; favorable market conditions for share issuances to support growth financing; interest rates return to historical ten year averages, average supplier prices consistent with external price curves and internal forecasts; no severe and prolonged economic downturn in the markets in which the Company operates; the continued maintenance of the Company's information technology infrastructure and no material breach of cybersecurity; no significant event occurring outside the ordinary course of business such as a natural disaster, pandemic or other calamity; no material changes in the Canadian dollar to U.S. dollar exchange rate; return of inflation to normal trends and average inflation rate based on historical trends; an increase in salaries based on market average assumptions; and a reduction in corporate costs as a percentage of revenue due to economies of scale. However, there can be no assurance that the Company will be able to identify suitable strategic partners or acquisition targets, to negotiate acceptable terms for such transactions, to obtain the financing required, to effectively implement any strategic partners or acquired businesses into the Company's existing operations, or to capitalize on ongoing operational improvements, with the result that the actual nature and value of the aspirational growth targets, as well as the timing thereof, could materially differ from current expectations. Forward-looking statements for periods beyond 2023 further assume, unless otherwise indicated, that the competitive, regulatory, operational, financial and other risks described above and under the heading "Risk Factors" in the Company's AIF will remain substantially unchanged during such periods, except for an assumed improvement in the general economic condition in future years.

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. 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.

Additional risks and uncertainties not currently known to the Company or that it currently deems to be immaterial may also have a material adverse effect on its business, financial condition, liquidity, financial results or reputation. From time to time, it considers potential acquisitions, dispositions, mergers, business combinations, investments, monetization, joint ventures and other transactions, some of which may be significant. Except as otherwise indicated by PLC, forward-looking statements do not reflect the potential impact of any such transactions or of special items that may be announced or that may occur after the date hereof. The financial impact of these transactions and special items can be complex and depend on facts particular to each of them. PLC therefore cannot describe the expected impact in a meaningful way, or in the same way it presents known risks affecting its business.

## Financial Statements, Accounting Policies and Critical Estimates

The Company's unaudited condensed interim consolidated financial statements for the three and nine month period ended September 30, 2023, and accompanying notes (the "**Notes**") have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board, and are presented in U.S. dollars, except where otherwise indicated. The Company's significant accounting policies and critical accounting estimates are summarized in Note 2 and Note 3, respectively, to its audited annual consolidated financial statements for the year ended December 31, 2022. There have been no material changes in the Company's significant accounting policies or critical accounting estimates during the period ended September 30, 2023.

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 September 30, 2023, and 2022 are not necessarily indicative of the results to be expected for the full year.



## Consolidation

The Company's unaudited condensed interim consolidated financial statements for the three and nine month period ended September 30, 2023, include the accounts of the Company and its subsidiaries. All significant accounts and transactions between consolidated entities are eliminated.

## Currency

The unaudited condensed interim consolidated financial statements are presented in U.S. dollars ("USD" or "US\$") unless otherwise indicated.

The financial statements of entities with a functional currency that is not USD have been translated into USD using the following CAD:USD average exchange rates for the three and nine months ended September 30, 2023, and 2022, and for the twelve months ended December 31, 2022.

CAD/USD Exchange Rate	Three mo	nths ended,	Nine mor	Year ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	December 31, 2022
Closing rate at the reporting date	0.7365	0.7231	0.7365	0.7231	0.7383
Average rate for the period	0.7456	0.7659	0.7433	0.7794	0.7369

# **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.

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 that 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, sharebased compensation, amortization of intangibles, other income (expenses), and the fair value of any hedging arrangements.



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 before income taxes, finance costs, 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 definition of EBITDA has been revised from prior periods due to a change in financial statement presentation of the Company's statement of earnings, and adjustments for acquisition and integration expenses, and other (income) expenses which were previously presented as adjustments to EBITDA are now adjusted only for purposes of calculating Adjusted EBITDA.

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 sales.

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

• Adjusted EBITDA - Adjusted EBITDA is EBITDA adjusted for the fair value adjustment on any hedging arrangements, share-based compensation, acquisition and integration expenses, and other (income) expenses. 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. The definition of Adjusted EBITDA has been revised due to a change in financial statement presentation of the Company's statement of earnings, and adjustments for acquisition and integration expenses, and other (income) expenses which were previously presented as adjustments to EBITDA are now adjusted for in Adjusted EBITDA.

Please see the "Discussion of Operating Results - EBITDA and Adjusted EBITDA" and "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 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.
- Adjusted Field EBITDA Adjusted Field EBITDA is Adjusted EBITDA that the Company derives from its funeral and cemetery operating segments. The Company believes that the inclusion of Adjusted Field EBITDA also provides useful supplementary information to investors and other third parties that allows them to assess the operating performance of the Company's operating segments and to compare its results to prior periods and to the results of its competitors.

Please see the "Operating Segments" below for a reconciliation of the Company's Adjusted EBITDA to Adjusted Field EBITDA.

• Adjusted Field EBITDA Margin – the Company calculates Adjusted Field EBITDA Margin as Adjusted Field EBITDA from its funeral and cemetery operating segments as a percentage of total funeral and cemetery revenue. The



Company believes the Adjusted Field EBITDA Margin helps to assess the operating performance of the Company's operating segments and to compare its results to prior periods and to the results of its competitors.

• Adjusted Corporate EBITDA – Adjusted Corporate EBITDA is Adjusted EBITDA that the Company derives from its corporate operations.

Please see the "Operating Segments" below for a reconciliation of the Company's Adjusted EBITDA to Adjusted Corporate EBITDA.

• 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 operating locations owned by the Company for the entire period from January 1, 2022, and ending September 30, 2023.
- Comparable Cemetery Operations means Comparable Operations from the Company's cemetery businesses.
- **Comparable Funeral Operations** means Comparable Operations from the Company's funeral businesses.
- Acquired Operations consists of business units or operating locations acquired by the Company during the period from January 1, 2022, and ending September 30, 2023.
- **Total Debt** consists of the aggregate of the book value of long-term debt, notes payable, lease liabilities, hedging arrangements and senior unsecured debentures (the "**Debentures**"), plus associated deferred financing costs and debt issuance costs.
- Leverage Ratio is defined in the fourth amended and restated credit agreement between the Company and one of its U.S. subsidiaries as borrowers, and a syndicate of lenders led by National Bank of Canada, dated February 21, 2023 (as amended, amended and restated, renewed, extended, supplemented, replaced or otherwise modified from time to time, the "Credit Facility"), and is calculated as total indebtedness to trailing twelve months Adjusted EBITDA. Total indebtedness as defined in the Credit Facility, includes the face value of bank debt, mortgages, vehicle loans, notes payable, lease liabilities, hedge arrangements and letters of credit, and is offset by cash on hand. Trailing twelve months Adjusted EBITDA for Acquired Operations in the period relative to a twelve 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. The Interest Coverage Ratio is defined by and calculated in accordance with the Credit Facility.

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 (the "**TSX**") under the stock symbol of "PLC" and "PLC.U", its U.S. denominated ticker symbol, under which purchases and sales of common shares of the Company ("**Common Shares**") can be made in USD. 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 the date of this MD&A, PLC and its subsidiaries operate in 3 Canadian provinces and 19 U.S. states, which consist of 109 stand-alone cemeteries and 147 stand-alone funeral homes and 36 on-sites (where a funeral home is located on a cemetery), each of which services different areas and provides 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.

PLC strives to be North America's premier funeral, cremation and cemetery provider, and the indisputable choice for funeral and cemetery services in the communities it serves. The Company's growth strategy includes organic initiatives, the optimization of product and service offerings, a focus on streamlining and improving its operational efficiencies, and future acquisitions which align with the Company's culture. 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 funeral homes on existing cemetery properties (referred to as on-sites or combination properties). These projects unlock new sources of revenue for existing businesses while increasing the useful life of PLC's existing portfolio by allowing certain facility, personnel, and equipment costs to be shared between funeral service and cemetery locations.

Potential industry and economic factors affecting PLC's operating results include: demographic trends in terms of population growth and average age, which impact death rates and number of deaths; disruptions in the supply chain, which have led to increased lead times and in some cases, increases in cost in the Company's supply base; rising economic inflation rates; interest rate hikes; general market downturn; political conflict; staff shortages; establishing and maintaining leading market share positions supported by strong local heritage and relationships; effectively responding to increasing cremation trends by selling complementary services and merchandise; and controlling salary and merchandise costs. A detailed set of risks applicable to the Company are included in the Company's AIF.

During the three and nine month period ended September 30, 2023, PLC's operating performance continued to normalize as the COVID-19 pandemic continues to trend towards endemic, resulting in a decrease in call volumes and at-need sales. As a result, the impacts of the COVID-19 pandemic on PLC's sequential and year-over-year performance were reduced.



# **Financial Highlights**

	September 30, 2023		December 31, 2022		]	December 31, 2021
Cash	\$	27,559,338	\$	30,277,742	\$	20,785,798
Total Assets	\$	1,547,745,317	\$	1,477,308,326	\$	1,406,098,186
Total Non-Current Liabilities	\$	738,814,303	\$	860,343,134	\$	822,451,858
Total Debt <sup>(1)</sup>	\$	289,865,554	\$	245,852,290	\$	171,504,908
Total Shareholder's Equity	\$	557,952,066	\$	551,595,990	\$	540,033,450
Number of Shares Issued and Outstanding		33,965,259		33,939,153		33,930,209
Quarterly Dividend Paid per Share (CAD)	\$	0.114	\$	0.114	\$	0.114
Leverage Ratio		2.38x		1.83x		0.98x
Interest Coverage Ratio		7.67x		21.79x		30.63x

The table below summarizes selected financial information as at September 30, 2023, and the relevant comparable periods:

<sup>(1)</sup> Total Debt – consists of the aggregate of the book value of long term debt, notes payable, lease liabilities, fair value adjustment to interest rate swap arrangements and senior unsecured Debentures, each as shown on the consolidated statement of financial position of the Company for the nine month period ended September 30, 2023 (being an aggregate of \$287,351,140 plus associated deferred financing costs of \$1,050,166 and debt issuance costs of \$1,464,248) and for the consolidated statement of financial position for the year ended December 31, 2022 (being an aggregate of \$242,615,471, plus the face amount of deferred financing costs of \$1,934,086) and for the year ended December 31, 2021 (being an aggregate of \$1242,615,471, plus the face amount of deferred financing costs of \$1,480,644 and debt issuance costs of \$2,546,038).

The following table provides selected financial information and analysis about PLC's performance in Q3 2023 compared with Q3 2022:

	Three	Three Months Ended September 30,			Nine Months Ended September 30					er 30,	
	 2023		2022	Inc	rease(decrease)		2023		2022	Incr	ease(decrease)
Revenue	\$ 87,504,101	\$	80,871,605	\$	6,632,496	\$	259,515,160	\$	239,966,427	Ş	19,548,733
Gross profit	\$ 21,091,328	\$	19,342,078	\$	1,749,250	\$	65,238,658	\$	58,888,965	Ş	6,349,693
Net Earnings for the period	\$ 3,296,492	\$	5,323,908	\$	(2,027,416)	\$	11,648,219	\$	19,833,812	Ş	(8,185,593)
Adjusted Net Earnings	\$ 5,399,944	\$	7,764,988	\$	(2,365,044)	\$	21,712,181	\$	25,566,160	Ş	(3,853,979)
Adjusted EBITDA	\$ 18,800,966	\$	18,155,459	\$	645,507	\$	58,172,086	\$	55,176,279	Ş	2,995,807
Adjusted Field EBITDA	\$ 27,202,702	\$	24,404,836	\$	2,797,866	\$	80,987,167	\$	72,729,739	Ş	8,257,428
Gross profit margin	24.1%		23.9%		20 bps		25.1%		24.5%		60 bps
Adjusted EBITDA Margin	21.5%		22.4%		(90) bps		22.4%		23.0%		(60) bps
Adjusted Field EBITDA Margin	31.1%		30.2%		90 bps		31.2%		30.3%		90 bps
Net Earnings Per Share - Basic	\$ 0.096	\$	0.155	\$	(0.059)	\$	0.339	\$	0.579	Ş	(0.240)
Net Earnings Per Share - Diluted	\$ 0.094	\$	0.153	\$	(0.059)	\$	0.335	\$	0.570	\$	(0.235)
Adjusted Net Earnings Per Share - Basic	\$ 0.157	\$	0.226	\$	(0.070)	\$	0.632	\$	0.746	Ş	(0.114)
Adjusted Net Earnings Per Share - Diluted	\$ 0.153	\$	0.224	\$	(0.071)	\$	0.625	\$	0.735	\$	(0.110)
Adjusted EBITDA Per Share - Basic	\$ 0.546	\$	0.529	\$	0.016	\$	1.694	\$	1.610	\$	0.084
Adjusted EBITDA Per Share - Diluted	\$ 0.534	\$	0.523	\$	0.011	\$	1.675	\$	1.585	Ş	0.090
Weighted Average Number of Common Shares											
Basic	34,464,063		34,315,507		148,556		34,334,784		34,268,572		66,212
Diluted	35,200,918		34,706,835		494,083		34,734,518		34,801,694		(67,176)

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



# Third Quarter Summary

11

The following points summarize PLC's financial and operational highlights from Q3 2023:

- For the three month period ended September 30, 2023, revenue increased by 8.2% to \$87,504,101 compared to the three month period ended September 30, 2022. Revenue increased primarily due to Acquired Operations.
- Gross profit increased by 9.0% to \$21,091,328 compared to the three month period ended September 30, 2022, due primarily to Acquired Operations.
- Gross profit margin increased by 20 bps primarily due to improved operating performance from the Company's Comparable Funeral Operations.
- Net earnings for the period decreased by 38.1% to \$3,296,492 for the three month period ended September 30, 2023, compared to \$5,323,908 for the three month period ended September 30, 2022 due to increases in expenses, such as financing costs, year-over-year. Net earnings margin for the three month period ended September 30, 2023, was 3.8% compared to 6.6% for the three month period ended September 30, 2022.
- Diluted net earnings per Common Share decreased by \$0.059 or 38.6% for the three month period ended September 30, 2023, compared to the three month period ended September 30, 2022.
- Diluted Adjusted Net Earnings per Common Share decreased by \$0.071 or 31.7% for the three month period ended September 30, 2023, compared to the three month period ended September 30, 2022 primarily due to increases in the cost of financing, the costs associated with cemetery property sales and depreciation.
- Adjusted EBITDA increased by 3.6% to \$18,800,966 for the three month period ended September 30, 2023, compared to the three month period ended September 30, 2022.
- Adjusted EBITDA margin for the three month period ended September 30, 2023, was 21.5%, a 90 bps decrease over the comparable period in 2022, primarily as a result of increased corporate costs year-over-year and a decrease in certain high-margin cemetery property sales.
- As at September 30, 2023, the Company's Leverage Ratio was 2.38x, and inclusive of the Company's outstanding Debentures was 3.15x.
- As at September 30, 2023, the Company's Interest Coverage Ratio was 7.67x, a decrease of 22.75x compared to the three month period ended September 30, 2022, and inclusive of interest from the Company's outstanding Debentures was 5.71x.
- On September 30, 2023, the Company had \$196,855,723 outstanding on the Credit Facility including letters of credit, and an undrawn balance of \$103,144,277.
- On July 17, 2023, PLC acquired substantially all the assets of Ward Funeral Home Limited in Brampton, Woodbridge and Toronto, Ontario (collectively, "**Ward**") with funds from its Credit Facility and available cash on hand. This business was owned in-part by John Ward, a former director of the Company who did not stand for re-election to the Board for the 2023-2024 service year.

Highlights of the Ward transaction include:

- The addition of three stand-alone funeral homes.
- Combined volumes of 1,218 calls per year.
- Following the full integration of the transaction, the Ward acquisition is expected to add approximately \$1,800,000 in Adjusted EBITDA annually.
- The agreed upon purchase price multiple for the transaction is within PLC's publicly-stated targeted Adjusted EBITDA multiple range for its historical transactions.



• On August 8, 2023, PLC acquired substantially all the assets of M.W. Becker Funeral Home, Ltd. ("**MWB**") a standalone funeral home business in Keswick, Ontario with funds from its Credit Facility and available cash on hand.

Highlights of the MWB transaction include:

- The addition of one standalone funeral home.
- o 162 calls per year.
- Following full integration of the transaction, MWB is expected to add C\$375,970 in Adjusted EBITDA annually.
- The agreed upon purchase price multiple is within PLC's publicly-stated targeted EBITDA multiple range for transactions of this nature.
- On August 14, 2023, PLC acquired substantially all the assets of Forrest & Taylor Funeral Home Limited (collectively, "Forrest & Taylor") located in Sutton, Ontario with funds from its Credit Facility and available cash on hand.

Highlights of the Forrest & Taylor transaction include:

- o The addition of one stand-alone funeral home.
- Combined volumes of 158 calls.
- Following the full integration of the transaction, the Forrest & Taylor acquisition is expected to add C\$338,647 in Adjusted EBITDA annually.
- The agreed upon purchase price multiple for the transaction is within PLC's publicly stated targeted Adjusted EBITDA multiple range for its historical transactions.

## Subsequent Events

On October 16, 2023, PLC acquired substantially all the assets of Christy-Smith Funeral Homes located in Sioux City, Iowa (collectively, "**Christy-Smith**"). The Christy-Smith acquisition expands Park Lawn's footprint in the Sioux City, Iowa metropolitan market through the addition of two stand-alone funeral homes and is expected to add \$437,391 in Adjusted EBITDA annually. The agreed upon purchase price multiple for the transaction is within PLC's publicly-stated targeted Adjusted EBITDA multiple range for its historical transactions.

On October 17, 2023, PLC announced that it has entered into a definitive agreement to divest substantially all of the assets of The Park Lawn Cemetery Company (USA), Inc., PLC Saber Ltd. and PLC Citadel Ltd. (the **"Disposed Businesses"**) to Everstory Acquisition Portfolio, LLC, an affiliate of Everstory Partners. Everstory Partners is a deathcare company that owns and operates cemetery, funeral home and crematory locations throughout the United States and Puerto Rico. The divestiture includes 72 cemeteries in Kentucky, Michigan, North Carolina and South Carolina and 11 funeral homes in Kentucky and North Carolina. The transaction is valued at approximately \$70 million consisting of \$55 million in cash and the remaining \$15 million in deferred compensation, bearing interest at 10% per annum, to be received by PLC within 5 years following the closing of the transaction. Following the receipt of regulatory approval and the satisfaction of customary closing conditions for a transaction of this type, the transaction is anticipated to close prior to year-end 2023. Refer to the "Commitments" section for additional details.



# **Discussion of Operating Results**

#### Three Month Period ended September 30, 2023

#### Revenue

Revenue for the three month period ended September 30, 2023, was \$87,504,101 compared to \$80,871,605 in the same period in 2022. This represents an increase of \$6,632,496 or 8.2%, over the same period in 2022.

Revenue is derived primarily from sales of property, merchandise and services by the Company's cemetery, funeral and cremation businesses. Revenue for the three month period ended September 30, 2023, and 2022 was as follows:

	September 30, 2023		Se	ptember 30, 2022
Sales	\$	83,863,388	\$	76,396,114
Income from care and maintenance funds		2,300,376		2,497,355
Interest and other income		1,340,337	_	1,978,136
Total revenue	\$	87,504,101	\$	80,871,605

Revenue increased by 8.2% due to Acquired Operations, offset by revenue from Comparable Operations which decreased by 4.0%. Revenue from Comparable Operations decreased due to PLC's Comparable Cemetery Operations which had a \$1,719,843 decrease in property sales, a decrease of \$478,618 in merchandise sales, and a decrease of \$550,895 in services. The decrease in at-need property sales was primarily due to the decrease in mortality rates, while pre-need property sales decreased due to the Company's decision to halt further development on one of the Company's cemeteries located in the Northeast region, resulting in the cancellation of a large group contract valued at approximately \$1.1 million. The property is controlled and managed by a subsidiary of the Company, and the decision to stop further construction was made by management after determining that the capital costs required to develop and maintain the property would not justify the potential return on investment. Excluding the cancelled contract, the Company's pre-need property sales increased approximately 2.4% year-over-year. Additionally, property sales were affected due to the timing of large group sales which decreased approximately \$2.0 million year-over-year.

Decreases in revenue from Comparable Operations was offset in-part by an increase in revenue from Comparable Funeral Operations which, despite a 5.0% decrease in call volume, experienced revenue growth due to a 6.7% increase in average revenue per call.

Income from the Company's care and maintenance trust funds (the "**Care and Maintenance Trust Funds**") for the three month period ended September 30, 2023, was \$2,300,376 compared to \$2,497,355 in the same period of 2022, which represents a decrease of \$196,979 or 7.9%. Income from the Company's Care and Maintenance Trust Funds may vary based on market returns and timing of distributions.

Interest and other income for the three month period ended September 30, 2023, was \$1,340,337, compared to \$1,978,136 for the same period in 2022, which represents a decrease of \$637,799 or 32.2% primarily related to imputed interest on large long-term property contracts with no stated interest recorded in the third quarter of 2022.

### **Operating Expenses**



Operating expenses for the three month period ended September 30, 2023, were \$66,412,773 compared to \$61,529,527 in the same period in 2022. This represents an increase of \$4,883,246 or 7.9% over the same period in 2022, as indicated below:

	Se	September 30, 2023		1 ,		ptember 30, 2022	
Cost of sales	\$	15,480,317	\$	13,122,173			
General and administrative		35,707,300		33,248,721			
Maintenanœ		7,501,707		7,176,433			
Advertising and selling		7,723,449		7,982,200			
	\$	66,412,773	\$	61,529,527			

Cost of sales for the three month period ended September 30, 2023, was \$15,480,317 compared to \$13,122,173 in the same period in 2022. This represents an increase of \$2,358,144 or 18.0% over the same period in 2022. The increase was primarily a result of Acquired Operations which increased the cost of sales by \$1,446,167. The increase from Comparable Operations was due to an increase in the cost of property from the delivery of a mausoleum in the Midwest region, as well as sales of certain high cost property in the Northeast region.

General and administrative expenses increased by \$2,458,579. The increase from Acquired Operations is \$5,769,377 offset by decreases from Comparable Operations of \$3,310,798. Decreases in general and administrative costs primarily relate to decreases in field labour costs, including incentive compensation, and health insurance premiums. Additional decreases were a result of inflationary costs improving year-over-year such as utilities and vehicle expenses, and other manageable expenses such as supplies and professional fees.

Maintenance expenses increased by \$325,274 or 4.5%. The increase from Acquired Operations was \$545,033, offset by a decrease in Comparable Operations of \$219,759. The decrease from Comparable Operations is primarily due to a decrease in manageable maintenance costs, such as landscaping, supplies, and repair costs.

Advertising and selling expenses decreased by \$258,751 or 3.2%. Comparable Operations experienced a decrease in advertising and selling expenses by \$742,144, offset by an increase of \$483,393 from Acquired Operations. The decrease from Comparable Operations is due primarily to reduced incentive compensation awards and reduced general advertising and promotion expenses.

### Gross profit

14

As a result of the above changes in revenue and operating expenses, gross profit for the three month period ended September 30, 2023, was \$21,091,328 compared to \$19,342,078 in the same period in 2022. This represents an increase of \$1,749,250 or 9.0%, over the same period in 2022. Gross profit margin was 24.1% in the third quarter of 2023 compared to 23.9% in the same period in 2022, an increase of 20 bps.

### Other Expenses

Other expenses for the three month period ended September 30, 2023, were \$16,487,281 compared to \$11,826,045 in the same period in 2022. This represents an increase of \$4,661,236 or 39.4% over the same period in 2022, as indicated below:



	Se	ptember 30, 2023	September 30, 2022		
Corporate general and administrative	\$	8,610,950	\$	6,376,207	
Amortization of intangibles		413,184		162,662	
Finance costs		4,863,726		2,209,301	
Fair value adjustment on interest rate swaps		(540,024)		-	
Share-based incentive compensation		609,301		1,153,906	
Acquisition and integration costs		2,430,578		1,834,889	
Other (income) expenses		99,566		89,080	
	\$	16,487,281	\$	11,826,045	

Corporate general and administrative expenses for the three month period ended September 30, 2023 were \$8,610,950 compared to \$6,376,207 in the same period in 2022. This represents an increase of \$2,234,743 or 35.0% over the same period in 2022, primarily due to an increase in labour fees, including incentive compensation, contract labour, placement fees, and consulting fees. Other increases relate to the enhancement of the Company's corporate support infrastructure primarily related to the Company's growth including accounting systems, IT systems support, continued enhancement of FaCTS, and the purchase of certain IT equipment within the quarter.

Finance costs increased by \$2,654,425 or 120.1% as a result of \$63.4 million in additional debt outstanding on the Company's Credit Facility, resulting in an increase in interest expenses when compared to the same period in 2022. The interest rate, including hedging activities relating to the Company's Credit Facility, was 6.6% on September 30, 2023, compared to 5.2% on December 31, 2022, and compared to 3.7% on September 30, 2022.

During the first quarter of 2023, the Company, through one of its subsidiaries, entered into certain hedging arrangements relating to interest rate swaps with three of the Company's syndicate lenders under the Credit Facility, whereby, the parties agreed to exchange at specified intervals, fixed and variable interest amounts calculated by reference to a notional amount of \$100 million. The fixed rate of interest paid under these derivatives are 4.372%, 4.520% and 3.900%, and the contracts mature on February 27, 2026, March 3, 2026, and April 3, 2025, respectively. The fair value adjustment on the three interest rate swaps was \$540,024 for the three month period ended September 30, 2023, compared to \$nil in the comparative period.

These interest rate swaps are used to manage interest rate exposure over the period of the interest rate swaps. The valuation of these instruments was determined using a discounted cash flow analysis based on the contractual terms of the derivatives, including the period to maturity of each instrument, using observable market based inputs, including interest rate curves and implied volatilities. Changes in fair value are recognized as a fair value adjustment to interest rate swaps in the consolidated financial statements.

The Company's second amended and restated omnibus equity incentive plan dated June 22, 2022 (as amended, amended and restated, renewed, extended, supplemented, replaced or otherwise modified from time to time, the "**EIP**") was established as a means of compensating directors and designated employees of the Company and its subsidiaries, and to promote share ownership and ensure alignment with shareholders' interests. The EIP provides for the grant of deferred share units ("**DSUs**"), restricted share units ("**RSUs**"), performance share units ("**PSUs**"), and options to acquire Common Shares ("**Options**"). Compensation expenses associated with awards granted under the EIP for the three month period ended September 30, 2023, were \$609,301 compared to \$1,153,906 for the same period in 2022, which represents a decrease of \$544,605. The decrease for



the three month period ended September 30, 2023 is primarily due to the increased risk of not meeting certain performance targets associated with PSU awards issued in 2022. This decrease was offset in-part by an additional 699,020 RSUs issued during the three month period ended September 30, 2023. Share-based incentive compensation expenses will vary based on vesting conditions, performance metrics, the market value of the underlying security, and the timing of when awards are issued.

During the three month period ended September 30, 2023, and 2022, the Company incurred acquisition and integration expenses of \$2,430,578 and \$1,834,889, 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. Included in the three month period ended September 30, 2023 were costs related to the Company's offer to purchase all the outstanding stock of Carriage Services, Inc. of \$644,367 and \$221,388 relating to the disposition of substantially all of the assets of The Park Lawn Cemetery Company (USA), Inc., PLC Saber Ltd. and PLC Citadel Ltd.

Other income (expenses) is comprised of the following:

- \$109,199 and \$103,219 of expenses for the three month period ended September 30, 2023, and 2022, respectively, including legal costs relating to the preservation of certain historical investments and obligations associated with those investments, as well as costs for the defence of intellectual property created by the Company.
- Net gain of \$9,633 and \$14,139 for the three month period ended September 30, 2023, and 2022, respectively, related to the disposition of land and miscellaneous property.

### Net Earnings

16

Earnings before income taxes for the three month period ended September 30, 2023, were \$4,604,047 compared to \$7,516,033 in the same period in 2022. This represents a decrease of \$2,911,986 or 38.7% over the same period in 2022.

Income tax expense for the three month period ended September 30, 2023, was \$1,307,555 compared to \$2,192,125 for the same period in 2022. The effective tax rate for the three month period ended September 30, 2023, was 28.4%, which is higher than the Company's statutory tax rates, as a result of certain permanent differences in operating and other expenses that are not deductible expenses or recoveries for tax purposes, offset by non-taxable dividend income. The effective tax rate for the same period in 2022 was 29.2%.

As a result of the above, the Company's net earnings for the three month period ended September 30, 2023, totaled \$3,296,492 compared to \$5,323,908 for the same period in 2022, which represents a decrease of \$2,027,416 or 38.1% over the same period in 2022.

### Net Earnings Per Share

The weighted average diluted number of Common Shares outstanding for the three month period ended September 30, 2023, increased to 35,200,918 compared to 34,706,835 for the same period in 2022, an increase of 494,083 or 1.4%. The increase in outstanding Common Shares is due to the issuance of Common Shares pursuant to the Company's dividend reinvestment plan ("**DRIP**") and the EIP, offset by 178,799 Common Shares repurchased by the Company pursuant to the Normal Course Issuer Bid (the "**NCIB**") and a decrease in the dilutive impact of all outstanding Options.

Fully diluted earnings per Common Share for the three month period ended September 30, 2023, were \$0.094 compared to \$0.153 for the same period in 2022.



### Adjusted Net Earnings

Net earnings for the three month period ended September 30, 2023, and 2022 as stated, have been impacted by certain onetime, 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 period ended September 30, 2023, and 2022 to the Company's net earnings:

	Three Months Ended September 30,				
		2023		2022	
Net Earnings	\$	3,296,492	\$	5,323,908	
Adjusted for the impact of:					
Amortization of intangible assets		413,184		162,662	
Fair value adjustment on interest rate swaps		(540,024)		-	
Share based compensation		609,301		1,153,906	
Acquisition and integration costs		2,430,578		1,834,889	
Other (income) expenses		99,566		89,080	
Tax effect on the above items		(909,153)		(799,457)	
Adjusted Net Earnings	\$	5,399,944	\$	7,764,988	
Adjusted Net Earnings - per share					
Basic	\$	0.157	\$	0.226	
Diluted	\$	0.153	\$	0.224	
Weighted Average Shares					
Basic		34,464,063		34,315,507	
Diluted		35,200,918		34,706,835	

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

Adjusted Net Earnings for the three month period ended September 30, 2023, was \$5,399,944 and \$0.153 per share, diluted, compared to \$7,764,988 and \$0.224 per share, diluted, for the same period in 2022. This represents a decrease of 30.5% in the Adjusted Net Earnings and 31.7% in the Adjusted Net Earnings per share over the same three month period in 2022.



### EBITDA and Adjusted EBITDA

18

The table below reconciles EBITDA and Adjusted EBITDA for the three month period ended September 30, 2023, and 2022 to earnings before income taxes:

	Three Months Ended Septembe			eptember 30,
		2023		2022
Earnings before income taxes	\$	4,604,047	\$	7,516,033
Adjusted for the impact of:				
Finanœ costs		4,863,726		2,209,301
Depredation and amortization		4,344,419		3,532,315
Amortization of cemetery property		2,389,353		1,819,935
EBITDA		16,201,545		15,077,584
Fair value adjustment on interest rate swaps		(540,024)		-
Share based compensation		609,301		1,153,906
Acquisition and integration costs		2,430,578		1,834,889
Other (income) expenses		99,566		89,080
Adjusted EBITDA	\$	18,800,966	\$	18,155,459
EBITDA - per share				
Basic	\$	0.470	\$	0.439
Diluted	\$	0.460	\$	0.434
Adjusted EBITDA - per share				
Basic	\$	0.546	\$	0.529
Diluted	\$	0.534	\$	0.523
Weighted Average Shares Outstanding				
Weighted Average Shares Outstanding Basic	"	34,464,063		34,315,507

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

EBITDA for the three month period ended September 30, 2023, was \$16,201,545 and \$0.460 per share, diluted, compared to \$15,077,584 and \$0.434 per share, diluted, for the same period in 2022. This represents an increase of \$1,123,961 or 7.5% in the EBITDA and an increase of \$0.026 or 5.9% in the EBITDA per share over the same three month period in 2022.

The EBITDA profit margin for the three month period ended September 30, 2023, was 18.5% compared to 18.6% for the same period in 2022, representing a 10 bps decrease.

Adjusted EBITDA for the three month period ended September 30, 2023, was \$18,800,966 and \$0.534 per share, diluted, compared to \$18,155,459 and \$0.523 per share, diluted, for the same period in 2022. This represents an increase of \$645,507 or 3.6% in the Adjusted EBITDA and \$0.011 or 2.1% in the Adjusted EBITDA per share over the same three month period in 2022.

The Adjusted EBITDA profit margin for the three month period ended September 30, 2023, was 21.5% compared to 22.4% for the same period in 2022, representing a 90 bps decrease.



### Nine Month Period ended September 30, 2023

#### Revenue

Revenue for the nine month period ended September 30, 2023, was \$259,515,160 compared to \$239,966,427 in the same period in 2022. This represents an increase of \$19,548,733 or 8.1%, over the same period in 2022.

Revenue is derived primarily from sales of property, merchandise and services by the Company's cemetery, funeral and cremation businesses. Revenue for the nine month period ended September 30, 2023, and 2022 was as follows:

	September 30, 2023	September 30, 2022
Sales	\$ 248,296,088	\$ 228,949,131
Income from care and maintenance funds	7,547,882	6,990,454
Interest and other income	3,671,190	4,026,842
Total revenue	\$ 259,515,160	\$ 239,966,427

Revenue increased 11.3% from Acquired Operations and was offset by a decrease in Comparable Operations of 3.2%. Revenue from Comparable Operations decreased primarily due to declining mortality rates year-over-year, resulting in reduced at-need cemetery sales and call volumes. Sales from the Company's Comparable Cemetery Operations decreased by \$6,217,762, primarily because of a decrease in at-need property sales of 19.8% year-over-year, as well as a 2.6% decrease in pre-need property sales due in part to a cancelled contract this quarter valued at approximately \$1.1 million. Excluding the cancelled contract, pre-need property sales increased by 1.0%. Revenue from Comparable Funeral Operations decreased by \$2,674,891, primarily due to decreases in call volumes of 6.1% year-over-year, offset in-part by an increase in average revenue per call of approximately 4.1%.

Income from the Company's Care and Maintenance Trust Funds for the nine month period ended September 30, 2023, was \$7,547,882 compared to \$6,990,454 in the same period of 2022, which represents an increase of \$557,428 or 8.0%. The increase in income from the Care and Maintenance Trust Funds was primarily driven by improved market conditions, the re-allocation of certain trust assets, and income from trust funds obtained from Acquired Operations. Income from the Company's Care and Maintenance Trust Funds may vary based on market returns, timing of capital gains and other distributions.

Interest and other income for the nine month period ended September 30, 2023, was \$3,671,190 compared to \$4,026,842 in the same period in 2022, which represents a decrease of \$355,652, or 8.8%, primarily due to imputed interest on large long-term property contracts with no stated interest recorded in the third quarter of 2022.

### **Operating Expenses**

Operating expenses for the nine month period ended September 30, 2023, were \$194,276,502 compared to \$181,077,462 in the same period in 2022. This represents an increase of \$13,199,040 or 7.3% over the same period in 2022, as indicated below:



	Se	September 30,		eptember 30,
	2023			2022
Cost of sales	\$	44,780,820	\$	39,760,745
General and administrative		106,687,413		98,248,370
Maintenanœ		20,651,668		20,600,171
Advertising and selling		22,156,601		22,468,176
	\$	194,276,502	\$	181,077,462

Cost of sales for the nine month period ended September 30, 2023, was \$44,780,820 compared to \$39,760,745 in the same period in 2022. This represents an increase of \$5,020,075 or 12.6% over the same period in 2022. The increase was primarily a result of Acquired Operations which increased the cost of sales by \$4,246,866. Cost of sales was also impacted due to an increase in cost of property from the delivery of a mausoleum in the Midwest region, as well as sales of certain high cost property in the Northeast region occurring in the third quarter.

General and administrative expenses increased by \$8,439,043. The increase from Acquired Operations is \$15,403,203 offset by decreases from Comparable Operations of \$6,964,160. Decreases in general and administrative costs from Comparable Operations relate primarily to decreases in field labour costs, such as incentive compensation, and health benefit premiums as the Company initiated a self-insured health benefits program in 2022 and actual claims were less than expected. Additional decreases were a result of inflationary costs improving year-over-year such as utilities and vehicle expenses, and other manageable expenses.

Maintenance expenses increased by \$51,497 or 0.2%. The increase from Acquired Operations was \$1,413,643, offset by a decrease from Comparable Operations of \$1,362,146. The decrease from Comparable Operations is primarily due to a decrease in labour and maintenance costs, including landscaping, supplies, and repair costs.

Advertising and selling expenses decreased by \$311,575. Comparable Operations experienced a decrease in advertising and selling expenses by \$1,388,596, offset by an increase of \$1,077,021 from Acquired Operations. The decrease from Comparable Operations is primarily due to reduced commissions, incentives and awards resulting from decreased cemetery sales.

### Gross profit

20

As a result of the above changes in revenue and operating expenses, gross profit for the nine month period ended September 30, 2023, was \$65,238,658 compared to \$58,888,965 in the same period in 2022. This represents an increase of \$6,349,693 or 10.8%, over the same period in 2022. Gross profit margin was 25.1% for the nine month period ended September 30, 2023 compared to 24.5% in the same period in 2022, an increase of 60 bps.

### Other Expenses

Other expenses for the nine month period ended September 30, 2023, were \$49,051,179 compared to \$31,401,730 in the same period in 2022. This represents an increase of \$17,649,449 or 56.2% over the same period in 2022, as indicated below:

	September 30,		Se	ptember 30,
	2023			2022
Corporate general and administrative	\$	23,434,280	\$	18,054,881
Amortization of intangibles		1,094,444		864,235
Finanœ costs		12,674,954		5,490,681
Fair value adjustment on interest rate swaps		(1,003,687)		-
Share-based incentive compensation		3,779,139		3,839,149
Acquisition and integration costs		5,972,132		4,591,205
Other (income) expenses		3,099,917		(1,438,421)
	\$	49,051,179	\$	31,401,730

Corporate general and administrative expenses for the nine month period ended September 30, 2023, were \$23,434,280 compared to \$18,054,881 in the same period in 2022. This represents an increase of \$5,379,399 or 29.8% over the same period in 2022. The increase is primarily due to increases in labour costs, including contract labour, placement fees, and incentive accruals associated with the Company's growth profile, and IT systems support costs, including third party costs related to the training, data conversion, and continued enhancement of FaCTS, and other general and administrative costs such as legal, consulting, audit and tax advisory fees.

Finance costs increased by \$7,184,273 or 130.8% as a result of \$63.4 million in additional debt outstanding on the Company's Credit Facility and an increase in interest rates when compared to the same period in 2022. The interest rate including the Company's hedging activities relating to the Credit Facility was 6.6% on September 30, 2023, compared to 5.2% on December 31, 2022, and 3.7% on September 30, 2022.

As previously mentioned, during the first quarter of 2023, the Company, through one of its subsidiaries, entered into certain interest rate swaps with three of the Company's syndicate lenders under the Credit Facility, whereby, the parties agreed to exchange at specified intervals, fixed and variable interest amounts calculated by reference to a notional amount of \$100 million. The fixed rate of interest paid under these derivatives are 4.372%, 4.520% and 3.900%, and the contracts mature on February 27, 2026, March 3, 2026, and April 3, 2025, respectively. The fair value adjustment on the three interest rate swaps was \$1,003,687 for the nine month period ended September 30, 2023, compared to \$nil in the comparative period.

Compensation expenses associated with awards granted under the EIP for the nine month period ended September 30, 2023, were \$3,779,139 compared to \$3,839,149 for the same period in 2022, which represents a decrease of \$60,010. The decrease for the nine month period ended September 30, 2023 is primarily due to a decrease in compensation expense from certain Options that fully vested in 2022, the increased risk of not meeting certain performance targets associated with PSU awards issued in 2022, offset in-part by an additional 699,020 RSUs issued during the three month period ended September 30, 2023. Share-based incentive compensation expenses will vary based on vesting conditions, performance metrics, the market value of the underlying security, and the timing of when awards are issued.

During the nine month period ended September 30, 2023, and 2022, the Company incurred acquisition and integration expenses of \$5,972,132 and \$4,591,205, 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. Included in the nine month period ended September 30, 2023 were costs



related to the Company's offer to purchase all the outstanding stock of Carriage Services, Inc. of \$644,367 and \$221,388 relating to the proposed disposition of substantially all of the assets of The Park Lawn Cemetery Company (USA), Inc., PLC Saber Ltd. and PLC Citadel Ltd.

Other income (expenses) is comprised of the following:

- \$575,188 and \$259,763 of expenses for the nine month period ended September 30, 2023, and 2022, respectively, including legal costs relating to the preservation of certain historical investments and obligations associated with those investments, as well as costs for the defence of intellectual property created by the Company.
- Net gain of \$54,762 and \$1,852,156 for the nine month period ended September 30, 2023, and 2022, respectively, related to the disposition of land and miscellaneous property.
- Loss on disposition of \$2,579,491 from the sale of the Company's non-strategic cemetery business in the state of New York on May 1, 2023.
- An impairment of \$153,972 on other assets for the nine month period ended September 30, 2022.

### Net Earnings

22

Earnings before income taxes for the nine month period ended September 30, 2023 were \$16,187,479 compared to \$27,487,235 in the same period in 2022. This represents a decrease of \$11,299,756 or 41.1% over the same period in 2022.

Income tax expense for the nine month period ended September 30, 2023, was \$4,539,260 compared to \$7,653,423 for the same period in 2022. The effective tax rate for the nine month period ended September 30, 2023, was 28.0% which is higher than the Company's statutory tax rates. As previously mentioned, the effective tax rate will vary as a result of certain permanent differences in operating and other expenses that are not deductible expenses or recoveries for tax purposes, offset by non-taxable dividend income. The effective tax rate for the same period in 2022 was 27.8%.

As a result of the above, the Company's net earnings for the nine month period ended September 30, 2023, totaled \$11,648,219 compared to \$19,833,812 for the same period in 2022, which represents a decrease of \$8,185,593 or 41.3% over the same period in 2022.

### Net Earnings Per Share

The weighted average diluted number of Common Shares outstanding for the nine month period ended September 30, 2023 decreased to 34,734,518, compared to 34,801,694 for the same period in 2022, a decrease of 67,176 or 0.2%. The decrease in outstanding Common Shares is due to the 178,799 Common Shares repurchased by the Company pursuant to the NCIB and a decrease due to the dilutive impact of Options, offset by the issuance of Common Shares pursuant to the DRIP and the EIP.

Fully diluted earnings per Common Share for the nine month period ended September 30, 2023, were \$0.335 compared to \$0.570 for the same period in 2022.

### Adjusted Net Earnings

Net earnings for the nine month period ended September 30, 2023, and 2022 as stated, have been 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 nine month period ended September 30, 2023, and 2022 to the Company's net earnings:



	N	line Months End	ed September 30,			
		2023		2022		
Net Earnings	\$	11,648,219	\$	19,833,812		
Adjusted for the impact of:						
Amortization of intangible assets		1,094,444		864,235		
Fair value adjustment on interest rate swaps		(1,003,687)		-		
Share based compensation		3,779,139		3,839,149		
Acquisition and integration costs		5,972,132		4,591,205		
Other (income) expenses		3,099,917		(1,438,421)		
Tax effect on the above items		(2,877,983)		(2,123,820)		
Adjusted Net Earnings	\$	21,712,181	\$	25,566,160		
Adjusted Net Earnings - per share						
Basic	\$	0.632	\$	0.746		
Diluted	\$	0.625	\$	0.735		
Weighted Average Shares						
Basic		34,334,784		34,268,572		
Diluted		34,734,518		34,801,694		

23

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

Adjusted Net Earnings for the nine month period ended September 30, 2023, was \$21,712,181 and \$0.625 per share, diluted, compared to \$25,566,160 and \$0.735 per share, diluted, for the same period in 2022. This represents a decrease of 15.1% in the Adjusted Net Earnings and 15.0% in the Adjusted Net Earnings per share over the same nine month period in 2022.



### EBITDA and Adjusted EBITDA

The table below reconciles EBITDA and Adjusted EBITDA for the nine month period ended September 30, 2023, and 2022 to earnings before income taxes:

	Nine Months Ended Septembe			eptember 30,
		2023	_	2022
Earnings before income taxes	\$	16,187,479	\$	27,487,235
Adjusted for the impact of:				
Finance costs		12,674,954		5,490,681
Depredation and amortization		12,089,719		9,960,942
Amortization of cemetery property		5,372,433		5,245,488
EBITDA		46,324,585		48,184,346
Fair value adjustment on interest rate swaps		(1,003,687)		-
Share based compensation		3,779,139		3,839,149
Acquisition and integration costs		5,972,132		4,591,205
Other (income) expenses		3,099,917		(1,438,421)
Adjusted EBITDA	\$	58,172,086	\$	55,176,279
EBITDA - per share				
Basic	\$	1.349	\$	1.406
Diluted	\$	1.334	\$	1.385
Adjusted EBITDA - per share				
Basic	\$	1.694	\$	1.610
Diluted	\$	1.675	\$	1.585
Weighted Average Shares Outstanding				
Basic		34,334,784		34,268,572
Diluted		34,734,518		34,801,694

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

EBITDA for the nine month period ended September 30, 2023, was \$46,324,585 and \$1.334 per share, diluted, compared to \$48,184,346 and \$1.385 per share, diluted, for the same period in 2022. This represents a decrease of \$1,859,761 or 3.9% in the EBITDA and \$0.051 or 3.7% in the EBITDA per share over the same nine month period in 2022.

The EBITDA profit margin for the nine month period ended September 30, 2023, was 17.9% compared to 20.1% for the same period in 2022, representing a 220 bps decrease.

Adjusted EBITDA for the nine month period ended September 30, 2023, was \$58,172,086 and \$1.675 per share, diluted, compared to \$55,176,279 and \$1.585 per share, diluted, for the same period in 2022. This represents an increase of \$2,995,807 or 5.4% in the Adjusted EBITDA and \$0.090 or 5.7% in the Adjusted EBITDA per share over the same nine month period in 2022.

The Adjusted EBITDA profit margin for the nine month period ended September 30, 2023, was 22.4% compared to 23.0% for the same period in 2022, representing a 60 bps decrease.



## **Geographic Information**

25

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

	 September 30, 2023	December 31, 2022					
Canada United States	\$ 193,183,406 1,354,561,911	\$	171,249,043 1,306,059,283				
Total	\$ 1,547,745,317	\$	1,477,308,326				

For the Company's geographically segmented total liabilities, the Company has allocated based on the location of liabilities, as follows:

	S	eptember 30, 2023	December 31, 2022				
Canada United States	\$	199,351,624 790,441,627	\$	172,678,576 753,033,760			
Total	\$	989,793,251	\$	925,712,336			

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

	Three Months En	ded Sep	,		nded September 30,		
	2023		2022	2023		2022	
Revenue:				 			
Sales:							
Canada	\$ 8,068,555	\$	7,348,329	\$ 22,130,158	\$	21,496,978	
United States	 75,794,833		69,047,785	 226,165,930		207,452,153	
Total sales	83,863,388		76,396,114	248,296,088		228,949,131	
Income from care and maintenance funds:							
Canada	864,654		924,374	2,819,928		2,816,885	
United States	 1,435,722		1,572,981	 4,727,954		4,173,569	
Total income from care and maintenance funds	 2,300,376		2,497,355	7,547,882		6,990,454	
Interest and other income:							
Canada	87,990		95,142	277,310		266,483	
United States	 1,252,347		1,882,994	 3,393,880		3,760,359	
Total interest and other income	1,340,337		1,978,136	3,671,190		4,026,842	
Total revenue:							
Canada	9,021,199		8,367,845	25,227,396		24,580,346	
United States	 78,482,902		72,503,760	 234,287,764		215,386,081	
Total revenue	\$ 87,504,101	\$	80,871,605	\$ 259,515,160	\$	239,966,427	
Total net earnings/loss:							
Canada <sup>(1)</sup>	(2,873,991)		(1,189,696)	(8,139,443)		(3,781,995)	
United States	 6,170,483		6,513,604	 19,787,662		23,615,807	
Total net earnings/loss	\$ 3,296,492	\$	5,323,908	\$ 11,648,219	\$	19,833,812	

<sup>(1)</sup> Canada's net loss includes shared based incentive compensation and public company costs.



# **Operating Segments**

For the Company's operating segmented revenue, the Company allocated its statement of comprehensive earnings based on the contract type. The tables below reconcile Net Earnings for the three and nine month period ended September 30, 2023, and 2022 to the EBITDA, Adjusted EBITDA, and Adjusted Field EBITDA:

	Three Months Ended September 30, 2023							3
		Cemetery Funeral Home Corpor			Corporate	porate 7		
Revenue								
Sales	\$	33,011,393	\$	50,851,995	\$	-	\$	83,863,388
Income from care and maintenance funds		2,300,376		-		-		2,300,376
Interest and other income		1,139,229		140,644		60,464		1,340,337
Total revenue		36,450,998		50,992,639		60,464		87,504,101
Operating expenses								
Cost of sales		8,732,364		6,747,953		-		15,480,317
General and administrative		8,636,841		27,070,459		-		35,707,300
Maintenance		5,972,837		1,528,870		-		7,501,707
Advertising and selling		4,968,147		2,755,302		-		7,723,449
Total operating expenses		28,310,189		38,102,584		-		66,412,773
Gross profit		8,140,809		12,890,055		60,464		21,091,328
Other expenses								
Corporate general and administrative		-		-		8,610,950		8,610,950
Amortization of intangibles		15,550		364,240		33,394		413,184
Finance costs		17,522		308,004		4,538,200		4,863,726
Fair value adjustment on interest rate swaps		-		-		(540,024)		(540,024)
Share-based incentive compensation		-		-		609,301		609,301
Acquisition and integration costs		14,374		62,129		2,354,075		2,430,578
Other (income) expenses		-		(9,633)		109,199		99,566
Total other expenses		47,446		724,740		15,715,095		16,487,281
Earnings before income taxes		8,093,363		12,165,315		(15,654,631)		4,604,047
Income tax expense		2,185,208		3,284,636		(4,162,289)		1,307,555
Net earnings for the period	\$	5,908,155	\$	8,880,679	\$	(11,492,342)	\$	3,296,492

The following table reconciles EBITDA and Adjusted EBITDA to Earnings before income taxes. Adjusted EBITDA is broken down into Adjusted Field EBITDA (Cemetery and Funeral Home) and Adjusted Corporate EBITDA:

	Three Months Ended September 30, 2023								
		Cemetery Funeral Home			Corporate			Total	
Earnings before income taxes	\$	8,093,363	\$	12,165,315	\$	(15,654,631) \$		4,604,047	
Adjusted for the impact of:									
Finanœ Costs		17,522		308,004		4,538,200		4,863,726	
Depredation and amortization		740,736		3,421,539		182,144		4,344,419	
Amortization of cemetery property		2,389,353		-		-		2,389,353	
EBITDA		11,240,974		15,894,858		(10,934,287)		16,201,545	
Fair value adjustment on interest rate swaps		-		-		(540,024)		(540,024)	
Share based compensation		-		-		609,301		609,301	
Acquisition and integration costs		14,374		62,129		2,354,075		2,430,578	
Other (income) expenses		-		(9,633)		109,199		99,566	
Adjusted EBITDA	\$	11,255,348	\$	15,947,354	\$	(8,401,736) \$		18,800,966	



	Three Months Ended September 30, 2022								
	Cemeter		Fu	neral Home		Corporate	Total		
Revenue									
Sales	\$	35,349,191	\$	41,046,923	\$	- \$	76,396,114		
Income from care and maintenance funds		2,497,355		-		-	2,497,355		
Interest and other income		1,812,196		191,020		(25,080)	1,978,136		
Total revenue		39,658,742		41,237,943		(25,080)	80,871,605		
Operating expenses									
Cost of sales		7,494,235		5,627,938		-	13,122,173		
General and administrative		10,503,637		22,745,085		-	33,248,721		
Maintenance		5,925,755		1,250,678		-	7,176,433		
Advertising and selling		4,870,313		3,111,887		-	7,982,200		
Total operating expenses		28,793,940		32,735,588		-	61,529,527		
Gross profit		10,864,803		8,502,356		(25,080)	19,342,078		
Other expenses									
Corporate general and administrative		-		-		6,376,207	6,376,207		
Amortization of intangibles		10,550		118,718		33,394	162,662		
Finance costs		126,649		122,698		1,959,954	2,209,301		
Share-based incentive compensation		-		-		1,153,906	1,153,906		
Acquisition and integration costs		4,418		626,453		1,204,018	1,834,889		
Other (income) expenses		-		(14,139)		103,219	89,080		
Total other expenses		141,617		853,730		10,830,698	11,826,045		
Earnings before income taxes		10,723,186		7,648,626		(10,855,778)	7,516,033		
Income tax expense		2,895,260		2,065,129		(2,768,264)	2,192,125		
Net earnings for the period	\$	7,827,926	\$	5,583,497	\$	(8,087,514) \$	5,323,908		

The following table reconciles EBITDA and Adjusted EBITDA to Earnings before income taxes. Adjusted EBITDA is broken down into Adjusted Field EBITDA (Cemetery and Funeral Home) and Adjusted Corporate EBITDA:

	Three Months Ended September 30, 2022									
		Cemetery Funeral Home				Corporate	Total			
Earnings before income taxes	\$	\$ 10,723,186		7,648,626	\$	(10,855,778) \$	7,516,033			
Adjusted for the impact of:										
Finanœ Costs	126,649 122,698 1,959,954				1,959,954	2,209,301				
Depreciation and amortization		1,170,666		2,176,345		185,304	3,532,315			
Amortization of cemetery property		1,819,935		-		-	1,819,935			
EBITDA		13,840,436		9,947,668		(8,710,520)	15,077,584			
Share based compensation		-		-		1,153,906	1,153,906			
Acquisition and integration costs		4,418		626,453		1,204,018	1,834,889			
Other (income) expenses		-		(14,139)		103,219	89,080			
Adjusted EBITDA	\$	13,844,854	\$	10,559,982	\$	(6,249,377) \$	18,155,459			

EBITDA, Adjusted EBITDA, and Adjusted Field EBITDA are non-IFRS measures. See "Description of non-IFRS measures".

	Cemetery	Fu	neral Home	Corporate	Total
Revenue					
Sales	\$ 98,114,761	\$	150,181,327	\$ -	\$ 248,296,088
Income from care and maintenance funds	7,547,882		-	-	7,547,882
Interest and other income	 2,942,490		551,147	177,553	3,671,190
Total revenue	108,605,133		150,732,474	177,553	259,515,160
Operating expenses					
Cost of sales	24,595,286		20,185,534	-	44,780,820
General and administrative	28,020,831		78,666,582	-	106,687,413
Maintenance	16,169,669		4,481,999	-	20,651,668
Advertising and selling	 13,991,945		8,164,656	-	22,156,601
Total operating expenses	82,777,731		111,498,771	-	194,276,502
Gross profit	 25,827,402		39,233,703	177,553	65,238,658
Other expenses					
Corporate general and administrative	-		-	23,434,280	23,434,280
Amortization of intangibles	50,270		943,992	100,182	1,094,444
Finance costs	59,640		684,723	11,930,591	12,674,954
Fair value adjustment on interest rate swaps	-		-	(1,003,687)	(1,003,687)
Share-based incentive compensation	-		-	3,779,139	3,779,139
Acquisition and integration costs	33,406		544,038	5,394,688	5,972,132
Other (income) expenses	 2,538,755		(14,026)	575,188	3,099,917
Total other expenses	2,682,071		2,158,727	44,210,381	49,051,179
Earnings before income taxes	23,145,331		37,074,976	(44,032,828)	16,187,479
Income tax expense	 6,249,239		10,010,244	(11,720,223)	4,539,260
Net earnings for the period	\$ 16,896,092	\$	27,064,732	\$ (32,312,605)	\$ 11,648,219

Nine Months Ended September 30, 2023

The following table reconciles EBITDA and Adjusted EBITDA to Earnings before income taxes. Adjusted EBITDA is broken down into Adjusted Field EBITDA (Cemetery and Funeral Home) and Adjusted Corporate EBITDA:

	Nir	ne M	Ionths Ended	l Se	ptember 30, 20	023	
	Cemetery	Fu	neral Home		Corporate		Total
Earnings before income taxes	\$ 23,145,331	\$	37,074,976	\$	(44,032,828)	\$	16,187,479
Adjusted for the impact of:							
Finance Costs	59,640		684,723		11,930,591		12,674,954
Depreciation and amortization	2,490,464		9,057,426		541,829		12,089,719
Amortization of cemetery property	5,372,433		-		-		5,372,433
EBITDA	31,067,868		46,817,125		(31,560,408)		46,324,585
Fair value adjustment on interest rate swaps	-		-		(1,003,687)		(1,003,687)
Share based compensation	-		-		3,779,139		3,779,139
Acquisition and integration costs	33,406		544,038		5,394,688		5,972,132
Other (income) expenses	2,538,755		(14,026)		575,188		3,099,917
Adjusted EBITDA	\$ 33,640,029	\$	47,347,137	\$	(22,815,080)	\$	58,172,086



		Nin	ie N	Ionths Endec	l Se	ptember 30, 20	)22	2
	Ċ	Cemetery	Fu	neral Home		Corporate		Total
Revenue								
Sales	\$	102,146,708	\$	126,802,423	\$	-	\$	228,949,131
Income from care and maintenance funds		6,990,454		-		-		6,990,454
Interest and other income		3,248,440		547,599		230,803		4,026,842
Total revenue		112,385,602		127,350,022		230,803		239,966,427
Operating expenses								
Cost of sales		22,132,723		17,628,022		-		39,760,745
General and administrative		31,643,816		66,604,554		-		98,248,370
Maintenanœ		16,847,542		3,752,629		-		20,600,171
Advertising and selling		14,784,035		7,684,141		-		22,468,176
Total operating expenses		85,408,116		95,669,346		-		181,077,462
Gross profit		26,977,486		31,680,676		230,803		58,888,965
Other expenses								
Corporate general and administrative		-		-		18,054,881		18,054,881
Amortization of intangibles		(39,021)		803,075		100,181		864,235
Finanœ costs		213,037		442,171		4,835,473		5,490,681
Share-based incentive compensation		-		-		3,839,149		3,839,149
Acquisition and integration costs		4,418		824,271		3,762,516		4,591,205
Other (income) expenses		(1,861,230)		9,073		413,736		(1,438,421)
Total other expenses		(1,682,796)		2,078,590		31,005,936		31,401,730
Earnings before income taxes		28,660,282		29,602,086		(30,775,133)		27,487,235
Income tax expense		7,738,276		7,992,563		(8,077,416)		7,653,423
Net earnings for the period	\$	20,922,006	\$	21,609,523	\$	(22,697,717)	\$	19,833,812

The following table reconciles EBITDA and Adjusted EBITDA to Earnings before income taxes. Adjusted EBITDA is broken down into Adjusted Field EBITDA (Cemetery and Funeral Home) and Adjusted Corporate EBITDA:

	Nine Months Ended September 30, 2022									
		Cemetery	Funeral Home			Corporate		Total		
Earnings before income taxes	\$	28,660,282	\$	29,602,086	\$	(30,775,133) \$		27,487,235		
Adjusted for the impact of:										
Finance Costs		213,037		442,171		4,835,473		5,490,681		
Depredation and amortization		2,790,150		6,799,993		370,799		9,960,942		
Amortization of cemetery property		5,245,488		-		-		5,245,488		
EBITDA		36,908,957		36,844,250		(25,568,861)		48,184,346		
Share based compensation		-		-		3,839,149		3,839,149		
Acquisition and integration costs		4,418		824,271		3,762,516		4,591,205		
Other (income) expenses		(1,861,230)		9,073		413,736		(1,438,421)		
Adjusted EBITDA	\$	35,052,145	\$	37,677,594	\$	(17,553,460) \$	;	55,176,279		

EBITDA, Adjusted EBITDA, and Adjusted Field EBITDA are non-IFRS measures. See "Description of non-IFRS measures".



# 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. Investment income from the Care and Maintenance Trust Funds are used to defray eligible cemetery care and maintenance expenses. The Company had a net working capital of \$122,057,550 as of September 30, 2023, including \$27,559,338 in cash. Net working capital is calculated as the difference between the Company's current assets and its current liabilities. Fluctuations in operating assets and liabilities between periods may be attributable to the volatility and timing of cash receipts and payments, among other factors.

The Credit Facility has an overall borrowing capacity of \$240 million and a maturity date of August 31, 2027. On February 21, 2023, the Company added a \$60 million tranche to the Credit Facility for a term of one-year to provide additional financial flexibility. Based on the borrowing currency, the Credit Facility bears variable interest at the banker's acceptance rate (where borrowing currency is Canadian) or secured overnight financing rate (where borrowing currency is U.S.), plus an applicable margin based on the Leverage Ratio.

As previously mentioned, during the first quarter of 2023, the Company, through one of its subsidiaries, entered into interest rate swaps with three of the Company's syndicate lenders under the Credit Facility, whereby, the parties agreed to exchange at specified intervals, fixed and variable interest amounts calculated by reference to a notional amount of \$100 million. The fixed rate of interest paid under these derivatives are 4.372%, 4.520% and 3.900%, and the contracts mature February 27, 2026, March 3, 2026, and April 3, 2025, respectively.

The Credit Facility requires the Company to maintain a Leverage Ratio of less than 3.75 times and an Interest Coverage Ratio of greater than 3 times. The Company's Leverage Ratio and Interest Coverage Ratio will fluctuate depending on its earnings, interest rates and the amount of its outstanding debt. As of September 30, 2023, the Company was in compliance with both covenant tests with the Leverage Ratio being 2.38 times and the Interest Coverage Ratio being 7.67 times.

At September 30, 2023, the Company had \$196,855,723 outstanding on the Credit Facility including letters of credit totaling \$547,973. The Company has an undrawn balance on its Credit Facility of \$103,144,277 and \$27,559,338 in cash on hand as at September 30, 2023.

The Company has issued C\$86,250,000 in publicly traded Debentures outstanding as of September 30, 2023. These Debentures are excluded from the financial covenants the Company must comply with under the Credit Facility. The Debentures mature on December 31, 2025, and are not redeemable before December 31, 2023.

As at September 30, 2023, the Company had other debt of \$16,737,888 comprised of vehicle loans, interest rate swaps, insurance financing arrangements and notes payable to former business owners supporting non-compete and warranty agreements. Further, as at September 30, the Company had \$14,344,154 in lease liabilities, and the Debentures balance of \$61,965,818, net of debt issuance costs and accretion expenses of \$1,464,248.

Management believes that cash from operating activities, future debt financings, proceeds from Disposed Businesses and the Credit Facility will be sufficient to support the Company's ongoing business operations, growth initiatives and debt repayment obligations. The Company's cash on hand will fluctuate depending on its revenues, timing of receivables, and inflationary pressures resulting in increased expenses and interest rates. Growth through organic initiatives, the optimization of product and service offerings, a focus on streamlining and improving its operational efficiencies and strategic acquisitions may necessitate the raising of funds through debt, equity financings and/or other means. Decisions will be made on a specific transaction basis and will depend on market and economic conditions at the time. However, given potential industry and economic factors that



may impact the Company's financial performance and operations, such that capital and credit markets and industry sentiment are adversely affected, it may be more difficult for the Company to access the necessary capital or credit markets or if able to do so, at a higher cost or less advantageous terms than existing borrowings. In addition, reduced revenue, and higher operating costs due to disruptions in the supply chain, increases in cost in the Company's supply base, rising economic inflation rates, labour shortages and a general market downturn may result in reductions or early pre-payments of existing financings if covenants are unable to be met (refer to "**Risks**").

#### Contractual Obligations Due by Period

The following chart summarizes the Company's contractual obligations, including payments due for each of the next five years and thereafter.

	0	ct 1-Dec 31 2023	Ja	un 1-Dec 31 2024	J	an 1-Dec 31 2025	Ja	n 1-Dec 31 2026	Jan 1-Dec 31 2027	Thereafter	Total	
Credit facility	\$	-	\$	-	\$	-	\$	-	\$ 196,307,750	\$ -	\$ 196,307,	750 <sup>(1)</sup>
Other long-term debt		7,764		29,261		13,209		5,328	-	-	55,5	562
Notes payable		1,342,571		4,652,874		2,356,026		1,846,389	1,595,151	4,889,316	16,682,3	326
Lease liabilities		863,154		2,127,988		1,832,170		1,705,678	1,500,186	13,345,227	21,374,4	404
Senior Unsecured Debentures		-		-		61,965,818		-	-	-	61,965,8	818
Commitments		3,976,083		2,713,645		163,910		986,672	1,005,956	51,903,421	60,749,0	587
Total	\$	6,189,571	\$	9,523,768	\$	66,331,133	\$	4,544,068	\$ 200,409,043	\$ 70,137,964	\$ 357,135,5	547

<sup>(1)</sup> Excludes letters of credit issued of \$547,973.

#### Commitments

As at September 30, 2023, the Company had 14 ongoing commitments (the "**Commitments**") with an aggregate balance of \$60,749,687 for the construction of funeral homes, mausoleums and cemetery development in the United States, a long-term commitment with one of its principal suppliers, and a commercial property lease for new corporate head office space in Houston, Texas, with an expected commencement date in Q3 of 2024. To date, the Company spent \$9,784,182 on the construction Commitments in progress. The construction Commitments relate primarily to Hollywood Memorial Park Cemetery, Forest Lawn Cemetery's Garden of Angels, and Floral Hills Funeral Home, as described below.

Hollywood Memorial Park and Cemetery is an 81-acre cemetery property located in Union, New Jersey. Hollywood is a 1,064-casket space garden mausoleum. To date, the company has spent \$1,890,782 and the project was completed in Q3 of 2023.

Forest Lawn Cemetery's Garden of Angels property is located in Houston, Texas and consists of an area containing ground burial spaces, hedged estates, a columbarium and various cremation features. To date, the Company has spent \$160,216 with a remaining project cost of \$784,159. The project is expected to be completed in Q1 of 2024.

Floral Hills Funeral Home consists of an expansion of the existing onsite location and the addition of a funeral home chapel located in Covington, Kentucky. To date, the Company has spent \$188,742 on the project and the remaining balance of \$1,761,258 will be spent by Q2 of 2024, when the project is expected to be completed.

To remain competitive with low-end providers, effective February 1, 2023, PLC entered into a five-year term commitment with one of its principal suppliers for the purchase of at least \$50,000,000 in burial and cremation products and merchandise, enabling it to attract price conscious consumers focused on comparing prices, and product and service offerings. The commitment is expected to increase the Company's savings over the next five years as the Company continues to acquire businesses, increasing



inventory levels. The Company does not believe that its divestiture of Disposed Businesses will negatively impact its ability to satisfy its commitment. To date, the Company has spent \$6,642,383 with a remaining commitment of \$43,357,617.

On September 19, 2023, the Company entered into a commercial property lease for new corporate head office space in Houston, Texas with an expected commencement date in the third quarter of 2024. The lease is for 135 months, and the base rent is approximately \$1,000,000 per annum.

On October 17, 2023, PLC announced that it entered into a definitive agreement to divest substantially all of the assets of The Park Lawn Cemetery Company (USA), Inc., PLC Saber Ltd. and PLC Citadel Ltd. to Everstory Acquisition Portfolio, LLC, an affiliate of Everstory Partners. See Note 26 of the Unaudited Condensed Interim Consolidated Financial Statements as at September 30-2023. The transaction has the following details:

- The purchase price represents an approximate 8.0x Adjusted EBITDA multiple based on the trailing twelve months' results ending September 30, 2023.
- The transaction is initially expected to be slightly dilutive to Adjusted Net Earnings per share reflecting the foregone revenue related to the Disposed Businesses, and before factoring in any benefits from the redeployment of transaction proceeds.
- The transaction is expected to be neutral or slightly accretive to Adjusted Net Earnings per share in the medium term as benefits to corporate costs are realized.
- Excluding the Disposed Businesses from the Company's cemetery and funeral operations, the Adjusted Field EBITDA Margin would increase by approximately 340 bps and 350 bps for the three month and nine month periods ended September 30, 2023, respectively.
- Following the receipt of regulatory approval and the satisfaction of customary closing conditions for a transaction of this type, the transaction is anticipated to close prior to year-end 2023.
- Following the close of the transaction, the cash portion of the proceeds are expected to be used to repay the Company's outstanding balance on the Credit Facility, and the Company's leverage ratio is expected to decrease to approximately 2.0x and 2.8x, including the outstanding Debentures.

# **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 for the three and nine month period ended September 30, 2023, and 2022 compared to its dividend payout:

	Three Months Ended September 30,			ptember 30,	Nine Months Ended September 30			
		2023		2022		2023		2022
Cash provided by (used in) operating activities	\$	17,148,027	\$	16,843,934	\$	49,683,700	\$	46,042,101
Maintenance capital expenditures		(2,016,113)		(2,918,908)		(5,219,094)		(6,598,889)
Inventory additions		(1,432,955)		(484,811)		(3,551,209)		(1,775,986)
Lease payments		(686,808)		(290,483)		(1,734,547)		(1,174,167)
Free cash flow from operations	\$	13,012,151	\$	13,149,732	\$	39,178,850	\$	36,493,059
Free ash flow from operations per common share-diluted	\$	0.370	\$	0.379	\$	1.128	\$	1.049
Dividends per common share	\$	0.090	\$	0.090	\$	0.270	\$	0.270
Payout ratio		24%		24%		24%		26%
Weighted average shares outstanding-diluted		35,200,918		34,706,835		34,734,518		34,801,694



As calculated above, the Company's Free Cash Flow from operations was \$13,012,151 for the three month period ended September 30, 2023, compared to \$13,149,732 for the same period in 2022. This represents Free Cash Flow per fully diluted Common Share of \$0.370 and \$0.379 for the three month period ended September 30, 2023, and 2022, respectively. The Company's Free Cash Flow from operations was \$39,178,850 for the nine month period ended September 30, 2023, compared to \$36,493,059 for the same period in 2022. This represents Free Cash Flow per fully diluted Common Share of \$1.128 and \$1.049 for the nine month period ended September 30, 2023, and 2022, respectively.

The Company paid dividends of \$0.090 per Common Share for the three month period ended September 30, 2023, and 2022. The dividends paid represent 24% and 24% of Free Cash Flow for the three month period ended September 30, 2023, and 2022, respectively. The Company paid dividends of \$0.270 per Common Share for the nine month period ended September 30, 2023, and 2022, and 2022. The dividends paid represent 24% and 26% of Free Cash Flow for the nine month period ended September 30, 2023, and 2022, and 2022, respectively.

The Company makes quarterly dividend payments to its shareholders of record on the last business day of each quarter, with dividends expected to be paid in April, July, October, and January of each calendar year, subject to approval of the directors of the Company. The dividend rate is C\$0.114 per Common Share per quarter.

The following table sets forth the per Common Share amounts of quarterly dividends declared and paid by the Company in the nine month period ended September 30, 2023.

Month	<b>Dividend Record Date</b>	Payment Date	Per Share
March, 2023	March 31, 2023	April 14, 2023	C\$0.114
June, 2023	June 30, 2023	July 14, 2023	C\$0.114
September, 2023	September 29, 2023	October 16, 2023	C\$0.114

# **Care and Maintenance Trust Funds**

Provincial and state regulations allow for periodic withdrawals of income from the Care and Maintenance Trust Funds and the Company generally requests that the trustees distribute allowable income monthly. The trustees of the Care and Maintenance Trust Funds provide a monthly statement that includes an accounting of interest, dividends, realized capital gains/losses, and unrealized capital gains. The Company accrues income at the end of a reporting period when the income will not be distributed until the beginning of the next period to the extent it has expenses, as defined by applicable state and provincial regulations, in excess of the income generated by the trust.

Annually, in accordance with certain provincial and state regulations, the Company provides, to the respective governing bodies, a reconciliation of income withdrawn relative to allowable costs.

The Company defers any income from the Care and Maintenance Trust Funds to the extent it does not incur any allowable expenses.

The Company contributes a portion of all lot, crypt and niche sales to the Care and Maintenance Trust Funds in accordance with regulatory requirements. The Company contributed \$7,391,665 and \$7,063,513 to the Care and Maintenance Trust Funds for the nine month period ended September 30, 2023, and 2022, respectively. The Care and Maintenance Trust Fund assets are included in the Consolidated Statement of Financial Position at market value. As of September 30, 2023, the aggregate balance of the Care and Maintenance Trust Funds was \$166,817,668 compared to \$209,459,602 as at December 31, 2022, which represents a decrease of \$42,641,934. The decrease is primarily a result of the Disposed Businesses, whereby \$40,562,795 of the



trust fund balances were reclassified as assets and liabilities held for sale. This decrease was partially offset by contributions to the Care and Maintenance Trust Funds by the Company. The Care and Maintenance Trust Fund assets are offset by a corresponding liability for Care and Maintenance Trusts' corpus.

As of September 30, 2023, the Company had net unrealized loss in the Care and Maintenance Trust Funds of \$8,542,151, which represents a 4.9% net unrealized loss to the original cost basis.

## **Pre-Need Merchandise and Service Trust Funds**

The Company maintains separate trust funds for the deposit of cash received for the purchase of pre-need merchandise and services to be delivered at some future date (the "**Pre-Need Merchandise and Service Trust Funds**"). The trustees of the Pre-Need Merchandise and Service Trust Funds provide a monthly statement that includes an accounting of interest, dividends, realized capital gains/losses, and unrealized capital gains. The interest, dividends, and realized capital gains/losses are then allocated, on a pro-rata basis, over the principal amount held in trust for each contract and for each line item of the contract that is not yet delivered. When the contract becomes at-need and the performance obligations are met, the principal and accumulated earnings relating to the delivered items on the contract are withdrawn from the trust fund and recognized as income in accordance with relevant revenue recognition standards.

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 Pre-Need Merchandise and Service Trust Funds had a market value of \$177,984,621 on September 30, 2023, compared to \$239,292,825 as at December 31, 2022, which represents a decrease of \$61,308,204. The decrease in fair value is primarily a result of the Disposed Businesses, whereby \$82,999,256 of the trust fund balances were reclassified as assets and liabilities held for sale. This decrease was offset by contributions to the Pre-Need Merchandise and Service Trust Fund by the Company and acquired businesses during the current period. The Pre-Need Merchandise and Service Trust Funds are offset by a corresponding liability for Deferred Pre-Need Receipts held in trust.

As of September 30, 2023, the Company had a net unrealized loss in the Pre-Need Merchandise and Service Trust Funds of \$15,383,012, which represents an 8.0% net unrealized loss.

### **Prearranged Funeral Insurance Contracts**

In addition to trust funded prearranged funeral services contracts, the Company also has prearranged funeral services contracts that are funded by insurance. As at September 30, 2023, the current face amounts of pre-funded policies totaled \$591,584,138 (\$532,083,602 as at December 31, 2022). Generally, 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 policies. Amounts funded through insurance are available to the Company when the funeral services are performed.

### **Finance Assurances**

The Company has entered into arrangements with certain surety companies in the United States, 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 in accordance with applicable laws. 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 a pre-need contract that would otherwise be required to be put



in trust, in accordance with applicable laws. The obligations underlying these surety bonds are recorded as deferred revenue. As at September 30, 2023, the Company had surety bonds with an aggregate face value of \$30,959,138 (\$30,186,414 as at December 31, 2022).

2022

2022

2022

2022

## **Quarterly Information**

	2023 Q3	2023 Q2	2023 Q1	2022 Q4
Revenue	\$87,504,101	\$85,275,555	\$86,735,504	\$86,143,691
Gross profit	\$21,091,328	\$21,043,308	\$23,104,022	\$21,950,399
Earnings before income taxes	\$4,604,047	\$4,525,743	\$7,057,689	\$8,146,293
Net earnings	\$3,296,492	\$3,775,581	\$4,576,146	\$5,290,953
Adjusted net earnings (1)	\$5,399,944	\$7,696,906	\$8,615,331	\$8,272,256
Adjusted EBITDA <sup>(2)</sup>	\$18,800,966	\$18,829,730	\$20,541,390	\$19,772,589
Gross profit margin	24.1%	24.7%	26.6%	25.5%
Adjusted EBITDA margin <sup>(2)</sup>	21.5%	22.1%	23.7%	23.0%
Net earnings per share - basic <sup>(3)</sup>	\$0.096	\$0.110	\$0.134	\$0.154
Net earnings per share - diluted (3)	\$0.094	\$0.109	\$0.132	\$0.153
Adjusted Net Earnings per share - basic (1), (3)	\$0.157	\$0.224	\$0.251	\$0.240
Adjusted Net Earnings per share - diluted <sup>(1), (3)</sup>	\$0.153	\$0.222	\$0.249	\$0.239
Adjusted EBITDA per share - basic <sup>(2), (3)</sup>	\$0.546	\$0.548	\$0.600	\$0.575
Adjusted EBITDA per share - diluted $^{(2), (3)}$	\$0.534	\$0.543	\$0.594	\$0.571
	2022	2022	2022	2021
	03	02	01	04
Revenue	<b>Q3</b> \$80,871,605	<b>Q2</b> \$75,921,525	Q1 \$83,173,297	<b>Q4</b> \$78,949,931
Revenue Gross profit	\$80,871,605	\$75,921,525	\$83,173,297	\$78,949,931
Gross profit	\$80,871,605 \$19,342,078	\$75,921,525 \$16,813,765	\$83,173,297 \$22,733,122	\$78,949,931 \$20,689,236 \$9,529,281
Gross profit Earnings before income taxes	\$80,871,605 \$19,342,078 \$7,516,033	\$75,921,525 \$16,813,765 \$7,981,152	\$83,173,297 \$22,733,122 \$11,990,050	\$78,949,931 \$20,689,236
Gross profit Earnings before income taxes Net earnings	\$80,871,605 \$19,342,078 \$7,516,033 \$5,323,908	\$75,921,525 \$16,813,765 \$7,981,152 \$5,807,886	\$83,173,297 \$22,733,122 \$11,990,050 \$8,702,018	\$78,949,931 \$20,689,236 \$9,529,281 \$7,113,666
Gross profit Earnings before income taxes Net earnings Adjusted net earnings <sup>(1)</sup>	\$80,871,605 \$19,342,078 \$7,516,033 \$5,323,908 \$7,764,988	\$75,921,525 \$16,813,765 \$7,981,152 \$5,807,886 \$6,624,310	\$83,173,297 \$22,733,122 \$11,990,050 \$8,702,018 \$11,176,862	\$78,949,931 \$20,689,236 \$9,529,281 \$7,113,666 \$10,150,172
Gross profit Earnings before income taxes Net earnings Adjusted net earnings <sup>(1)</sup> Adjusted EBITDA <sup>(2)</sup>	\$80,871,605 \$19,342,078 \$7,516,033 \$5,323,908 \$7,764,988 \$18,155,459	\$75,921,525 \$16,813,765 \$7,981,152 \$5,807,886 \$6,624,310 \$15,605,747	\$83,173,297 \$22,733,122 \$11,990,050 \$8,702,018 \$11,176,862 \$21,415,073	\$78,949,931 \$20,689,236 \$9,529,281 \$7,113,666 \$10,150,172 \$19,954,979
Gross profit Earnings before income taxes Net earnings Adjusted net earnings <sup>(1)</sup> Adjusted EBITDA <sup>(2)</sup> Gross profit margin	\$80,871,605 \$19,342,078 \$7,516,033 \$5,323,908 \$7,764,988 \$18,155,459 23.9%	\$75,921,525 \$16,813,765 \$7,981,152 \$5,807,886 \$6,624,310 \$15,605,747 22.1%	\$83,173,297 \$22,733,122 \$11,990,050 \$8,702,018 \$11,176,862 \$21,415,073 27.3%	\$78,949,931 \$20,689,236 \$9,529,281 \$7,113,666 \$10,150,172 \$19,954,979 26.2%
Gross profit Earnings before income taxes Net earnings Adjusted net earnings <sup>(1)</sup> Adjusted EBITDA <sup>(2)</sup> Gross profit margin Adjusted EBITDA margin <sup>(2)</sup>	\$80,871,605 \$19,342,078 \$7,516,033 \$5,323,908 \$7,764,988 \$18,155,459 23.9% 22.4%	\$75,921,525 \$16,813,765 \$7,981,152 \$5,807,886 \$6,624,310 \$15,605,747 22.1% 20.6%	\$83,173,297 \$22,733,122 \$11,990,050 \$8,702,018 \$11,176,862 \$21,415,073 27.3% 25.7%	\$78,949,931 \$20,689,236 \$9,529,281 \$7,113,666 \$10,150,172 \$19,954,979 26.2% 25.3%
Gross profit Earnings before income taxes Net earnings Adjusted net earnings <sup>(1)</sup> Adjusted EBITDA <sup>(2)</sup> Gross profit margin Adjusted EBITDA margin <sup>(2)</sup> Net earnings per share - basic <sup>(3)</sup>	\$80,871,605 \$19,342,078 \$7,516,033 \$5,323,908 \$7,764,988 \$18,155,459 23.9% 22.4% \$0.155	\$75,921,525 \$16,813,765 \$7,981,152 \$5,807,886 \$6,624,310 \$15,605,747 22.1% 20.6% \$0.170	\$83,173,297 \$22,733,122 \$11,990,050 \$8,702,018 \$11,176,862 \$21,415,073 27.3% 25.7% \$0.255	\$78,949,931 \$20,689,236 \$9,529,281 \$7,113,666 \$10,150,172 \$19,954,979 26.2% 25.3% \$0.209
Gross profit Earnings before income taxes Net earnings Adjusted net earnings <sup>(1)</sup> Adjusted EBITDA <sup>(2)</sup> Gross profit margin Adjusted EBITDA margin <sup>(2)</sup> Net earnings per share - basic <sup>(3)</sup> Net earnings per share - diluted <sup>(3)</sup>	\$80,871,605 \$19,342,078 \$7,516,033 \$5,323,908 \$7,764,988 \$18,155,459 23.9% 22.4% \$0.155 \$0.155	\$75,921,525 \$16,813,765 \$7,981,152 \$5,807,886 \$6,624,310 \$15,605,747 22.1% 20.6% \$0.170 \$0.167	\$83,173,297 \$22,733,122 \$11,990,050 \$8,702,018 \$11,176,862 \$21,415,073 27.3% 25.7% \$0.255 \$0.255	\$78,949,931 \$20,689,236 \$9,529,281 \$7,113,666 \$10,150,172 \$19,954,979 26.2% 25.3% \$0.209 \$0.206
Gross profit Earnings before income taxes Net earnings Adjusted net earnings <sup>(1)</sup> Adjusted EBITDA <sup>(2)</sup> Gross profit margin Adjusted EBITDA margin <sup>(2)</sup> Net earnings per share - basic <sup>(3)</sup> Net earnings per share - diluted <sup>(3)</sup> Adjusted Net Earnings per share - basic <sup>(1), (3)</sup>	\$80,871,605 \$19,342,078 \$7,516,033 \$5,323,908 \$7,764,988 \$18,155,459 23.9% 22.4% \$0.155 \$0.153 \$0.226	\$75,921,525 \$16,813,765 \$7,981,152 \$5,807,886 \$6,624,310 \$15,605,747 22.1% 20.6% \$0.170 \$0.167 \$0.194	\$83,173,297 \$22,733,122 \$11,990,050 \$8,702,018 \$11,176,862 \$21,415,073 27.3% 25.7% \$0.255 \$0.250 \$0.250 \$0.327	\$78,949,931 \$20,689,236 \$9,529,281 \$7,113,666 \$10,150,172 \$19,954,979 26.2% 25.3% \$0.209 \$0.206 \$0.298
Gross profit Earnings before income taxes Net earnings Adjusted net earnings <sup>(1)</sup> Adjusted EBITDA <sup>(2)</sup> Gross profit margin Adjusted EBITDA margin <sup>(2)</sup> Net earnings per share - basic <sup>(3)</sup> Net earnings per share - basic <sup>(3)</sup> Adjusted Net Earnings per share - basic <sup>(1), (3)</sup> Adjusted Net Earnings per share - diluted <sup>(1), (3)</sup>	\$80,871,605 \$19,342,078 \$7,516,033 \$5,323,908 \$7,764,988 \$18,155,459 23.9% 22.4% \$0.155 \$0.155 \$0.153 \$0.226 \$0.224	\$75,921,525 \$16,813,765 \$7,981,152 \$5,807,886 \$6,624,310 \$15,605,747 22.1% 20.6% \$0.170 \$0.194 \$0.194 \$0.190	\$83,173,297 \$22,733,122 \$11,990,050 \$8,702,018 \$11,176,862 \$21,415,073 27.3% 25.7% \$0.255 \$0.255 \$0.250 \$0.327 \$0.321	\$78,949,931 \$20,689,236 \$9,529,281 \$7,113,666 \$10,150,172 \$19,954,979 26.2% 25.3% \$0.209 \$0.209 \$0.206 \$0.298 \$0.294

<sup>(1)</sup> Adjusted Net Earnings is non-IFRS measure. See "Discussion of Operating Results – Adjusted Net Earnings" for reconciliation of the Company's net earnings to Adjusted Net Earnings.

<sup>(2)</sup> Adjusted EBITDA is non-IFRS measure. See "Discussion of Operating Results – Adjusted EBITDA" for reconciliation of the Company's Adjusted EBITDA.

<sup>(3)</sup> 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.

The changes in the Company's quarter over quarter results are primarily the result of growth in revenue through acquisitions. Additionally, the Company's business can be affected by seasonal fluctuations in the death rate. Generally, the number of deaths is higher during the winter months as influenza and pneumonia are generally higher during this period than other periods of the year. Further, although the COVID-19 pandemic triggered an increase in both pre-need and at-need sales in markets negatively



impacted by the pandemic, mortality rates significantly declined to pre-pandemic levels in 2022 and 2023 as the pandemic trends towards endemic, resulting in decreased call volumes and at-need sales.

# **Related Party Transactions**

The Company's related parties include the following persons and entities: (i) associates, or entities which are controlled or significantly influenced by the Company; and (ii) key management personnel, which are comprised of the directors and officers of the Company.

#### Key management compensation

36

Key management includes the members of the board of directors of the Company, 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:

	Three Months End	led Septe	ember 30,	Nine Months End	ded September 30,			
	 2023		2022		2023		2022	
Key management compensation	\$ 1,648,329	\$	1,303,437	\$	5,460,283	\$	4,460,526	
Directors' fees	 110,994		128,257		361,936		411,743	
Total	\$ 1,759,323	\$	1,431,694	\$	5,822,219	\$	4,872,269	

#### Purchase of Haines Properties

Through a limited partnership formed by a subsidiary of the Company as general partner, and a trustee on behalf of certain of the Company's care and maintenance trust funds, as limited partners (the "Haines LP"), the Company completed the purchase of four industrial units of property in Mississauga, Ontario, Canada (the "Haines Properties") in the second quarter of 2023. A purchase and sale agreement for the Haines Properties was entered into by Haines LP for an aggregate purchase price of C\$3,331,885. The Haines Properties are leased by Haines LP to a funeral home owned by the Company on substantially the same terms as the prior lease for the Haines Properties, with increases in rent to align with market rates.

#### Purchase of Ward

As previously mentioned, on July 17, 2023, PLC acquired substantially all the assets of Ward in Brampton, Woodbridge and Toronto, Ontario, expanding PLC's geographic presence in the Greater Toronto Area through the addition of three stand-alone funeral homes. This business was owned in part by John Ward, a former director of the Company who did not stand for reelection to the Board for the 2023-2024 service year.

### **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 Chief Executive Officer and Chief Financial Officer, 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 Chief Executive Officer and Chief Financial Officer, 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 Chief Executive Officer and Chief Financial Officer 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 September 30, 2023.

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 Chief Executive Officer and Chief Financial Officer have limited the scope of design of disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Park Lawn Missouri acquired in the fourth quarter of 2022, Meyer acquired in the first quarter of 2023, Speaks and Cobb acquired in the second quarter of 2023 and Ward, MWB and Forrest and Taylor acquired in the third quarter of 2023.

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 as at September 30, 2023, related to the above mentioned acquisitions:

	-	ember 30, 2023 Lawn Missouri	Septe	mber 30, 2023 Meyers	September 30, 2023 Speaks		Septe	mber 30, 2023 Cobb
Revenue	\$	2,848,640	\$	1,941,105	\$	2,110,839	\$	394,889
Net earnings	\$	215,624	\$	140,153	\$	529,165	\$	16,805
Current assets	\$	-	\$	-	\$	-	\$	-
Non-current assets	\$	13,020,112	\$	7,306,993	\$	6,482,944	\$	2,696,413
Current liabilities	\$	-	\$	-	\$	-	\$	-
Non-current liabilities	\$	7,645,250	\$	1,429,346	\$	-	\$	216,027
	Septe	ember 30, 2023 Ward	Septe	mber 30, 2023 MWB	-	mber 30, 2023 est and Taylor		
Revenue	\$	1,035,054	\$	148,111	\$	84,911		
Net earnings	\$	(183,979)	\$	30,015	\$	20,848		
Current assets Non-current assets	\$	-	\$	-	\$	-		
Current liabilities	<del>م</del>	13,663,280	\$	2,329,916	\$	2,631,351		
Non-current liabilities	\$	12,774,578	\$ \$	345,081	\$	- 854,035		

#### Changes in Internal Controls over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting during the 2023 fiscal year that have affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### **Shares Outstanding**

The authorized share capital of the Company consists of an unlimited number of Common Shares. As at September 30, 2023, there were 33,965,259 Common Shares issued and outstanding, net of Common Shares held by a trust established by PLC (the "**Trust**") for the settlement of awards issued under the EIP, representing an increase of 26,106 Common Shares since December 31, 2022. The increase in the number of Common Shares is due to the issuance of Common Shares pursuant to the Company's DRIP and EIP, offset by Common Shares repurchased by the Company pursuant to the NCIB. In addition, the Company has 867,134 Common Shares reserved for issuance under the EIP, and 274,929 Common Shares reserved for issuance under the DRIP. As at September 30, 2023, 1,669,639 DSUs, RSUs, PSUs and Options were outstanding. As at November 9, 2023, there were 34,327,528 Common Shares issued and outstanding and 307,141 Common Shares held by the Trust.

#### Shares purchased under NCIB and held in trust for future settlement of share-based incentive compensation

On August 10, 2023, the Company received approval from the TSX to renew its NCIB. Under the terms of the NCIB, the Company may, during the twelve month period commencing August 17, 2023, and ending August 16, 2024, purchase up to a maximum of 3,391,575 Common Shares, representing 10% of its public float of issued and outstanding Common Shares as at August 4, 2023. All Common Shares purchased by the Company under the NCIB are cancelled or transferred to and held by the Trust for the settlement of awards issued under the EIP. Purchases made by the Company are made on the open market through the facilities of the TSX and or alternative Canadian trading systems, in accordance with applicable TSX and other



applicable trading system rules. The actual number of Common Shares purchased under the NCIB and the timing of any such purchases are at PLC's discretion. Daily purchases are limited to 15,708 Common Shares, other than block purchase exceptions.

Additionally, PLC entered into an automatic securities purchase plan ("**ASPP**") with its designated broker in connection with the NCIB to facilitate the purchase of Common Shares during times when PLC would ordinarily not be permitted to purchase Common Shares due to regulatory restrictions or self-imposed black-out periods. Before entering a black-out period, PLC may, but is not required to, instruct the broker to make purchases under the NCIB based on parameters set by PLC in accordance with the ASPP, TSX rules and applicable securities laws.

PLC established the Trust to hold Common Shares purchased under the NCIB for the purpose of settling awards (other than Options granted to Canadian Taxpayers) under the EIP. In conjunction with the EIP, the Company may make contributions to the Trust, which contributions will be used by the Trust to acquire Common Shares for the benefit of the participants under EIP. The Trust is considered a structured entity and is consolidated in the Company's financial statements with the cost of the acquired shares recorded at book value as a reduction to share capital. Any premium on the acquisition of the Common Shares above book value is applied to retained earnings until the Common Shares are issued to settle RSU and PSU awards.

Since the inception of its NCIB which commenced on August 17, 2022, the Company has purchased 379,784 Common Shares through open market purchases on the TSX and/or alternative Canadian trading systems, at a weighted average price of approximately C\$23.90 per Common Share for total cash consideration, including commission, of \$6,720,279 (C\$9,076,335). For the nine month period ended September 30, 2023, the Company purchased 178,799 Common Shares for aggregate consideration of \$2,967,388 (C\$4,014,847). As at the date hereof, 307,141 Common Shares are held in the Trust for the settlement of awards issued under the EIP.

	Sej	2023	Γ	December 31, 2022
Common shares repurchased under the NCIB and held in trust (number of shares)				
Outstanding, beginning of the period		200,985		-
Shares purchased		178,799		200,985
Shares used for EIP award redemptions		(72,643)		
Outstanding, end of the period		307,141		200,985
	Sep	otember 30,	Γ	December 31,
		2023		2022
Common shares repurchased under the NCIB and held in trust (number of				
shares)		178,799		200,985
Cash consideration paid	\$	2,967,388	\$	3,752,891
Premium charged to retained earnings	\$	271,820	\$	734,793
Reduction in common share capital	\$	2,695,568	\$	3,018,098

### **Risks and Uncertainties**

There are certain risks inherent in an investment in securities and activities of the Company, which investors should carefully consider before investing in the Company. Risks and uncertainties are disclosed in the Company's AIF, including without limitation, risks related to the declining number of deaths, inflationary pressures and supply chain interruptions, changing consumer preferences and cybersecurity risks found under the section "Risk Factors – Risks Related to the Industry". To the extent there have been any changes to those risks or uncertainties as of the date of this MD&A, they are discussed under "Forward-Looking Information". The Company's AIF is available on SEDAR+ at <u>www.sedarplus.com</u> and on the Company's website at <u>www.parklawncorp.com</u>.