EXTENDICARE
... helping people live better

NEWS RELEASE

EXTENDICARE ANNOUNCES 2019 SECOND QUARTER RESULTS

MARKHAM, ONTARIO – August 14, 2019 – Extendicare Inc. ("Extendicare" or the "Company") (TSX: EXE) today reported results for the three and six months ended June 30, 2019. Results are presented in Canadian dollars unless otherwise noted.

"We continue to execute on our plan to drive profitable growth," said Chief Executive Officer, Dr. Michael Guerriere. "In the second quarter, our long-term care and retirement living operations recorded solid results with increased revenue and profitability. We are pleased with the rising occupancy trend across our stabilized and lease-up retirement living communities during the first half of 2019. At the same time, we continued to drive progress on our ParaMed transformation, with almost three quarters of volumes now converted to our new system. We continue to invest in our people, technology and operations to provide high-quality care for our clients, while also driving growth and value creation for our shareholders."

Financial Highlights from Second Quarter 2019 (all comparisons with Q2 2018)

- Revenue of $284.0 million, up 1.6% or $4.5 million from $279.5 million; driven by long-term care (LTC) funding enhancements, growth in retirement living and the recognition of incremental home health care funding of $2.2 million to offset 2018 costs related to Bill 148.
- Net operating income (NOI) of $35.3 million, down 2.7% or $1.0 million from $36.3 million; reflecting growth in the LTC and retirement living segments, offset by lower home health care volumes and increased costs, including the impact of an additional statutory holiday this period. The additional statutory holiday increased operating costs by $1.7 million.
- Adjusted EBITDA of $25.0 million, down $2.4 million from $27.4 million; impacted by higher administrative costs, including higher ParaMed transformation costs.
- Earnings from continuing operations of $5.9 million, down $0.1 million from $6.0 million; impacted by one-time, pre-tax costs of $1.0 million related to reaching agreement with Sandpiper Group (the "Sandpiper Agreement").
- AFFO of $14.9 million ($0.168 per basic share) down $2.2 million; impacted by lower earnings as noted above and higher current income taxes, partially offset by lower maintenance capex.

Financial Highlights from Six Months 2019 (all comparisons with Six Months 2018)

- Revenue of $558.3 million, up 1.3% or $7.4 million from $550.9 million; driven by LTC funding enhancements, growth in retirement living and the recognition of incremental home health care funding of $2.2 million.
- NOI of $65.7 million, up by $0.1 million from $65.6 million; driven by growth in all segments, except for home health care, which experienced lower volumes and higher ParaMed transformation costs.
- Adjusted EBITDA of $44.5 million, down $2.8 million from $47.3 million; impacted by higher administrative costs, including higher ParaMed transformation costs.
- Earnings from continuing operations of $6.9 million, down $2.6 million from $9.5 million; impacted by a pre-tax provision of $2.4 million for costs associated with the exit of ParaMed from the British Columbia (B.C.) market and costs associated with the Sandpiper Agreement, and higher depreciation and amortization, in part due to the adoption of IFRS 16.
- AFFO of $27.5 million ($0.310 per basic share) down $4.3 million; impacted by lower earnings as noted above and higher current income taxes, partially offset by lower maintenance capex.
- Dividends declared of $21.3 million in first six months of 2019, representing approximately 77% of AFFO.

Business Updates

ParaMed Progress

The Company made considerable progress on the ongoing transformation of its ParaMed business in the second quarter, as evidenced by a 1.4% increase in the average daily hours of service provided in the second quarter as compared to the first quarter of 2019, and increased NOI margins over the same period. A key component of the ParaMed transformation is a new cloud-based system that will better enable the Company to meet the increasing demand for home health care services through an enhanced ability to optimize scheduling, automate work processes, reduce turnover and provide better support for Extendicare's valued staff. The implementation of this system remains on track to be substantially completed by the end of 2019, with 71% of volume (not including B.C.) converted by the end of the second quarter. The Company's estimate of over $12 million to transform the ParaMed business remains unchanged, with approximately $7.0 million to be incurred in 2019. In the first six months of 2019, the Company invested $3.3 million in the transformation, including $1.6 million in the second quarter. The transformation and its associated costs have lowered ParaMed's profitability in the short term, however, the Company expects that once completed, these changes will drive long term growth and value creation.

ParaMed continues to make progress with its previously announced exit from the B.C. home health care market. Final dates for the transfer of the operations to the B.C. Health Authorities have not been finalized; however, we expect it to occur no later than the first quarter of 2020.

ParaMed – Bill 148 Funding Update

Subsequent to March 31, 2019, the Company received confirmation from the Local Health Integration Networks of the amount of additional funding they would provide to offset increased costs associated with Bill 148, the *Fair Workplaces, Better Jobs Act, 2017* (Ontario) in 2018. The incremental funding was in excess of that estimated by the Company for the period ended December 31, 2018, resulting in a $2.2 million increase in the Company's accrued revenue estimates, which was recorded in the three months ended June 30, 2019.

Retirement Living Operations

The Company's retirement living operations contributed $0.6 million and $1.5 million in additional NOI for the three and six months ended June 30, 2019, respectively, as compared to the same periods in 2018. The average occupancy of the stabilized retirement living communities grew to 94.7% for the six months ended June 30, 2019, as compared to 89.5% for the same prior year period. With respect to communities in lease-up, we experienced sequential growth in average occupancy to 67.4% for the three months ended June 30, 2019, from 59.9% for the three months ended March 31, 2019. Similarly, our NOI margin grew to 29.2% of revenue for the three months ended June 30, 2019, from 27.1% for the three months ended March 31, 2019.

The Company's 124-suite retirement living community under construction in Barrie, Ontario, is on target to open in the fourth quarter of 2019. Pre-lease activity at The Barrieview has been strong, with deposits on-hand for 71% of the suites. As a result of this strong response, the Company is now targeting stabilized occupancy of 92% within 24 months of opening, slightly ahead of earlier expectations, with an estimated stabilized annual NOI of $3.2 million and a corresponding NOI yield of 8.2%.

Financial Activities

During the three months ended June 30, 2019, the Company repatriated $13.4 million of cash from the Captive, and is in the process of repatriating a further US$10.0 million before the end of 2019.

During the three months ended June 30, 2019, the Company increased its lease obligations by $10.3 million upon the renewal of its corporate head office lease in accordance with IFRS 16, and secured a $16.0 million mortgage on a retirement living community.

August Dividend Declared

The Board of Directors of Extendicare today declared a cash dividend of $0.04 per share for the month of August 2019, which is payable on September 16, 2019, to shareholders of record at the close of business on August 30, 2019. This dividend is designated as an "eligible dividend" within the meaning of the Income Tax Act (Canada).

Select Financial Information

The following is a summary of select financial information for the three and six months ended June 30, 2019 and 2018.

(unaudited)	Three months ended June 30		Six months ended June 30	
(thousands of dollars, unless otherwise noted)	**2019**	**2018**	**2019**	**2018**
Revenue				
Long-term care	**159,936**	155,833	**316,157**	308,638
Retirement living	**10,006**	8,242	**19,514**	15,213
Home health care	**108,217**	109,852	**210,882**	216,316
Management, consulting and other	**5,894**	5,561	**11,769**	10,745
Total revenue	**284,053**	279,488	**558,322**	550,912
Operating expenses	**248,733**	243,181	**492,616**	485,283
Net operating income (NOI) (1)	**35,320**	36,307	**65,706**	65,629
NOI margin (1)	***12.4%***	*13.0%*	***11.8%***	*11.9%*
Administrative costs	**10,347**	8,977	**21,181**	18,322
Adjusted EBITDA (1)	**24,973**	27,330	**44,525**	47,307
Adjusted EBITDA margin (1)	***8.8%***	*9.8%*	***8.0%***	*8.6%*
Depreciation and amortization	**9,705**	8,235	**19,132**	16,072
Other expense	**975**	3,373	**2,404**	3,553
Earnings from continuing operations	**5,854**	5,975	**6,911**	9,541
per basic and diluted share *($)*	**0.07**	0.07	**0.08**	0.11
Earnings from discontinued operations, net of tax	**2,471**	5,852	**4,372**	7,117
Net earnings	**8,325**	11,827	**11,283**	16,658
per basic and diluted share *($)*	**0.10**	0.14	**0.13**	0.19
AFFO (1)	**14,927**	17,133	**27,542**	31,802
per basic share *($)*	**0.168**	0.194	**0.310**	0.360
per diluted share *($)*	**0.161**	0.188	**0.299**	0.349
Current income tax expense included in FFO	**3,283**	2,886	**4,811**	3,469
Maintenance capex	**2,312**	3,783	**3,228**	4,834
Cash dividends declared per share	**0.120**	0.120	**0.240**	0.240
Payout ratio (1) (2)	**71%**	62%	**77%**	67%
Weighted average number of shares *(thousands)*				
Basic	**89,039**	88,208	**88,933**	88,293
Diluted	**99,415**	98,595	**99,312**	98,680

(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.

Summary of Factors Impacting Comparability of Results for 2019

To assist in the discussion of the 2019 financial results in comparison to 2018, the following is a summary of factors impacting the comparability:

- revenue was favourably impacted in the three and six months ended June 30, 2019, by the recognition of an increase in accrued home health care revenue estimates of $2.2 million for 2018 related to Bill 148;
- operating expenses for the three months ended June 30, 2019, were higher by approximately $1.7 million due to an additional statutory holiday this period ($0.4 million impacting LTC operations and $1.3 million impacting home health care operations);
- operating expenses were impacted by higher ParaMed transformation costs of $0.6 million and $1.3 million for the three and six months ended June 30, 2019, respectively, as compared to $0.5 million and $0.9 million for the three and six months ended June 30, 2018, respectively;
- administrative costs were impacted by higher ParaMed transformation costs of $1.0 million and $2.0 million for the three and six months ended June 30, 2019, respectively, as compared to $0.2 million and $0.4 million for the three and six months ended June 30, 2018, respectively; and
- the adoption of IFRS 16 in 2019 reduced administrative costs by $0.7 million and $1.4 million for the three and six months ended June 30, 2019; and increased depreciation costs by $0.7 million and $1.3 million for the three and six months ended June 30, 2019.

The net impact of the above items was:

- an increase in NOI of $0.4 million and Adjusted EBITDA of $0.3 million for the three months ended June 30, 2019, as compared to the same prior year period; and
- an increase in NOI of $1.8 million and Adjusted EBITDA of $1.6 million for the six months ended June 30, 2019, as compared to the same prior year period.

Net Operating Income

Excluding the factors impacting comparability as previously noted, NOI declined by $1.4 million to $35.4 million for the three months ended June 30, 2019, and represented 12.6% of revenue as compared to $36.8 million, or 13.2% of revenue, for the same prior year period. For the six months ended June 30, 2019, NOI declined by $1.7 million to $64.8 million, or 11.6% of revenue, as compared to $66.5 million, or 12.1% of revenue, for the same prior year period. Net operating income for the three and six month periods ended June 30, 2019 reflected funding enhancements, and growth of the retirement living and other Canadian operations, offset by lower home health care volumes and increased operating costs.

Adjusted EBITDA

Excluding the factors impacting comparability as previously noted, Adjusted EBITDA declined by $2.7 million to $25.4 million, or 9.0% of revenue, for the three months ended June 30, 2019, as compared to $28.1 million, or 10.0% of revenue, for the same prior year period. For the six months ended June 30, 2019, Adjusted EBITDA declined by $4.4 million to $44.2 million, or 7.9% of revenue, as compared to $48.6 million, or 8.8% of revenue, for the same prior year period. Adjusted EBITDA for the three and six month periods ended June 30, 2019 reflected growth in LTC and retirement living operations, offset by lower volumes and NOI in the home health care operations and higher administrative costs.

Discontinued Operations

The after-tax earnings from discontinued operations of $2.5 million and $4.4 million for the three and six months ended June 30, 2019, respectively, included a release of reserves from the Company’s captive insurance company (the “Captive”) of $2.8 million and $4.7 million, respectively, with the balance impacted by a discount rate adjustment on the Captive’s reserves. The after-tax earnings of $5.8 million and $7.1 million for the three and six months ended June 30, 2018, respectively, included a release of the Captive’s reserves of $5.8 million and the impact of a discount rate adjustment.

AFFO Summary

For the three and six months ended June 30, 2019, AFFO was $14.9 million and $27.5 million, respectively, representing a decline of $2.2 million and $4.3 million over the same prior year periods, respectively. These declines were primarily due to lower Adjusted EBITDA, partly driven by reduced volumes and lower NOI in the home health care operations and higher administrative costs as previously noted, and an increase in current income taxes, partially offset by lower maintenance capex.

The Company's current income taxes in 2018 benefitted from favourable timing differences, and the utilization of tax loss carryforwards. For the 2019 year, the Company expects the effective tax rate on funds from operations will be in the range of 17% to 19%.

Maintenance capex was $3.2 million for the six months ended June 30, 2019, as compared to $4.8 million for the six months ended June 30, 2018, representing 0.6% and 0.9% of revenue, respectively. These costs fluctuate on a quarterly and annual basis with the timing of projects and seasonality. In 2019, the Company expects to spend in the range of $10 million to $12 million in maintenance capex, as compared to $12.7 million in 2018.

Financial Position

As at June 30, 2019, the Company's consolidated cash and short-term investments on hand was $84.4 million, an increase of $18.5 million from December 31, 2018. Cash and short-term investments exclude the investments held by the Captive of $41.6 million to support the accrual for U.S. self-insured liabilities of $19.7 million. In addition, the Company had $65.0 million available to draw under its ParaMed credit facility.

The Company's long-term debt, including convertible debentures as at June 30, 2019, was $558.3 million (December 31, 2018 – $529.0 million), with a weighted average interest rate of 4.8%, and represented approximately 50% of its gross book value.

The Company's consolidated net interest coverage ratio for the trailing twelve months ended June 30, 2019, was 3.7 times. Excluding interest revenue, the Company's interest coverage ratio was 3.2 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.

Conference Call and Webcast

On August 15, 2019, at 11:00 a.m. (ET), Extendicare will hold a conference call to discuss its 2019 second 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 1-800-806-5484 or 416-340-2217 followed by the passcode 8610551#. A replay of the call will be available approximately two hours after completion of the live call until midnight on August 30, 2019. To access the rebroadcast dial 1-800-408-3053 or 905-694-9451 followed by the passcode 9504873#.

About Extendicare

Extendicare is a leading provider of care and services for seniors across Canada, operating under the Extendicare, Esprit Lifestyle, 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 or provide contract services to a network of 121 senior care and retirement living centres (68 owned/53 contract services), provide approximately 10.7 million hours of home health care services annually, and provide group purchasing services to third parties representing more than 58,000 senior residents across Canada. Our qualified and highly trained workforce of approximately 23,000 individuals is passionate about providing high quality services to help people live better.

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.

Forward-looking Statements

Information provided by Extendicare from time to time, including this release, contains or may contain forward-looking statements concerning anticipated financial events, results, circumstances, economic performance or expectations with respect to Extendicare and its subsidiaries, including, without limitation, statements regarding its business operations, business strategy, and financial condition. Forward-looking statements can be identified because they generally contain the words "expect", "intend", "anticipate", "believe", "estimate", "project", "plan" or "objective" or other similar expressions or the negative thereof. Forward-looking statements reflect management's beliefs and assumptions and are based on information currently available, and Extendicare 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 Extendicare to differ materially from those expressed or implied in the statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on Extendicare's forward-looking statements. Further information can be found in the disclosure documents filed by Extendicare with the securities regulatory authorities, available at www.sedar.com and on Extendicare's website at www.extendicare.com.

Extendicare contact:
David Bacon
Senior Vice President and Chief Financial Officer
Phone: (905) 470-4000; Fax: (905) 470-4003
Email: david.bacon@extendicare.com
www.extendicare.com