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NEWS RELEASE

Extendicare Announces 2018 Third Quarter Results

MARKHAM, ONTARIO – November 8, 2018 – Extendicare Inc. ("Extendicare" or the "Company") (TSX: EXE) today reported results for the three and nine months ended September 30, 2018. Results are presented in Canadian dollars unless otherwise noted.

Financial and Operational Highlights

- Dr. Michael Guerriere assumed the role of President and CEO effective October 22, 2018.
- Q3 2018 financial results comparison over Q3 2017 *(from continuing operations unless otherwise noted)*:
  - Revenue of $280.3 million up 2.6% or $7.1 million.
  - Net operating income from Canadian operations up 2.5% or $0.8 million, with margin of 12.7% unchanged from the prior year. The current quarter includes improvement from non same-store retirement living NOI of $1.1 million. Consolidated NOI up 2.2% or $0.8 million.
  - Average occupancy of stabilized retirement communities was 93.4% up from 86.8% in Q3 2017 and lease-up communities was 80.6% up from 49.4% in Q3 2017.
  - AFFO of $13.4 million ($0.151 per basic share) down $2.2 million; impacted unfavourably by the level of lump-sum executive cash compensation charges ($0.025 per basic share this quarter), current taxes and maintenance capex.
- 2018 nine month financial results comparison over same 2017 period *(from continuing operations unless otherwise noted)*:
  - Revenue of $831.2 million up 1.9% or $15.3 million moderated by impact of one-time prior period LTC funding of $0.8 million received in 2017, and lower investment income of $2.8 million from the Captive. Prior to those items revenue growth was 2.3%.
  - Net operating income from Canadian operations up 3.8% or $3.7 million, with margin of 12.2% compared to 12.0% in 2017, included improvement from non same-store retirement living NOI of $2.2 million. Consolidated NOI up $0.9 million, impacted by lower investment income from the Captive.
  - Average occupancy of stabilized retirement communities of 92.7% up from 84.2% in 2017 and lease-up communities of 74.3% up from 41.7% in 2017. Occupancy on September 30, 2018 was 94.8% at stabilized communities and 82.4% at lease-up communities.
  - AFFO of $45.2 million ($0.511 per basic share) up $2.4 million; impacted favourably by earnings improvement and lower current taxes, partially offset by the level of lump-sum executive cash compensation charges, and maintenance capex.
- Dividends declared of $31.7 million in first nine months of 2018, representing approximately 70% of AFFO.
- Previously disclosed proposed class action launched against the Company discontinued in October by order of the Ontario Superior Court of Justice.

"Extendicare is a fundamentally strong company with a talented team devoted to caring for our clients and residents. We are operating in a market with enormous opportunity for growth," said Michael Guerriere, President and CEO of Extendicare. "My first priority as the incoming CEO is to unlock the growth potential in this business. We are working to accelerate LTC redevelopment and increase delivery capacity in our home care business as the first steps in that direction. I look forward to providing an update on our progress early in 2019."

Selected Financial Information

The following is a summary of selected financial information for the three and nine months ended September 30, 2018 and 2017.

(unaudited) *(thousands of dollars, unless otherwise noted)*	Three months ended September 30		Nine months ended September 30	
	2018	**2017**	**2018**	**2017**
Revenue				
Long-term care	**159,239**	154,607	**467,877**	458,193
Retirement living	**9,160**	5,143	**24,373**	14,575
Home health care	**106,015**	108,650	**322,331**	326,577
Management, consulting and other	**5,888**	4,830	**16,633**	16,588
Total revenue	**280,302**	273,230	**831,214**	815,933
Operating expenses	**244,810**	238,501	**730,093**	715,733
Net operating income (NOI) (1)	**35,492**	34,729	**101,121**	100,200
NOI margin (1)	***12.7%***	*12.7%*	***12.2%***	*12.3%*
Administrative costs	**9,376**	9,058	**24,403**	25,095
Lease costs	**1,723**	1,646	**5,018**	5,063
Adjusted EBITDA (1)	**24,393**	24,025	**71,700**	70,042
Adjusted EBITDA margin (1)	***8.7%***	*8.8%*	***8.6%***	*8.6%*
Earnings from continuing operations	**7,598**	6,545	**17,139**	21,411
per basic and diluted share *($)*	**0.08**	0.07	**0.19**	0.24
Earnings (loss) from discontinued operations, net of tax	**975**	–	**8,092**	(32,913)
Net earnings (loss)	**8,573**	6,545	**25,231**	(11,502)
per basic and diluted share *($)*	**0.10**	0.07	**0.29**	(0.13)
AFFO (1)	**13,379**	15,646	**45,181**	42,782
per basic share *($)*	**0.151**	0.176	**0.511**	0.481
per diluted share *($)*	**0.147**	0.170	**0.496**	0.469
Maintenance capex (continuing operations)	**3,639**	2,777	**8,473**	5,542
Cash dividends declared per share	**0.120**	0.120	**0.360**	0.360
Payout ratio (1) (2)	**79%**	68%	**70%**	75%
Weighted average number of shares *(thousands)*				
Basic	**88,412**	88,844	**88,333**	88,863
Diluted	**98,788**	100,123	**98,709**	100,142

(1) NOI, NOI margin, Adjusted EBITDA, Adjusted EBITDA margin, AFFO, AFFO per share and "payout ratio" are measures used by management in evaluating operating performance. Please refer to the cautionary statements under the heading "Non-GAAP Measures" in this press release. Detailed descriptions of these terms can be found in the Company's disclosure documents, including its Management's Discussion and Analysis, together with reconciliations to the nearest GAAP measures, filed with the securities regulatory authorities; these documents are available at www.sedar.com and on Extendicare's website at www.extendicare.com.

(2) Payout ratio is calculated using dividends declared per share divided by AFFO per basic share for the respective periods.

2018 Third Quarter Summary

Consolidated net operating income from continuing operations improved by $0.8 million or 2.2% to $35.5 million in the 2018 third quarter, and was unchanged at 12.7% of revenue. Net operating income from the Canadian operations improved by $0.8 million and was favourably impacted by home health care funding enhancements, and growth of our retirement living, management and group purchasing operations, partially offset by lower home health care volumes and higher labour related costs, including the impact of legislative amendments resulting from the *Fair Workplaces, Better Jobs Act, 2017* (Ontario), or Bill 148, on the home health care operations. The average daily hours of service of our home health care operations declined this quarter by 4.4% to 29,441 from 30,800 in the 2017 third quarter, and by 2.0% from 30,053 in the 2018 second quarter, largely attributable to difficulties recruiting and retaining care workers in Ontario.

Consolidated Adjusted EBITDA from continuing operations improved by $0.4 million or 1.5% to $24.4 million this quarter, and represented 8.7% of revenue compared to 8.8% in the same 2017 period, reflecting the contribution from net operating income, partially offset by higher administrative and lease costs. Both periods included lump-sum executive compensation charges, net of the impact of forfeited non-cash share-based awards, of $1.7 million and $2.0 million, respectively.

2018 Nine Month Summary

Consolidated net operating income from continuing operations improved by $0.9 million or 0.9% to $101.1 million in the first nine months of 2018, and represented 12.2% of revenue compared to 12.3% in the same 2017 period. Net operating income from the Canadian operations improved by $3.7 million or 3.8% to $101.0 million, and as a percentage of revenue was 12.2% this period compared to 12.0% in the same 2017 period, reflecting growth of our retirement living, management and group purchasing operations, partially offset by a decline in the contribution from our LTC operations of $1.3 million due to prior period adjustments, higher costs of resident care, and timing of spending under the Ontario flow-through funding envelopes, and a decline of $2.8 million from our home health care operations due to higher labour related costs resulting from the impact of Bill 148 and lower volumes. Net operating income from our U.S. operations reflects investment income from our captive insurance subsidiary (the "Captive"), which was nominal this period compared to $2.9 million in the same 2017 period.

Consolidated Adjusted EBITDA from continuing operations improved by $1.7 million or 2.4% to $71.7 million this period, and was unchanged at 8.6% of revenue, reflecting increased net operating income and lower administrative costs. Adjusted EBITDA from the Canadian operations improved by $4.1 million or 6.0%, and as a percentage of revenue was 8.7% compared to 8.4% in the same 2017 period. Adjusted EBITDA from the U.S. operations declined by $2.4 million reflecting lower investment income from the Captive, partially offset by a reduction in administrative costs.

2018 Other Expense

Other expense of $3.6 million year to date, includes $2.5 million expensed in connection with the redemption of the 2019 Debentures and transaction costs associated with the Lynde Creek Acquisition.

2018 Earnings from Continuing Operations

Earnings from continuing operations of $17.1 million ($0.19 per basic share) year to date was down from the same 2017 period, reflecting the improvement in Adjusted EBITDA offset by charges related to the convertible debenture refinancing and retirement community acquisition completed in April 2018, as well as net changes in fair value adjustments and foreign exchange gains and losses.

2018 Discontinued Operations

Earnings from discontinued operations of $8.1 million year to date ($1.0 million this quarter), includes a $5.8 million (US$4.5 million) release of the Captive's reserves for U.S. self-insured liabilities recorded in the 2018 second quarter, and the favourable impact of discount rate adjustments applied to the Captive's accrual for U.S. self-insured liabilities.

2018 AFFO Three Month Summary

AFFO declined by $2.2 million in the 2018 third quarter over the same 2017 period, reflecting the increase in Adjusted EBITDA, the exclusion of the impact of lower non-cash share-based compensation, and an increase in current income taxes and maintenance capex. AFFO for both periods was impacted by lump-sum executive cash compensation charges of $2.1 million and $1.5 million on an after-tax basis, respectively.

2018 AFFO Nine Month Summary

AFFO improved by $2.4 million in the first nine months of 2018 over the same 2017 period, reflecting the improvement in Adjusted EBITDA and lower current income taxes, partially offset by an increase in maintenance capex. Our current income taxes have benefitted this year from favourable timing differences, and the utilization of tax loss carryforwards. We anticipate our effective tax rate on FFO will be in the range of 14% to 16% for the 2018 year.

Maintenance capex was $8.5 million in the first nine months of 2018, compared to $5.5 million in the same 2017 period, representing 1.0% and 0.7% of revenue, respectively. These costs fluctuate on a quarterly and annual basis with the timing of projects and seasonality. For the 2018 year, we are expecting to spend in the range of $11 million to $12 million in maintenance capex, and in the range of $40 million to $45 million in growth capex, excluding acquisitions, related primarily to the retirement development projects.

Financial Position

As at September 30, 2018, Extendicare's consolidated cash and short-term investments on hand was $67.4 million, which excluded the investments held by our Captive of $79.9 million to support the accrual for U.S. self-insured liabilities of $45.7 million. In October 2018, US$7.5 million of cash was repatriated from the Captive.

Our long-term debt, including convertible debentures, totalled $523.9 million as at September 30, 2018 (December 31, 2017 – $536.1 million), with a weighted average interest rate of 4.8%, and represented approximately 47% of our gross book value.

Our consolidated net interest coverage ratio for the trailing twelve months ended September 30, 2018, was 3.9 times. Net interest coverage is defined as Adjusted EBITDA divided by net interest, which represents interest expense, with capitalized interest added back, net of interest revenue. Excluding interest revenue, our interest coverage ratio was 3.4 times.

Extendicare's financial reports, including its Management's Discussion and Analysis are available on our website at www.extendicare.com under the "Investors/Financial Reports" section. Also, a supplemental information package containing historical quarterly financial results and operating statistics and a list of our senior care centres can be found on the website under the same 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 2018, which is payable on December 17, 2018, to shareholders of record at the close of business on November 30, 2018. This dividend is designated as an "eligible dividend" within the meaning of the Income Tax Act (Canada).

Conference Call and Webcast

On November 9, 2018, at 11:30 a.m. (ET), we will hold a conference call to discuss our 2018 third quarter results. The call will be webcast live and archived on our website at www.extendicare.com under the "Investors/Events & Presentations" section. Alternatively, the call-in number is 1-800-806-5484 or 416-340-2217, followed by the passcode 8894258#. A replay of the call will be available until midnight on November 23, 2018. To access the rebroadcast, dial 1-800-408-3053 or 905-694-9451, followed by the passcode 5042892#. Slides accompanying remarks during the call will be posted to our website as part of the live webcast.

ABOUT EXTENDICARE

A leading provider of care and services for seniors across Canada, Extendicare is committed to delivering quality care throughout the health continuum to meet the needs of a growing seniors' population, through its network of 120 senior care and retirement living centres (67 owned/53 managed) and home health care operations, under the Extendicare, Esprit Lifestyle and ParaMed brands. Our qualified and highly trained workforce of 23,600 individuals is dedicated to helping people live better through a commitment to quality service and a passion for what we do.

Non-GAAP Measures

Extendicare assesses and measures operating results and financial position based on performance measures referred to as "net operating income", "NOI", "NOI margin", "Adjusted EBITDA", "Adjusted EBITDA margin", "AFFO", "AFFO per share", and "payout ratio". In addition, the Company assesses its return on investment in development activities using the non-GAAP financial measure "NOI Yield". These are not measures recognized under GAAP and do not have standardized meanings prescribed by GAAP. These non-GAAP measures are presented in this document because either: (i) management believes that they are a relevant measure of the ability of Extendicare to make cash distributions; or (ii) certain ongoing rights and obligations of Extendicare may be calculated using these measures. Such non-GAAP 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. They 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. Detailed descriptions of these terms can be found in Extendicare's disclosure documents, including its Management's Discussion and Analysis, filed with the securities regulatory authorities; these documents are available at www.sedar.com and on Extendicare's website at www.extendicare.com.

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