Extendicare

News Release

Extendicare Announces 2024 Third Quarter Results and Early Redemption of 2025 Debentures

MARKHAM, ONTARIO, November 12, 2024 – Extendicare Inc. ("Extendicare" or the "Company") (TSX: EXE) today reported results for the three and nine months ended September 30, 2024, and the Company announced that it is exercising its option to redeem all of the outstanding $126.5 million principal amount of 2018-1 5.00% convertible unsecured subordinated debentures (TSX: EXE.DB.C) (the "2025 Debentures").

Third Quarter 2024 Highlights

- Adjusted EBITDA(1) excluding out-of-period items increased by $13.5 million or 64.9% to $34.3 million, largely driven by rate increases in long-term care ("LTC") and home health care and volume growth in home health care and managed services.
- Home health care average daily volume ("ADV") grew to 30,181, up 10.2% from Q3 2023.
- SGP third-party and joint venture serviced beds increased 11.4% from Q3 2023 to 143,500 beds, driven by continued organic growth.
- Commenced construction of a new 256-bed LTC redevelopment project in St. Catharines, Ontario to replace Extendicare's 152-bed Class C home in the same city and anticipate commencing construction on two additional homes in Q4.

Subsequent to Q3

- As previously announced, established a new $275 million senior secured credit facility to support growth and redeem the 2025 Debentures, which, as announced today, are being redeemed in full on December 16, 2024.

"Our strategy continues to deliver robust growth across our operating segments and improved operating results. Sequential growth in home health care volumes was especially notable given the third quarter typically experiences a seasonal pullback in service demand," said Dr. Michael Guerriere, President and Chief Executive Officer.

Dr. Guerriere added, "We are pleased with the continued progress of our redevelopment program. We commenced construction on a new 256-bed home in St. Catharines and we look forward to opening our new Kingston and Stittsville homes in the Axium JV before year end. And the close of our new credit facility gives us the balance sheet flexibility we need to continue to pursue our growth strategy."

Redevelopment Program Advances with up to Three Additional Projects Starting in 2024

In September 2024, the Company began construction on a new 256-bed LTC home in St. Catharines, under the time-limited enhanced construction funding subsidy provided by the Government of Ontario. The home is anticipated to open in Q1 2027. It will replace the existing Extendicare home which comprises 152 Class C beds in the same city. Extendicare entered into a $72.3 million fixed-price construction contract in connection with the home and estimates the total development costs for the project will be $106.4 million.

The Company anticipates starting two more redevelopment projects under the enhanced construction funding subsidy before it expires at the end of November, subject to receipt of applicable regulatory approvals. The projects, in London and Port Stanley, together consist of 320 total beds to replace 230 Class C beds in the homes they will replace.

These projects, in addition to the St. Catharines development project, are anticipated to be sold to Axium JV in Q1 2025, with Extendicare retaining a 15% managed interest, subject to customary closing conditions, including receipt of regulatory approvals from the Ontario Ministry of Long-Term Care ("MLTC").

In Q4 2024, the Company plans to open two new Axium JV homes currently under construction. Limestone Ridge is a 192-bed home in Kingston, Ontario, which will replace Extendicare Kingston, a 150-bed Class C home nearby. Following the opening of the new home, the Company will sell Extendicare Kingston for proceeds of approximately $3.7 million. Crossing Bridge is a 256-bed home in Stittsville, Ontario, which will replace Extendicare West End Villa, a home in Ottawa. Once Crossing Bridge is open, the Company intends to list the Class C LTC home for sale.

Enhanced Overall Liquidity with New $275 Million Credit Facility

As announced on November 8, 2024, the Company has entered into a new senior secured credit facility for $275.0 million (the "Senior Secured Credit Facility") with a syndicate of Canadian chartered banks, for a term of three years. The Senior Secured Credit Facility consists of a revolving credit facility for up to $145.0 million (the "Revolving Facility"), which replaces the Company's former demand credit facilities of $112.3 million, and a delayed draw term loan facility in an amount up to $130.0 million (the "Delayed Draw Facility"). The Revolving Facility is available for working capital and general corporate purposes, including capital expenditures and acquisitions. The Delayed Draw Facility is available until April 30, 2025, to redeem the 2025 Debentures.

Early Redemption of 2025 Debentures

The Company has exercised its option to redeem all of the outstanding 2025 Debentures on December 16, 2024 (the "Redemption Date") using funds from the Delayed Draw Facility. The 2025 Debentures will be redeemed at par, plus accrued and unpaid interest up to but excluding the Redemption Date, for a total of $1,006.3013699 per $1,000 principal amount of 2025 Debentures. All interest on the 2025 Debentures will cease from and after the Redemption Date and the 2025 Debentures will be delisted from the facilities of the Toronto Stock Exchange at the close of markets on December 16, 2024.

Q3 2024 Financial Highlights (all comparisons with Q3 2023)

- Revenue increased 11.3%, or $36.5 million, to $359.1 million, driven primarily by LTC funding increases, home health care ADV growth and rate increases, and growth in managed services.
- NOI(1) increased $14.9 million to $50.1 million; excluding out-of-period LTC funding of $1.8 million recognized in Q3 2024, NOI improved by $13.1 million, or 37.1%, to $48.3 million, reflecting revenue growth, partially offset by higher operating costs across all segments.
- Adjusted EBITDA(1) increased $15.3 million to $36.1 million, reflecting the increase in NOI noted above and lower administrative costs.
- Other expense was $1.1 million compared with income of $5.0 million, reflecting a pre-tax gain on the sale of assets of $9.1 million in Q3 2023, partially offset by a $3.0 million decline in strategic transformation costs in connection with the Revera and Axium transactions.
- Net earnings increased $4.5 million to $16.3 million, largely driven by the increase in Adjusted EBITDA, partially offset by the decline in other expense (income).
- AFFO(1) increased to $23.1 million ($0.28 per basic share) from $12.3 million ($0.14 per basic share), largely reflecting the improvement in Adjusted EBITDA and lower maintenance capex, partially offset by increased current taxes. Excluding the out-of-period LTC funding recognized in Q3 2024, AFFO improved by $9.5 million to $21.8 million ($0.26 per basic share).

Nine Months 2024 Financial Highlights (all comparisons with Nine Months 2023)

- Revenue increased 12.6%, or $119.9 million, to $1,074.6 million, driven primarily by LTC funding increases, home health care ADV growth, rate increases and $13.6 million in retroactive funding to support one-time compensation costs incurred in Q1 2024, and growth in managed services, partially offset by lower COVID-19 and out-of-period LTC funding.
- NOI(1) increased $39.4 million to $147.7 million; excluding a net recovery of COVID-19 costs of $12.1 million in 2023 and the increase in out-of-period LTC funding of $7.3 million, NOI improved by $44.2 million, or 49.3%, to $133.7 million, reflecting revenue growth, partially offset by higher operating costs across all segments.
- Adjusted EBITDA(1) increased $38.3 million to $104.9 million, reflecting the increase in NOI noted above, partially offset by higher administrative costs.
- Other income was $2.7 million compared with a nominal amount, reflecting a $4.3 million decline in strategic transformation costs in connection with the Revera and Axium transactions, partially offset by a $1.6 million decrease in pre-tax gains on the sale of assets.
- Share of profit from joint ventures was up $1.2 million to $1.8 million, including the impact of one-time funding for Ontario LTC homes in Q1 2024, of which $0.7 million related to prior periods.
- Net earnings increased $29.9 million to $55.3 million, largely driven by the increase in Adjusted EBITDA.
- AFFO(1) increased to $63.8 million ($0.76 per basic share) compared with $42.2 million ($0.49 per basic share), largely reflecting the improvement in Adjusted EBITDA, partially offset by increased current taxes and higher maintenance capex. Excluding a $2.8 million year-over-year reduction in AFFO related to a net recovery of COVID-19 costs in 2023, partially offset by out-of-period LTC funding and share of profit from joint ventures, AFFO improved by $24.5 million to $52.9 million ($0.63 per basic share) from $28.4 million ($0.33 per basic share).

Business Updates

The following is a summary of Extendicare's revenue, NOI(1) and NOI margins(1) by business segment for the three and nine months ended September 30, 2024 and 2023.

(unaudited)	**Three months ended September 30**						**Nine months ended September 30**					
(millions of dollars unless otherwise noted)	**2024**			**2023**			**2024**			**2023**		
	Revenue	**NOI**	**Margin**	**Revenue**	**NOI**	**Margin**	**Revenue**	**NOI**	**Margin**	**Revenue**	**NOI**	**Margin**
Long-term care	**201.8**	**24.6**	***12.2%***	191.7	16.6	*8.7%*	**602.5**	**75.6**	***12.5%***	581.7	64.2	*11.0%*
Home health care	**138.4**	**15.6**	***11.3%***	118.1	11.6	*9.8%*	**418.3**	**43.5**	***10.4%***	341.9	28.1	*8.2%*
Managed services	**18.8**	**9.9**	***52.6%***	12.7	7.0	*55.2%*	**53.9**	**28.6**	***53.2%***	31.2	15.9	*51.1%*
	359.1	**50.1**	***14.0%***	322.5	35.2	*10.9%*	**1,074.6**	**147.7**	***13.7%***	954.8	108.2	*11.3%*

Note: Totals may not sum due to rounding.

Long-term Care

LTC average occupancy increased to 98.4% in Q3 2024, an increase of 60 bps from 97.8% in Q3 2023.

Revenue increased by $10.1 million or 5.3% to $201.8 million in Q3 2024. During the quarter, LTC funding increases were announced in both Alberta and Manitoba, retroactive to April 1, 2024, resulting in an aggregate annualized revenue increase of $11.1 million. Excluding $1.8 million in out-of-period funding related to these retroactive rate increases, revenue increased by $8.3 million, largely driven by funding increases, timing of spend and improved occupancy.

NOI and NOI margin in Q3 2024 were $24.6 million and 12.2%, compared to $16.6 million and 8.7% in Q3 2023. Excluding $1.8 million in out-of-period funding recognized in the quarter, NOI improved to $22.8 million or 11.4% of revenue, reflecting funding enhancements, timing of spend and increased occupancy, partially offset by higher operating costs.

Home Health Care

Home health care ADV of 30,181 in Q3 2024 increased 10.2% from Q3 2023.

Revenue increased to $138.4 million in Q3 2024, an increase of 17.2% from Q3 2023, driven by growth in ADV and rate increases.

NOI and NOI margin were $15.6 million and 11.3% in Q3 2024, an increase from $11.6 million and 9.8% in Q3 2023, reflecting higher volumes and rates, partially offset by increased wages and benefits.

Managed Services

At the end of Q3 2024, Extendicare Assist had management contracts with 70 homes comprising 9,717 beds. Extendicare 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 143,500 at the end of Q3 2024, up 11.4% from the prior year period.

Revenue increased by $6.1 million or 48.0% to $18.8 million from Q3 2023. NOI increased by 41.1% to $9.9 million with an NOI margin of 52.6%, an increase from $7.0 million and 55.2% in Q3 2023. These results were largely driven by the Revera and Axium transactions and new SGP clients, partially offset by Extendicare Assist clients that reduced their scope of services.

Financial Position

Extendicare has strong liquidity with cash and cash equivalents on hand of $154.3 million as at September 30, 2024. Subsequent to quarter end, the Company improved its capital flexibility with the new Senior Secured Credit Facility, providing access to additional undrawn credit capacity of $32.7 million under the new $145.0 million Revolving Facility and $130.0 million under the Delayed Draw Facility, which will be used to fund the redemption of the 2025 Debentures on December 16, 2024. Additionally, subsequent to the quarter, the Company used cash on hand to purchase for approximately $30.0 million, 9 Class A Ontario LTC homes that have been under long-term leases. The purchase price represents the balance of the remaining lease payments plus accrued interest and other costs, and fully satisfies the remaining lease liability (carrying interest rates from 6.4% to 7.2%).

Select Financial Information

The following is a summary of the Company's consolidated financial information for the three and nine months ended September 30, 2024 and 2023.

(unaudited) *(thousands of dollars unless otherwise noted)*	**Three months ended September 30**		**Nine months ended September 30**	
	2024	**2023**	**2024**	**2023**
Revenue	**359,061**	322,529	**1,074,638**	954,776
Operating expenses	**308,944**	287,319	**926,971**	846,532
NOI(1)	**50,117**	35,210	**147,667**	108,244
NOI margin(1)	***14.0%***	*10.9%*	***13.7%***	*11.3%*
Administrative costs	**14,010**	14,440	**42,817**	41,720
Adjusted EBITDA(1)	**36,107**	20,770	**104,850**	66,524
Adjusted EBITDA margin(1)	***10.1%***	*6.4%*	***9.8%***	*7.0%*
Other (expense) income	**(1,082)**	5,048	**2,704**	28
Share of profit from investment in joint ventures	**431**	598	**1,826**	598
Net earnings	**16,295**	11,831	**55,281**	25,362
per basic share *($)*	**0.20**	0.14	**0.66**	0.30
per diluted share *($)*	**0.19**	0.14	**0.63**	0.30
AFFO(1)	**23,125**	12,290	**63,828**	42,166
per basic share *($)*	**0.28**	0.14	**0.76**	0.49
per diluted share *($)*	**0.25**	0.14	**0.70**	0.47
Maintenance capex	**4,093**	4,895	**12,333**	9,670
Cash dividends declared per share	**0.12**	0.12	**0.36**	0.36
Payout ratio(1)	**43%**	82%	**47%**	72%
Weighted average number of shares *(000's)*				
Basic	**84,237**	85,009	**84,202**	85,218
Diluted	**95,556**	95,870	**95,537**	96,106

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.

November Dividend Declared

The Board of Directors of Extendicare today declared a cash dividend of $0.04 per share for the month of November 2024, which is payable on December 16, 2024, to shareholders of record at the close of business on November 29, 2024. This dividend is designated as an "eligible dividend" within the meaning of the Income Tax Act (Canada).

Conference Call and Webcast

Extendicare will hold a conference call to discuss its 2024 third quarter results on November 13, 2024, at 11:30 a.m. (ET). 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 November 29, 2024, by dialing 1-855-669-9658 followed by the passcode 2798337#.

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 Network brands. We are committed to delivering quality care to meet the needs of a growing seniors' population, inspired by our mission to provide people with the care they need, wherever they call home. We operate a network of 122 long-term care homes (52 owned, 70 under management contracts), deliver approximately 10.7 million hours of home health care services annually, and provide group purchasing services to third parties representing approximately 143,500 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 Q3 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 September 30**		**Nine months ended September 30**	
(thousands of dollars)	**2024**	**2023**	**2024**	**2023**
Net cash from operating activities	**42,518**	7,223	**126,089**	4,244
Add (Deduct):				
Net change in operating assets and liabilities, including interest, and taxes	**(16,829)**	5,901	**(56,553)**	39,935
Other expense	**1,082**	4,072	**4,810**	9,092
Current income tax on items excluded from AFFO	**(287)**	(679)	**(918)**	(2,009)
Depreciation for office leases	**(741)**	(791)	**(2,167)**	(2,388)
Depreciation for FFEC (maintenance capex)	**(1,959)**	(3,455)	**(5,872)**	(7,945)
Additional maintenance capex	**(1,863)**	(1,240)	**(5,597)**	(1,525)
Principal portion of government capital funding	**396**	534	**1,255**	2,037
Adjustments for joint ventures	**808**	725	**2,781**	725
AFFO	**23,125**	12,290	**63,828**	42,166

The following table provides a reconciliation of "earnings before income taxes" to Adjusted EBITDA and "net operating income".

(unaudited)	Three months ended September 30		Nine months ended September 30	
(thousands of dollars)	**2024**	**2023**	**2024**	**2023**
Earnings before income taxes	**22,657**	13,668	**73,142**	32,539
Add (Deduct):				
Depreciation and amortization	**8,635**	9,023	**24,839**	23,547
Net finance costs	**4,164**	3,725	**11,399**	11,064
Other expense (income)	**1,082**	(5,048)	**(2,704)**	(28)
Share of profit from investment in joint ventures	**(431)**	(598)	**(1,826)**	(598)
Adjusted EBITDA	**36,107**	20,770	**104,850**	66,524
Administrative costs	**14,010**	14,440	**42,817**	41,720
Net operating income	**50,117**	35,210	**147,667**	108,244

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 redemption of the 2025 Debentures, 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 Q3 2024 MD&A and latest Annual Information Form 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. Except as required by applicable securities laws, the Company assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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Endnote

(1) See the "Non-GAAP Measures" section of this press release and the Company's Q3 2024 MD&A, which includes the reconciliation of such non-GAAP measures to the most directly comparable GAAP measures.