Park Lawn Corporation

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(PLC-TSX)

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Initiation of Coverage

Real Estate: Death Care

Breathe A Little Death Into Your Portfolio; Initiating on Park Lawn Corp.

Recommendation: We are initiating coverage on Park Lawn Corporation with an Outperform rating.

Analysis:

- **Historic Demographic Support a Tailwind:** In North America, the number of people in the 60–79 and 80+ age brackets is set to almost double and triple, respectively, from 2000 to 2060 to sizes never seen before in history. Meanwhile, the number of deaths per year has increased 60% in Canada and 35% in the US over the last 35 years. An unprecedentedly aging population and a steady rise in deaths should fuel consistent growth for Park Lawn.
- **Poised for Substantial Growth:** Park Lawn is poised to benefit from strong market, market share, organic and external growth. Our forecasts have the company positioned to achieve double-digit growth in both adjusted EBITDA and EPS in each of the next two years, with the former growing 38% and the latter growing 45% annualized through 2019E (with two-thirds of growth generated via acquisitions). Stocks with this level of growth are rare in our coverage universe, admittedly though made up almost entirely of slower-growth real estate names.
- **Few Players and High Barriers to Entry:** The North American death care industry is worth roughly US$22 billion. In Canada, Park Lawn only has three competitors, while the US has a number of public companies but is still highly fragmented. Regulatory hurdles and reluctance to cemetery zoning creates large barriers to entry for new entrants and supply. On the funeral home side, the number of homes in both countries has actually shrunk by ~15% over the last decade as a result of rising land values and consolidation.
- **Shrewd Management Team:** Park Lawn's team did not have a background in the death care industry prior to taking over in 2013. However, with a quasi-private equity mindset, they identified an industry with strong demographic support ripe for consolidation at reasonable valuations, with low levels of institutional competition. Over their tenure, their shrewd capital allocation and investing efforts have generated a ~23% annualized return for shareholders (vs. 7% for the TSX Composite).

Valuation: Park Lawn currently trades at 25.2x and 18.9x our 2018 and 2019 Adj. EPS estimates, a premium to US death care peers which trade at 17.9x and 16.4x consensus 2018 and 2019 EPS. We are initiating coverage with an Outperform rating and our $25.00 target price is based on 20.0x our 2019 Adj. EPS.

Adjusted EPS	Q1 Mar	Q2 Jun	Q3 Sep	Q4 Dec	Full Year	Adj. EBITDA (mil.)
2016A	C$0.18	C$0.17	C$0.15	C$0.12	C$0.61	C$11
2017E	0.15A	0.16A	0.14A	0.21	0.66	17
2018E	0.19	0.21	0.24	0.25	0.90	27
2019E	0.25	0.28	0.32	0.33	1.20	34

Source: Raymond James Ltd., Thomson One

Rating

Outperform 2

Current and Target Price

Target Price:	C$25.00
Total Return to Target	12%
Current Price (Jan-12-18)	C$22.68
52-Week Range	C$23.29 - C$15.25
Suitability	Medium Risk/Growth

Market Data

Market Cap.(mln)	C$350
Current Net Debt (mln)	-C$14
Enterprise Value (mln)	C$336
Shares Out (mln)	15.4
Dividend/Yield	C$0.46/2.0%
Payout Ratio	28.0%
Avg. Daily Vol. (10 day)	14,499

Earnings & Valuation Metrics

	2016A	2017E	2018E	2019E
EV/EBITDA	9.6x	17.1x	13.5x	11.6x
P/Adj. EPS	25.8x	34.6x	25.2x	18.9x
Adj. EBITDA % Growth	NA	53%	57%	27%
Adj. EPS % Growth	NA	8%	36%	34%

Company Description

Park Lawn is the only publicly traded Canadian-owned death care company, providing burial, cremation and funeral services throughout Canada and the United States.

Source: FactSet.

Please read domestic and foreign disclosure/risk information beginning on page 23 and Analyst Certification on page 24.

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Investment Thesis

Demographic Support Unlike Anything in History: At this point, the historic aging population trend in North America is an established theme. In Canada, the 60–79 bracket has more than doubled since 1980 and is projected to make up almost a quarter of the population by 2060 (~11 million people). Meanwhile, the 80+ age bracket has grown at an even faster pace, and is set to almost quadruple from 2000 to 2060 (~5 million people). In the US, it's a similar picture; the 60–79 age bracket is expected to grow from 13% to 21% from 1980 to 2060 (~90 million people) while the 80+ age bracket to quadruple (~35 million people). Never before in history has the size of those two brackets been as large. This had led to remarkable growth in the long-term care and retirement residence sectors. However, we believe knowledge of the death care industry is slightly more obtuse. While the mortality rate has stayed fairly constant (~7%), purely as a function of population growth, the number of deaths per year continually rises. Over the last 35 years, it has increased over 60% to 280,000 per year in Canada and 35% to 2.7 million in the US. Death rates continue to grow at roughly ~1% annually in both countries. A quickly aging population and a steady rise in deaths should fuel consistent and reliable growth in all of Park Lawn's service lines.

Shrewd Management Team at Work: Park Lawn's current management team did not have a background in the death care industry prior to taking over in 2013. However, with a quasi-private equity mindset, they identified an industry with strong demographic support ripe for consolidation at reasonable valuations, with low levels of institutional competition. Over the course of their tenure, they've financed and grown Park Lawn at a fervent pace in Canada, while also expanding into the US where they identified an even more compelling current opportunity. Their shrewd capital allocation and investing efforts have generated a ~23% annualized return for shareholders since joining (vs. 7% for the TSX Composite Index).

Poised for Substantial Growth: Park Lawn is poised to benefit from strong market, market share, organic and external growth. Management has stated that it would like to hit $25 million in run-rate EBITDA by the end of 2019, with 60%–70% of this growth coming from external acquisitions, but we think they could hit this goal before the end of 2018E. According to our forecasts, the company is positioned to achieve double-digit growth in both adjusted EBITDA and earnings per share in each of the next two years, with adjusted EBITDA set to grow by 41% annualized through 2019E and adjusted earnings set to grow 35% annually. Roughly two-thirds of this growth comes from external acquisitions while the balance is generated through organic revenue growth and expansions on existing land. Although this is not a traditional real estate company, we are real estate analysts, and opportunities to achieve this level of growth are few and far between in REIT-land.

The Sector Has Few Players and High Barriers to Entry: The North American death care industry is worth roughly US$22 billion, with 10% being Canadian and the balance American. In Canada, Park Lawn only has three competitors, two of which are companies and the other being churches. In the US, there are a number of public companies but the industry is still highly fragmented. Regulatory hurdles and municipal reluctance to cemetery zoning creates large barriers to entry for new entrants and supply. On the funeral home side, the number of homes in both countries has actually shrunk by ~15% over the last decade as a result of rising land values and consolidation. Overall, 80% of the US market and 90% of the Canadian market are owned by non-institutional entities, leaving a sizable opportunity for established scale players to consolidate the space at still reasonable valuations.

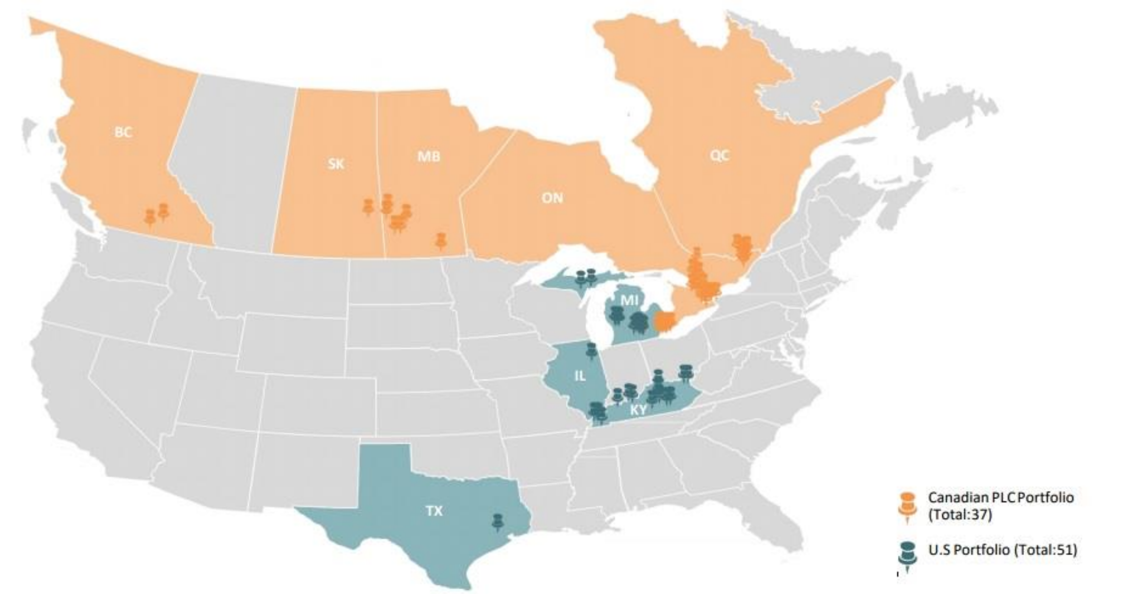
A Recession-Proof Play: The 'nothing in this world is certain except death and taxes' trope might be hackneyed at this point, but that does not mean it is untrue. While people may scale back on flourishes and extra services during a recession, they still almost always require a burial or cremation, as well as a service and/or viewing. While certain real estate asset classes are more prone to cyclicality, death is more certain and thus Park Lawn provides shareholders an opportunity to benefit from fairly recession-proof cash flows.

Company Overview

Canada's Only Public Death Care Operator: Dating back to 1915, when it incorporated its name-sake cemetery in Toronto, Park Lawn Cemetery Company comprised two cemeteries for 87 years. After the acquisition of five Toronto properties from industry-leader Service Corporation in 2002, Park Lawn again lay dormant until the current management team became affiliated with the Company (shareholders in 2011, C-suite executives in 2013) and thus begun its current growth trajectory that today has lead it to operations in all Canadian provinces except for Alberta and the Atlantic, as well as Illinois, Kentucky, Michigan and Texas. The current iteration of the Company (Park Lawn Corporation) was incorporated in 2010 and moved to the TSX in October 2016. Park Lawn is Canada's only publicly listed death care company.

Park Lawn now operates in all verticals of the death care industry, owning 88 businesses including cemeteries, crematoria, funeral homes, chapels and planning offices (as of September 30, 2017). The portfolio comprises 140 acres of land and 40 years of available inventory. Roughly 43% of its revenue is generated in Canada, while the balance comes from its US operations.

Exhibit 1: Park Lawn's Portfolio by Geography



Source: Park Lawn Corporation

Products and Service Lines: Park Lawn provides traditional below-ground burial cemetery lots and above-ground crypt entombment and mausoleums. On the service side, the Company provides a full range of funeral services from providing interment rights to cremation to planning and transfers. Products and services can be pre-arranged in advance of need (pre-need) or sold at the time of death (at-need). Roughly 70%–80% of cemetery plot sales are pre-need while the inverse is true for funeral home services. Park Lawn generates 15% of its revenue from funeral homes and 85% from cemeteries and crematoria.

Exhibit 2: Park Lawn's Products and Services Pricing

Product/Service	Canada Pricing	US Pricing	Gross Margins	EBITDA Margins
Cemetery			**60-70%**	**25-35%**
Burial	$5,000-$10,000	$4,000-$10,000		
Crypt (Single)	$15,000-$20,000	$5,000-$10,000		
Niche	$1,000-$3,500	$1,000-$$3,500		
Cremation			**75-85%**	**10-15%**
Cremation Service	$400-$700	$300-$500		
Funeral			**85-90%**	**20-30%**
Traditional Funeral	$4,000-$10,000	$4,000-$10,000		
Celebration of Life	$2,000-$5,000	$2,000-$5,000		

Source: Park Lawn Corporation, Raymond James Ltd.

In addition to the above products and services, cemetery revenue also includes sales of materials associated with burials/funerals such as burial vaults, candles, caskets, monuments, tombstones, urns, and vases. Funeral home services also include death registration, deceased preparation, memorial services, receptions and catering, sale of merchandise, transportation, and visitations.

Acquisitions: The company has grown significantly since the new management team joined in 2013. Park Lawn has completed 12 acquisitions since, with the bulk (~75%) being in the US. Below is a table of the acquisitions:

Exhibit 3: Park Lawn's Acquisitions

Date	Acquisition	Product Type	Location	Purchase Price ($mln)
Feb-14	Amety (50%)	FH	ON/QC	$1.0
Oct-14	Parkland (50%)	FH	MB/SK	$2.5
Dec-15	Basic	FH	ON	$0.7
Jan-16	Korban	FH	MB	$1.4
Feb-16	Mundell (80%)	FH	ON	$3.4
Mar-16	MMG	C/FH/CS	MI	US$16.7
Feb-17	Reynolds/Turner/Jennitt/Innisfil	FH/CS	ON	$6.8
Feb-17	Providence and Credible	FH/CS	BC	$1.9
May-17	TCS	FH/CS	ON	$3.7
Aug-17	Saber	C/FH	KY/IL/ TX	US$49.4
Sept-17	Vita	FH	MB	$0.4
Dec-17	Christie's	FH/CS	SK	$2.0

C: Cemeteries, FH: Funeral Homes, C: Cremation Services

Source: Park Lawn Corporation, Raymond James Ltd.

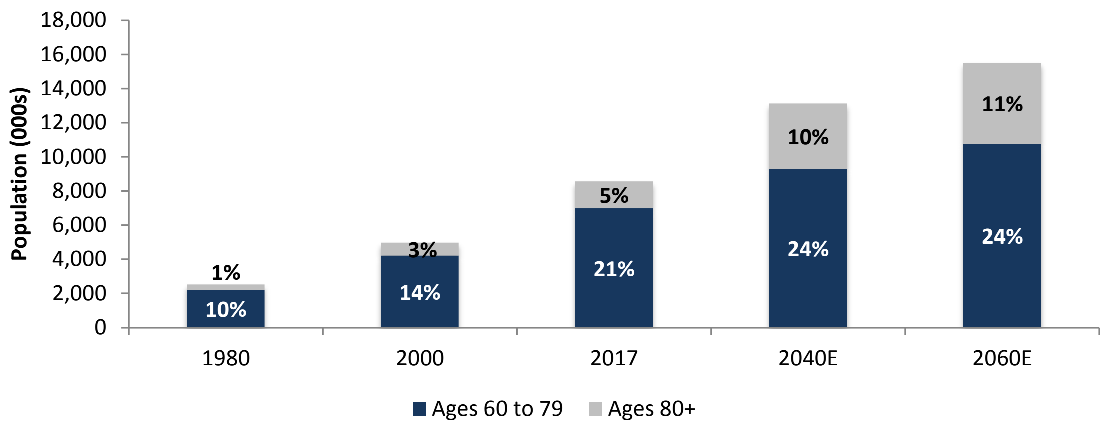
In addition to the above, Park Lawn expanded mausoleums at Park Lawn Cemetery (three floors with 770 crypt spaces per floor built for $10 mln in Nov-2016) and Westminster Cemetery ($14 mln for the building and the first 900 crypts built in Mar-2015 with a $2 mln, 1,080 crypt expansion in Apr-2017 and a $2 mln third floor expected to be added shortly). Park Lawn also acquired a residential property adjacent to its Riverside Cemetery (Toronto) for $1 mln in 2Q17 and 15 acres of cemetery-zoned land in Houston, TX for US$2.2 mln in 3Q17. Post-quarter, Park Lawn acquired Christie's Funeral Home and Crematorium in Saskatchewan for $2.0 mln.

Demographics Overview

Demographic Drivers: While there are a number of demographic drivers for the sector (population growth, for example), the two main ones are the number of 1) people aging and 2) deaths. While the two are inevitably linked, obviously not all deaths are caused by old age and as such they aren't perfectly correlated. In large part due to improvements in healthcare, death rates have dropped over time however the number of deaths has risen steadily.

The 80+ Age Bracket Is Growing at Unprecedented Levels: By now, the fact that both Canada and the US are seeing their populations age at accelerating rates is well known. However, that acceleration is perhaps shocking to most. In fact, the elder population is growing at a pace unseen in history. In Canada, for example, the 60–79 bracket has more than doubled since 1980 and is projected to make up almost a quarter of the population by 2060 (~11 million people). Meanwhile, the 80+ age bracket has grown at an even faster pace, and is set to almost quadruple from 2000 to 2060 (~5 million people).

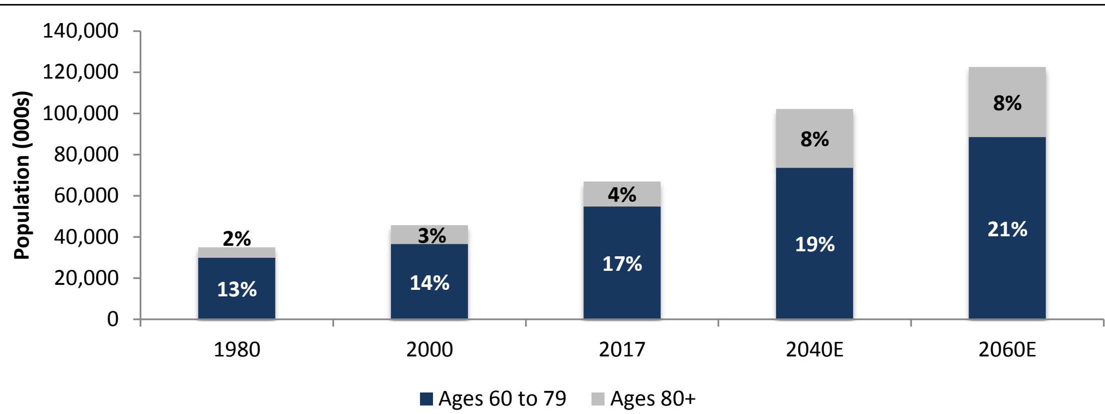
Exhibit 4: Canadian Population Brackets as a Percentage – 1980 to 2060E



Source: Statistics Canada, Raymond James Ltd.

In the US, it's a similar picture; the 60–79 age bracket is expected to grow from 13% to 21% from 1980 to 2060 (~90 million people) while the 80+ age bracket to quadruple (~35 million people).

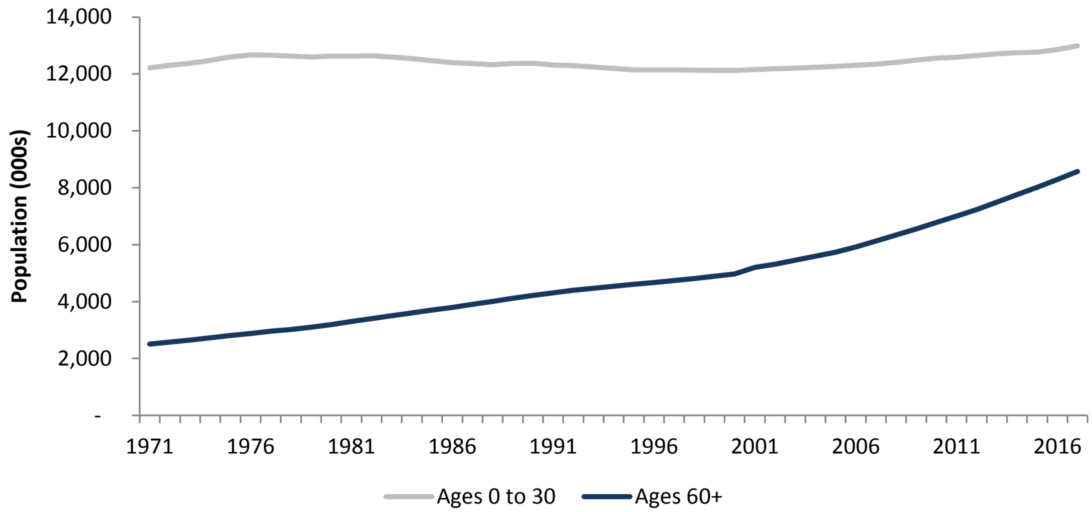
Exhibit 5: US Population Brackets as a Percentage – 1980 to 2060E



Source: US Census Bureau, Raymond James Ltd.

The seniors' population has risen rapidly over the last 40 years, exponentially in fact. Meanwhile, the younger portion of the population has stayed fairly constant. Exhibit 6 shows the phenomenal growth in the upper age bracket (60+). While we have not graphed it out, the US data essentially mirrors Canada. To us, it's fairly evident that Park Lawn will enjoy perhaps decades of healthy organic growth if they can capitalize on this demographic wave.

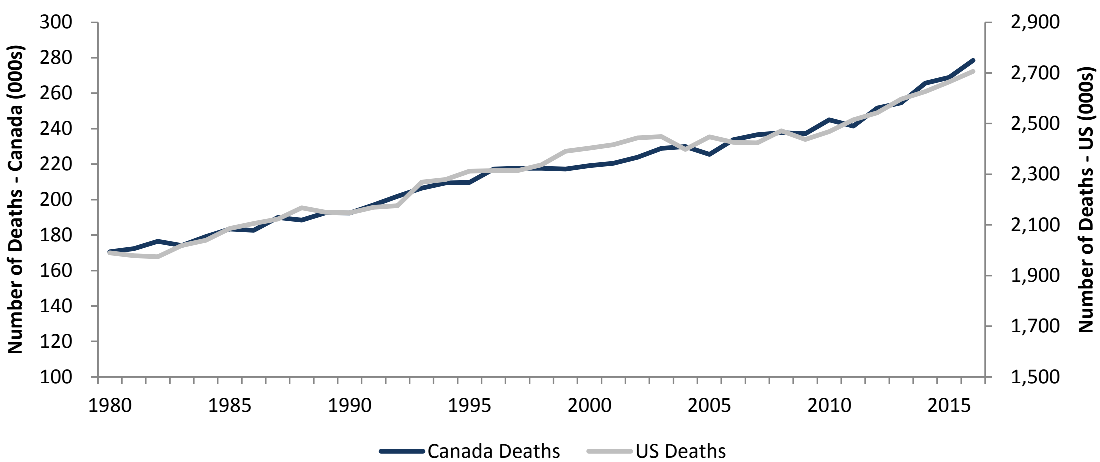
Exhibit 6: Canadian Population Ages 0 to 30 vs. Ages 60+ – 1971 to 2017



Source: Statistics Canada, Raymond James Ltd.

The Number of Deaths Keep Rising: While the mortality rate has stayed fairly constant (~7%), purely as a function of population growth the number of deaths per year continually rises. Over the last 35 years, it has increased over 60% to 280,000 per year in Canada and 35% to 2.7 million in the US. Death rates continue to grow at roughly ~1% annually in both countries.

Exhibit 7: Number of Deaths per Year in Canada and US – 1980 to 2016



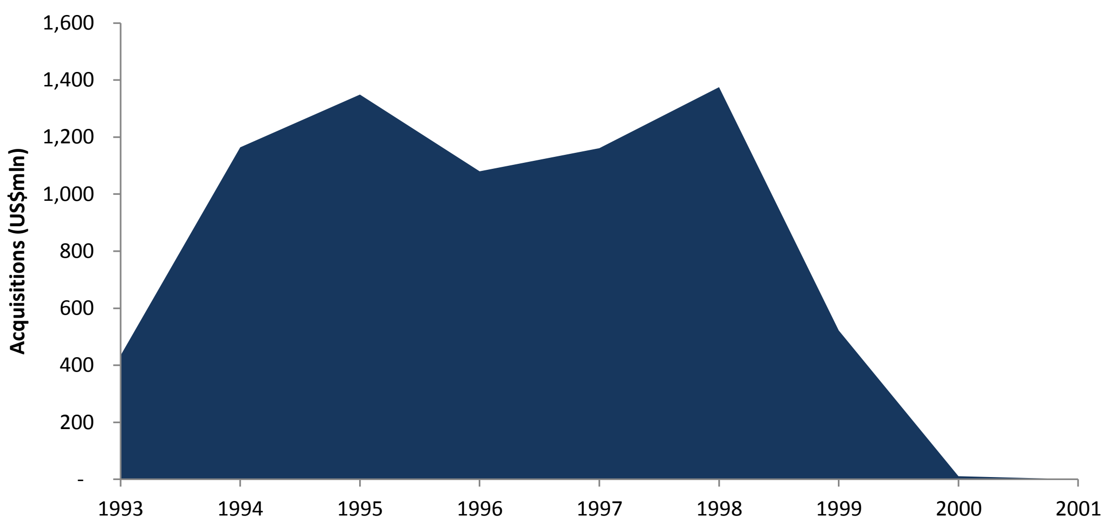
Source: Statistics Canada, Centers for Disease Control, Raymond James Ltd.

Industry Overview

The Modern History of the US Death Care Industry: In the early 1960s, Robert Waltrip (founder of industry leader Service Corporation International) began acquiring several funeral homes in close geographic proximity to one another, with the intent of using this scale to reduce overhead and improve profitability. Since funeral homes do not operate 24/7, Mr. Waltrip realized that he could strategically schedule memorials so that he could shuffle vehicles, embalming services, merchandise and personnel between various locations while still maintaining the same quality of service that families expected. Mr. Waltrip's 'clustering' strategy became the standard industry operating platform for the large consolidators (as the strategy enabled the operators to reduce costs, expand sales and marketing effectiveness, and create opportunities for more integrated and sophisticated management of operations). However, this clustering strategy inherently requires industry participants to make acquisitions, which, given the nearly impossible task of stimulating demand for at-need death care products and services, came to represent the primary vehicle for revenue and profit growth of the large industry participants.

In the 1990s, several public companies, in an effort to scale their businesses, begun to aggressively purchase the independent cemeteries and funeral homes. This roll-up model led to fierce bidding wars for attractive properties, spending US$7.0 billion between 1993 and 2000. However, parent companies failed to achieve the expected efficiencies and generate the returns necessary to offset bulging balance sheets, and ultimately shareholders lost. Towards the end of that spree, death care stocks plummeted, even before the start of the broader stock market crash.

Exhibit 8: The Rise and Fall of Acquisitions in the US Death Care Industry – 1993 to 2001



Source: Company Reports, Raymond James Ltd.

Given these missteps, from late 1999 to 2005, the surviving companies focused on deleveraging their balance sheets, largely by divesting non-core and underperforming assets while focusing on operating efficiencies and working capital. Thus, the sector became a much more stable asset class, with free cash flow generation that was resilient even through the 2007–2009 recession. Subsequent to this, the M&A environment reopened. However, companies maintained their strong balance sheets and continued to execute on internal operational initiatives to capitalize on the upcoming wave of baby boomers, deploying excess capital in shareholder-friendly ways such as dividends and share buybacks.

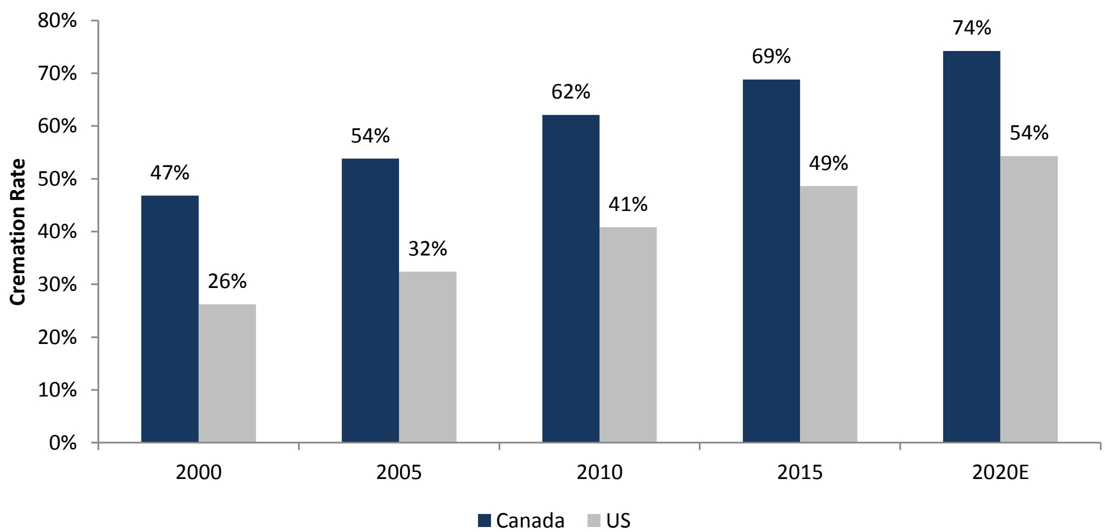
Today, with the recent acquisition of Stewart Enterprises by Service Corp. in 2013, there are now three publicly traded death care companies in the US: Service Corporation International, StoneMor Partners L.P. and Carriage Services, Inc. These three players account for 20% of the US market.

The Canadian Public Landscape Has a Much Shorter History: In Canada, the sector has evolved at a much more stable clip. There have only ever been two significant Canadian-owned players: Park Lawn and Arbor Memorial. The company that would become Arbor was founded in 1947 in London, Ontario with the opening of Forest Lawn Memorial gardens. They expanded through to 1973, when Canadian Memorial Services Ltd. begun trading on the TSX, and after several name changers, became Arbor Memorial. The company expanded into mausoleums in 1976, crematoriums in 1978 and funeral homes in 1983, and then into the US (Florida) in 1985. Arbor was privatized in 2012 ($375 million valuation) by its largest shareholders (Fairfax Financial Holdings and the Scanlan family) and today owns 98 funeral homes, 49 cemeteries and seven crematoria. Together, Arbor and Park Lawn own 10% of the Canadian death care industry. Service Corp., the North American industry leader by a wide margin, actually has the largest presence in Canada, with 161 funeral homes and 10 cemeteries. After Service Corp, Arbor and Park Lawn, the next largest competitors would be the Catholic and Anglican Churches.

Highly Fragmented Both North and South of the Border: The death care industry is a $1.6 billion business in Canada, and is estimated to be north of US$20 billion in the US. There are roughly 5,500 cemeteries in Canada and approximately 20x that number in the US, while there are close to 1,600 funeral homes in Canada and just over 19,000 in the US. It is estimated that 80%–90% of the industry (in both countries) is family/small business-owned. As much of the industry is family-owned, succession planning is the primary driver of sales. Funeral homes typically transact at 4x–6x trailing EBITDA in Canada (5x–7x in the US) while cemeteries usually transact at 6x–9x (9x–10x in the US).

Majority Now Favoring Cremation: Over the past several years, the cremation market has taken market share from in-ground burials, in large part due to lower pricing as well as additionally convenience and a growing comfort with the cremation process in certain religions (the Vatican begun to accept cremation as an option in 1963, with guidelines revised in 1983 and 2016). Cremation rates have grown at ~7% annually and are projected to reach 74% in Canada and 54% in the US by 2020.

Exhibit 9: Cremation Rates per Year – Canada vs. US



Source: Cremation Association of North America, Raymond James Ltd.

This shift has not necessarily caused the intuitive decline in revenues, as cremations are often still accompanied by the same kind of full funeral service as a casket funeral. We expect cremation rates to continue to rise in both countries, and funeral homes without a crematorium will suffer. Cremations have very high gross margins (85%–90%), and when combined with memorialization, gross profits are similar to that of cemetery plot sales. Currently, ~15%–20% of those cremated also want niche space. As more people shift towards cremation, growing this number is a large opportunity.

Barriers to Entry Significant: In North America, there is not a lot of land that is zoned for cemetery use that isn't already being used. Given that there isn't a severe shortage of cemetery plots (unlike the substantial shortage of senior care homes), municipalities aren't typically eager to zone new land for this purpose.

Going Green: There has been a recent increase in the demand for green death care, which comes with more environmentally-friendly embalming fluids and/or caskets with no metal hardware, for example. A 2015 study by the Funeral and Memorial Information Council found that 64% of adults aged 40+ said they would consider a green burial (up from 43% in 2010), with cost (green burials can cost 50% less than a traditional service) and environmental concern being the largest reasons behind this shift. In the US, for example, every year 800,000 gallons of formaldehyde is dumped into the soil and 115 million tons of casket steel (non-degradable casket hardwood equivalent to four million acres of forest) and two billion tons of concrete go into the ground. The pickup, thus far has been slow, with only ~250 green funeral homes and ~75 green cemeteries in the US, although many more offer green services. In Canada, there are four fully natural burial grounds.

Death Care Accounting 101

Trust Funds: Park Lawn's clients purchase their products and services either on a pre-need or at-need (at time of death) basis. As mentioned above, ~70%–80% of cemetery plot sales are pre-need while the inverse is true for funeral home services. As per regulatory requirement, Park Lawn must maintain a Care & Maintenance Trust Fund (to be used exclusively for the care and maintenance of cemeteries and mausoleums) and a Pre-Need Trust Fund (to be used to pay for supplies and services need at the time of death). The trusts are both managed by professional third-party fund managers.

Care & Maintenance Trust: The trust holds a portion of the proceeds received from pre-need contracts, which is treated as a cost of sale at that time. The principal plus any capital gains or losses is held in perpetuity and only the income, not the capital gains, may be paid to Park Lawn. If the investment income earned by the trust exceeds eligible care and maintenance expenses, the excess is added to the capital of the trust. Ontario requires 15%–40% the sale proceeds to be held in the trust while the US requires 15%–20%.

Exhibit 10: Care & Maintenance and Pre-Need Trust Fair Value Balances (As at Sept 30, 2017)

$000s	C&M Trust	Pre-Need Trust
Cash & Equivalents	$4,788	$2,693
GIC's	-	$33,502
Equities	$70,102	$20,855
Fixed Incomes	$28,057	$39,992
Preferred Stocks	$4,870	-
Total	$107,817	$97,042

Source: Park Lawn Corporation, Raymond James Ltd.

Pre-Need Trust: The trust holds funds paid in advance of need, to purchase when required at-need supplies and services (merchandise, grave and crypt openings, etc.). While certain regions allow for surplus income and capital gains to be realized by at the time of contract execution, Ontario requires any surplus over market value of the service to be refunded.

Inventory: Park Lawn held inventory in the amount of $41 million as at 3Q17, as shown in Exhibit 11. The vast majority ($30 million) is made up of crypts and niches, with another $9 million of cemetery lots.

Exhibit 11: Inventory Held (As at Sept 30, 2017)

$000s	Inventory
Merchandise	$1,022
Cemetery Lots	$9,474
Crypts and Niches	$29,977
In Progress	$300
Total	$40,773

Source: Park Lawn Corporation, Raymond James Ltd.

Park Lawn also holds $11 million worth of land designated for future development, across five businesses in the GTA, Ottawa and the US (260-acres as part of the Saber acquisition and 15-acres in Houston).

Exhibit 12: Land Held for Development (As at Sept 30, 2017)

$000s	Land Value
Westminster	$2,902
Amety	$331
Pine Valley	$800
Royal York	$1,049
Saber	$6,119
Total	$11,201

Source: Park Lawn Corporation, Raymond James Ltd.

Management Team and Governance Overview

New Management Changes Growth Trajectory: In 2011, a group of investors led by the current CEO, Andrew Clark, acquired ~15% of share outstanding. This group, the Fox Hate Group, entered into a shareholder agreement that granted them a call option to acquire the shares owned by the outgoing management team after June 2013. The call option was exercised in July of that year and CEO, Frank Mills, and CFO, Larry Boland, both resigned and retired. Mr. Clark and Joseph Leeder (CFO) were appointed to the C-suite roles.

Below are biographies for the management team:

Andrew Clark – Chief Executive Officer

Andrew Clark has been a director of Park Lawn Corporation since July 2011 and became Chief Operating Officer in September 2011. In 2013, Andrew became Chairman and CEO. Prior to joining Park Lawn, Andrew founded a successful tourism and hospitality business with operations and staff in the UK, Canada and US. Andrew started his career working in the financial analysis and relationship management roles in the mid-market commercial lending business of TD Bank.

Joseph Leeder – Chief Financial Officer

Joseph Leeder has been a director of Park Lawn Corporation since April 2013 and Chief Financial Officer since July 2013. Joseph is a CA and was a Partner at KPMG from 1990 to 1997. After leaving KPMG, Joseph held the position of Chief Financial Officer at Envoy Communications Group from 1998 to 2002, Upper Canada Forest Group from 2003 to 2005 and Envoy Capital Group from 2005 to 2010. From 2011 until he joined Park Lawn, Joseph provided consulting and business advisory services.

Linda Gilbert – Vice President, Finance & Administration

Linda joined Park Lawn Corporation as Director of Finance in September 2014 and was appointed to her current position in March 2016. She is a CA and previously held the positions of Vice President, CFO and Director of Finance of Envoy Communications Group.

Suzanne Cowan – Vice President, Business Development & Corporate Affairs

Suzanne joined Park Lawn Corporation in March 2016 in her current role. Prior to joining, Suzanne held the position of Director of Advertising and Senior Advisor to Liberal Leader Justin Trudeau. Suzanne was previously a member of the executive team with the Ontario Energy Board and held senior roles with the Premier of Ontario and several Ministers with the Government of Canada and the Senate.

Nicolas Mulroney – Vice President, Mergers, Acquisitions & Strategic Initiatives

Nicolas joined Park Lawn Corporation in February 2017 in his current role. Prior to joining, Nicolas was part of the CIBC Investment Banking group focused on Diversified Industries.

Board of Directors

The Park Lawn Board of Directors currently has seven members (five independent), including both Andrew and Joseph. In aggregate, management, directors and insiders own ~9% of the Company's outstanding shares. Exhibit 13 details last published ownership of Park Lawn.

Exhibit 13: Park Lawn's Management and Board Ownership (As at December 1, 2017)

Executive	Title	Ownership
Andrew Clark	**CEO and Chairman**	**1.945%**
Joseph Leeder	**CFO, Director**	**0.880%**
Winz Casagrande	**Director**	**-%**
John Ward	**Director**	**0.099%**
Steven Scott	**Director**	**0.064%**
Timothy Powers	**Director**	**0.018%**
Paul Smith	**Director**	**0.064%**

Source: Capital IQ, Raymond James & Ltd.

Strategic Overview

Flying Through Growth Targets: Since the new management team came on board, they have changed the growth profile of the company, growing EBITDA from $2.4 million in 2013 to a run-rate of ~$22 million post-3Q17.The public target was to grow EBITDA to $25 mln from 2016 to 2019, essentially tripling the starting run-rate. In large part due to the nine acquisitions since 2016, management is on pace to hit their goal a year early. By our estimate, EBITDA will hit $25 mln on a run-rate basis by 3Q18. The goal over the next three year period will be to double that to $50 mln, which should be achievable given the amount of product out there in the market. The plan is for two-thirds of this growth to come from external opportunities, with the balance largely coming from organic revenue growth and expansions on excess land within the portfolio (management underwrites to 20% un-levered IRRs).

Funding Growth: Unlike the rest of our real estate universe, Park Lawn's assets aren't eligible for traditional mortgage financing. As a result, debt can be quite expensive (their 3Q17 weighted average interest rate is 8.0%). The flip side of not being a REIT is that they retain quite a large amount of cash (our forecasts have them generating $25 mln of adjusted cash flow in 2018). We believe most of their external growth will be funded this way, and additional debt limited, with management committed to keeping their D/EBITDA below 2.0x, which implies capacity to raise their debt levels by ~$50 mln.

New Credit Facility Provides Prudent Source of Leverage: Doing so should be much more affordable going forward as post-quarter, the Company replaced their previous $25 mln loan facility with a 5-year $75 mln committed credit facility, with an additional $50 mln accordion option. The rate on this facility is BA + a premium based on Park Lawn's D/EBITDA ratio (i.e., +120 bp if <1.0x to +220 bp if >3.0x), which should allow Park Lawn the ability to lever up at a more affordable rate than older debt.

Forecast Overview

Revenue Growth and Margin Assumptions: We assume organic revenue growth of 5.0% and 6.0% annually, in 2018E and 2019E, respectively. We have also forecasted gross margins of 75.5% for both 2018E and 2019E.

G&A, Maintenance, Advertising & Selling Assumptions: We have forecast G&A to be $32 million in 2018E and $43 million in 2019E, or 25% of revenue, down from the current 28% due to efficiencies from the Saber acquisition. We have kept maintenance expenditures at 20% of revenue, or $25 million in 2018E and $34 million in 2019E. Lastly, we have also kept advertising and selling expenditures at 15.5% of revenue, or $20 million in 2018E and $27 million in 2019E.

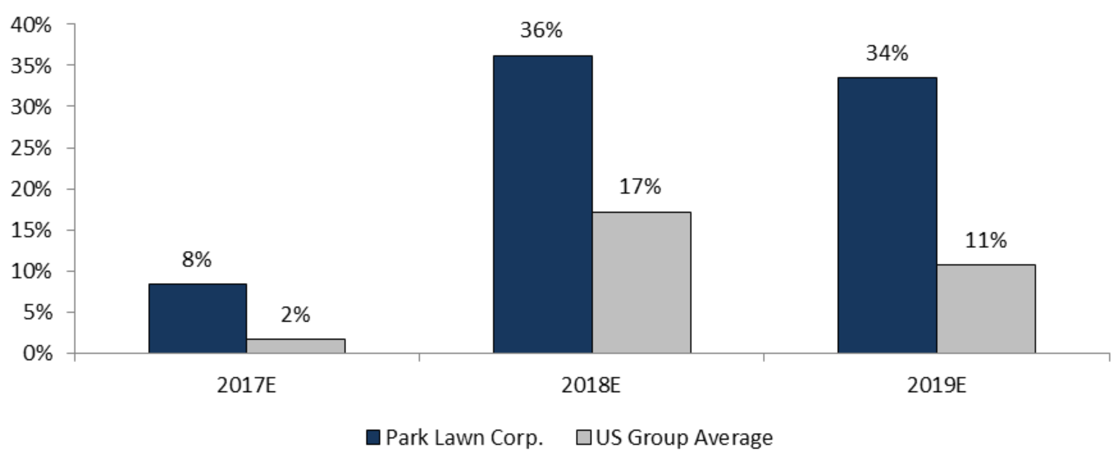
External Growth Assumptions: We have forecast $45 million of acquisitions in 2018E and $50 million in 2019E, with $5 million in Canada each year and the balance in the US, at a weighted average EBITDA multiple of 6.5x. We feel like both the acquisition quantum and the multiple are conservative, given the $50 million of liquidity that Park Lawn currently has ($100 million post-quarter), and what recent transactions have been completed at.

Capital Issuance Assumptions: We have forecast a $20 million equity issuance in 2018E and a $15 million equity issuance in 2019E, in order to maintain current leverage levels.

Tax Rate Assumptions: We have forecast a 15% tax rate in both 2018E and 2019E.

Earnings Forecast: Given the above assumptions, we have forecast diluted adjusted EPS of $0.90 in 2018E and $1.20 in 2019E. This implies earnings growth of 36% in 2018E and 34% in 2019E. As shown in Exhibit 14, this compares favorably to US peers, who are only growing earnings by 17% and 11% over the next two years, respectively

Exhibit 14: Park Lawn's Adj. EPS Growth vs. US Peers

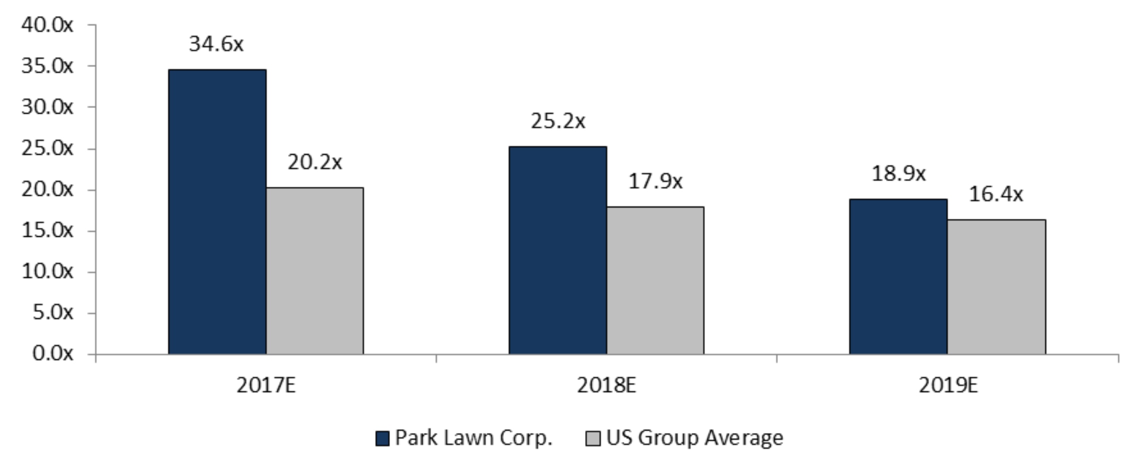


Source: Capital IQ, Raymond James Ltd.

Valuation Overview

Adj. EPS Multiples: On a multiple basis, Park Lawn is trading at 25.2x our 2018E Adj. EPS estimate and 18.9x our 2019E Adj. EPS estimate. In comparison, US peers are trading at 17.9x and 16.4x.

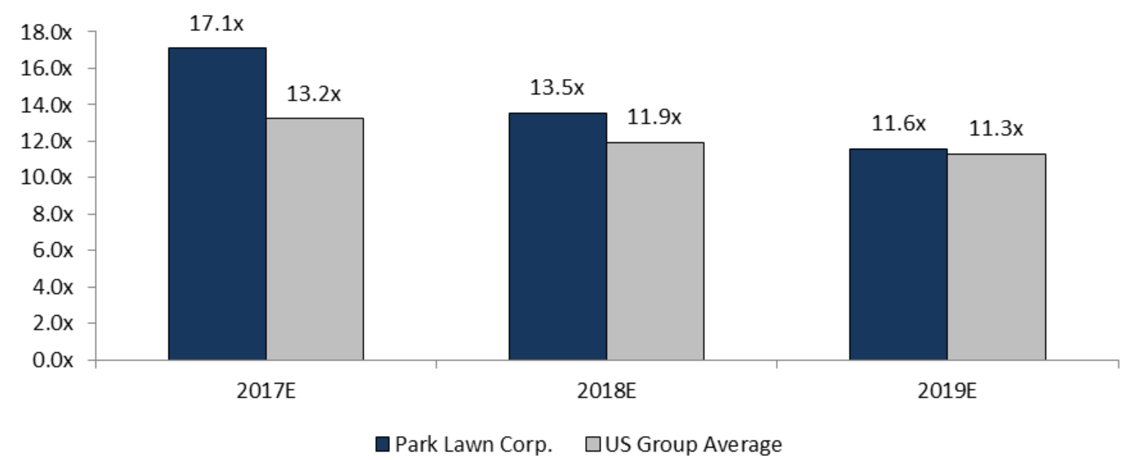
Exhibit 15: Park Lawn's P/Adj. EPS vs. US Peers



Source: Capital IQ, Raymond James Ltd.

EV/EBITDA Multiple: On an EV/EBITDA multiple basis, Park Lawn is trading at 13.5x our 2018E EBITDA estimate and 11.6x our 2019E EBITDA estimate vs. the US death care peer set, which trades at 11.9x and 11.3x 2018 and 2019 EBITDA.

Exhibit 16: Park Lawn's EV/EBITDA vs. US Peers



Source: Capital IQ, Raymond James Ltd.

Dividend and Payout: Park Lawn pays a monthly dividend of $0.038 per unit ($0.456 annualized), which equates to a yield of 2.0%, essentially in-line with the GoC 10-year. While the Board has not increased the dividend since the new management team joined, they have ample room to do so once the acquisition market tightens up, as the 2018E Cash Flow payout ratio is only 28%.

Conclusion

What drives the (increasing) value of an investment? To us, there are three things: 1) scarcity, 2) sufficient demand, and 3) growth. Park Lawn offers investors the ability to own a company that has the wind of all three in their sails.

High Barriers to Entry in a Fragmented Sector: The Company is the only public Canadian death care entity, operating in a US$22 billion sector (including US operations). In Canada, Park Lawn only has three competitors, two of which are companies and the other being churches. In the US, there are a number of public companies but the industry is still highly fragmented. Regulatory hurdles and municipal reluctance to cemetery zoning creates large barriers to entry for new entrants and supply.

Demographic Support Unlike Anything in History: Demographics drive demand, and with historic aging population trends in North America, demand for their products will only rise. In Canada, the 60–79 bracket has more than doubled since 1980 and projected to make up almost a quarter of the population by 2060 (~11 million people). Meanwhile, the 80+ age bracket has grown at an even faster pace, and is set to almost quadruple from 2000 to 2060 (~5 million people). In the US, it's a similar picture; the 60–79 age bracket is expected to grow from 13% to 21% from 1980 to 2060 (~90 million people) while the 80+ age bracket to quadruple (~35 million people). Never before in history has the size of those two brackets been as large. Meanwhile, while the mortality rate has stayed fairly constant (~7%), purely as a function of population growth, the number of deaths per year continually rises. Over the last 35 years, it has increased over 60% to 280,000 per year in Canada and 35% to 2.7 million in the US. A quickly aging population and a steady rise in deaths should fuel consistent and reliable growth in all of Park Lawn's service lines.

Substantial Growth on Tap: Park Lawn is poised to benefit from strong market, market share, organic and external growth. Management has stated that it would like to hit $25 million in run-rate EBITDA by the end of 2019, and hopes to hit $50 million in the three years subsequent to this, with 60%–70% of this growth driven by external acquisitions. As such, we forecast Park Lawn to grow adjusted earnings by 35% annually over the next couple of years.

Management Team Executing on Opportunities: Despite the above three attributes all working in Park Lawn's favor, it takes a strong and astute management team to execute on allocating capital and managing these opportunities. Since joining in 2013, they identified an industry with strong demographic support ripe for consolidation at reasonable valuations, with low levels of institutional competition. Over the course of their tenure, they've financed and grown Park Lawn at a fervent pace in Canada, while also expanding into the US where they identified an even more compelling current opportunity. Their shrewd capital allocation and investing efforts have generated a ~23% annualized return for shareholders since joining (vs. 7% for the TSX Composite Index).

Initiating at an Outperform: Given the above, we believe that investors should add the Company to their portfolio at current levels. We acknowledge that the stock is close to its all-time high and trades at a premium to US peers. However, the organic growth profile of Park Lawn is vastly different and, given its still small size, their sizable quantum of acquisitions make more of an impact. As such, we are initiating on Park Lawn with an Outperform rating and a $25.00 target price.

Investment Risks

Company Specific Risks

Acquisition Risk

A large part of the Company's strategy is dependent upon its ability to identify suitable acquisition targets in both new and existing markets. Apart from financing risk (discussed below), management must also successfully integrate the acquired businesses into existing operations. While management believes that the fragmentation of the death care industry provides for significant consolidation opportunities, there is no guarantee that opportunities will be properly identified or acquired. This could impair the growth trajectory of the Company.

Competition Risk

As with any company, Park Lawn is subject to competition in its industry. Cemeteries and funeral homes must maintain high professional standards while maintaining quality products and services at competitive prices. Competitors may have offerings that change that equation, which could result in the loss of market share for Park Lawn. Recently, more of the death care products are being offered online at discounts to what physical stores can offer. Management must balance their prices with the level of service that cannot be provided by online stores in order to compete.

Consumer Preference Risk

Different generations, regions, and religions have varying preferences for how to deal with death. These preferences shift over time (for example, cremation rates have risen over the last decade), which can impact revenue and margins for Park Lawn. Management also has the responsibility of trying to anticipate or identify consumer trends, in order to adequately implement strategies to satisfy them. Anytime they incorrectly or ineffectively address these preferences, it could have an adverse impact on results and cash flow.

Currency Risk

With operations in the US, the Company is subject to currency risk given that it incurs expenses, reports, raises funds, and pays dividends in Canadian dollars. The Company does not have an active hedging program to offset foreign exchange risk but will continue to assess this strategy from time to time.

Personnel Risk

Both Andrew Clark and Joseph Leeder have been integral in transforming the Company into what it is today. They have developed industry experience and substantial contacts while also being shareholders. The loss of either, or the loss of other key members of the team, could have a material adverse effect on revenue, operations and growth.

Trust Fund Risk

Park Lawn is dependent on income generated from its care and maintenance funds to offset cemetery maintenance expenses. It is also dependent on income earned from its pre-need trust funds to provide the licensed supplies or services at-need. Any changes to stock/bond prices, dividend rates or interest rates could impact earnings from those trust funds. A significant decline in earnings from such trust funds could cause a decrease in current revenue. Additionally, there is no guarantee that increasing care and maintenance funds will cover future increases in the cost of maintaining the Park Lawn's properties, or that increasing pre-need trust funds will cover future increases in the cost of providing licensed supplies or services.

Industry Specific Risks

Economic Risk

While the death care industry is fairly recession resistant, an extended downturn in the national economy could negatively affect consumers' disposable income and spending patterns, and shift preferences towards lower end products and services and/or reduce pre-need sales. With the high fixed cost nature of the business, this could cause a meaningful impact on results.

Capital Markets Risk

Access to the capital markets is crucial to the growth prospects of any company and Park Lawn is no exception. If the ability to execute deals involving the issuance of debt or equity securities becomes impaired, the end result could impair the Company's ability to generate growth. Management attempts to mitigate this risk by maintaining low leverage and a flexible balance sheet.

Regulatory Risk

The death care industry is subject to extensive and complex licensing requirements and regulations. There is a risk that unforeseen future regulations may adversely affect the Company's costs, operational practices or reputation. Management must be adept at adapting the business to adhere to any new or changed laws.

Appendix A: Forecasted Financial Statements

Exhibit 17: Park Lawn's Income Statement

Income Statement ($000s)	2016A	2017E	2018E	2019E
Total Revenue	67,042	87,220	126,858	174,371
Costs	17,619	20,191	31,080	42,721
Gross Profit	49,423	67,029	95,778	131,650
-				
Operating, General and Admin	17,538	23,994	31,714	43,593
Maintenance	14,268	18,206	25,372	34,874
Advertising and Selling	11,213	13,654	19,663	27,027
Interest Expense	624	374	562	962
Stock Based Compensation	371	741	760	780
Earnings from Operations	5,409	10,060	17,707	24,414
Other Expenses	2,758	(4,154)	-	-
Earnings before Income Taxes	8,168	5,906	17,707	24,414
Income Taxes	312	566	2,656	3,662
-				
Net Income	**7,856**	**5,340**	**15,051**	**20,751**

Source: Park Lawn Corporation, Raymond James Ltd.

Exhibit 18: Park Lawn's Adjusted Earnings per Share

Adjusted Earnings ($000s)	2016A	2017E	2018E	2019E
Net Earnings, PLC Shareholders	7,490	5,112	15,051	20,751
Change in FV of Contingent Payments	(3,466)	(306)	-	-
Acquisition, Integration and Graduation Costs	1,003	3,301	-	-
Foreign Exchange Loss	(334)	1,008	-	-
Stock Based Compensation	371	741	760	780
Sale of Properties	(438)	-	-	-
Claim Settlement/Termination of Lease Contract	720	151	-	-
Other Expenses	(310)	-	-	-
Tax Effect on Above Items	(179)	(1,215)	(1,400)	(1,500)
Adjusted Earnings	**4,857**	**8,792**	**14,411**	**20,031**
W.A. Shares Outstanding (FD)	**7,977**	**13,322**	**16,031**	**16,689**
Adjusted Earnings per Common Share	**$ 0.61**	**$ 0.66**	**$ 0.90**	**$ 1.20**

Source: Park Lawn Corporation, Raymond James Ltd.

Exhibit 19: Park Lawn's Adjusted EBITDA

Adjusted EBITDA ($000s)	2016A	2017E	2018E	2019E
Earnings from Operations	5,409	10,060	17,707	24,414
Interest Expense	624	374	562	962
Depreciation and Amortization	1,622	2,737	3,600	3,600
Amortization of Cemetery Property	3,756	3,648	4,400	4,400
Stock Based Compensation	371	741	760	780
NCI Adjusted EBITDA	(706)	(634)	(500)	(500)
Adjusted EBITDA	**11,077**	**16,926**	**26,529**	**33,656**

Source: Park Lawn Corporation, Raymond James Ltd.

Exhibit 20: Park Lawn's Balance Sheet

Balance Sheet ($000s)	2016A	2017E	2018E	2019E
Current Assets				
Cash and Cash Equivalents	23,892	19,697	13,923	3,570
Accounts Receivable	1,922	3,111	3,111	3,111
Pre-Need Receivables, Current Portion	5,592	14,218	14,218	14,218
Inventories	39,385	42,047	71,297	103,797
Prepaid Expenses and Other Current Assets	475	1,036	1,036	1,036
Debenture Receivable	-	150	150	150
Loan Receivable	124	-	-	-
Non-Current Assets				
Pre-Need Receivables, Net of Current Portion	16,306	35,086	35,086	35,086
Land Held for Development	4,033	11,201	11,201	11,201
Property and Equipment	21,616	34,688	34,688	34,688
Investment Properties	200	212	212	212
Care and Maintenance Trust Fund Investments	87,546	108,209	117,209	127,209
Pre-Need Trust Fund Investments	63,881	97,336	104,086	111,586
Deferred Tax Assets	1,716	2,989	2,989	2,989
Employee Share Plan Loan	3,299	3,170	3,170	3,170
Debentures Receivable	150	-	-	-
Receivable on Sale of Discontinued Operations	277	232	232	232
Goodwill and Intagibles	19,173	87,843	87,843	87,843
Deferred Financing Fee	341	378	378	378
Other Assets	413	752	752	752
Total Assets	**290,341**	**462,355**	**501,581**	**541,228**
Current Liabilities				
Accounts Payable and Accrued Liablities	9,830	13,193	13,193	13,193
Current Portion of Notes Payable	800	832	832	832
Dividends Payable	422	583	583	583
Current Portion of Long-Term Debt	504	548	548	548
Non-Current Liabilities				
Long-term Debt	3,108	2,803	7,803	12,803
Notes Payable	284	343	343	343
Deferred Revenue	25,189	55,039	55,039	55,039
Contingent Payments	1,411	1,012	1,012	1,012
Care and Maintenance Trusts' Corpus	87,546	108,209	117,209	127,209
Deferreed Pre-Need Receipts	63,881	97,336	104,086	111,586
Total Liabilties	**192,974**	**279,897**	**300,647**	**323,147**
Shareholders' Equity	96,588	181,451	199,927	217,074
Non-Controlling Interest	779	1,007	1,007	1,007
Total Liabilities & Shareholders' Equity	**290,341**	**462,355**	**501,581**	**541,228**

Source: Park Lawn Corporation, Raymond James Ltd.

Exhibit 21: Park Lawn's Cash Flow Statement

Cash Flow Statement ($000s)	2016A	2017E	2018E	2019E
Operating Activities				
Net Income	7,856	5,340	15,051	20,751
Changes in Operating Cash Flows	(8,419)	4,002	6,486	6,506
Net Cash Provided by Operating Activities	**(563)**	**9,341**	**21,536**	**27,257**
Investing Activities				
Changes in Investing Cash Flows	(30,043)	(92,958)	(45,000)	(50,000)
Net Cash Provided by Investing Activities	**(30,043)**	**(92,958)**	**(45,000)**	**(50,000)**
Financing Activities				
Changes in Financing Cash Flows	54,603	80,522	17,690	12,390
Net Cash Provided by Financing Activities	**54,603**	**80,522**	**17,690**	**12,390**
Translation Adjustment on Cash	(270)	(1,100)	-	-
Change in Cash - Continuing Operations	**23,997**	**(3,095)**	**(5,774)**	**(10,353)**
Cash, Beginning of Period	165	23,892	19,697	13,923
Cash at End of Period	**23,892**	**19,697**	**13,923**	**3,570**

Source: Park Lawn Corporation, Raymond James Ltd.

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Appendix B: Pictures of Select Park Lawn Product Offerings

Source: Park Lawn Corporation, Raymond James Ltd.

Appendix C: Death Care Comp Table

Exhibit 22: Death Care Comp Table

	Analyst	Ticker	12-Jan Price	Market Cap	Current Yield	Rating*	Adj. EPS Growth 2017E	2018E	2019E	P/Adj. EPS 2017E	2018E	2019E	EV/EBITDA 2017E	2018E	2019E
DEATH CARE - CANADA															
Park Lawn Corp.	**JR**	PLC	$ 23.10	352	2.0%	OP	8%	36%	34%	34.6x	25.2x	18.9x	17.1x	13.5x	11.6x
DEATH CARE - UNITED STATES															
Carriage Services	NC	CSV	$ 26.60	428	1.2%	N/A	-14%	30%	15%	15.2x	11.7x	10.2x	11.2x	9.4x	8.6x
Service Corp. Int'l	**JWR**	SCI	$ 38.07	7,140	1.6%	SB	17%	5%	7%	25.2x	24.1x	22.5x	15.3x	14.5x	14.0x
StoneMor Partners	**JWR**	STON	$ 5.62	213	23.5%	R	R	R	R	R	R	R	R	R	R
US Group Average					**1.4%**		**2%**	**17%**	**11%**	**20.2x**	**17.9x**	**16.4x**	**13.2x**	**11.9x**	**11.3x**

Note: Bolded companies indicate current Raymond James coverage. Ratings: SB – Strong Buy, OP – Outperform, MP – Market Perform, NC – Not Covered, R – Restricted
Analysts: JR - Johann Rodrigues, JWR - John W. Ransom

Source: Capital IQ, Raymond James Ltd., Raymond James & Associates

Company Citations

Company Name	Ticker	Exchange	Currency	Closing Price	RJ Rating	RJ Entity
Service Corporation International	SCI	NYSE	$	38.07	1	RJ & Associates
StoneMor Partners L.P.	STON	NYSE	$	5.62	3	RJ & Associates

Notes: Prices are as of the most recent close on the indicated exchange and may not be in US$. See Disclosure section for rating definitions. Stocks that do not trade on a U.S. national exchange may not be registered for sale in all U.S. states. NC=not covered.

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Outperform (MO2) Expected to appreciate and outperform the S&P 500 over the next 12-18 months. For higher yielding and more conservative equities, such as REITs and certain MLPs, an Outperform rating is used for securities where we are comfortable with the relative safety of the dividend and expect a total return modestly exceeding the dividend yield over the next 12-18 months.
Market Perform (MP3) Expected to perform generally in line with the S&P 500 over the next 12 months.
Underperform (MU4) Expected to underperform the S&P 500 or its sector over the next six to 12 months and should be sold.
Suspended (S) The rating and price target have been suspended temporarily. This action may be due to market events that made coverage impracticable, or to comply with applicable regulations or firm policies in certain circumstances, including when Raymond James may be providing investment banking services to the company. The previous rating and price target are no longer in effect for this security and should not be relied upon.

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Strong Buy (SB1) The stock is expected to appreciate and produce a total return of at least 15% and outperform the S&P/TSX Composite Index over the next six months.
Outperform (MO2) The stock is expected to appreciate and outperform the S&P/TSX Composite Index over the next twelve months.
Market Perform (MP3) The stock is expected to perform generally in line with the S&P/TSX Composite Index over the next twelve months and is potentially a source of funds for more highly rated securities.
Underperform (MU4) The stock is expected to underperform the S&P/TSX Composite Index or its sector over the next six to twelve months and should be sold.

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Strong Buy (1) Expected to appreciate, produce a total return of at least 15%, and outperform the Stoxx 600 over the next 6 to 12 months.
Outperform (2) Expected to appreciate and outperform the Stoxx 600 over the next 12 months.
Market Perform (3) Expected to perform generally in line with the Stoxx 600 over the next 12 months.
Underperform (4) Expected to underperform the Stoxx 600 or its sector over the next 6 to 12 months.
Suspended (S) The rating and target price have been suspended temporarily. This action may be due to market events that made coverage impracticable, or to comply with applicable regulations or firm policies in certain circumstances, including when Raymond James may be providing investment banking services to the company. The previous rating and target price are no longer in effect for this security and should not be relied upon.

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	Coverage Universe Rating Distribution*			Investment Banking Distribution		
	RJA	RJL	RJEE/RJFI	RJA	RJL	RJEE/RJFI
Strong Buy and Outperform (Buy)	53%	66%	52%	24%	43%	0%
Market Perform (Hold)	42%	30%	35%	12%	27%	0%
Underperform (Sell)	5%	5%	13%	4%	22%	0%

* Columns may not add to 100% due to rounding.

Suitability Ratings (SR)

Medium Risk/Income (M/INC) Lower to average risk equities of companies with sound financials, consistent earnings, and dividend yields above that of the S&P 500. Many securities in this category are structured with a focus on providing a consistent dividend or return of capital.

Medium Risk/Growth (M/GRW) Lower to average risk equities of companies with sound financials, consistent earnings growth, the potential for long-term price appreciation, a potential dividend yield, and/or share repurchase program.

High Risk/Income (H/INC) Medium to higher risk equities of companies that are structured with a focus on providing a meaningful dividend but may face less predictable earnings (or losses), more leveraged balance sheets, rapidly changing market dynamics, financial and competitive issues, higher price volatility (beta), and potential risk of principal. Securities of companies in this category may have a less predictable income stream from dividends or distributions of capital.

High Risk/Growth (H/GRW) Medium to higher risk equities of companies in fast growing and competitive industries, with less predictable earnings (or losses), more leveraged balance sheets, rapidly changing market dynamics, financial or legal issues, higher price volatility (beta), and potential risk of principal.

High Risk/Speculation (H/SPEC) High risk equities of companies with a short or unprofitable operating history, limited or less predictable revenues, very high risk associated with success, significant financial or legal issues, or a substantial risk/loss of principal.

Raymond James Relationship Disclosures

Raymond James expects to receive or intends to seek compensation for investment banking services from the subject companies in the next three months.

Company Name	Disclosure
Park Lawn Corporation	Raymond James Ltd - the analyst and/or associate has viewed the material operations of Park Lawn Corporation.
	Raymond James Ltd. has managed or co-managed a public offering of securities within the last 12 months with respect to Park Lawn Corporation.
	Raymond James Ltd. has provided investment banking services to Park Lawn Corporation within the past 12 months.
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Stock Charts, Target Prices, and Valuation Methodologies

Valuation Methodology: The Raymond James methodology for assigning ratings and target prices includes a number of qualitative and quantitative factors including an assessment of industry size, structure, business trends and overall attractiveness; management effectiveness; competition; visibility; financial condition, and expected total return, among other factors. These factors are subject to change depending on overall economic conditions or industry- or company-specific occurrences. Only stocks rated Strong Buy (SB1) or Outperform (MO2) have target prices and thus valuation methodologies.

Target Prices: The information below indicates our target price and rating changes for PLC stock over the past three years.

Valuation Methodology: We value Park Lawn using multiples based on adjusted earnings per share.

Risk Factors

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Specific Investment Risks Related to the Industry or Issuer

Risks -- Park Lawn Corporation

Acquisition Risk

A large part of the Company's strategy is dependent upon its ability to identify suitable acquisition targets in both new and existing markets. Apart from financing risk (discussed below), management must also successfully integrate the acquired businesses into existing operations. While management believes that the fragmentation of the death care industry provides for significant consolidation opportunities, there is no guarantee that opportunities will be properly identified or acquired. This could impair the growth trajectory of the Company.

Competition Risk

As with any company, Park Lawn is subject to competition in its industry. Cemeteries and funeral homes must maintain high professional standards while maintaining quality products and services at competitive prices. Competitors may have offerings that change that equation, which could result in the loss of market share for Park Lawn. Recently, more of the death care products are being offered online at discounts to what physical stores can offer. Management must balance their prices with the level of service that cannot be provided by online stores in order to compete.

Consumer Preference Risk

Different generations, regions, and religions have varying preferences for how to deal with death. These preferences shift over time (for example, cremation rates have risen over the last decade), which can impact revenue and margins for Park Lawn. Management also has the responsibility of trying to anticipate or identify consumer trends, in order to adequately implement strategies to satisfy them. Anytime they incorrectly or ineffectively address these preferences, it could have an adverse impact on results and cash flow.

Currency Risk

With operations in the US, the Company is subject to currency risk given that it incurs expenses, reports, raises funds, and pays dividends in Canadian dollars. The Company does not have an active hedging program to offset foreign exchange risk but will continue to assess this strategy from time to time.

Personnel Risk

Both Andrew Clark and Joseph Leeder have been integral in transforming the Company into what it is today. They have developed industry experience and substantial contacts while also being shareholders. The loss of either, or the loss of other key members of the team, could have a material adverse effect on revenue, operations and growth.

Trust Fund Risk

Park Lawn is dependent on income generated from its care and maintenance funds to offset cemetery maintenance expenses. It is also dependent on income earned from its pre-need trust funds to provide the licensed supplies or services at-need. Any changes to stock/bond prices, dividend rates or interest rates could impact earnings from those trust funds. A significant decline in earnings from such trust funds could cause a decrease in current revenue. Additionally, there is no guarantee that increasing care and maintenance funds will cover future increases in the cost of maintaining the Park Lawn's properties, or that increasing pre-need trust funds will cover future increases in the cost of providing licensed supplies or services.

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