EXTENDICARE®
... helping people live better

NEWS RELEASE

EXTENDICARE ANNOUNCES 2019 THIRD QUARTER RESULTS

MARKHAM, ONTARIO – November 7, 2019 – Extendicare Inc. (“Extendicare” or the “Company”) (TSX: EXE) today reported results for the three and nine months ended September 30, 2019. Results are presented in Canadian dollars unless otherwise noted.

“We are pleased with our progress and continue to make important improvements on several fronts,” said Chief Executive Officer, Dr. Michael Guerriere. “We increased our retirement living capacity with the recent opening of a new 124-suite retirement community, welcomed a significant new SGP client serving 4,000 residents in British Columbia, and continued to make progress on our ParaMed transformation, with 76% of the targeted volumes now supported by the new platform. We believe the ParaMed enhancements resulted in a less pronounced seasonal reduction in home health care volumes than what we typically experience in the summer months. These efforts will optimize our operations to meet the increasing demand for high quality seniors care while driving long-term growth for our shareholders.”

Financial Highlights from Third Quarter 2019 (all comparisons with Q3 2018)

- Revenue of $282.7 million, up 0.9% or $2.4 million from $280.3 million; driven by long-term care (LTC) funding enhancements and growth in retirement living.
- Net operating income (NOI) of $34.9 million, down 1.8% or $0.6 million from $35.5 million; reflecting growth in the LTC and retirement living segments, offset by lower home health care volumes and increased back office operating costs.
- Adjusted EBITDA of $23.6 million, down $0.8 million from $24.4 million; impacted by higher administrative costs, primarily due to increased compensation costs and professional fees.
- Earnings from continuing operations of $5.2 million, down $2.4 million from $7.6 million; impacted by a change in foreign exchange and fair value adjustments related to the Captive’s investments and interest rate swaps.
- AFFO of $13.7 million ($0.153 per basic share), up $0.3 million; impacted by lower earnings as noted above, offset by lower maintenance capex.

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

- Revenue of $841.1 million, up 1.2% or $9.9 million from $831.2 million; driven by LTC funding enhancements, growth in retirement living and incremental home health care funding of $2.2 million for 2018 related to Bill 148 recognized in the second quarter of 2019.
- NOI of $100.6 million, down $0.5 million from $101.1 million; driven by growth in LTC and retirement living, offset by lower home health care volumes and higher back office operating costs.
- Adjusted EBITDA of $68.1 million, down $3.6 million from $71.7 million; impacted by higher administrative costs, primarily due to increased compensation costs and professional fees.
- Earnings from continuing operations of $12.1 million, down $5.0 million from $17.1 million; impacted by a change in foreign exchange and fair value adjustments, and higher depreciation and amortization.
- AFFO of $41.2 million ($0.463 per basic share) down $3.9 million; impacted by lower earnings as noted above and higher current income taxes, partially offset by lower maintenance capex.
- Dividends declared of $32.0 million in first nine months of 2019, representing approximately 78% of AFFO.

Business Updates

ParaMed Progress

The transformation of ParaMed is key to driving profitable growth for the Company. Progress continues on new training processes, standardized operating procedures and the implementation of a new cloud-based system across the operations. ParaMed has focused the transformation efforts in its larger markets first, with 76% of the targeted volumes now converted, and expects to be mostly complete in these areas by the end of 2019, with implementation in smaller markets targeted for early 2020. The Company's cost estimate of over $12 million to transform the ParaMed business is unchanged, with approximately $2.6 million remaining to be incurred. Though the transformation and its associated costs have lowered ParaMed's profitability in the short term, we believe that once completed these enhancements will drive long-term growth. We expect to recognize the benefits from the transformation, including increasing volumes, enhanced staff retention and improved efficiencies, in 2020.

In addition, ParaMed continues to make progress with its previously announced exit from the low margin 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, the Company expects it to occur no later than the first quarter of 2020.

Retirement Living Operations

Retirement living continues to deliver strong financial results and expand its footprint with the addition of 112 suites at Bolton Mills earlier in 2019 and the 124-suite retirement living community in Barrie, Ontario that opened in October 2019. Pre-lease activity at The Barrieview has been strong, and we anticipate occupancy to trend ahead of plan. As well, expansion plans are under way for a 59-suite expansion of the Company's 63-suite Empire Crossing Retirement Community in Port Hope, Ontario.

The Company's retirement living operations contributed $0.2 million and $1.7 million in additional NOI for the three and nine months ended September 30, 2019, respectively, as compared to the same periods in 2018. Average occupancy of the stabilized retirement living communities grew to 94.6% for the nine months ended September 30, 2019, up from 90.5% for the same prior year period. In the third quarter, lease-up communities average occupancy grew sequentially to 74.6%, up from 67.4% in the three months ended June 30, 2019.

SGP Purchasing Partner Network (SGP)

SGP continues to expand its market presence. In the third quarter of 2019, SGP welcomed West Coast Seniors Housing Management, which provides services to over 4,000 residents in British Columbia, to its growing number of highly respected clients. Together with our partners, SGP now provides for third parties cost effective products and services for more than 64,000 senior residents across Canada.

Financial Activities Subsequent to September 30, 2019

- Repatriated US$10.0 million from its captive insurance company (the "Captive").
- Secured permanent Canadian Mortgage and Housing Corporation insured financing of $9.3 million on Cedar Crossing Retirement Community, constructed in 2016.

November Dividend Declared

The Board of Directors of Extendicare today declared a cash dividend of $0.04 per share for the month of November 2019, which is payable on December 16, 2019, to shareholders of record at the close of business on November 29, 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 nine months ended September 30, 2019 and 2018.

(unaudited) *(thousands of dollars, unless otherwise noted)*	Three months ended September 30		Nine months ended September 30	
	2019	**2018**	**2019**	**2018**
Revenue				
Long-term care	**160,972**	159,239	**477,129**	467,877
Retirement living	**10,406**	9,160	**29,920**	24,373
Home health care	**105,414**	106,015	**316,296**	322,331
Management, consulting and other	**5,941**	5,888	**17,710**	16,633
Total revenue	**282,733**	280,302	**841,055**	831,214
Operating expenses	**247,866**	244,810	**740,482**	730,093
Net operating income (NOI) (1)	**34,867**	35,492	**100,573**	101,121
NOI margin (1)	***12.3%***	*12.7%*	***12.0%***	*12.2%*
Administrative costs	**11,279**	11,099	**32,460**	29,421
Adjusted EBITDA (1)	**23,588**	24,393	**68,113**	71,700
Adjusted EBITDA margin (1)	***8.3%***	*8.7%*	***8.1%***	*8.6%*
Depreciation and amortization	**9,861**	9,014	**28,993**	25,086
Other expense	**–**	–	**2,404**	3,553
Earnings from continuing operations	**5,247**	7,598	**12,158**	17,139
per basic and diluted share *($)*	**0.06**	0.08	**0.14**	0.19
Earnings from discontinued operations, net of tax	**2,012**	975	**6,384**	8,092
Net earnings	**7,259**	8,573	**18,542**	25,231
per basic and diluted share *($)*	**0.08**	0.10	**0.21**	0.29
AFFO (1)	**13,693**	13,379	**41,235**	45,181
per basic share *($)*	**0.153**	0.151	**0.463**	0.511
per diluted share *($)*	**0.149**	0.147	**0.448**	0.496
Current income tax expense included in FFO	**2,666**	2,661	**7,477**	6,130
Maintenance capex	**3,056**	3,639	**6,284**	8,473
Cash dividends declared per share	**0.120**	0.120	**0.360**	0.360
Payout ratio (1) (2)	**78%**	79%	**78%**	70%
Weighted average number of shares *(thousands)*				
Basic	**89,253**	88,412	**89,040**	88,333
Diluted	**99,614**	98,788	**99,412**	98,709

(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 for the nine months ended September 30, 2019, was impacted by additional home health care revenue of $2.2 million for 2018 related to Bill 148 recognized in the second quarter of 2019;
- operating expenses were impacted by ParaMed transformation costs of $0.5 million and $1.8 million for the three and nine months ended September 30, 2019, respectively, as compared to $0.9 million and $1.8 million for the same prior year periods, respectively;

- administrative costs were impacted by ParaMed transformation costs of $0.7 million and $2.7 million for the three and nine months ended September 30, 2019, respectively, as compared to $0.2 million and $0.6 million for the same prior year periods, respectively;
- administrative costs were impacted by severance costs of $1.1 million in each of the three and nine months ended September 30, 2019, as compared to $1.7 million in each of the same prior year periods; and
- the adoption of IFRS 16 in 2019 reduced administrative costs by $0.7 million and $2.1 million for the three and nine months ended September 30, 2019; and increased depreciation costs by $0.6 million and $2.0 million for the same prior year periods.

The net impact of the above items was:

- an increase in NOI of $0.4 million and Adjusted EBITDA of $1.2 million for the three months ended September 30, 2019, as compared to the same prior year period; and
- an increase in NOI of $2.2 million and Adjusted EBITDA of $2.8 million for the nine months ended September 30, 2019, as compared to the same prior year period.

Net Operating Income

Excluding the factors impacting comparability as previously noted, NOI declined by $1.0 million to $35.4 million for the three months ended September 30, 2019, and represented 12.5% of revenue as compared to $36.4 million, or 13.0% of revenue, for the same prior year period. For the nine months ended September 30, 2019, NOI declined by $2.7 million to $100.2 million, or 11.9% of revenue, as compared to $102.9 million, or 12.4% of revenue, for the same prior year period. Net operating income for the three and nine months ended September 30, 2019 reflected funding enhancements, and growth of the retirement living and other Canadian operations, offset by lower home health care volumes and increased back office operating costs.

Adjusted EBITDA

Excluding the factors impacting comparability as previously noted, Adjusted EBITDA declined by $2.0 million to $25.2 million, or 8.9% of revenue, for the three months ended September 30, 2019, as compared to $27.2 million, or 9.7% of revenue, for the same prior year period. For the nine months ended September 30, 2019, Adjusted EBITDA declined by $6.4 million to $69.4 million, or 8.3% of revenue, as compared to $75.8 million, or 9.1% of revenue, for the same prior year period. Adjusted EBITDA for the three and nine months ended September 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 $2.0 million and $6.4 million for the three and nine months ended September 30, 2019, respectively, included a release of reserves from the Company's Captive of $2.0 million and $6.7 million, respectively, with the balance impacted by a discount rate adjustment on the Captive's reserves. The after-tax earnings of $1.0 million and $8.1 million for the three and nine months ended September 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 months ended September 30, 2019, AFFO improved by $0.3 million, or 2.3%, to $13.7 million from $13.4 million for the three months ended September 30, 2018.

For the nine months ended September 30, 2019, AFFO declined by $3.9 million, or 8.7%, to $41.2 million for the nine months ended September 30, 2019, from $45.2 million for the nine months ended September 30, 2018.

AFFO in comparison to the prior year periods was unfavourably impacted by the decline in Adjusted EBITDA, partly driven by reduced volumes and lower net operating income in the home health care operations and higher administrative costs, and an increase in current income taxes. Maintenance capex for the three and nine months ended September 30, 2019, was lower in comparison to the same prior year periods by $0.6 million and $2.2

million, respectively, and contributed to the overall increase in AFFO this quarter in comparison to the same prior year period. 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.

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%.

Financial Position

As at September 30, 2019, the Company's consolidated cash and short-term investments on hand was $96.8 million, an increase of $30.9 million from December 31, 2018. In addition, the Company had $65.0 million available to draw under its ParaMed credit facility. Cash and short-term investments exclude the investments held by the Captive of $41.9 million to support the accrual for U.S. self-insured liabilities of $17.8 million. In October 2019, the Company repatriated US$10.0 million of cash from the Captive.

The Company's long-term debt, including convertible debentures as at September 30, 2019, was $558.9 million (December 31, 2018 – $529.0 million), with a weighted average interest rate of 4.8%, and represented approximately 49% of its gross book value.

The Company's consolidated net interest coverage ratio for the trailing twelve months ended September 30, 2019, was 3.6 times. Excluding interest revenue, the Company's interest coverage ratio was 3.1 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 November 8, 2019, at 11:30 a.m. (ET), Extendicare will hold a conference call to discuss its 2019 third 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 2532715#. A replay of the call will be available approximately two hours after completion of the live call until midnight on November 22, 2019. To access the rebroadcast dial 1-800-408-3053 or 905-694-9451 followed by the passcode 8206849#.

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 122 senior care and retirement living centres (69 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 64,000 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.

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