# *Condensed Interim Consolidated Financial Statements*

# 2024

As at and for the three months ending
March 31, 2024 and 2023 | Unaudited

PARK LAWN
CORPORATION

**NOTICE TO READER**

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

| | |
|---|---|
| (signed) "*Deborah Robinson*" | (signed) "*Marilyn Brophy*" |
| Deborah Robinson | Marilyn Brophy |
| Chair, Director | Director |

**PARK LAWN CORPORATION**
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)**
**AS AT MARCH 31, 2024 AND DECEMBER 31, 2023**
**(U.S. dollars and share amounts in thousands unless otherwise stated)**

| | March 31, 2024 | December 31, 2023 *(Restated, Measurement Period Adjustment - see Note 5)* |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash | $ 17,698 | $ 17,687 |
| Accounts receivable (Note 3) | 26,120 | 27,474 |
| Pre-need receivables, current portion (Note 3) | 16,842 | 17,338 |
| Inventories, current portion (Note 4) | 10,371 | 10,428 |
| Prepaid expenses and other assets | 2,913 | 4,419 |
| | 73,943 | 77,346 |
| Non-current assets | | |
| Pre-need receivables, net of current portion (Note 3) | 29,954 | 31,815 |
| Inventories, net of current portion (Note 4) | 50,840 | 52,642 |
| Land held for development (Note 6) | 27,818 | 26,357 |
| Property and equipment (Note 7) | 281,166 | 280,753 |
| Care and maintenance trust fund investments (Note 8) | 179,555 | 175,411 |
| Pre-need merchandise and service trust fund investments (Note 9) | 175,122 | 174,874 |
| Deferred tax assets | 4,628 | 5,022 |
| Goodwill and intangibles (Note 5 and 11) | 419,847 | 417,399 |
| Deferred commissions | 12,541 | 12,724 |
| Interest rate swaps (Note 23) | 409 | - |
| Prepaid expenses and other assets (Note 26) | 17,873 | 17,450 |
| | 1,199,752 | 1,194,448 |
| TOTAL ASSETS | $ 1,273,696 | $ 1,271,794 |
| **Liabilities** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | $ 31,178 | $ 36,600 |
| Dividends payable | 2,860 | 2,914 |
| Current portion of long-term debt (Note 12) | 25 | 30 |
| Current portion of notes payable (Note 13) | 2,506 | 4,111 |
| Current portion of lease liabilities | 1,568 | 1,842 |
| | 38,138 | 45,497 |
| Non-current liabilities | | |
| Long-term debt, net of current portion (Note 12) | 143,799 | 144,128 |
| Notes payable, net of current portion (Note 13) | 10,788 | 10,792 |
| Lease liabilities, net of current portion | 12,740 | 13,196 |
| Interest rate swaps (Note 23) | - | 510 |
| Senior Unsecured Debentures (Note 14) | 62,461 | 63,647 |
| Deferred tax liabilities | 11,069 | 10,739 |
| Deferred revenue (Note 15) | 97,198 | 95,829 |
| Care and maintenance trusts' corpus (Note 8) | 179,555 | 175,411 |
| Deferred pre-need receipts held in trust (Note 9) | 175,122 | 174,874 |
| | 692,732 | 689,126 |
| Shareholders' Equity | | |
| Share capital (Note 17) | 512,094 | 510,553 |
| Contributed surplus | 16,625 | 15,011 |
| Accumulated other comprehensive loss | (6,349) | (6,475) |
| Retained earnings | 20,456 | 18,082 |
| | 542,826 | 537,171 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | $ 1,273,696 | $ 1,271,794 |

**Commitments and Contingencies** (Note 24)
**Subsequent Events** (Note 28)

**Approved by the Board of Directors**

*"Deborah Robinson"*
Deborah Robinson - Chair, Director

*"Marilyn Brophy"*
Marilyn Brophy, Director

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

**PARK LAWN CORPORATION**
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS (UNAUDITED)**
**FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023**
**(U.S. dollars and share amounts in thousands unless otherwise stated)**

| | Three Months Ended March 31, 2024 | 2023 |
|---|---|---|
| **Revenue** | | |
| Sales | $ 72,786 | $ 82,971 |
| Income from care and maintenance funds (Note 8) | 1,861 | 2,699 |
| Interest and other income | 1,746 | 1,065 |
| | 76,393 | 86,736 |
| **Operating expenses** | | |
| Cost of sales (Note 18) | 12,055 | 15,071 |
| General and administrative | 33,169 | 35,794 |
| Maintenance | 4,057 | 5,697 |
| Advertising and selling | 4,970 | 7,069 |
| | 54,252 | 63,631 |
| **Revenue less operating expenses** | 22,142 | 23,104 |
| **Other expenses** | | |
| Corporate general and administrative | 7,969 | 7,599 |
| Amortization of intangibles (Note 11) | 378 | 324 |
| Finance costs (Note 19) | 3,989 | 3,609 |
| Fair value adjustment on interest rate swaps (Note 23) | (919) | 1,601 |
| Share-based incentive compensation (Note 20 and 22) | 2,227 | 1,101 |
| Acquisition and integration costs (Note 5) | 1,246 | 1,793 |
| Other expenses (income) (Note 21) | (19) | 19 |
| | 14,871 | 16,046 |
| **Earnings before income taxes** | 7,270 | 7,058 |
| Income tax expense | 2,023 | 2,482 |
| **Net earnings for the period** | $ 5,247 | $ 4,576 |
| Net earnings per share | | |
| - basic | $ 0.154 | $ 0.134 |
| - diluted | $ 0.149 | $ 0.132 |
| Weighted average number of common shares, net of shares held in trust (Note 17): | | |
| - basic | 34,020 | 34,258 |
| - diluted | 35,147 | 34,600 |

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

**PARK LAWN CORPORATION**
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**
**FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023**
**(U.S. dollars and share amounts in thousands unless otherwise stated)**

| | Three Months Ended March 31, 2024 | Three Months Ended March 31, 2023 |
|---|---|---|
| **Net earnings for the period** | $ 5,247 | $ 4,576 |
| Item of other comprehensive income to be subsequently reclassified to net earnings | | |
| Foreign currency translation of foreign operations | 126 | 64 |
| **Comprehensive income** | $ 5,373 | $ 4,640 |

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

**PARK LAWN CORPORATION**
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**
**FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023**
**(U.S. dollars and share amounts in thousands unless otherwise stated)**

| | # of Common Shares Issued and Outstanding | Share Capital | Contributed Surplus | Retained Earnings | Accumulated Other Comprehensive Income/Loss | Shareholders' Equity |
|---|---|---|---|---|---|---|
| Balance at January 1, 2023 | 33,939 | $ 510,337 | $ 11,354 | $ 36,931 | $ (7,027) | $ 551,596 |
| Dividends declared (Note 16) | - | - | - | (2,883) | - | (2,883) |
| Equity incentive plan (Note 20) | - | - | 1,093 | - | - | 1,093 |
| Shares issued: | | | | | | |
| Dividend reinvestment plan (Note 17 i) | 42 | 838 | - | - | - | 838 |
| Exercise of equity incentive plan (Note 20) | 44 | 915 | (656) | - | - | 259 |
| Foreign currency translation of foreign operations | - | - | - | - | 64 | 64 |
| Net earnings for the period | - | - | - | 4,576 | - | 4,576 |
| Balance at March 31, 2023 | 34,025 | $ 512,090 | $ 11,791 | $ 38,624 | $ (6,963) | $ 555,542 |
| Balance at January 1, 2024 | 33,880 | $ 510,553 | $ 15,011 | $ 18,082 | $ (6,475) | $ 537,171 |
| Dividends declared (Note 16) | - | - | - | (2,873) | - | (2,873) |
| Equity incentive plan (Note 20) | - | - | 2,219 | - | - | 2,219 |
| Shares issued: | | | | | | |
| Dividend reinvestment plan (Note 17 i) | 69 | 937 | - | - | - | 937 |
| Exercise of equity incentive plan (Note 20) | 28 | 605 | (605) | - | - | - |
| Foreign currency translation of foreign operations | - | - | - | - | 126 | 126 |
| Net earnings for the period | - | - | - | 5,247 | - | 5,247 |
| Balance at March 31, 2024 | 33,977 | $ 512,094 | $ 16,625 | $ 20,456 | $ (6,349) | $ 542,826 |

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

**PARK LAWN CORPORATION**
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**
**FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023**
**(U.S. dollars and share amounts in thousands unless otherwise stated)**

| | Three Months Ended March 31, 2024 | Three Months Ended March 31, 2023 |
|---|---|---|
| **Cash provided by (used in):** | | |
| **Operating activities** | | |
| Net earnings for the period | $ 5,247 | $ 4,576 |
| Adjustments to reconcile net income to cash provided by (used in) operating activities: | | |
| Acquisition and integration costs (Note 5) | 1,246 | 1,793 |
| Deferred tax (recovery) expense | 619 | 212 |
| Depreciation of property and equipment, and amortization of intangibles (Note 7 and 11) | 4,157 | 3,774 |
| Cost of cemetery property (Note 18) | 1,695 | 1,586 |
| Deferred financing costs (Note 12 and 19) | 176 | 138 |
| Accretion expense on Senior Unsecured Debentures (Note 14 and 19) | 165 | 151 |
| Interest on lease liabilities (see Note 19) | 390 | 157 |
| Share based incentive compensation (Note 20) | 2,219 | 1,093 |
| Proceeds from excercised stock options | - | 259 |
| (Gain) loss on disposal of property and equipment (Note 7 and 21) | (27) | (37) |
| Fair value adjustments on interest rate swaps (Note 23) | (919) | 1,601 |
| Changes in working capital that provided (required) cash: | | |
| Accounts receivable (Note 3) | 1,274 | 4,652 |
| Net receipts on pre-need activity | 3,836 | 3,841 |
| Merchandise inventories | 36 | (58) |
| Prepaid expenses and other current assets | 1,506 | (1,079) |
| Accounts payable and accrued liabilities | (5,270) | (3,834) |
| **Cash provided by (used in) operating activities** | 16,349 | 18,827 |
| **Investing activities** | | |
| Acquisition and integration costs (Note 5) | (1,246) | (1,793) |
| Net cash on acquisitions (Note 5) | (4,875) | (14,388) |
| Additions to cemetery property | (1,003) | (1,625) |
| Acquisition of property and equipment (Note 7) | (3,428) | (3,371) |
| Additions of land held for development (Note 6) | (10) | - |
| Proceeds on disposal of property and equipment (Note 7) | 12 | 497 |
| Additions to intangible assets (Note 11) | (401) | (205) |
| Cash interest from other assets | 49 | 115 |
| **Cash provided by (used in) investing activities** | (10,902) | (20,769) |
| **Financing activities** | | |
| Proceeds from issuance of long-term debt (Note 12) | 3,000 | 24,750 |
| Repayment of long-term debt (Note 12) | (3,155) | (4,328) |
| Repayment of note payable (Note 13) | (2,409) | (11,936) |
| Repayment of lease liabilities | (860) | (523) |
| Dividends and distributions paid (Note 16) | (1,928) | (2,041) |
| Financing costs | - | (215) |
| **Cash provided by (used in) financing activities** | (5,352) | 5,708 |
| **Translation adjustment on cash** | (84) | 80 |
| **Net increase (decrease) in cash** | 11 | 3,845 |
| **Cash, beginning of period** | 17,687 | 30,278 |
| **Cash, end of period** | $ 17,698 | $ 34,123 |
| **Supplemental disclosures:** | | |
| Income taxes paid | $ 21 | $ 78 |
| Interest expenses paid | $ 2,893 | $ 2,245 |

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

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. dollar denominated ticker symbol, under which purchases and sales of common shares of the Company ("Common Shares") can be made in U.S. dollars.

## 1. STATEMENT OF COMPLIANCE

The accompanying unaudited condensed interim consolidated financial statements have been prepared by management in accordance with IFRS Accounting Standards ("IFRS"), including 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, 2023, which were prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee.

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, 2023.

These unaudited condensed interim consolidated financial statements were approved by the board of directors of the Company (the "Board of Directors") on May 9, 2024.

## 2. BASIS OF PRESENTATION

The unaudited condensed interim consolidated financial statements are presented in the U.S. dollar ("USD" or "US$"). The functional currency of the parent Company and its Canadian subsidiaries is the Canadian dollar ("CAD" or "C$"). The functional currency of the Company's U.S. subsidiaries is USD.

In January 2020, the International Accounting Standards Board issued amendments to International Accounting Standards 1 to clarify the classification of liabilities as current or non-current. The amendments issued in October 2022 clarify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. The 2022 amendments also changed the effective date of the 2020 amendments for annual periods beginning on or after January 1, 2024.

For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period. The change further clarified that the terms of a liability that would be settled by the transfer of the entity's own equity instruments does not impact the classification as current or long-term.

The Company has adopted the amendments in its condensed interim consolidated financial statements retroactively effective January 1, 2024, and there was no material impact on the financial statements.

(U.S. dollars and share amounts in thousands unless otherwise stated)

## 3. ACCOUNTS RECEIVABLE AND PRE-NEED RECEIVABLES

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Accounts receivable | $ 26,120 | $ 27,474 |
| Pre-need receivables, current portion | 16,842 | 17,338 |
| Pre-need receivables, net of current portion | 29,954 | 31,815 |

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

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Beginning of the period/year | $ 6,836 | $ 5,961 |
| Additions to allowances | 233 | 4,279 |
| Cancellations | (106) | (1,091) |
| Disposed businesses (see Note 26) | - | (2,324) |
| Foreign currency translation | (11) | 10 |
| End of the period/year | $ 6,951 | $ 6,836 |

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:

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Beginning of the period/year | $ 3,597 | $ 9,202 |
| Additions to allowances | 275 | 1,870 |
| Cancellations | (332) | (1,471) |
| Disposed businesses (see Note 26) | - | (6,004) |
| End of the period/year | $ 3,539 | $ 3,597 |

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

(U.S. dollars and share amounts in thousands unless otherwise stated)

## 4. INVENTORIES

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Merchandise inventories | $ 4,414 | $ 4,404 |
| Cemetery lots | 27,267 | 38,243 |
| Crypts and niches | 21,887 | 11,808 |
| Construction in progress | 7,642 | 8,615 |
| Total | $ 61,211 | $ 63,070 |
| Current portion | 10,371 | 10,428 |
| Non-current portion | $ 50,840 | $ 52,642 |

There were no inventory write-downs in either period.

**(U.S. dollars and share amounts in thousands unless otherwise stated)**

## 5. BUSINESS COMBINATIONS

*Acquisitions completed in fiscal 2024*

| | Preliminary Q1 Acquisitions |
|---|---|
| **Assets acquired:** | |
| Inventories | $ 591 |
| Property and equipment | 1,745 |
| Care and maintenance trust fund investments | 49 |
| Pre-need merchandise and service trust fund investments | 1,910 |
| Goodwill | 1,957 |
| Intangibles | 921 |
| Total assets | $ 7,174 |
| **Liabilities assumed:** | |
| Lease liabilities | $ 17 |
| Care and maintenance trusts' corpus | 49 |
| Deferred pre-need receipts held in trust | 1,910 |
| | 1,976 |
| **Fair value of consideration transferred:** | |
| Cash consideration | 4,875 |
| Deferred cash consideration | 323 |
| | 5,198 |
| Total liabilities and considerations | $ 7,174 |

On February 20, 2024, the Company acquired substantially all the assets of Crippin Funeral Home located in Montrose, Colorado; Gunnison Funeral Services located in Gunnison, Colorado; and Grand View Cemetery located in Montrose, Colorado (collectively, "Crippin"), a business consisting of two stand-alone funeral homes and one stand-alone cemetery for a purchase price of $5,198.

The fair value allocations for the above mentioned acquisition are based on preliminary purchase allocations conducted by management. As the acquisition is within the measurement period under IFRS 3 it is 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 inventories, property and equipment and goodwill and intangibles.

**(U.S. dollars and share amounts in thousands unless otherwise stated)**

## 5. BUSINESS COMBINATIONS – continued

*Acquisitions completed in fiscal 2023*

The Company has restated the comparative figures in the consolidated statements of financial position based on the measurement period adjustments related to the purchase price allocations for the acquisition of Cobb (as defined below). The following table summarizes the effects of the change on the line items of the consolidated statements of financial position for the year ended December 31, 2023.

| | December 31, 2023 *As previously stated* | *Adjustments* | December 31, 2023 *As restated* |
|---|---|---|---|
| Goodwill | $ 365,853 | $ (38) | $ 365,815 |
| Intangibles | 51,546 | 38 | 51,584 |
| Total | $ 417,399 | $ - | $ 417,399 |

The following table summarizes the consolidated statements of financial position impact on the acquisition date of the Company's business combinations that occurred in the year ended December 31, 2023:

| | Final Q1 Acquisitions | Final Q2 Acquisitions | Final Q3 Acquisitions | Final Q4 Acquisitions | Total |
|---|---|---|---|---|---|
| **Assets acquired:** | | | | | |
| Inventories | $ 195 | $ 650 | $ 106 | $ 24 | $ 976 |
| Property and equipment | 5,682 | 8,025 | 4,544 | 3,019 | 21,271 |
| Care and maintenance trust fund investments | - | 472 | - | - | 472 |
| Pre-need merchandise and service trust fund investments | 1,429 | 10,312 | 5,249 | 140 | 17,131 |
| Goodwill | 6,989 | 10,164 | 4,863 | - | 22,017 |
| Intangibles | 1,960 | 3,025 | 2,460 | 237 | 7,682 |
| Total assets | $ 16,256 | $ 32,648 | $ 17,224 | $ 3,420 | $ 69,548 |
| **Liabilities assumed:** | | | | | |
| Deferred revenue | $ - | $ 781 | $ - | $ - | $ 781 |
| Care and maintenance trusts' corpus | - | 472 | - | - | 472 |
| Deferred pre-need receipts held in trust | 1,429 | 10,312 | 5,249 | 140 | 17,131 |
| | 1,429 | 11,564 | 5,249 | 140 | 18,383 |
| **Fair value of consideration transferred:** | | | | | |
| Cash consideration | 14,250 | 20,500 | 11,312 | 3,150 | 49,212 |
| Deferred cash consideration | 577 | 584 | 663 | 130 | 1,953 |
| | 14,827 | 21,084 | 11,975 | 3,280 | 51,165 |
| Total liabilities and considerations | $ 16,256 | $ 32,648 | $ 17,224 | $ 3,420 | $ 69,548 |

## 5. BUSINESS COMBINATIONS – continued

*Acquisitions completed in fiscal 2023 - continued*

(i) On March 13, 2023, the Company acquired substantially all the assets of Meyer Brothers Funeral Homes ("Meyer"), 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 $14,827.

(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 for a purchase price of $15,958.

(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 for a purchase price of $5,125.

(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 stand-alone funeral homes. As part of the acquisition, the Company entered into various lease agreements with the vendor and recognized a right-of-use asset and lease liability of $8,724. The Company also recognized a below market lease asset of $2,652 as part of these lease arrangements and this amount is included in right-of-use asset (see Note 7).

(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 $11,975.

(vii) On October 16, 2023, the Company acquired substantially all the assets of Christy-Smith Funeral Homes ("Christy-Smith"), a business consisting of two stand-alone funeral homes in Sioux City, Iowa for a purchase price of $3,280.

**(U.S. dollars and share amounts in thousands unless otherwise stated)**

## 5. BUSINESS COMBINATIONS – continued

*Acquisitions completed in fiscal 2023 - continued*

The purchase price allocation for Meyer, Speaks, Ward, MWB and Forrest & Taylor acquisitions was finalized in the fourth quarter of 2023. The purchase price allocation for Cobb and Christy-Smith acquisitions was finalized in the first quarter of 2024.

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 $586 and $922 and internal acquisition costs were $660 and $871 for the three month period ended March 31, 2024, and 2023, respectively.

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

Canadian acquisition transactions are initially recognized in USD at the average exchange rates for the period. Subsequently, the assets and liabilities are translated at the rate in effect at the consolidated statements of financial position date.

## 6. LAND HELD FOR DEVELOPMENT

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

| | January 1, 2024 | Acquired in business combinations | Additions | Transferred from inventory | Transferred to inventory | Disposals | Foreign currency translation | March 31, 2024 |
|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | |
| Land held for development | 26,357 | - | 10 | 1,578 | (59) | - | (69) | 27,818 |
| Total | $ 26,357 | | | | | | | $ 27,818 |

| | January 1, 2023 | Acquired in business combinations | Additions | Transferred to inventory | Disposals | Foreign currency translation | December 31, 2023 |
|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | |
| Land held for development | 26,311 | - | 1,251 | (373) | (736) | (97) | 26,357 |
| Total | $ 26,311 | | | | | | $ 26,357 |

**(U.S. dollars and share amounts in thousands unless otherwise stated)**

## 7. PROPERTY AND EQUIPMENT

| | January 1, 2024 | Acquired in business combinations | Additions | Disposals | Foreign currency translation | March 31, 2024 |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| Land | $ 67,095 | 200 | (39) | - | (98) | $ 67,159 |
| Buildings, cemetery and funeral property | 191,878 | 1,340 | 3,108 | - | (571) | 195,754 |
| Machinery, equipment and automotive | 37,539 | 188 | 249 | (70) | (128) | 37,778 |
| Cemetery improvements | 8,652 | - | 110 | - | (67) | 8,696 |
| Right-of-use asset | 22,296 | 17 | 18 | (49) | (370) | 21,913 |
| Total | 327,461 | 1,745 | 3,446 | (119) | (1,233) | 331,300 |
| Accumulated depreciation: | | | | | | |
| Buildings, cemetery and funeral property | 21,964 | - | 1,791 | - | (93) | 23,662 |
| Machinery, equipment and automotive | 16,490 | - | 1,238 | (53) | (65) | 17,610 |
| Cemetery improvements | 3,047 | - | 2 | - | (29) | 3,021 |
| Right-of-use asset | 5,206 | - | 747 | (64) | (48) | 5,841 |
| Total | 46,708 | - | 3,779 | (118) | (234) | 50,134 |
| Net book value | $ 280,753 | | | | | $ 281,166 |

| | January 1, 2023 | Acquired in business combinations | Additions | Disposals | Foreign currency translation | December 31, 2023 |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| Land | $ 64,122 | 5,715 | 1,499 | (4,325) | 85 | $ 67,095 |
| Buildings, cemetery and funeral property | 193,544 | 12,685 | 7,037 | (21,945) | 556 | 191,878 |
| Machinery, equipment and automotive | 37,707 | 2,871 | 4,792 | (7,948) | 117 | 37,539 |
| Cemetery improvements | 10,303 | - | 506 | (2,224) | 67 | 8,652 |
| Right-of-use asset | 8,461 | | 14,102 | (578) | 312 | 22,296 |
| Total | 314,137 | 21,271 | 27,936 | (37,020) | 1,138 | 327,461 |
| Accumulated depreciation: | | | | | | |
| Buildings, cemetery and funeral property | 19,190 | - | 6,717 | (4,033) | 90 | 21,964 |
| Machinery, equipment and automotive | 15,602 | - | 5,200 | (4,375) | 63 | 16,490 |
| Cemetery improvements | 4,241 | - | 702 | (1,925) | 28 | 3,047 |
| Right-of-use asset | 3,013 | - | 2,321 | (170) | 43 | 5,206 |
| Total | 42,046 | - | 14,940 | (10,502) | 224 | 46,708 |
| Net book value | $ 272,091 | | | | | $ 280,753 |

Property and equipment depreciation expense amounted to $3,779 and $3,450 for the three month period ended March 31, 2024, and 2023, respectively. Included in property and equipment is depreciation expense related to corporate assets of $139 and $143 for the three month period ended March 31, 2024, and 2023, 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 March 31, 2024, are $247 of additions at Canadian cemeteries and funeral sites (at December 31, 2023 - $13,310) and $3,199 of additions at U.S. cemeteries and funeral sites (at December 31, 2023 - $14,626).

The amount of interest capitalized to development costs on property was $175 and $45 for the three month period ended March 31, 2024, and 2023, respectively. Capitalization rate used to determine the amount of borrowing costs eligible for capitalization was 6.6% and 5.4% for the three month period ended March 31, 2024, and 2023, respectively.

During the three month period ended March 31, 2024, the Company disposed of miscellaneous equipment for a sale price of $12 realizing a net gain of $27.

During the three month period ended March 31, 2023, the Company disposed of miscellaneous equipment for a sale price of $497 realizing a net gain of $37.

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

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

**(U.S. dollars and share amounts in thousands unless otherwise stated)**

## 8. CARE AND MAINTENANCE TRUST FUND INVESTMENTS

Investment income recognized in operations amounted to $1,861 and $2,699 for the three month period ended March 31, 2024, and 2023, respectively.

The Company contributed $2,040 and $2,314 to the care and maintenance trust funds for the three month period ended March 31, 2024, and 2023, respectively.

Care and maintenance trust fund investments consist of the following:

| | Fair Value and Amortized Cost | | Cost | |
|---|---|---|---|---|
| | March 31, 2024 | December 31, 2023 | March 31, 2024 | December 31, 2023 |
| **Cash and cash equivalents** | $ 10,921 | $ 7,897 | $ 10,921 | $ 7,885 |
| **Fixed Income** | | | | |
| *Canadian* | | | | |
| Corporate | 8,029 | 8,218 | 8,464 | 8,648 |
| Government | 143 | 148 | 129 | 132 |
| *US* | | | | |
| Corporate | 55 | 55 | 95 | 95 |
| Government | - | - | - | - |
| **Equities** | | | | |
| *Canadian* | 29,638 | 34,317 | 24,356 | 29,487 |
| *US* | 3,748 | - | 3,608 | - |
| *Other* | 257 | - | 249 | - |
| *Canadian Preferred* | 9,604 | 7,928 | 8,885 | 7,481 |
| *US Preferred* | - | 526 | - | 512 |
| *Other Preferred* | 578 | - | 501 | - |
| **Mutual Funds/ETFs** | | | | |
| Equity | 33,675 | 26,710 | 29,657 | 24,412 |
| Fixed Income | 42,858 | 41,646 | 44,311 | 43,675 |
| Preferred | 13,919 | 18,170 | 16,207 | 22,173 |
| **Alternative** | 26,129 | 29,795 | 28,876 | 32,267 |
| | $ 179,555 | $ 175,411 | $ 176,259 | $ 176,767 |

(U.S. dollars and share amounts in thousands unless otherwise stated)

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

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

| | Fair Value and Amortized Cost | | Cost | |
|---|---|---|---|---|
| | March 31, 2024 | December 31, 2023 | March 31, 2024 | December 31, 2023 |
| **Cash and cash equivalents** | $ 18,537 | $ 17,528 | $ 18,541 | $ 17,528 |
| **GIC's** | 30,388 | 30,842 | 30,388 | 30,842 |
| **Fixed Income** | | | | |
| *Canadian* | | | | |
| Corporate | 23 | - | 22 | - |
| Government | - | - | - | - |
| *US* | | | | |
| Corporate | 1,364 | 1,447 | 1,364 | 1,455 |
| Government | - | - | - | - |
| **Equities** | | | | |
| *Canadian* | 137 | 162 | 101 | 122 |
| *US* | 7 | - | 3 | - |
| *Other* | - | - | - | - |
| *Canadian Preferred* | 51 | 54 | 46 | 51 |
| *US Preferred* | - | 10 | - | 5 |
| *Other Preferred* | 3 | - | 2 | - |
| **Mutual Funds/ETFs** | | | | |
| Equity | 56,197 | 51,266 | 52,018 | 51,173 |
| Fixed Income | 27,754 | 27,846 | 28,062 | 29,120 |
| Preferred | - | - | - | - |
| **Alternative** | 40,660 | 45,720 | 49,395 | 49,750 |
| | $ 175,122 | $ 174,874 | $ 179,942 | $ 180,045 |

## 10. PRE-ARRANGED 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 March 31, 2024, the current face amount of pre-funded policies was $576,564 (as at December 31, 2023 – $572,844). Families who have pre-arranged with the Company will receive a refund from the insurer 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.

(U.S. dollars and share amounts in thousands unless otherwise stated)

## 11. GOODWILL AND INTANGIBLES

The changes in the carrying amount of goodwill and intangible assets as at March 31, 2024, were:

| | January 1, 2024 | Acquired in business combinations | Additions | Disposals | Foreign currency translation | March 31, 2024 |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| Goodwill | $ 365,815 | 1,957 | - | - | (400) | $ 367,373 |
| Non-compete agreements | 17,964 | 452 | - | - | (28) | 18,388 |
| Brand | 37,632 | 469 | - | - | (35) | 38,066 |
| Computer software | 3,845 | - | 401 | - | - | 4,246 |
| Total | 425,256 | 2,878 | 401 | - | (463) | 428,073 |
| Accumulated amortization: | | | | | | |
| Non-compete agreements | 7,601 | - | 333 | - | (8) | 7,926 |
| Computer software | 256 | - | 45 | - | - | 301 |
| Total | 7,857 | - | 378 | - | (8) | 8,226 |
| Net book value | $ 417,399 | | | | | $ 419,847 |

The changes in the carrying amount of goodwill and intangible assets as at December 31, 2023, were:

| | January 1, 2023 | Acquired in business combinations | Additions | Disposals | Foreign currency translation | December 31, 2023 (Restated, Measurement Period Adjustment - See Note 5) |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| Goodwill | $ 411,800 | 22,017 | - | (68,359) | 357 | $ 365,815 |
| Non-compete agreements | 15,476 | 2,467 | - | - | 20 | 17,964 |
| Brand | 32,398 | 5,215 | - | - | 19 | 37,632 |
| Computer software | 2,799 | - | 1,046 | - | - | 3,845 |
| Total | 462,473 | 29,699 | 1,046 | (68,359) | 397 | 425,256 |
| Accumulated amortization: | | | | | | |
| Non-compete agreements | 6,090 | - | 1,503 | | 8 | 7,601 |
| Computer software | 134 | - | 122 | - | - | 256 |
| Total | 6,224 | - | 1,625 | - | 8 | 7,857 |
| Net book value | $ 456,249 | | | | | $ 417,399 |

Amortization expense amounted to $378 and $324 for the three month period ended March 31, 2024, and 2023, respectively.

**(U.S. dollars and share amounts in thousands unless otherwise stated)**

## 12. LONG-TERM DEBT

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Credit Facility | $ 144,469 | $ 144,976 |
| Other debt | 42 | 49 |
| Deferred financing costs | (686) | (867) |
| Total | 143,824 | 144,159 |
| Current portion | 25 | 30 |
| Non-current portion | $ 143,799 | $ 144,128 |

*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 $240,000 and a maturity date of August 31, 2027. Additionally, the Credit Facility included a $60,000 tranche that matured on February 21, 2024, which the Company did not renew. 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).

**(U.S. dollars and share amounts in thousands unless otherwise stated)**

## 12. LONG-TERM DEBT – continued

*Credit Facility – continued*

As at March 31, 2024, there was $144,469 outstanding under the Credit Facility (as at December 31, 2023 - $144,976). Deferred financing costs have been capitalized and are being amortized over the term of the Credit Facility. The amortization of deferred financing costs were $176 and $138 for the three month period ended March 31, 2024, and 2023, respectively. As at March 31, 2024, standby letters of credit were issued utilizing $534 of the Credit Facility (as at December 31, 2023 - $546).

*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

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Notes payable | $ 13,294 | $ 14,903 |
| Current portion | 2,506 | 4,111 |
| Non-current portion | $ 10,788 | $ 10,792 |

*Notes payable*

*i)* The Company has an outstanding note payable of $1,071 (as at December 31, 2023 - $1,071) to the former owner of real estate acquired by a cemetery. The note calls for yearly payments of $50 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 is non-recourse and is subject to a development agreement that can be terminated by either party after May 9, 2023. The loan can be prepaid at any time without penalty.

*ii)* The Company has outstanding notes payable of $11,721 (as at December 31, 2023 - $11,864) to former owners of previously acquired businesses, primarily for the deferred consideration and $502 (as at December 31, 2023 - $1,968) related to the financing of the general business insurance policies. These notes payable have imputed interest rates ranging from 2% to 6% and remaining terms of up to 10 years.

*Summary of principal repayments by year*

| | Due in one year | Due between one and two years | Due between two and three years | Due between three and four years | Due between four and five years | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Notes payable | $ 2,506 | $ 2,001 | $ 1,697 | $ 1,593 | $ 1,343 | $ 4,154 | $ 13,294 |

(U.S. dollars and share amounts in thousands unless otherwise stated)

## 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 Debentures.

The balance of the Debentures as at March 31, 2024, is as follows:

| | March 31, 2024 |
|---|---|
| Balance at December 31, 2022 | $ 61,651 |
| Accretion expense in 2023 | 632 |
| Foreign currency translation | 1,364 |
| Balance at December 31, 2023 | $ 63,647 |
| Accretion expense in 2024 | 165 |
| Foreign currency translation | (1,350) |
| Balance at March 31, 2024 | $ 62,461 |

Interest expense on the Debentures amounted to $917 and $904 for the three month period ended March 31, 2024, and 2023, respectively. Accretion expense amounted to $165 and $151 for the three month period ended March 31, 2024, and 2023, respectively. The transaction costs are amortized over the life of the Debentures, and as of March 31, 2024, the total unamortized portion of the transaction costs was $1,138.

## 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:

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Cemetery and funeral merchandise, lots, crypts, and niches | $ 52,359 | $ 50,364 |
| Cemetery and funeral services | 44,839 | 45,465 |
| Total | $ 97,198 | $ 95,829 |

## 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 $2,873 and $2,883 for the three month period ended March 31, 2024, and 2023, respectively.

**(U.S. dollars and share amounts in thousands unless otherwise stated)**

## 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.

*Shares issued and outstanding*

| | Number of Common Shares | | Amount |
|---|---|---|---|
| Balance January 1, 2023 | 33,939 | $ | 510,337 |
| Shares issued pursuant to: | | | |
| Dividend reinvestment plan (i) | 171 | | 2,968 |
| Equity incentive plan (Note 20) | 103 | | 2,268 |
| Shares purchased under normal course issuer bid and held in trust for future settlement of share based incentive compensation (ii) | (333) | | (5,020) |
| Balance December 31, 2023, net of shares held in trust (ii) | 33,880 | $ | 510,553 |
| Shares issued pursuant to: | | | |
| Dividend reinvestment plan (i) | 69 | $ | 937 |
| Equity incentive plan (Note 20) | 28 | | 605 |
| Balance March 31, 2024, net of shares held in trust (ii) | 33,977 | $ | 512,094 |

*(i) Dividend reinvestment plan*

On October 13, 2015, the Company implemented a dividend reinvestment plan, which was subsequently amended and restated on October 19, 2016, and on January 31, 2024 ("DRIP"). The DRIP allows eligible shareholders of PLC to reinvest their cash dividends into additional Common Shares, which will be issued from treasury or purchased on the open market on the applicable dividend payment date. If Common Shares are issued from treasury, the price at which such Common Shares are issued will be the VWAP of the Common Shares over the five business days immediately preceding such dividend payment date less a discount, if any, of up to 5%, at the Company's election. The Company has determined to set the current discount for purchases under the DRIP at 3%. The Company may, subject to the terms of the DRIP, alter or eliminate any discount at any time.

## 17. SHARE CAPITAL – continued

*(ii) Common 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 3,392 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 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"). 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 16 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 the EIP.

The Trust is considered a 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 restricted share unit and performance share unit awards.

## 17. SHARE CAPITAL – continued

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

Since the inception of its NCIB which commenced on August 17, 2022, the Company has purchased 534 Common Shares through open market purchases on the TSX and/or alternative Canadian trading systems, at a weighted average price of approximately C$21.69 per Common Share for total cash consideration, including commission, of $8,557 (C$11,579). For the three month period ended March 31, 2024, there were no Common Shares purchased under the NCIB. As at March 31, 2024, 420 Common Shares are held in the Trust for the settlement of awards issued under the EIP. For the year ended December 31, 2023, the Company purchased 333 Common Shares for aggregate consideration of $4,804 (C$6,517).

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Common shares repurchased under the NCIB and held in trust (number of shares) | | |
| Outstanding, beginning of the period | 448 | 201 |
| Shares purchased | - | 333 |
| Shares used for EIP award redemptions | (28) | (86) |
| Outstanding, end of the period | 420 | 448 |

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Common shares repurchased under the NCIB and held in trust (number of shares) for the period ended | - | 333 |
| Cash consideration paid | $ - | $ 4,804 |
| Premium charged to retained earnings | $ - | $ (216) |
| Reduction in common share capital | $ - | $ 5,020 |

| (in thousands except per share figures) | Three Months Ended March 31, 2024 | 2023 |
|---|---|---|
| Net earnings for the period | $ 5,247 | $ 4,576 |
| Basic weighted average number of common shares, net of shares held in trust | 34,020 | 34,258 |
| Dilutive effect of equity incentive plan (Note 20) | 1,127 | 342 |
| Diluted weighed average number of common shares, net of shares held in trust | 35,147 | 34,600 |
| Net earnings per share - basic | $ 0.154 | $ 0.134 |
| Net earnings per share - diluted | $ 0.149 | $ 0.132 |

**(U.S. dollars and share amounts in thousands unless otherwise stated)**

## 18. COST OF SALES

Costs related to the sale of property interment rights include the property and construction costs specifically identified by the project. Upon completion of the project, construction costs are charged to expense when the property interment right is delivered. Costs such as direct labour, property, merchandise, direct supplies, and perpetual care are recognized when the merchandise or services are delivered.

| | Three Months Ended March 31, 2024 | 2023 |
|---|---|---|
| Cost of sales - merchandise | $ 8,742 | $ 11,197 |
| Cost of sales - cemetery lots, crypts and niches (cost of cemetery property) | 1,695 | 1,586 |
| Cost of sales - services | 985 | 1,520 |
| Cost of sales - labour | 633 | 767 |
| Total cost of sales | $ 12,055 | $ 15,071 |

## 19. FINANCE COSTS

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

| | Three Months Ended March 31, 2024 | 2023 |
|---|---|---|
| Finance costs: | | |
| Interest on credit facility (Note 12) | $ 2,668 | $ 2,173 |
| Interest on Senior Unsecured Debentures (Note 14) | 917 | 904 |
| Interest on other debt and notes payable (Note 12 and 13) | 106 | 86 |
| Interest on lease liabilities | 390 | 157 |
| Amortization of deferred financing costs (Note 12) | 176 | 138 |
| Accretion expense on Senior Unsecured Debentures (Note 14) | 165 | 151 |
| Interest capitalized to construction (Note 7) | (175) | (45) |
| Unrealized foreign exchange on finance costs | 7 | 58 |
| Interest adjustment on interest rate swaps | (264) | (14) |
| Total | $ 3,989 | $ 3,609 |

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

**(U.S. dollars and share amounts in thousands unless otherwise stated)**

## 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.

| (in thousand) | March 31 2024 | December 31, 2023 |
|---|---|---|
| Outstanding, beginning of the period | 66 | 47 |
| Awarded | 5 | 18 |
| Redemptions | - | - |
| Dividend equivalents | 0 | 1 |
| Outstanding, end of the period | 71 | 66 |

*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 March 31, 2024, 7 thousand of the awarded and outstanding RSUs have vested. The weighted average issuance price for the three month period ended March 31, 2024, was nil as no RSUs were issued.

| (in thousand) | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Outstanding, beginning of the period | 974 | 272 |
| Awarded | - | 862 |
| Redemptions | (28) | (86) |
| Cancellations/Forfeited | - | (83) |
| Dividend equivalents | 6 | 10 |
| Outstanding, end of the period | 951 | 974 |

*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. The awarded and outstanding PSUs vested as at March 31, 2024, was nil.

| (in thousand) | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Outstanding, beginning of the period | 286 | 192 |
| Awarded | - | 100 |
| Redemptions | - | - |
| Cancellations/Forfeited | - | (10) |
| Dividend equivalents | 2 | 4 |
| Outstanding, end of the period | 288 | 286 |

(U.S. dollars and share amounts in thousands unless otherwise stated)

## 20. EQUITY INCENTIVE PLAN – continued

*Stock Options ("Options")*

| Grant Date | Expiry Date | Exercise Price | 31-Mar-24 | Vested | Unvested |
|---|---|---|---|---|---|
| May 21, 2020 | May 21, 2025 | $ 15.06 | 331,667 | - | 331,667 |
| | Weighted Average Exercise Price | | $ 15.06 | $ - | $ 15.06 |

| Grant Date | Expiry Date | Exercise Price | 31-Mar-24 | Vested | Unvested |
|---|---|---|---|---|---|
| May 30, 2019 | June 30, 2023 | $ 19.07 | - | - | - |
| July 15, 2019 | June 30, 2023 | $ 21.28 | - | - | - |
| May 21, 2020 | May 21, 2025 | $ 15.06 | 331,667 | - | 331,667 |
| October 5, 2020 | October 30, 2024 | $ 20.88 | - | - | - |
| | | | 331,667 | - | 331,667 |
| | Weighted Average Exercise Price | | $ 15.06 | $ - | $ 15.06 |

The compensation expenses in respect of EIP awards amounted to $2,227 and $1,101 for the three month period ended March 31, 2024, and 2023, respectively. Included in the compensation expenses are legal and administrative fees related to the issuance of EIP awards of $8 and $8 for the three month period ended March 31, 2024, and 2023, 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 in respect of 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 EXPENSES (INCOME)

| | Three Months Ended March 31, 2024 | 2023 |
|---|---|---|
| Legal and other costs | $ 8 | $ 56 |
| (Gain) on disposal of property and equipment (Note 7) | (27) | (37) |
| | $ (19) | $ 19 |

Legal and other costs were $8 and $56 for the three month period ended March 31, 2024, and 2023, respectively. Legal and other costs relate to the preservation of certain historical investments and obligations associated with those investments.

**(U.S. dollars and share amounts in thousands unless otherwise stated)**

## 22. RELATED PARTY TRANSACTIONS AND BALANCES

*Key management compensation*

Key management includes the members of the Board of Directors, 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 March 31 | |
|---|---|---|
| | 2024 | 2023 |
| Key management compensation | $ 2,211 | $ 1,581 |
| Directors' fees | 120 | 132 |
| Total | $ 2,330 | $ 1,713 |

Directors' fees and key management compensation included in share-based incentive were $1,326 and $685 for the three month period ended March 31, 2024, and 2023, respectively. Key management compensation included in acquisition and integration costs were $295 and $243 for the three month period ended March 31, 2024, and 2023, respectively. As at March 31, 2024, included in accounts payable and accrued liabilities are directors' fees and key management compensation of $478 (as at December 31, 2023 - $1,679).

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$3,332. 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 of Directors for the 2023-2024 service year (see Note 5 iv).

## 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; and
- Level 3 includes inputs for the assets or liability that are not based on observable market data.

As at March 31, 2024, the Debentures (see Note 14) are valued under Level 2 and have a fair value of $63,076 (as at December 31, 2023 - $64,418).

As at March 31, 2024, 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.

**(U.S. dollars and share amounts in thousands unless otherwise stated)**

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

*Fair value of financial instruments - continued*

The trust assets are valued as follows:

Care and maintenance trust fund investments at March 31, 2024

| | 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** | $ 10,921 | $ - | $ - | $ - | $ 10,921 | $ 10,921 |
| **Fixed Income** | - | | | | | |
| *Canadian* | | | | | | |
| Corporate | 8,464 | 4,337 | - | - | 3,693 | 8,029 |
| Government | 129 | 143 | - | - | - | 143 |
| *US* | | | | | | |
| Corporate | 95 | 55 | - | - | - | 55 |
| Government | - | - | - | - | - | - |
| **Equities** | | | | | | |
| *Canadian* | 24,356 | 29,638 | - | - | - | 29,638 |
| *US* | 3,608 | 3,748 | - | - | - | 3,748 |
| *Other* | 249 | 257 | - | - | - | 257 |
| *Canadian Preferred* | 8,885 | 9,604 | - | - | - | 9,604 |
| *US Preferred* | - | - | - | - | - | - |
| *Other Preferred* | 501 | 578 | - | - | - | 578 |
| **Mutual Funds/ETFs** | | | | | | |
| Equity | 29,657 | 33,675 | - | - | - | 33,675 |
| Fixed Income | 44,311 | 42,858 | - | - | - | 42,858 |
| Preferred | 16,207 | 13,919 | - | - | - | 13,919 |
| **Alternative** | 28,876 | - | - | 26,129 | - | 26,129 |
| | $ 176,259 | $ 138,812 | $ - | $ 26,129 | $ 14,613 | $ 179,555 |

Care and maintenance trust fund investments at December 31, 2023

| | 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** | $ 7,885 | $ - | $ - | $ - | $ 7,897 | $ 7,897 |
| **Fixed Income** | | | | | | |
| *Canadian* | | | | | | |
| Corporate | 8,648 | 4,446 | - | - | 3,773 | 8,218 |
| Government | 132 | 148 | - | - | - | 148 |
| *US* | | | | | | |
| Corporate | 95 | 55 | - | - | - | 55 |
| Government | - | - | - | - | - | - |
| **Equities** | | | | | | |
| *Canadian* | 29,487 | 34,317 | - | - | - | 34,317 |
| *US* | - | - | - | - | - | - |
| *Canadian Preferred* | 7,481 | 7,928 | - | - | - | 7,928 |
| *US Preferred* | 512 | 526 | - | - | - | 526 |
| **Mutual Funds/ETFs** | | | | | | |
| Equity | 24,412 | 26,710 | - | - | - | 26,710 |
| Fixed Income | 43,675 | 41,646 | - | - | - | 41,646 |
| Preferred | 22,173 | 18,170 | - | - | - | 18,170 |
| **Alternative** | 32,267 | - | - | 29,795 | - | 29,795 |
| | $ 176,767 | $ 133,946 | $ - | $ 29,795 | $ 11,670 | $ 175,411 |

**(U.S. dollars and share amounts in thousands unless otherwise stated)**

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

*Fair value of financial instruments - continued*

| | January 1, 2024 | Investment purchases | Investment dispositions | Capital distributions | Foreign exchange | Change in fair value | March 31, 2024 |
|---|---|---|---|---|---|---|---|
| Alternative | 29,795 | - | (3,352) | - | (117) | (198) | 26,129 |
| Total | $ 29,795 | | | | | | $ 26,129 |

| | January 1, 2023 | Investment purchases | Investment dispositions | Capital distributions | Foreign exchange | Change in fair value | December 31, 2023 |
|---|---|---|---|---|---|---|---|
| Alternative | 31,673 | 9,723 | (2,871) | (26) | 136 | (8,841) | 29,795 |
| Total | $ 31,673 | | | | | | $ 29,795 |

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.

(U.S. dollars and share amounts in thousands unless otherwise stated)

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

*Fair value of financial instruments - continued*

Pre-need merchandise and service trust fund investments at March 31, 2024

| | 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** | $ 18,541 | $ - | $ - | $ - | $ 18,537 | $ 18,537 |
| **GIC's** | 30,388 | - | 30,388 | - | - | 30,388 |
| **Fixed Income** | | | | | | |
| *Canadian* | | | | | | |
| Corporate | 22 | 23 | - | - | - | 23 |
| Government | - | - | - | - | - | - |
| *US* | | | | | | |
| Corporate | 1,364 | 1,364 | - | - | - | 1,364 |
| Government | - | - | - | - | - | - |
| **Equities** | | | | | | |
| *Canadian* | 101 | 137 | - | - | - | 137 |
| *US* | 3 | 7 | - | - | - | 7 |
| *Other* | - | - | - | - | - | - |
| *Canadian Preferred* | 46 | 51 | - | - | - | 51 |
| *US Preferred* | - | - | - | - | - | - |
| *Other Preferred* | 2 | 3 | - | - | - | 3 |
| **Mutual Funds/ETFs** | | | | | | |
| Equity | 52,018 | 56,197 | - | - | - | 56,197 |
| Fixed Income | 28,062 | 27,754 | - | - | - | 27,754 |
| Preferred | - | - | - | - | - | - |
| **Alternative** | 49,395 | - | - | 40,660 | - | 40,660 |
| | $ 179,942 | $ 85,537 | $ 30,388 | $ 40,660 | $ 18,537 | $ 175,122 |

Pre-need merchandise and service trust fund investments at December 31, 2023

| | 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** | $ 17,528 | $ - | $ - | $ - | $ 17,528 | $ 17,528 |
| **GIC's** | 30,842 | - | 30,842 | - | - | 30,842 |
| **Fixed Income** | | | | | | |
| *Canadian* | | | | | | |
| Corporate | - | - | - | - | - | - |
| Government | - | - | - | - | - | - |
| *US* | | | | | | |
| Corporate | 1,455 | 1,447 | - | - | - | 1,447 |
| Government | - | - | - | - | - | - |
| **Equities** | | | | | | |
| *Canadian* | 122 | 162 | - | - | - | 162 |
| *US* | - | - | - | - | - | - |
| *Canadian Preferred* | 51 | 54 | - | - | - | 54 |
| *US Preferred* | 5 | 10 | - | - | - | 10 |
| **Mutual Funds/ETFs** | | | | | | |
| Equity | 51,173 | 51,266 | - | - | - | 51,266 |
| Fixed Income | 29,120 | 27,846 | - | - | - | 27,846 |
| Preferred | - | - | - | - | - | - |
| **Alternative** | 49,750 | - | - | 45,720 | - | 45,720 |
| | $ 180,045 | $ 80,784 | $ 30,842 | $ 45,720 | $ 17,528 | $ 174,874 |

**(U.S. dollars and share amounts in thousands unless otherwise stated)**

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

*Fair value of financial instruments – continued*

| | January 1, 2023 | Investment purchases | Investment dispositions | Capital Distributions | Foreign exchange | Change in fair value | March 31, 2024 |
|---|---|---|---|---|---|---|---|
| Alternative | 45,720 | 360 | (1,036) | (12) | - | (4,372) | 40,660 |
| Total | $ 45,720 | | | | | | $ 40,660 |

| | January 1, 2023 | Investment purchases | Investment dispositions | Capital Distributions | Foreign exchange | Change in fair value | December 31, 2023 |
|---|---|---|---|---|---|---|---|
| Alternative | 52,217 | 7,988 | (7,550) | (324) | - | (6,611) | 45,720 |
| Total | $ 52,217 | | | | | | $ 45,720 |

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) Interest rate on Credit Facility

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 statements of earnings and comprehensive income.

As of March 31, 2024, a 100 basis-point change in interest rates, assuming all other variables are constant, would result in a $445 change in the Company's finance costs over the next 12 months excluding the impact of the $100,000 interest rate swaps.

(ii) Interest rate swaps

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 $50,000. 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 $25,000. 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 $25,000. 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 was a gain of $919 and a loss of $1,601 for the three month period ended March 31, 2024, and 2023, respectively.

(U.S. dollars and share amounts in thousands unless otherwise stated)

## 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 March 31, 2024, and December 31, 2023:

| | Maturity date | Fixed rate | Notional amount | March 31, 2024 Carrying value and fair value | December 31, 2023 Carrying value and fair value |
|---|---|---|---|---|---|
| Interest rate swap agreements, as of March 31, 2024 | | | | | |
| Interest rate swap agreement | 2/27/2026 | 4.372% | 50,000 | 118 | (438) |
| Interest rate swap agreement | 3/3/2026 | 4.520% | 25,000 | 5 | (284) |
| Interest rate swap agreement | 4/3/2025 | 3.900% | 25,000 | 286 | 212 |
| | | | $ 100,000 | $ 409 | $ (510) |

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 statements of earnings 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:

| | March 31, 2024 |
|---|---|
| Balance at December 31, 2023 | $ (510) |
| Fair value adjustment on interest rate swaps | 919 |
| Balance at March 31, 2024 | $ 409 |

## 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.

*Commitments*

The Company has ongoing commitments with the remaining balance of $52,368 for the construction of funeral homes, mausoleums and cemetery developments in the United States and Canada, long-term commitment with one of its principal suppliers, commercial property lease for new corporate head office space in Houston, Texas and a construction commitment for the new space. To date, the Company spent $17,387 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 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 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.

(U.S. dollars and share amounts in thousands unless otherwise stated)

## 25. SEGMENTED INFORMATION – continued

*Geographic information*

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

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Canada | $ 200,965 | $ 202,822 |
| United States | 1,072,731 | 1,068,972 |
| Total | $ 1,273,696 | $ 1,271,794 |

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

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Canada | $ 205,472 | $ 207,561 |
| United States | 525,398 | 527,062 |
| Total | $ 730,870 | $ 734,623 |

(U.S. dollars and share amounts in thousands unless otherwise stated)

## 25. SEGMENTED INFORMATION – continued

*Geographic information - continued*

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 March 31, 2024 | Three Months Ended March 31, 2023 |
|---|---|---|
| Sales: | | |
| Canada | $ 9,222 | $ 7,210 |
| United States | 63,565 | 75,761 |
| Total sales | 72,786 | 82,971 |
| Income from care and maintenance funds: | | |
| Canada | 642 | 991 |
| United States | 1,220 | 1,708 |
| Total income from care and maintenance funds | 1,861 | 2,699 |
| Interest and other income: | | |
| Canada | 83 | 93 |
| United States | 1,663 | 972 |
| Total interest and other income | 1,746 | 1,065 |
| Total revenue: | | |
| Canada | 9,946 | 8,294 |
| United States | 66,447 | 78,442 |
| Total revenue | $ 76,393 | $ 86,736 |
| Total net (loss) earnings: | | |
| Canada[1] | (3,902) | (2,237) |
| United States | 9,148 | 6,813 |
| Total net (loss) earnings | $ 5,247 | $ 4,576 |

[1] Canada's net loss includes shared based incentive compensation and public company costs.

**(U.S. dollars and share amounts in thousands unless otherwise stated)**

## 25. SEGMENTED INFORMATION – continued

*Operating segments*

| | Three Months Ended March 31, 2024 | | | |
|---|---|---|---|---|
| | Cemetery | Funeral Home | Corporate | Total |
| **Revenue** | | | | |
| Sales | $ 20,190 | $ 52,597 | $ - | $ 72,786 |
| Income from care and maintenance funds | 1,852 | 10 | - | 1,861 |
| Interest and other income | 721 | 380 | 644 | 1,746 |
| **Total revenue** | 22,763 | 52,987 | 644 | 76,393 |
| **Operating expenses** | | | | |
| Cost of sales | 5,027 | 7,028 | - | 12,055 |
| General and administrative | 5,233 | 27,936 | - | 33,169 |
| Maintenance | 2,652 | 1,405 | - | 4,057 |
| Advertising and selling | 2,663 | 2,307 | - | 4,970 |
| **Total operating expenses** | 15,576 | 38,676 | - | 54,252 |
| **Revenue less operating expenses** | 7,187 | 14,311 | 644 | 22,142 |
| **Other expenses** | | | | |
| Corporate general and administrative | - | - | 7,969 | 7,969 |
| Amortization of intangibles | 16 | 318 | 45 | 378 |
| Finance costs | (132) | 412 | 3,709 | 3,989 |
| Fair value adjustment on interest rate swaps | - | - | (919) | (919) |
| Share-based incentive compensation | - | - | 2,227 | 2,227 |
| Acquisition and integration costs | 19 | 102 | 1,125 | 1,246 |
| Other (income) expenses | - | (27) | 9 | (19) |
| **Total other expenses** | (98) | 804 | 14,166 | 14,871 |
| **Earnings (loss) before income taxes** | 7,285 | 13,507 | (13,521) | 7,270 |
| Income tax expense | 1,967 | 3,647 | (3,590) | 2,023 |
| **Net earnings (loss) for the period** | $ 5,318 | $ 9,860 | $ (9,931) | $ 5,247 |

(U.S. dollars and share amounts in thousands unless otherwise stated)

## 25. SEGMENTED INFORMATION – continued

*Operating segments - continued*

| | Three Months Ended March 31, 2023 | | | |
|---|---|---|---|---|
| | Cemetery | Funeral Home | Corporate | Total |
| **Revenue** | | | | |
| Sales | $ 32,719 | $ 50,252 | $ - | $ 82,971 |
| Income from care and maintenance funds | 2,699 | - | - | 2,699 |
| Interest and other income | 855 | 140 | 71 | 1,065 |
| **Total revenue** | 36,273 | 50,392 | 71 | 86,736 |
| **Operating expenses** | | | | |
| Cost of sales | 7,912 | 7,159 | - | 15,071 |
| General and administrative | 9,575 | 26,219 | - | 35,794 |
| Maintenance | 4,324 | 1,373 | - | 5,697 |
| Advertising and selling | 4,493 | 2,576 | - | 7,069 |
| **Total operating expenses** | 26,305 | 37,327 | - | 63,631 |
| **Revenue less operating expenses** | 9,968 | 13,065 | 71 | 23,104 |
| **Other expenses** | | | | |
| Corporate general and administrative | - | - | 7,599 | 7,599 |
| Amortization of intangibles | 19 | 272 | 33 | 324 |
| Finance costs | 12 | 201 | 3,396 | 3,609 |
| Fair value adjustment of interest rate swaps | - | - | 1,601 | 1,601 |
| Share-based incentive compensation | - | - | 1,101 | 1,101 |
| Acquisition and integration costs | - | - | 1,793 | 1,793 |
| Other (income) expenses | - | (37) | 57 | 19 |
| **Total other expenses** | 31 | 436 | 15,580 | 16,046 |
| **Earnings (loss) before income taxes** | 9,937 | 12,629 | (15,509) | 7,058 |
| Income tax expense | 2,683 | 3,410 | (3,611) | 2,482 |
| **Net earnings (loss) for the period** | $ 7,254 | $ 9,219 | $ (11,897) | $ 4,576 |

**(U.S. dollars and share amounts in thousands unless otherwise stated)**

## 26. DISPOSAL OF BUSINESSES

On December 20, 2023, PLC completed the divestiture of substantially all of the assets of The Park Lawn Cemetery Company (USA), Inc., PLC Saber Ltd. and PLC Citadel Ltd. The divestiture included 72 cemeteries in Kentucky, Michigan, North Carolina and South Carolina and 11 funeral homes in Kentucky and North Carolina. The transaction was valued at $70,000, consisting of $55,000 in cash and the remaining $15,000 in deferred compensation, bearing interest at 10% per annum, to be received by PLC within 5 years following the closing of the transaction. The deferred compensation is included in prepaid expenses and other assets. Transaction costs were $4,826 and resulted in a loss of $28,149.

The major classes of assets and liabilities disposed of are as follows:

| | December 31, 2023 |
|---|---|
| **Assets:** | |
| Cash | $ 3,010 |
| Accounts receivable | 2,543 |
| Pre-need receivables | 34,397 |
| Inventories | 21,357 |
| Prepaid expenses and other assets | 899 |
| Land held for development | 736 |
| Property and equipment | 24,240 |
| Care and maintenance trust fund investments | 40,197 |
| Pre-need merchandise and service trust fund investments | 83,363 |
| Goodwill | 68,359 |
| Deferred commission | 18,625 |
| Assets held for sale | $ 297,724 |
| **Liabilities:** | |
| Accounts payable and accrued liabilities | $ 3,620 |
| Lease liabilities | 34 |
| Deferred revenue | 77,188 |
| Care and maintenance trusts' corpus | 40,197 |
| Deferred pre-need receipts held in trust | 83,363 |
| Liabilities directly associated with assets held for sale | 204,401 |
| **Net assets directly associated with disposal group** | $ 93,323 |

**(U.S. dollars and share amounts in thousands unless otherwise stated)**

## 27. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the March 31, 2024, consolidated statements of earnings with no effect on our previously reported results of operations, consolidated financial position, or consolidated cash flows to better reflect the nature of the expenses.

| | Three months ended March 31, 2023 | | |
|---|---|---|---|
| | *Previously stated* | *Reclassifications* | |
| **Operating expenses** | | | |
| Cost of sales | $ 15,090 | $ (19) | $ 15,071 |
| General and administrative | 34,980 | 815 | 35,794 |
| Maintenance | 6,078 | (381) | 5,697 |
| Advertising and selling | 7,484 | (415) | 7,069 |

## 28. SUBSEQUENT EVENTS

On May 9, 2024, the Company's Board of Directors approved the listing of an additional 500 common shares issuable pursuant to the Company's amended and restated dividend reinvestment plan. The increase is subject to TSX approval.

# PARK LAWN CORPORATION

**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**For the Quarter Ending March 31, 2024**

# Contents

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 month period ended March 31, 2024. This discussion should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and accompanying notes for the three month period ended March 31, 2024, together with the Company's audited consolidated financial statements and MD&A for the year ended December 31, 2023, and the accompanying notes contained therein. Information contained in this MD&A is based on information available to management as of May 9, 2024. Unless otherwise stated, all U.S. dollars and share amounts in thousands.

## Additional Information

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

## 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", "outlook", "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, those set out under the heading "2024 Financial Outlook" and statements regarding PLC's anticipated annual average acquisition spend, the EBITDA (as defined below) multiples that the Company generally expects to pay for acquisitions, the anticipated financial impact of recent and pending acquisitions and divestitures completed by the Company, expected synergies of acquisitions completed or to be completed by the Company, expectations regarding the Company's dividend policy, the Company's business generally, future development and construction, future financial position and business strategy, the deathcare industry, potential acquisitions, potential business partnering's, litigation, the ability of the Company to procure additional sales from new and existing customers, and the Company's plans and objectives, and any other information herein that is not a historical fact may be forward looking information. By its nature, forward-looking information, is inherently uncertain, subject to risk and 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 information and that the Company's business outlook, objectives, plans and strategic priorities may not be achieved. Forward-looking statements are not guarantees of future performance or events, and actual performance, events or results may differ materially from these forward-looking statements. Forward-looking information is 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 information in this MD&A, including: 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; that recent and future acquisitions will perform as expected and that recent acquisitions and 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; PLC will continue to effectively integrate the strategic partners and acquired businesses into the Company's existing operations; 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 assumptions underlying such forward-looking information are reasonable as of the date of this MD&A, there can be no assurance that such assumptions will prove to be correct. If PLC's assumptions turn out to be inaccurate, the Company's actual plans, results or actions could be materially different.

The future outcomes that relate to forward-looking information may be influenced by many risk factors that could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking information, including, but not limited to, risks associated with: the impact of higher interest rates on the Company's business; 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; political conflict, including from the economic sanctions imposed or to be imposed as a result thereof; 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 purchase by the Company of Common Shares pursuant to its normal course issuer bid; 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 non-controlled 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, 2023, 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 risk 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.

*Key Assumptions Underlying PLC's 2024 Financial Outlook*

In addition to the assumptions and risks described above, the Company's 2024 Financial Outlook is based on many assumptions, including, but not limited to, the following material assumptions for the full-year 2024: that PLC will continue to grow organically through initiatives such as development of new inventory and business locations (i.e. on-sites), as well as inorganically through mergers and acquisitions in the approximate amount of $50-$100 million on average per year; that mortality remain flat to slightly depressed from the impacts of the pull-forward effect associated with the COVID-19 pandemic; that corporate costs will remain relatively consistent with prior periods as the Company continues to enhance its corporate support facilities and resources, and continues to pursue M&A growth; deployment and integration of PLC's proprietary industry software, FaCTS™; 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; average supplier prices consistent with external price curves and internal forecasts; no significant event occurring outside the ordinary course of business such as a natural disaster, pandemic or other calamity; and interest rates remaining relatively stable throughout 2024.

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 information herein does 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, Material Accounting Policies and Critical Estimates

The Company's unaudited condensed interim consolidated financial statements for the three month period ended March 31, 2024, and accompanying notes (the "**Notes**") have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board and using accounting policies described therein, and are presented in U.S. dollars, except where otherwise indicated. The Company's material 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, 2023. There have been no material changes in the Company's material accounting policies or critical accounting estimates during the period ended March 31, 2024.

The financial information included herein reflects all adjustments that, in the opinion of management, are necessary for a fair presentation of the results for the interim periods presented. The results of operations for the periods ended March 31, 2024, and 2023 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 month period ended March 31, 2024, include the accounts of the Company and its subsidiaries. All significant accounts and transactions between consolidated entities are eliminated.

## Currency

The Company's 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 period end exchange rates as well as average exchange rates for the three months ended March 31, 2024, and 2023, and for the twelve months ended December 31, 2023.

| CAD/USD Exchange Rate | Three months ended, | | Year ended |
|---|---|---|---|
| | March 31, 2024 | March 31, 2023 | December 31, 2023 |
| Closing rate at the reporting date | 0.7385 | 0.7399 | 0.7545 |
| Average rate for the period | 0.7417 | 0.7396 | 0.7411 |

## 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, share-based 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 cost of cemetery property). The Company believes that EBITDA is 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 Adjusted EBITDA 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.

- **EBITDA Margin** – The Company calculates EBITDA Margin as EBITDA as a percentage of total revenue. The Company believes 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 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 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 the Company's existing operations, inventory additions to its cemetery properties, and lease payments. The Company believes that 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 the Company's ability to strengthen its balance sheet, repay its 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, 2023, and ending March 31, 2024.

- **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, 2023, and ending March 31, 2024.

- **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 is calculated in accordance with the Credit Facility and includes 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.

- **Disposed Businesses –** consists of the Company's divestiture of substantially all of the assets of The Park Lawn Cemetery Company (USA), Inc., PLC Saber Ltd. and PLC Citadel Ltd. on December 20, 2023, which included 72 cemeteries in Kentucky, Michigan, North Carolina and 11 funeral homes in Kentucky and North Carolina.

## 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 funeral, cremation and cemetery provider, with cemeteries, crematoria, funeral homes, chapels and event centers throughout Canada and the United States providing a full range of services and merchandise for families seeking to honor their loved ones. Products and services can be customized to meet the personal needs of the consumer and are sold on a pre-planned basis (pre-need) or at the time of a death (at-need). As at the date hereof, PLC owns and operates 175 funeral homes and 74 cemeteries inclusive of 33 on-sites (funeral home and cemetery combinations) across 3 Canadian provinces and 17 U.S. states.

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. In support of this goal, the Company focuses on streamlining and improving its operational efficiencies, and on acquiring companies that 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; controlling salary and merchandise costs, and effectively responding to increasing cremation trends by selling complementary services and merchandise and building an online platform to offer families an affordable and streamlined cremation arrangement process in certain markets. A more detailed discussion of certain risks applicable to the Company are included in the Company's AIF.

During the three month period ended March 31, 2024, PLC's operating performance continued to normalize as death rates returned to pre-pandemic levels, 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.

*2024 Financial Outlook*

With the completion of the three month period ended March 31, 2024, the Company reaffirms its 2024 Financial Outlook as follows:

| 2024 Financial Outlook | High | Midpoint | Low |
|---|---|---|---|
| Adjusted EBITDA | $80M | $75M | $70M |
| Adjusted Earnings Per Share – Diluted | $0.90 | $0.85 | $0.80 |

The above table outlines guidance ranges for full-year 2024 Adjusted EBTIDA and Adjusted Earnings Per Share – Diluted. These ranges take into consideration the Company's current outlook for the remainder of the 2024 fiscal year. The purpose of the 2024 Financial Outlook is to assist investors, shareholders, and others in understanding certain financial metrics relating to expected 2024 financial results to evaluate the performance of the Company's business. This information may not be appropriate for other purposes.

Although the Company's 2024 outlook focuses on its organic operations, the range of outcomes does anticipate M&A activity, but the timing and execution of that M&A activity is not easily predictable and will impact the Company's results. Further, while the Company largely believes that the residual impact of the COVID-19 pandemic is in the past, it is still expected there will continue to be some pull-forward effect on mortality affecting the Company's results for the 2024 fiscal year which is reflected in the range of its 2024 Financial Outlook. The 2024 Financial Outlook, including the various assumptions underlying it, is forward-looking and should be read in conjunction with the section entitled "*Forward-Looking Information*" (including the material assumptions listed under the heading "*Key Assumptions Underlying PLC's 2024 Financial Outlook*") and the related disclosure and information about various assumptions, factors, and risks that may cause the Company's actual future financial and operating results to differ from the Company's current expectations.

## Financial Highlights

The table below summarizes selected financial information as at March 31, 2024, and the relevant comparable periods:

| **(in thousands except per share figures)** | **March 31 2024** | **December 31 2023** | **December 31 2022** |
|---|---|---|---|
| Cash | $ 17,698 | $ 17,687 | $ 30,278 |
| Total Assets | $ 1,273,696 | $ 1,271,794 | $ 1,479,624 |
| Total Non-Current Liabilities | $ 692,732 | $ 689,126 | $ 861,180 |
| Total Debt (1) | $ 235,303 | $ 240,425 | $ 245,852 |
| Total Shareholder's Equity | $ 542,826 | $ 537,171 | $ 551,596 |
| Number of Shares Issued and Outstanding | 33,977 | 33,880 | 33,939 |
| | | | |
| Quarterly Dividend Paid per Share (CAD) | $ 0.114 | $ 0.114 | $ 0.114 |
| Leverage Ratio | 2.15x | 1.95x | 1.83x |
| Interest Coverage Ratio | 5.12x | 5.99x | 21.79x |

(1) Total Debt – consists of the aggregate of the book value of long term debt, notes payable, lease liabilities, hedging arrangements and senior unsecured Debentures, each as shown on the consolidated statement of financial position of the Company for the three month period ended March 31, 2024 (being an aggregate of $233,480 plus associated deferred financing costs of $686 and debt issuance costs of $1,137) and for the consolidated statement of financial position for the year ended December 31, 2023 (being an aggregate of $238,256, plus the face amount of deferred financing costs of $867 and debt issuance costs of $1,302) and for the year ended December 31, 2022 (being an aggregate of $242,615, plus the face amount of deferred financing costs of $1,303 and debt issuance costs of $1,934).

The following table provides selected financial information about PLC's performance for the three months ended March 31, 2024, and the relevant comparable period in 2023:

| (in thousands except per share figures) | Three Months Ended March 31, 2024 | 2023 | Increase (decrease) | % Increase (decrease) |
|---|---|---|---|---|
| Revenue | $ 76,393 | $ 86,736 | $ (10,343) | (11.9%) |
| Revenue less operating expenses | $ 22,142 | $ 23,104 | $ (962) | (4.2%) |
| Net Earnings for the period | $ 5,247 | $ 4,576 | $ 671 | 14.7% |
| Adjusted Net Earnings | $ 7,565 | $ 8,615 | $ (1,050) | (12.2%) |
| Adjusted EBITDA | $ 19,646 | $ 20,541 | $ (895) | (4.4%) |
| Adjusted Field EBITDA | $ 26,832 | $ 27,926 | $ (1,094) | (3.9%) |
| Revenue less Operating Costs margin | 29.0% | 26.6% | 240 bps | 8.8% |
| Adjusted EBITDA Margin | 25.7% | 23.7% | 200 bps | 8.6% |
| Adjusted Field EBITDA Margin | 35.4% | 32.2% | 320 bps | 10.0% |
| Net Earnings Per Share - Basic | $ 0.154 | $ 0.134 | $ 0.020 | 15.1% |
| Net Earnings Per Share - Diluted | $ 0.149 | $ 0.132 | $ 0.017 | 13.1% |
| Adjusted Net Earnings Per Share - Basic | $ 0.222 | $ 0.251 | $ (0.029) | (11.4%) |
| Adjusted Net Earnings Per Share - Diluted | $ 0.215 | $ 0.249 | $ (0.034) | (13.6%) |
| Adjusted EBITDA Per Share - Basic | $ 0.577 | $ 0.600 | $ (0.023) | (3.8%) |
| Adjusted EBITDA Per Share - Diluted | $ 0.559 | $ 0.594 | $ (0.035) | (5.9%) |
| Weighted Average Number of Common Shares | | | | |
| Basic | 34,020 | 34,258 | (238) | (0.7%) |
| Diluted | 35,147 | 34,600 | 547 | 1.6% |

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

## First Quarter Summary

The following points summarize PLC's financial and operational highlights for Q1 2024:

- For the three month period ended March 31, 2024, revenue decreased by 11.9% to $76,393 compared to the three month period ended March 31, 2023. Revenue decreased primarily due to Disposed Businesses offset by an increase in Acquired Operations.
- Revenue less operating expenses decreased by 4.2% to $22,142 compared to the three month period ended March 31, 2023, primarily due to Comparable Operations and Disposed Businesses offset by an increase in Acquired Operations.
- Revenue less operating expenses margin increased by 240 bps primarily due to improved operating performance from the Company's Comparable Funeral Operations and the disposition of lower margin businesses, partially offset by the Company's Comparable Cemetery Operations.
- Net earnings for the period increased by 14.7% to $5,247 for the three month period ended March 31, 2024, compared to $4,576 for the three month period ended March 31, 2023. Net earnings margin for the three month period ended March 31, 2024, was 6.9% compared to 5.3% for the three month period ended March 31, 2023.
- Diluted net earnings per Common Share increased by $0.017 or 12.9% for the three month period ended March 31, 2024, compared to the three month period ended March 31, 2023.
- Diluted Adjusted Net Earnings per Common Share decreased by $0.034 or 13.7% for the three month period ended March 31, 2024, compared to the three month period ended March 31, 2023.
- Adjusted EBITDA decreased by 4.4% to $19,646 for the three month period ended March 31, 2024, compared to the three month period ended March 31, 2023.

- Adjusted EBITDA margin for the three month period ended March 31, 2024, was 25.7%, a 200 bps increase over the comparable period in 2023.
- As at March 31, 2024, the Company's Leverage Ratio was 2.15x, and inclusive of the Company's outstanding Debentures was 3.03x.
- As at March 31, 2024, the Company's Interest Coverage Ratio was 5.12x and inclusive of interest from the Company's outstanding Debentures was 4.06x.
- On March 31, 2024, the Company had $145,002 outstanding on the Credit Facility including letters of credit, and an undrawn balance of $94,998.
- On February 20, 2024, PLC acquired substantially all the assets of Crippin Funeral Home located in Montrose, Colorado; Gunnison Funeral Services located in Gunnison, Colorado; and Grand View Cemetery located in Montrose, Colorado (collectively, "**Crippin**").

  Highlights of the Crippin transaction include:
  - The addition of two stand-alone funeral homes and one stand-alone cemetery.
  - Combined volume of 576 calls per year.
  - Following the full integration of the transaction, the acquisition is expected to add $703 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.
  - The acquisition was financed with funds from the Credit Facility and available cash on hand.

## Subsequent Events

On May 9, 2024, the Company's Board of Directors approved the listing of an additional 500 common shares issuable pursuant to the Company's amended and restated dividend reinvestment plan. The increase is subject to TSX approval.

## Discussion of Operating Results

### Three Month Period ended March 31, 2024

#### *Revenue*

Revenue for the three month period ended March 31, 2024, was $76,393 compared to $86,736 in the same period in 2023. This represents a decrease of $10,343 or 11.9%, over the same period in 2023.

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 March 31, 2024, and 2023 was as follows:

| | | March 31, 2024 | | March 31, 2023 |
|---|---|---|---|---|
| Sales | $ | 72,786 | $ | 82,971 |
| Income from care and maintenance funds | | 1,861 | | 2,699 |
| Interest and other income | | 1,746 | | 1,065 |
| Total revenue | $ | 76,393 | $ | 86,736 |

Total revenue decreased 11.9% compared to the three month period ended March 31, 2023. Revenue decreased primarily due to Disposed Businesses which were sold in December 2023. Decreases in revenue from disposed businesses accounted for approximately 16.9% decrease or $14,692. Additionally, revenue increased by 6.6% due to Acquired Operations, 0.7% from Corporate, and decreased from Comparable Operations of 2.3%. Revenue from Comparable Operations decreased due to a decrease of $1,006 at the Comparable Cemetery Operations and a decrease of $649 at the Comparable Funeral Operations. Comparable Cemetery Operations had a $789 decrease in property sales, and sales from merchandise and services decreased $217. The decrease in property sales was primarily driven due to a decrease in large group sales in the Northeast region during the quarter which contributed to $711 of the decrease.

Revenue relating to large group sales accounted for $1,492 of sales for the three month period ended March 31, 2024, compared to $2,203 for the three month period ended March 31, 2023.

The decrease from Comparable Funeral Operations was due to a 4.4% decrease in call volume as mortality continued to moderate year-over-year, offset in-part by a 5.1% 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 March 31, 2024, was $1,861 compared to $2,699 in the same period of 2023, which represents a decrease of $837 or 31.0%. Income from the Company's Care and Maintenance Trust Funds decreased primarily due to the repositioning of certain trust investments as a result of a change in investment manager for the Company's Canadian trusts and a decrease in distributions from alternative investments in the period.

Interest and other income for the three month period ended March 31, 2024, was $1,746 compared to $1,065 for the same period in 2023, which represents an increase of $680 or 63.8%. The increase is primarily due to interest income earned from the note receivable pursuant to the sale of the Disposed Businesses which occurred in December 2023. Interest and other income also consists of income retained on cancelled contracts and imputed interest on large long-term property contracts with no stated interest recorded.

***Operating Expenses***

Operating expenses for the three month period ended March 31, 2024, were $54,252 compared to $63,631 in the same period in 2023. This represents a decrease of $9,380 or 14.7% over the same period in 2023, as indicated below:

| | March 31, 2024 | | March 31, 2023 | |
|---|---|---|---|---|
| Cost of sales | $ | 12,055 | $ | 15,071 |
| General and administrative | | 33,169 | | 35,794 |
| Maintenance | | 4,057 | | 5,697 |
| Advertising and selling | | 4,970 | | 7,069 |
| | $ | 54,252 | $ | 63,631 |

Cost of sales for the three month period ended March 31, 2024, was $12,055 compared to $15,071 in the same period in 2023. This represents a decrease of $3,016 or 20.0% over the same period in 2023. The decrease was a result of the Disposed Businesses which decreased the cost of sales by $3,510 and Comparable Operations, which decreased the cost of sales by $404, offset by an increase in Acquired Operations of $898. The decrease from Comparable Operations was primarily due to a decrease in the cost of merchandise related to lower sales from Comparable Cemetery Operations.

General and administrative expenses for the three month period ended March 31, 2024, were $33,169 compared to $35,794 in the same period in 2023. This represents a decrease of $2,625 or 7.3%. The decrease from Disposed Businesses of $6,200, were partially offset by increases from Acquired Operations of $3,256 and Comparable Operations of $319.

Maintenance expenses for the three month period ended March 31, 2024, was $4,057 compared to $5,697 in the same period in 2023. This represents a decrease of $1,640 or 28.8%. The decrease in Disposed Businesses of $1,773 and a decrease in Comparable Operations of $37 was partially offset by the increase from Acquired Operations of $170.

Advertising and selling expenses for the three month period ended March 31, 2024, was $4,970 compared to $7,069 in the same period in 2023. This represents a decrease of $2,099 or 29.7%. The decrease in Disposed Businesses of $1,879 and the decrease in comparable operations of $392 were partially offset by the increase from Acquired Operations of $172. The decrease in Comparable Operations and Disposed Businesses is primarily due to a decrease in labour, including cemetery commissions, and general advertising costs.

***Revenue less Operating Expenses***

As a result of the above changes in revenue and operating expenses, revenue less operating expenses for the three month period ended March 31, 2024, was $22,142 compared to $23,104 in the same period in 2023. This represents a decrease of $962 or 4.2%, over the same period in 2023. Revenue less operating expenses margin was 29.0% in the first quarter of 2024 compared to 26.6% in the same period in 2023, an increase of 240 bps.

***Other Expenses***

Other expenses for the three month period ended March 31, 2024, were $14,871 compared to $16,046 in the same period in 2023. This represents a decrease of $1,175 or 7.3% over the same period in 2023, as indicated below:

| | March 31 2024 | March 31 2023 |
|---|---|---|
| Corporate general and administrative | $ 7,969 | $ 7,599 |
| Amortization of intangibles | 378 | 324 |
| Finance costs | 3,989 | 3,609 |
| Fair value adjustment on interest rate swaps | (919) | 1,601 |
| Share-based incentive compensation | 2,227 | 1,101 |
| Acquisition and integration costs | 1,246 | 1,793 |
| Other (income) expenses | (19) | 19 |
| | $ 14,871 | $ 16,046 |

Corporate general and administrative expenses for the three month period ended March 31, 2024, were $7,969 compared to $7,599 in the same period in 2023. This represents an increase of $370 or 4.9% over the same period in 2023, primarily due to an increase in labour fees and insurance premiums.

Finance costs increased by $380 or 10.5% primarily as a result of an increase in interest rates when compared to the same period in 2023, increased interest on lease liabilities was partially offset by a decrease in the balance on the Company's credit facility. The interest rate, including hedging activities relating to the Company's Credit Facility, was 6.0% on March 31, 2024, compared to 6.1% on December 31, 2023, and 5.6% on March 31, 2023.

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 $100,000. 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 a gain of $919 for the three month period ended March 31, 2024, compared to a loss of $1,601 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 March 31, 2024, were $2,227 compared to $1,101 for the same period in 2023, which represents an increase of $1,126. The increase is due to 692 RSUs and 100 PSUs issued during the third quarter of 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 March 31, 2024, and 2023, the Company incurred acquisition and integration expenses of $1,246 and $1,793, respectively. Acquisition expenses will vary from period to period depending on the size and level of acquisition activity, and include expenses relating to legal, financial and tax due diligence, post-closing audits, representation and warranty insurance premiums, preparation of independent valuation reports, the preparation of reports for regulatory compliance purposes, and internal compensation.

Other expenses (income) comprised of the following:

- $8 and $56 of expenses for the three month period ended March 31, 2024, and 2023, respectively, including legal costs relating to the preservation of certain historical investments and obligations associated with those investments.
- $27 and $37 of net gain for the three month period ended March 31, 2024, and 2023, respectively, related to the disposition of miscellaneous property.

***Net Earnings***

Earnings before income taxes for the three month period ended March 31, 2024, were $7,270 compared to $7,058 in the same period in 2023. This represents an increase of $213 or 3.0% over the same period in 2023.

Income tax expense for the three month period ended March 31, 2024, was $2,023 compared to $2,482 for the same period in 2023. The effective tax rate for the three month period ended March 31, 2024, was 27.8%, which is higher than the Company's statutory tax rates. 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, differences in foreign tax rates, tax structuring, offset by non-taxable dividend income. The effective tax rate for the same period in 2023 was 35.2%. The higher rate in the comparable period was prior to the tax structuring and recapitalization of debt which occurred in the fourth quarter of 2023.

As a result of the above, the Company's net earnings for the three month period ended March 31, 2024, totaled $5,247 compared to $4,576 for the same period in 2023, which represents an increase of $671 or 14.7% over the same period in 2023.

***Net Earnings Per Share***

The weighted average diluted number of Common Shares outstanding for the three month period ended March 31, 2024, increased to 35,147 compared to 34,600 for the same period in 2023, representing an increase of 547 or 1.6%. 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 throughout 2023.

Basic earnings per Common Share for the three month period ended March 31, 2024, were $0.154 compared to $0.134 for the same period in 2023. Fully diluted earnings per Common Share for the three month period ended March 31, 2024, were $0.149 compared to $0.132 for the same period in 2023.

***Adjusted Net Earnings***

Net earnings for the three month period ended March 31, 2024, and 2023 as stated, have been impacted by certain one-time, non-recurring or non-cash revenue and expenses, 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 March 31, 2024, and 2023 to the Company's net earnings:

| (in thousands except per share figures) | Three Months Ended March 31, 2024 | | 2023 | |
|---|---|---|---|---|
| Net Earnings | $ | 5,247 | $ | 4,576 |
| Adjusted for the impact of: | | | | |
| Amortization of intangible assets | | 378 | | 324 |
| Fair value adjustment on interest rate swaps | | (919) | | 1,601 |
| Share based compensation | | 2,227 | | 1,101 |
| Acquisition and integration costs | | 1,246 | | 1,793 |
| Other (income) expenses | | (19) | | 19 |
| Tax effect on the above items | | (595) | | (799) |
| **Adjusted Net Earnings** | $ | 7,565 | $ | 8,615 |
| **Adjusted Net Earnings - per share** | | | | |
| Basic | $ | 0.222 | $ | 0.251 |
| Diluted | $ | 0.215 | $ | 0.249 |
| **Weighted Average Shares** | | | | |
| Basic | | 34,020 | | 34,258 |
| Diluted | | 35,147 | | 34,600 |

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

Adjusted Net Earnings for the three month period ended March 31, 2024, was $7,565 and $0.215 per share, diluted, compared to $8,615 and $0.249 per share, diluted, for the same period in 2023. This represents a decrease of 12.2% in the Adjusted Net Earnings and 13.7% in the Adjusted Net Earnings Per Share over the same three month period in 2023.

***EBITDA and Adjusted EBITDA***

The table below reconciles EBITDA and Adjusted EBITDA for the three month period ended March 31, 2024, and 2023 to earnings before income taxes:

| | Three Months Ended March 31, | |
|---|---|---|
| **(in thousands except per share figures)** | **2024** | **2023** |
| Earnings before income taxes | $ 7,270 | $ 7,058 |
| Adjusted for the impact of: | | |
| Finance costs | 3,989 | 3,609 |
| Depreciation and amortization | 4,156 | 3,774 |
| Cost of cemetery property | 1,695 | 1,586 |
| **EBITDA** | 17,110 | 16,027 |
| Fair value adjustment on interest rate swaps | (919) | 1,601 |
| Share based compensation | 2,227 | 1,101 |
| Acquisition and integration costs | 1,246 | 1,793 |
| Other (income) expenses | (19) | 19 |
| **Adjusted EBITDA** | $ 19,646 | $ 20,541 |
| | | |
| **EBITDA - per share** | | |
| Basic | $ 0.503 | $ 0.468 |
| Diluted | $ 0.487 | $ 0.463 |
| **Adjusted EBITDA - per share** | | |
| Basic | $ 0.577 | $ 0.600 |
| Diluted | $ 0.559 | $ 0.594 |
| **Weighted Average Shares Outstanding** | | |
| Basic | 34,020 | 34,258 |
| Diluted | 35,147 | 34,600 |

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

EBITDA for the three month period ended March 31, 2024, was $17,110 and $0.487 per share, diluted, compared to $16,027 and $0.463 per share, diluted, for the same period in 2023. This represents an increase of $1,084 or 6.8% in EBITDA and $0.024 or 5.1% in EBITDA per share over the same three month period in 2023.

The EBITDA Margin for the three month period ended March 31, 2024, was 22.4% compared to 18.5% for the same period in 2023, representing a 390 bps increase.

Adjusted EBITDA for the three month period ended March 31, 2024, was $19,646 and $0.559 per share, diluted, compared to $20,541 and $0.594 per share, diluted, for the same period in 2023. This represents a decrease of $895 or 4.4% in Adjusted EBITDA and $0.035 or 5.9% in Adjusted EBITDA per share over the same three month period in 2023.

The Adjusted EBITDA Margin for the three month period ended March 31, 2024, was 25.7% compared to 23.7% for the same period in 2023, representing a 200 bps increase.

## Disposed Businesses

On December 20, 2023, PLC completed the sale of the Disposed Businesses to Everstory Acquisition Portfolio, LLC, an affiliate of Everstory Partners. The divestiture included 72 cemeteries in Kentucky, Michigan, North Carolina and South Carolina and 11 funeral homes in Kentucky and North Carolina. As consideration for the Disposed Businesses, PLC received $70,000 consisting of $55,000 in cash paid at closing and $15,000 in deferred compensation, bearing interest at 10% per annum, to be received by PLC within 5 years following the closing of the transaction. Transaction costs were $4,826 and the transaction resulted in a loss of $28,149.

The statement of earnings for the Disposed Businesses for the period from January 1, 2023 to March 31, 2023 were:

| | Three Months Ended March 31, 2023 |
|---|---|
| **Revenue** | |
| Sales | $ 13,980 |
| Income from care and maintenance funds | 435 |
| Interest and other income | 278 |
| **Total revenue** | 14,692 |
| | |
| **Operating expenses** | |
| Cost of sales | 3,510 |
| General and administrative | 6,200 |
| Maintenance | 1,773 |
| Advertising and selling | 1,879 |
| **Total operating expenses** | 13,362 |
| | |
| **Revenue less operating expenses** | 1,330 |
| | |
| **Other expenses** | |
| Finance costs | (5) |
| Acquisition and integration costs | - |
| **Total other expenses** | (5) |
| | |
| **Earnings before income taxes** | 1,336 |
| Income tax expense | 361 |
| **Net earnings for the period** | $ 975 |

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

| | Disposed |
|---|---|
| Earnings before income taxes | $ 1,336 |
| Adjusted for the impact of: | |
| Finance Costs | (5) |
| Depreciation and amortization | 456 |
| Cost of cemetery property | 223 |
| **EBITDA** | 2,010 |
| Acquisition and integration costs | - |
| **Adjusted EBITDA** | $ 2,010 |

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

## Geographic Information

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

| | March 31 2024 | December 31, 2023 |
|---|---|---|
| Canada | $ 200,965 | $ 202,822 |
| United States | 1,072,731 | 1,068,972 |
| Total | $ 1,273,696 | $ 1,271,794 |

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

| | March 31 2024 | December 31 2023 |
|---|---|---|
| Canada | $ 205,472 | $ 207,561 |
| United States | 525,398 | 527,062 |
| Total | $ 730,870 | $ 734,623 |

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

| | Three Months Ended March 31, 2024 | 2023 |
|---|---|---|
| Revenue: | | |
| Sales: | | |
| Canada | $ 9,222 | $ 7,210 |
| United States | 63,565 | 75,761 |
| Total sales | 72,786 | 82,971 |
| Income from care and maintenance funds: | | |
| Canada | 642 | 991 |
| United States | 1,220 | 1,708 |
| Total income from care and maintenance funds | 1,861 | 2,699 |
| Interest and other income: | | |
| Canada | 83 | 93 |
| United States | 1,663 | 972 |
| Total interest and other income | 1,746 | 1,065 |
| Total revenue: | | |
| Canada | 9,946 | 8,294 |
| United States | 66,447 | 78,442 |
| Total revenue | $ 76,393 | $ 86,736 |
| | | |
| Total net (loss) earnings: | | |
| Canada[(1)] | (3,902) | (2,237) |
| United States | 9,148 | 6,813 |
| Total net earnings | $ 5,247 | $ 4,576 |

[(1)] 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 month period ended March 31, 2024, and 2023 to the EBITDA, Adjusted EBITDA, and Adjusted Field EBITDA:

| | Three Months Ended March 31, 2024 | | | |
|---|---|---|---|---|
| | Cemetery | Funeral Home | Corporate | Total |
| **Revenue** | | | | |
| Sales | $ 20,190 | $ 52,597 | $ - | $ 72,786 |
| Income from care and maintenance funds | 1,852 | 10 | - | 1,861 |
| Interest and other income | 721 | 380 | 644 | 1,746 |
| **Total revenue** | 22,763 | 52,987 | 644 | 76,393 |
| **Operating expenses** | | | | |
| Cost of sales | 5,027 | 7,028 | - | 12,055 |
| General and administrative | 5,233 | 27,936 | - | 33,169 |
| Maintenance | 2,652 | 1,405 | - | 4,057 |
| Advertising and selling | 2,663 | 2,307 | - | 4,970 |
| **Total operating expenses** | 15,576 | 38,676 | - | 54,252 |
| **Revenue less operating expenses** | 7,187 | 14,311 | 644 | 22,142 |
| **Other expenses** | | | | |
| Corporate general and administrative | - | - | 7,969 | 7,969 |
| Amortization of intangibles | 16 | 318 | 45 | 378 |
| Finance costs | (132) | 412 | 3,709 | 3,989 |
| Fair value adjustment on interest rate swaps | - | - | (919) | (919) |
| Share-based incentive compensation | - | - | 2,227 | 2,227 |
| Acquisition and integration costs | 19 | 102 | 1,125 | 1,246 |
| Other (income) expenses | - | (27) | 9 | (19) |
| **Total other expenses** | (98) | 804 | 14,166 | 14,871 |
| **Earnings (loss) before income taxes** | 7,285 | 13,507 | (13,521) | 7,270 |
| Income tax expense | 1,967 | 3,647 | (3,590) | 2,023 |
| **Net earnings (loss) for the period** | $ 5,318 | $ 9,860 | $ (9,931) | $ 5,247 |

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

| | Three Months Ended March 31, 2024 | | | |
|---|---|---|---|---|
| | Cemetery | Funeral Home | Corporate | Total |
| Earnings (loss) before income taxes | $ 7,285 | $ 13,507 | $ (13,521) | $ 7,270 |
| Adjusted for the impact of: | | | | |
| Finance Costs | (132) | 412 | 3,709 | 3,989 |
| Depreciation and amortization | 489 | 3,483 | 184 | 4,156 |
| Cost of cemetery property | 1,694 | 1 | - | 1,695 |
| **EBITDA** | 9,336 | 17,402 | (9,628) | 17,110 |
| Fair value adjustment on interest rate swaps | - | - | (919) | (919) |
| Share based compensation | - | - | 2,227 | 2,227 |
| Acquisition and integration costs | 19 | 102 | 1,125 | 1,246 |
| Other (income) expenses | - | (27) | 9 | (19) |
| **Adjusted EBITDA** | $ 9,355 | $ 17,477 | $ (7,185) | $ 19,646 |

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

| | Three Months Ended March 31, 2023 | | | |
|---|---|---|---|---|
| | Cemetery | Funeral Home | Corporate | Total |
| **Revenue** | | | | |
| Sales | $ 32,719 | $ 50,252 | $ - | $ 82,971 |
| Income from care and maintenance funds | 2,699 | - | - | 2,699 |
| Interest and other income | 855 | 140 | 71 | 1,065 |
| **Total revenue** | 36,273 | 50,392 | 71 | 86,736 |
| | | | | |
| **Operating expenses** | | | | |
| Cost of sales | 7,912 | 7,159 | - | 15,071 |
| General and administrative | 9,575 | 26,219 | - | 35,794 |
| Maintenance | 4,324 | 1,373 | - | 5,697 |
| Advertising and selling | 4,493 | 2,576 | - | 7,069 |
| **Total operating expenses** | 26,305 | 37,327 | - | 63,631 |
| | | | | |
| **Revenue less operating expenses** | 9,968 | 13,065 | 71 | 23,104 |
| | | | | |
| **Other expenses** | | | | |
| Corporate general and administrative | - | - | 7,599 | 7,599 |
| Amortization of intangibles | 19 | 272 | 33 | 324 |
| Finance costs | 12 | 201 | 3,396 | 3,609 |
| Fair value adjustment of interest rate swaps | - | - | 1,601 | 1,601 |
| Share-based incentive compensation | - | - | 1,101 | 1,101 |
| Acquisition and integration costs | - | - | 1,793 | 1,793 |
| Other (income) expenses | - | (37) | 57 | 19 |
| **Total other expenses** | 31 | 436 | 15,580 | 16,046 |
| | | | | |
| **Earnings (loss) before income taxes** | 9,937 | 12,629 | (15,509) | 7,058 |
| Income tax expense | 2,683 | 3,410 | (3,611) | 2,482 |
| **Net earnings (loss) for the period** | $ 7,254 | $ 9,219 | $ (11,897) | $ 4,576 |

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

| | Three Months Ended March 31, 2023 | | | |
|---|---|---|---|---|
| | Cemetery | Funeral Home | Corporate | Total |
| Earnings (loss) before income taxes | $ 9,937 | $ 12,629 | $ (15,509) | $ 7,058 |
| Adjusted for the impact of: | | | | |
| Finance Costs | 12 | 201 | 3,396 | 3,609 |
| Depreciation and amoritization | 858 | 2,740 | 177 | 3,774 |
| Cost of cemetery property | 1,580 | 6 | - | 1,586 |
| **EBITDA** | 12,387 | 15,576 | (11,936) | 16,027 |
| Fair value adjustment of interest rate swap | - | - | 1,601 | 1,601 |
| Share based compensation | - | - | 1,101 | 1,101 |
| Acquisition and integration costs | - | - | 1,793 | 1,793 |
| Other (income) expenses | (41) | 4 | 57 | 19 |
| **Adjusted EBITDA** | $ 12,346 | $ 15,580 | $ (7,384) | $ 20,541 |

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

The following tables further disaggregate the Company's segmented revenue and adjusted EBITDA based on Comparable Operations, Acquired Operations, Disposed Businesses and Corporate for the three month periods ending March 31, 2024, and March 31, 2023:

| | Three Months Ended March 31, 2024 | | | |
|---|---|---|---|---|
| **Revenue** | **Cemetery** | **Funeral Home** | **Corporate** | **Total** |
| Comparable Operations | $ 22,553 | $ 47,206 | $ - | $ 69,759 |
| Acquired Operations | 210 | 5,780 | - | 5,990 |
| Disposed Businesses | - | - | - | - |
| Corporate | - | - | 644 | 644 |
| **Total** | $ 22,763 | $ 52,987 | $ 644 | $ 76,393 |
| | | | | |
| **Adjusted EBITDA** | | | | |
| Comparable Operations | $ 9,317 | $ 15,650 | $ - | $ 24,967 |
| Acquired Operations | 38 | 1,827 | - | 1,864 |
| Disposed Businesses | - | - | - | - |
| Corporate | - | - | (7,185) | (7,185) |
| **Total** | $ 9,355 | $ 17,477 | $ (7,185) | $ 19,646 |

| | Three Months Ended March 31, 2023 | | | |
|---|---|---|---|---|
| **Revenue** | **Cemetery** | **Funeral Home** | **Corporate** | **Total** |
| Comparable Operations | $ 23,996 | $ 47,724 | $ - | $ 71,721 |
| Acquired Operations | - | 252 | - | 252 |
| Disposed Businesses | 12,276 | 2,416 | - | 14,692 |
| Corporate | - | - | 71 | 71 |
| **Total** | $ 36,273 | $ 50,392 | $ 71 | $ 86,736 |
| | | | | |
| **Adjusted EBITDA** | | | | |
| Comparable Operations | $ 11,275 | $ 14,521 | $ - | $ 25,796 |
| Acquired Operations | - | 121 | - | 121 |
| Disposed Businesses | 1,112 | 898 | - | 2,010 |
| Corporate | - | - | (7,384) | (7,384) |
| **Total** | $ 12,387 | $ 15,539 | $ (7,384) | $ 20,541 |

## 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 $35,805 as of March 31, 2024, including $17,698 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 $240,000 and a maturity date of August 31, 2027. On February 21, 2023, the Company added a $60,000 tranche to the Credit Facility for a term of one-year to provide additional financial flexibility which the Company did not renew in February 2024. 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 $100,000. 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 March 31, 2024, the Company was in compliance with both covenant tests with the Leverage Ratio being 2.15 times and the Interest Coverage Ratio being 5.12 times.

At March 31, 2024, the Company had $145,002 outstanding on the Credit Facility including letters of credit totaling $534. The Company has an undrawn balance on its Credit Facility of $94,998 and $17,698 in cash on hand as at March 31, 2024.

In July 2020, the Company issued $63,345 (C$86,250) in publicly traded Debentures. 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 were not redeemable before December 31, 2023.

As at March 31, 2024, the Company had other debt of $13,337 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 March 31, 2024, the Company had $14,309 in lease liabilities, and the Debentures balance of $62,461, net of debt issuance costs and accretion expenses of $1,138.

Management believes that cash from operating activities, , availability on the Company's Credit Facility, and future financings 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 economic 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 and Uncertainties**").

*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.

| | Apr 1-Dec 31 2024 | Jan 1-Dec 31 2025 | Jan 1-Dec 31 2026 | Jan 1-Dec 31 2027 | Jan 1-Dec 31 2028 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Credit facility | $ - | $ - | $ - | $ 144,469 | $ - | $ - | $ 144,469 [(1)] |
| Other long-term debt | 24 | 12 | 5 | - | - | - | 42 |
| Notes payable | 2,257 | 2,132 | 1,717 | 1,632 | 1,341 | 4,214 | 13,294 |
| Lease liabilities | 2,304 | 2,198 | 1,830 | 1,529 | 1,487 | 11,589 | 20,938 [(2)] |
| Senior Unsecured Debentures | - | 62,461 | - | - | - | - | 62,461 |
| Commitments | 1,929 | - | 164 | 987 | 1,006 | 48,282 | 52,368 |
| Total | $ 6,515 | $ 66,803 | $ 3,717 | $ 148,616 | $ 3,834 | $ 64,086 | $ 293,571 |

[(1)] Excludes letters of credit issued of $534.

[(2)] Includes interest on lease liabilities of $6,629.

*Commitments*

As at March 31, 2024, the Company has ongoing commitments (the "**Commitments**") with the remaining balance of $52,368 for the construction of funeral homes, mausoleums and cemetery developments in the United States and Canada, a long-term commitment with one of its principal suppliers, a commercial property lease for a new corporate head office in Houston, Texas, including a construction commitment for the new office. To date, the Company spent $17,387 on these commitments.

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 in burial and cremation products and merchandise, enabling the Company 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 term of the contract as the Company continues to acquire businesses, which in turn is expected to increase the Company's average inventory levels. The Company does not believe that its divestiture of the Disposed Businesses will negatively impact its ability to satisfy its commitment. To date, the Company has spent $12,613 with a remaining commitment of $37,387.

On September 19, 2023, the Company entered into a commercial property lease for its head office 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 per annum.

## 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 month period ended March 31, 2024, and 2023 compared to its dividend payout:

| | Three Months Ended March 31 | |
|---|---|---|
| | 2024 | 2023 |
| Cash provided by (used in) operating activities | $ 16,349 | $ 18,827 |
| Maintenance capital expenditures | (3,428) | (1,989) |
| Inventory additions | (1,003) | (917) |
| Lease payments | (860) | (523) |
| Free cash flow from operations | $ 11,057 | $ 15,399 |
| | | |
| Free cash flow from operations per common share-diluted | $ 0.315 | $ 0.445 |
| Dividends per common share | $ 0.090 | $ 0.090 |
| Payout ratio | 29% | 20% |
| Weighted average shares outstanding-diluted | 35,147 | 34,600 |

As calculated above, the Company's Free Cash Flow from operations was $11,057 for the three month period ended March 31, 2024, compared to $15,399 for the same period in 2023 which is a decrease of $4,342, primarily as a result of Disposed Businesses in the fourth quarter of 2023, as well as an increase in maintenance capital expenditures and lease payments. Maintenance capital expenditures increased primarily due to the buildout of office space for the Company's new corporate office location in Houston which increased maintenance capital expenditures by approximately $1,799. Additionally, the increase in lease payments was primarily due to leases entered into in conjunction with the acquisitions during 2023.

This represents Free Cash Flow per fully diluted Common Share of $0.315 and $0.445 for the three month period ended March 31, 2024, and 2023, respectively.

The Company paid dividends of $0.090 per Common Share for the three month period ended March 31, 2024, and 2023. The dividends paid represent 29% and 20% of Free Cash Flow for the three month period ended March 31, 2024, and 2023, 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 since January 1, 2024.

| Month | Dividend Record Date | Payment Date | Per Share |
|---|---|---|---|
| March, 2024 | March 31, 2024 | April 15, 2024 | 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 $2,040 and $2,312 to the Care and Maintenance Trust Funds for the three month period ended March 31, 2024, and 2023, respectively, with the decrease in contributions being a result of the divestiture of the Disposed Businesses. The Care and Maintenance Trust Fund assets are included in the Consolidated Statement of Financial Position at market value. As of March 31, 2024, the aggregate balance of the Care and Maintenance Trust Funds was $179,555 compared to $175,411 as of December 31, 2023, which represents an increase of $4,144. The increase is a result of investment performance and 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 March 31, 2024, the Company had a net unrealized gain in the Care and Maintenance Trust Funds of $3,295, which represents a 1.9% net unrealized gain to the investment 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 $175,122 on March 31, 2024, compared to $174,874 as at December 31, 2023, which represents an increase of $248. The increase is a result of investment performance and timing of other distributions, and contributions to the Pre-Need Merchandise and Service Trust Funds by the Company. The Pre-Need Merchandise and Service Trust Funds are offset by a corresponding liability for Deferred Pre-Need Receipts held in trust.

As of March 31, 2024, the Company had a net unrealized loss in the Pre-Need Merchandise and Service Trust Funds of $4,820, which represents a 2.7% net unrealized loss to the investment cost basis.

## 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 March 31, 2024, the current face amounts of pre-funded policies totaled $576,564 ($572,844 as at December 31, 2023). Generally, families who have prearranged with the Company will receive a refund from the insurer 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 March 31, 2024, the Company had surety bonds with an aggregate face value of $1,192 ($1,362 as at December 31, 2023).

## Quarterly Information

| | 2024 Q1 | 2023 Q4 | 2023 Q3 | 2023 Q2 |
|---|---|---|---|---|
| Revenue | $76,393 | $88,086 | $87,504 | $85,276 |
| Revenue less operating expenses | $22,142 | $23,355 | $21,091 | $21,043 |
| Earnings (loss) before income taxes | $7,270 | ($24,480) | $4,604 | $4,526 |
| Net earnings (loss) | $5,247 | ($19,261) | $3,296 | $3,776 |
| Adjusted net earnings (1) | $7,565 | $8,713 | $5,400 | $7,697 |
| Adjusted EBITDA (2) | $19,646 | $20,564 | $18,801 | $18,830 |
| Revenue less operating expenses margin | 29.0% | 26.5% | 24.1% | 24.7% |
| Adjusted EBITDA margin (2) | 25.7% | 23.3% | 21.5% | 22.1% |
| Net earnings (loss) per share - basic (3) | $0.154 | ($0.567) | $0.096 | $0.110 |
| Net earnings (loss) per share - diluted (3) | $0.149 | ($0.567) | $0.094 | $0.109 |
| Adjusted Net Earnings per share - basic (1), (3) | $0.222 | $0.256 | $0.157 | $0.224 |
| Adjusted Net Earnings per share - diluted (1), (3) | $0.215 | $0.247 | $0.153 | $0.222 |
| Adjusted EBITDA per share - basic (2), (3) | $0.577 | $0.605 | $0.546 | $0.548 |
| Adjusted EBITDA per share - diluted (2), (3) | $0.559 | $0.583 | $0.534 | $0.543 |

| | 2023 Q1 | 2022 Q4 | 2022 Q3 | 2022 Q2 |
|---|---|---|---|---|
| Revenue | $86,736 | $86,144 | $80,872 | $75,922 |
| Revenue less operating expenses | $23,104 | $21,950 | $19,342 | $16,814 |
| Earnings before income taxes | $7,058 | $8,146 | $7,516 | $7,981 |
| Net earnings | $4,576 | $5,291 | $5,324 | $5,808 |
| Adjusted net earnings (1) | $8,615 | $8,272 | $7,765 | $6,624 |
| Adjusted EBITDA (2) | $20,541 | $19,773 | $18,155 | $15,606 |
| Revenue less operating expenses margin | 26.6% | 25.5% | 23.9% | 22.1% |
| Adjusted EBITDA margin (2) | 23.7% | 23.0% | 22.4% | 20.6% |
| Net earnings per share - basic (3) | $0.134 | $0.154 | $0.155 | $0.170 |
| Net earnings per share - diluted (3) | $0.132 | $0.153 | $0.153 | $0.167 |
| Adjusted Net Earnings per share - basic (1), (3) | $0.251 | $0.240 | $0.226 | $0.194 |
| Adjusted Net Earnings per share - diluted (1), (3) | $0.249 | $0.239 | $0.224 | $0.190 |
| Adjusted EBITDA per share - basic (2), (3) | $0.600 | $0.575 | $0.529 | $0.456 |
| Adjusted EBITDA per share - diluted (2), (3) | $0.594 | $0.571 | $0.523 | $0.448 |

(1) 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.
(2) Adjusted EBITDA and Adjusted EBITDA margin are non-IFRS measure. See "Discussion of Operating Results – EBITDA and Adjusted EBITDA" for reconciliation of the Company's Adjusted EBITDA and Adjusted EBITDA Margin.
(3) 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 acquisitions and divestitures made over time. 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 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*

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

| | Three Months Ended March 31, 2024 | 2023 |
|---|---|---|
| Key management compensation | $ 2,211 | $ 1,581 |
| Directors' fees | 120 | 132 |
| Total | $ 2,330 | $ 1,713 |

*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$3,332. 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 Funeral Homes*

On July 17, 2023, PLC acquired substantially all the assets of Ward Funeral Home Limited, a business consisting of three stand-alone funeral homes in Brampton, Woodbridge and Toronto, Ontario, expanding PLC's geographic presence in the Greater Toronto Area. 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. As part of the acquisition, the Company entered into various lease agreements with the vendor and recognized a right-of-use asset and lease liability of $8,724. The Company also recognized a below market lease asset of $2,652 as part of these lease arrangements and this amount is included in right-of-use asset.

## 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 March 31, 2024.

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 Crippin acquired in the first quarter of 2024.

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 March 31, 2024, related to the above mentioned acquisition:

| | March 31, 2024 Crippin | |
|---|---|---|
| Revenue | $ | 144 |
| Net (loss) earnings | $ | (32) |
| | | |
| Current assets | $ | - |
| Non-current assets | $ | 4,295 |
| Current liabilities | $ | - |
| Non-current liabilities | $ | 1,976 |

***Changes in Internal Controls over Financial Reporting***

There have been no changes in the Company's internal controls over financial reporting during the period beginning on January 1, 2024, and ended March 31, 2024, that have materially 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 March 31, 2024, there were 33,977 Common Shares issued and outstanding, excluding Common Shares held by a trust established by PLC ("**Trust**") for the settlement of awards issued under the EIP, representing an increase of 97 Common Shares since December 31, 2023. The increase in the number of Common Shares is due to the issuance of Common Shares pursuant to the Company's DRIP and EIP. As at March 31, 2024, 1,643 DSUs, RSUs, PSUs and Options were outstanding. For the settlement of equity awards and to meet its obligations under its DRIP, the Company has a remainder of 886 Common Shares reserved for issuance under the EIP, and 151 Common Shares reserved for issuance under the DRIP. As at May 9, 2024, there were 34,467 Common Shares issued and outstanding which include 295 Common Shares held by the Trust.

*Common Shares purchased under the 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 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 3,392 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 16 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 534 Common Shares through open market purchases on the TSX and/or alternative Canadian trading systems, at a weighted average price of approximately C$21.69 per Common Share for total cash consideration, including commission, of $8,557 (C$11,579). For the three month period ended March 31, 2024, there were no Common Shares purchased under the NCIB. As at March 31, 2024, 420 Common Shares are held in the Trust for the settlement of awards issued under the EIP. For the year ended December 31, 2023, the Company purchased 333 Common Shares for aggregate consideration of $4,804 (C$6,517).

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Common shares repurchased under the NCIB and held in trust (number of shares) | | |
| Outstanding, beginning of the period | 448 | 201 |
| Shares purchased | - | 333 |
| Shares used for EIP award redemptions | (28) | (86) |
| Outstanding, end of the period | 420 | 448 |

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Common shares repurchased under the NCIB and held in trust (number of shares) | - | 333 |
| Cash consideration paid | $ - | $ 4,804 |
| Premium charged to retained earnings | $ - | $ (216) |
| Reduction in common share capital | $ - | $ 5,020 |

## 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 under the section "Risk Factors", including without limitation, risks related to the declining number of deaths, inflationary pressures, financial market conditions, changing consumer preferences and cybersecurity risks facing the Company. 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 www.sedarplus.com and on the Company's website at www.parklawncorp.com.