Extendicare

# News Release

## Extendicare Announces 2024 First Quarter Results

**MARKHAM, ONTARIO**, May 15, 2024 – Extendicare Inc. ("Extendicare" or the "Company") (TSX: EXE) today reported results for the three months ended March 31, 2024. Results are presented in Canadian dollars unless otherwise noted.

**First Quarter 2024 Highlights**

- Adjusted EBITDA[1] excluding one-time items improved by $8.0 million to $20.3 million, largely driven by home health care volume growth, rate increases and growth in managed services.
- Home health care growth continued, with Q1 average daily volume ("ADV") increasing to 29,007, up 11.4% from Q1 2023.
- LTC average occupancy increased 90 basis points ("bps") to 97.5% from 96.6% Q1 2023.
- Extendicare Assist beds under management grew to 9,777, up 64.1% from Q1 2023, and SGP third-party and joint venture serviced beds increased by 23.7% from Q1 2023 to approximately 138,300 beds, driven by the Revera and Axium transactions.
- Countryside, a newly built Axium JV 256-bed LTC home in Sudbury, opened in March 2024.

**Subsequent to Q1**

- Completed the sale of a 256-bed LTC redevelopment project in Orleans, Ontario to Axium JV, for cash proceeds of $20.1 million, net of Extendicare's 15% retained managed interest and other closing adjustments, resulting in an estimated gain of $2.5 million net of taxes, certain closing and other costs.
- Completed the sale of the land and building associated with the former Class C LTC home in Sudbury that closed in March 2024 with the opening of Countryside, for proceeds of $5.3 million, resulting in an estimated gain of $4.1 million, net of taxes, certain closing and other costs.

"We continued to see the benefits of our strategy in action in the first quarter, with double-digit growth across our home health care and managed services segments," said Dr. Michael Guerriere, President and Chief Executive Officer. "Funding increases for long-term care included in the Government of Ontario budget announced in March will go a long way to restoring the financial stability of the sector and support our redevelopment program. The societal need for the critical services we deliver has never been more apparent, positioning us for continued growth in future quarters."

**Ontario Ministry of Long-Term Care Addresses Inflation Gap**

Effective April 1, 2024, the Ontario Ministry of Long-Term Care ("MLTC") implemented a 6.6% blended funding increase, consisting of an 11.5% increase in the other accommodation envelope and approximately 4.5% to the flow-through envelopes. The Company estimates these funding changes will result in incremental annual revenue of approximately $21.3 million, of which $12.0 million is applicable to the other accommodation envelope.

In March 2024, the MLTC provided LTC operators with one-time funding of $2,543 per bed to help relieve financial pressures and address key priorities, including capital and maintenance needs, redevelopment and other operating needs. As a result, the Company recognized approximately $12.2 million in one-time funding in Q1 2024, of which approximately $9.2 million is retroactive to April 1, 2023.

### Continued Momentum in LTC Redevelopment

In March 2024, the MLTC announced a second time-limited supplemental construction funding subsidy ("CFS") to support LTC redevelopment, helping to offset rising construction costs and higher interest rates. The supplemental CFS provides an additional $35.00 per bed per day to the existing base CFS and is available to eligible applicants who receive approval from the government to construct by November 30, 2024.

While the MLTC continues to demonstrate its commitment to building new LTC homes in Ontario, it has acknowledged that given the delays in redevelopment of the Class C LTC homes, their operating licenses will need to remain in service beyond their current expiration date of June 2025. In April 2024, the MLTC requested that LTC operators submit notice of their intentions regarding their Class C homes in order to qualify for license extensions of up to five years. The Company is seeking license extensions for all remaining Class C beds.

As at May 15, 2024 the joint ventures with Axium have five LTC redevelopment projects under construction in Ontario, consisting of 1,280 new beds, slated to replace 1,121 Class C beds. Four of the projects are replacing homes owned by Extendicare and the fifth project is replacing an existing Revera home that Extendicare is managing. The homes are being constructed exclusively with private and semi-private rooms, with substantial improvements in common areas available to the residents.

The Company continues to focus its efforts on progressing its remaining 15 redevelopment projects in Ontario, consisting of 3,032 new or replacement beds that would replace 2,211 Class C beds. With the enhanced CFS reintroduced and in place until November 2024, we are targeting to begin construction on up to four new projects in 2024, with tendered construction costs and receipt of applicable regulatory approvals largely determining if and when they proceed.

### Home Health Care Funding Increases Support Service Expansion

In Q1 2024, the Company made a number of investments enabled by the 6.7% rate increase announced by the province of Ontario in Q4 2023. These consisted of enhancements to our wage and benefits programs, and further investments in recruiting, retention, training and technology. This resulted in the recognition of revenue and expense of $13.6 million related to a one-time compensation payment to all home health care staff, with no impact to NOI.

**Q1 2024 Financial Highlights** (all comparisons with Q1 2023)

- Revenue increased 13.1%, or $42.4 million to $367.1 million, driven primarily by LTC flow-through funding increases and improved occupancy; home health care ADV growth, rate increases and $13.6 million in retroactive funding to support one-time compensation costs incurred in the quarter; and growth in managed services; partially offset by lower prior period LTC funding.
- NOI[(1)] increased $0.2 million to $44.7 million; if we exclude a net recovery of COVID-19 costs of $12.1 million in Q1 2023 and the increase in prior period LTC funding of $3.2 million, NOI improved by $9.0 million to $34.9 million from $25.9 million, reflecting revenue growth partially offset by higher operating costs across all segments.
- Adjusted EBITDA[(1)] decreased $0.8 million to $30.1 million, reflecting the increase in NOI noted above offset by higher administrative costs of $1.0 million.
- Other expense of $1.9 million was down $1.7 million, reflecting a decline in strategic transformation costs in connection with the Revera and Axium transactions.
- Share of profit from joint ventures was $1.1 million, reflecting the impact of one-time funding for Ontario LTC homes in the quarter, of which $0.7 million related to prior periods.
- Net earnings increased $1.5 million to $13.1 million, driven by the share of profit from joint ventures, the decline in other expense and lower net finance costs, partially offset by the decrease in Adjusted EBITDA.

- AFFO[1] was $17.6 million ($0.21 per basic share) compared with $20.8 million ($0.24 per basic share in Q1 2023), largely reflecting the decline in Adjusted EBITDA, increased current taxes and higher maintenance capex. Excluding the year-over-year net reduction of $5.8 million in AFFO related to a net recovery of COVID-19 costs in Q1 2023 partially offset by out-of-period LTC funding and share of profit from joint ventures, AFFO improved by $2.6 million to $9.7 million ($0.12 per basic share) from $7.1 million ($0.08 per basic share) in the prior year.

**Business Updates**

The following is a summary of Extendicare's revenue, NOI[1] and NOI margins[1] by business segment for the three months ended March 31, 2024 and 2023.

| | Three months ended March 31 | | | | | |
|---|---|---|---|---|---|---|
| *(unaudited)* | **2024** | | | **2023** | | |
| *(millions of dollars unless otherwise noted)* | **Revenue** | **NOI** | **Margin** | **Revenue** | **NOI** | **Margin** |
| Long-term care | **206.5** | **25.3** | ***12.3%*** | 207.6 | 33.8 | *16.3%* |
| Home health care | **143.5** | **10.8** | ***7.5%*** | 107.4 | 6.4 | *6.0%* |
| Managed services | **17.1** | **8.7** | ***50.7%*** | 9.7 | 4.4 | *45.2%* |
| | **367.1** | **44.7** | ***12.2%*** | 324.7 | 44.6 | *13.7%* |

Note: Totals may not sum due to rounding.

***Long-term Care***

LTC average occupancy increased to 97.5% in Q1 2024, up 90 bps from 96.6% in Q1 2023.

NOI and NOI margin in Q1 2024 were $25.3 million and 12.3%, down from $33.8 million and 16.3% in Q1 2023. Excluding a year-over-year net reduction in NOI of $8.9 million related to the net recovery of estimated COVID-19 costs of $12.1 million in Q1 2023 partially offset by an increase in prior period funding adjustments of $3.2 million ($9.8 million in the quarter versus $6.6 million in Q1 2023), NOI improved to $15.5 million in the quarter from $15.1 million in the prior period. NOI margins excluding one-time items were 7.9% in the quarter, down from 8.5% in the prior period, reflecting funding enhancements and increased occupancy, offset by higher operating costs.

***Home Health Care***

Home health care ADV of 29,007 in Q1 2024 was up 11.4% from Q1 2023.

Revenue was $143.5 million in Q1 2024, up 33.6% from Q1 2023, driven by growth in ADV and rate increases, including $13.6 million of funding recognized in Q1 2024 to support one-time compensation costs incurred in the quarter.

NOI and NOI margin were $10.8 million and 7.5% in Q1 2024, up from $6.4 million and 6.0% in Q1 2023, reflecting higher volumes and rates, partially offset by higher wages and benefits. Excluding the impact of the $13.6 million of one-time funding and compensation costs incurred in Q1 2024, the NOI margin was 8.3% in the quarter.

***Managed Services***

Extendicare Assist had management contracts with 71 homes comprising 9,777 beds at the end of Q1 2024, up from 50 homes and 5,959 beds at the end of Q1 2023, driven by the Revera and Axium transactions. Assist also provides a further 52 homes with consulting and other services. The number of third-party and joint venture beds served by SGP increased to approximately 138,300 at the end of Q1 2024, up 23.7% from Q1 2023.

Revenue increased by $7.4 million or 76.5% to $17.1 million from Q1 2023, due to the addition of managed homes as a result of the Revera and Axium transactions and new SGP clients, partially offset by Extendicare Assist clients that reduced their scope of services. NOI increased by $4.3 million to $8.7 million with an NOI margin of 50.7% in the quarter compared to 45.2% in Q1 2023.

### *Financial Position*

Extendicare has strong liquidity with cash and cash equivalents on hand of $90.5 million and access to a further $68.0 million in undrawn demand credit facilities as at March 31, 2024.

Subsequent to Q1 2024, an additional $25.4 million in cash was received from the sale of the Orleans, Ontario 256-bed redevelopment project to Axium JV and sale of the land and buildings associated with the former Class C LTC home in Sudbury. Further proceeds are expected to be realized in 2024 from the pending sale of the Kingston Class C LTC land and building.

## Select Financial Information

The following is a summary of the Company's consolidated financial information for the three months ended March 31, 2024 and 2023.

| *(unaudited)*<br>*(thousands of dollars unless otherwise noted)* | **Three months ended March 31**<br>**2024** | <br>**2023** |
|---|---|---|
| **Revenue** | **367,095** | 324,712 |
| Operating expenses | **322,352** | 280,148 |
| **NOI**(1) | **44,743** | 44,564 |
| *NOI margin*(1) | ***12.2%*** | *13.7%* |
| Administrative costs | **14,611** | 13,586 |
| **Adjusted EBITDA**(1) | **30,132** | 30,978 |
| *Adjusted EBITDA margin*(1) | ***8.2%*** | *9.5%* |
| Other expense | **1,906** | 3,618 |
| Share of profit from investment in joint ventures | **1,130** | – |
| **Net earnings** | **13,096** | 11,580 |
| per basic share *($)* | **0.16** | 0.14 |
| per diluted share *($)* | **0.15** | 0.14 |
| **AFFO**(1) | **17,630** | 20,839 |
| per basic share *($)* | **0.21** | 0.24 |
| per diluted share *($)* | **0.20** | 0.23 |
| **Maintenance capex** | **3,411** | 2,047 |
| **Cash dividends declared per share** | **0.12** | 0.12 |
| **Payout ratio**(1) | **57%** | 49% |
| **Weighted average number of shares** *(000's)* | | |
| Basic | **84,062** | 85,437 |
| Diluted | **95,146** | 96,229 |

Extendicare's disclosure documents, including its Management's Discussion and Analysis ("MD&A"), may be found on SEDAR+ at www.sedarplus.ca under the Company's issuer profile and on the Company's website at www.extendicare.com under the "Investors/Financial Reports" section.

## May Dividend Declared

The Board of Directors of Extendicare today declared a cash dividend of $0.04 per share for the month of May 2024, which is payable on June 17, 2024, to shareholders of record at the close of business on May 31, 2024. This dividend is designated as an "eligible dividend" within the meaning of the Income Tax Act (Canada).

## Conference Call and Webcast

On May 16, 2024, at 11:30 a.m. (ET), Extendicare will hold a conference call to discuss its 2024 first quarter results. The call will be webcast live and archived online at www.extendicare.com under the "Investors/Events & Presentations" section. Alternatively, the call-in number is 1-844-763-8274. A replay of the call will be available approximately two hours after completion of the live call until midnight on May 31, 2024. To access the rebroadcast, dial 1-855-669-9658 followed by the passcode 0809#.

### About Extendicare

Extendicare is a leading provider of care and services for seniors across Canada, operating under the Extendicare, ParaMed, Extendicare Assist, and SGP Purchasing Partner Network brands. We are committed to delivering quality care throughout the health continuum to meet the needs of a growing seniors' population. We operate a network of 123 long-term care homes (52 owned/71 under management contracts), deliver approximately 10.2 million hours of home health care services annually, and provide group purchasing services to third parties representing approximately 138,300 beds across Canada. Extendicare proudly employs approximately 22,000 qualified, highly trained and dedicated team members who are passionate about providing high-quality care and services to help people live better.

### Non-GAAP Measures

Certain measures used in this press release, such as "net operating income", "NOI", "NOI margin", "Adjusted EBITDA", "Adjusted EBITDA margin", "AFFO", and "payout ratio", including any related per share amounts, are not measures recognized under GAAP and do not have standardized meanings prescribed by GAAP. These measures may differ from similar computations as reported by other issuers and, accordingly, may not be comparable to similarly titled measures as reported by such issuers. These measures are not intended to replace earnings (loss) from continuing operations, net earnings (loss), cash flow, or other measures of financial performance and liquidity reported in accordance with GAAP. Such items are presented in this document because management believes that they are relevant measures of Extendicare's operating performance and ability to pay cash dividends.

Management uses these measures to exclude the impact of certain items, because it believes doing so provides investors a more effective analysis of underlying operating and financial performance and improves comparability of underlying financial performance between periods. The exclusion of certain items does not imply that they are non-recurring or not useful to investors.

Detailed descriptions of these measures can be found in Extendicare's Q1 2024 MD&A (refer to "Non-GAAP Measures"), which is available on SEDAR+ at www.sedarplus.ca and on Extendicare's website at www.extendicare.com.

Reconciliations for certain non-GAAP measures included in this press release are outlined below.

The following table provides a reconciliation of AFFO, which includes discontinued operations, to "net cash from operating activities", which the Company believes is the most comparable GAAP measure to AFFO.

| *(unaudited)* | **Three months ended March 31** | |
|---|---|---|
| *(thousands of dollars)* | **2024** | **2023** |
| **Net cash from (used in) operating activities** | **39,416** | (30,139) |
| **Add (Deduct):** | | |
| Net change in operating assets and liabilities, including interest, and taxes | **(21,285)** | 50,345 |
| Other expense | **1,906** | 3,618 |
| Current income tax on items excluded from AFFO | **(505)** | (959) |
| Depreciation for office leases | **(737)** | (821) |
| Depreciation for FFEC (maintenance capex) | **(1,956)** | (2,333) |
| Additional maintenance capex | **(1,246)** | 286 |
| Principal portion of government capital funding | **468** | 842 |
| Adjustments for joint ventures | **1,469** | – |
| **AFFO** | **17,630** | 20,839 |

The following table provides a reconciliation of "net earnings before income taxes" to Adjusted EBITDA and "net operating income", which excludes discontinued operations.

| *(unaudited)*<br>*(thousands of dollars)* | **Three months ended March 31**<br>**2024** | <br>**2023** |
|---|---|---|
| **Net earnings before income taxes** | **17,593** | 15,766 |
| **Add (Deduct):** | | |
| Depreciation and amortization | **8,155** | 7,351 |
| Net finance costs | **3,608** | 4,243 |
| Other expense | **1,906** | 3,618 |
| Share of profit from investment in joint ventures | **(1,130)** | – |
| **Adjusted EBITDA** | **30,132** | 30,978 |
| Administrative costs | **14,611** | 13,586 |
| **Net operating income** | **44,743** | 44,564 |

**Forward-looking Statements**

This press release contains forward-looking statements concerning anticipated future events, results, circumstances, economic performance or expectations with respect to Extendicare and its subsidiaries, including, without limitation, statements regarding its business operations, business strategy, growth strategy, results of operations and financial condition, including anticipated timelines and costs in respect of development projects; and statements relating to the agreements entered into with Revera, Axium and its affiliates, Axium JV and/or Axium JV II in respect of the acquisition, disposition, ownership, operation and redevelopment of LTC homes in Ontario and Manitoba. Forward-looking statements can often be identified by the expressions "anticipate", "believe", "estimate", "expect", "intend", "objective", "plan", "project", "will", "may", "should" or other similar expressions or the negative thereof. These forward-looking statements reflect the Company's current expectations regarding future results, performance or achievements and are based upon information currently available to the Company and on assumptions that the Company believes are reasonable. The Company assumes no obligation to update or revise any forward-looking statement, except as required by applicable securities laws. These statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of the Company to differ materially from those expressed or implied in the statements. For further information on the risks, uncertainties and assumptions that could cause Extendicare's actual results to differ from current expectations, refer to "Risks and Uncertainties" and "Forward-looking Statements" in Extendicare's Q1 2024 MD&A filed by Extendicare with the securities regulatory authorities, available at www.sedarplus.ca and on Extendicare's website at www.extendicare.com. Given these risks and uncertainties, readers are cautioned not to place undue reliance on Extendicare's forward-looking statements.

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**Endnote**

(1) See the "Non-GAAP Measures" section of this press release and the Company's Q1 2024 MD&A, which includes the reconciliation of such non-GAAP measures to the most directly comparable GAAP measures.