EXTENDICARE®
... helping people live better

NEWS RELEASE

EXTENDICARE ANNOUNCES 2021 FIRST QUARTER RESULTS

MARKHAM, ONTARIO – May 12, 2021 – Extendicare Inc. (“Extendicare” or the “Company”) (TSX: EXE) today reported results for the three months ended March 31, 2021. Results are presented in Canadian dollars unless otherwise noted.

“The first quarter of this year marked a turning point in the pandemic for long-term care (LTC) with the success of the vaccination program for residents and staff. Despite the arrival of a third wave of COVD-19 across the country, outbreaks and cases have dropped dramatically in our homes. Nevertheless, the presence of numerous virus variants means that we must remain vigilant by maintaining higher staffing levels, enhanced infection control and regular testing until the threat of the pandemic has passed,” said President and Chief Executive Officer, Dr. Michael Guerriere.

“We worked tirelessly to keep our residents and team members safe during the first and second waves of COVID-19. Additional staff, enhanced infection control procedures and routine testing to isolate positive cases have been effective in helping to curb the virus. Tragically, the virus overwhelmed our defenses in some homes that experienced severe outbreaks where many of our residents and frontline staff became infected. We continue to mourn residents and one of our team members who were lost to this virus. We remain steadfast on driving improvements in the LTC sector in their memory. We are committed to working with provincial governments and our partners across the health system to advance much-needed initiatives to build a better future for our residents and team members,” added Guerriere.

Investing in Staff and New Homes

During the last year, Extendicare added more than 1,000 new frontline caregivers to its LTC homes. This positions us well to enhance our quality of care supported by the Ontario government’s Long-Term Care Staffing Plan that targets four hours of care per resident day. We are also making progress in training and hiring 600 new caregivers this year at ParaMed through internal training programs that were launched last year.

We are moving quickly to advance our long-term plan to replace aging infrastructure with modern, safer living spaces. Of the 22 LTC redevelopment projects we have proposed to the Ontario government, nine have received allocations of beds so far. We broke ground on our new 192-bed Kingston, Ontario LTC home in April, and construction on our Sudbury new build continues. Four additional projects are targeted to begin construction before the end of next year.

“After so many years of advocating for replacement of aging facilities, it is gratifying to see these projects move forward,” said Dr. Guerriere. “In total, the nine projects under way represent a $500 million investment by Extendicare in newer, safer homes for LTC residents in Ontario. Combined with the marked expansion of caregivers in LTC and homecare, we are building capacity to help people live better today and into the future. We deeply appreciate the new programs and the leadership demonstrated by the Government of Ontario that make these improvements possible.”

Protecting our Residents, Clients and Caregivers

The third wave of COVID-19 has put considerable strain on health systems across Canada. Emergency measures enacted by Canada’s federal and provincial governments to combat the spread of COVID-19 remain in place or have been reinstated in most regions. We continue to work closely with all levels of government, health authorities, our industry partners and advocacy groups to help ensure our collective response to the crisis is focused on the protection and care of our residents, clients and caregivers.

As a result of successful vaccination efforts, case numbers in Extendicare homes and communities have dropped substantially:

- As of May 11, 2021 there are only two active resident cases of COVID-19 across our 69 LTC homes and retirement communities;

- Vaccination efforts are continuing and approximately 90% of our LTC residents and 86% of our retirement residents have been fully vaccinated; and
- Extendicare's extensive education and awareness campaign for staff, along with the provision of paid time off and reimbursement of travel expenses for vaccination, have resulted in approximately 74% of our LTC staff and 67% of our retirement staff having received at least their first dose.

In addition to ongoing vaccination efforts, we continue to maintain enhanced infection prevention measures to reduce transmission risk, especially in light of new variants of concern. We continue our regular staff testing program to test all LTC staff, further enhanced with the introduction of rapid testing capabilities that provide results in 15 minutes and higher testing frequencies in areas with high levels of community transmission. Rapid testing is also used to screen all visitors to our homes, enabling our teams to turn away asymptomatic carriers before the virus can be transmitted.

The extensive outbreaks we experienced as part of the second wave early in the first quarter necessitated increased COVID-19 related spending, totalling $46.2 million in Q1 2021. These costs were partially offset by provincial funding, which for the three months ended March 31, 2021 totalled $43.9 million. We incurred $11.9 million in temporary pandemic pay increases for eligible front-line staff in Q1 2021 offset by funding from Ontario and Alberta. Since the beginning of the pandemic, we have incurred an aggregate $120.7 million in COVID-19 related expenses, partially offset by government programs totalling $88.3 million, resulting in a cumulative reduction of Adjusted EBITDA of $32.4 million. The amount and timing of COVID-19 funding has not always aligned with the incurrence of the costs causing significant volatility in our results which we expect to continue until the pandemic subsides.

Q1 2021 Financial Highlights (all comparisons with Q1 2020)

- Revenue up 18.6% or $50.6 million to $322.4 million; driven by COVID-19 funding of $55.4 million, LTC funding enhancements and growth in other operations, partially offset by a 1.3% decline in home health care average daily volumes (ADV), timing of LTC flow-through funding, and lower preferred accommodation revenue in LTC operations.
- Net operating income (NOI)(1) up $9.9 million to $40.3 million; reflecting the Canada Emergency Wage Subsidy (CEWS) payments received by ParaMed of $9.7 million, home health care back-office efficiencies and growth in other operations, partially offset by increased net COVID-19 costs of $1.1 million, increased costs of resident care, lower preferred accommodation revenue in LTC operations and lower home health care ADV.
- Adjusted EBITDA(1) up $7.6 million to $27.7 million; reflecting the improvement in NOI noted above, partially offset by increased wages, insurance and claims reserves, and increased COVID-19 administrative costs of $0.9 million.
- Earnings from continuing operations up $7.1 million to $8.3 million; primarily driven by improvements in NOI and lower finance costs, partially offset by increased estimated COVID-19 costs in excess of funding, higher administrative costs.
- AFFO(1) of $19.5 million ($0.22 per basic share), up $7.9 million; reflecting the increase in earnings from continuing operations and lower maintenance capex.

Business Updates

The following is a summary of the Company's revenue, NOI and NOI margins by business segment for the three months ended March 31, 2021 and 2020, respectively.

	Three months ended March 31					
(unaudited)			**2021**			**2020**
(millions of dollars, unless otherwise noted)	**Revenue**	**NOI**	**Margin**	**Revenue**	**NOI**	**Margin**
Long-term care	**205.1**	**16.3**	***7.9%***	160.2	18.4	*11.5%*
Retirement living	**12.2**	**3.4**	***28.3%***	12.0	3.7	*30.8%*
Home health care	**97.7**	**16.0**	***16.3%***	93.1	4.3	*4.6%*
Other	**7.4**	**4.6**	***61.7%***	6.4	3.9	*60.9%*
	322.4	**40.3**	***12.5%***	271.8	30.4	*11.2%*

Note: Totals may not sum due to rounding.

Long-Term Care

COVID-19 continued to impact our LTC operations in Q1 2021, as admissions restrictions led to lower occupancy levels. Increased costs to protect our staff and residents resulted in lower NOI and NOI margin compared to the same period last year.

Average occupancy dropped to 82.9% in Q1 2021, from 97.0% in Q1 2020 and 87.7% in Q4 2020, mainly driven by reduced admissions as a result of COVID-19. Despite lower occupancy levels, our revenue base was largely preserved through basic occupancy protection funding from the Government of Ontario, which has been extended until August 31, 2021. Each of the western provinces in which we operate have introduced additional funding to offset the impact of COVID-19, some of which includes funding to address occupancy shortfalls.

NOI and NOI margin in Q1 2021 were $16.3 million and 7.9%, respectively, down from $18.4 million and 11.5% respectively in Q1 2020. NOI and NOI margin decreased in the quarter largely as a result of the impact of COVID-19, resulting in increased costs of resident care and lower preferred accommodation revenue. Increased costs associated with COVID-19 and pandemic pay programs, estimated at $47.4 million, were $0.8 million in excess of COVID-19 related funding of $46.6 million.

Home Health Care

Our home health care volumes continued to recover in Q1 2021, despite the Wave 2 lockdowns early in the quarter. Since the peak impact of the pandemic on home health care volumes in Q2 2020, we have seen a gradual recovery in our ADV levels. ADV was 1.7% higher than in Q4 2020, but down 1.3% from the same prior year quarter. ADV has continued to improve in April, with ADV for the four weeks ended May 2, 2021 up 2.7% over Q1 levels.

In Q1 2021, revenue increased to $97.7 million, up 4.9% from Q1 2020, driven by COVID-19 and pandemic pay funding of $8.8 million, partially offset by $3.0 million in Q1 2020 revenue from our expired B.C. home health care contracts.

NOI and NOI margin increased to $16.0 million and 16.3%, respectively, in Q1 2021, up from $4.3 million and 4.6%, respectively, in Q1 2020. The improvement in NOI reflects CEWS payments received by ParaMed of $9.7 million in Q1 2021 and lower back-office costs, offset by lower ADV and net costs of $0.2 million associated with COVID-19.

We are seeing the benefits of our completed cloud-based scheduling and clinical management system, particularly with improved efficiency in our back-office operations and growing virtual care services. Excluding the impact of CEWS, COVID-19 related funding and expenses and Q4 2020 one-time charges, NOI margins in Q1 2021 were 7.3%, up from 5.8% in Q4 2020 and 4.6% in Q1 2020. We expect that as the impact of COVID-19 abates, our workforce capacity improves and volumes recover, these benefits will become more prominent.

Retirement Living

Our retirement living operations continue to deliver solid financial results despite the negative impacts of the pandemic on occupancy levels and costs.

In Q1 2021, revenue increased marginally, while NOI dipped slightly as a result of the ongoing challenges of the pandemic on occupancy levels and operating costs, in addition to increased costs of labour and utilities.

Restrictions on in-person tours and move-in protocols resulted in lower average occupancy in both the stabilized and lease-up communities, down 60 bps and 20 bps, respectively, compared to Q4 2020. For the month of April 2021, we saw a modest uptick in average occupancy by 20 bps to 84.3% from 84.1% in Q1 2021, due to growth from lease-up communities. Despite the impact of the pandemic, average occupancy of our stabilized communities has remained above 90% throughout, and ended the quarter at 91.0%, up 30 bps from the end of 2020.

Other Operations

Our other operations continued to perform well in Q1 2021, as revenue increased to $7.4 million, up 15.0% from the same quarter last year, largely driven by customer growth in our SGP Purchasing Partner Network (SGP). NOI also increased in the quarter, up 16.4% to $4.6 million, as our growing SGP client base and lower travel and business promotion costs offset increased staff costs. The number of third-party residents served by SGP increased to approximately 81,100 at the end of Q1 2021, up 11.3% from the end of Q1 2020 and 2.8% from the end of 2020.

Financial Position

As at March 31, 2021, Extendicare had cash and cash equivalents on hand of $141.3 million and access to a further $71.3 million in undrawn demand credit facilities. In addition, on May 11, 2021, the Company entered into commitment letters for an aggregate of $95.9 million in committed construction financing for our Sudbury and Kingston LTC redevelopment projects. As a result, we are well positioned with strong liquidity and no scheduled debt maturities until Q1 2022.

Select Financial Information

The following is a summary of the Company's consolidated financial information for the three months ended March 31, 2021 and 2020.

(unaudited) *(thousands of dollars unless otherwise noted)*	**Three months ended March 31 (2)** **2021**	 **2020**
Revenue	**322,381**	271,818
Operating expenses	**282,117**	241,435
NOI (1)	**40,264**	30,383
NOI margin (1)	***12.5%***	*11.2%*
Administrative costs	**12,541**	10,252
Adjusted EBITDA (1)	**27,723**	20,131
Adjusted EBITDA margin (1)	***8.6%***	*7.4%*
Earnings from continuing operations	**8,323**	1,237
per basic share *($)*	**0.09**	0.01
per diluted share *($)*	**0.09**	0.01
Earnings from discontinued operations, net of tax	–	4,669
Net earnings	**8,323**	5,906
per basic share *($)*	**0.09**	0.07
per diluted share *($)*	**0.09**	0.07
AFFO (1)	**19,545**	11,630
per basic share *($)*	**0.22**	0.13
per diluted share *($)*	**0.21**	0.13
Current income tax expense included in FFO	**2,827**	2,073
FFO effective tax rate	***15.4%***	*18.4%*
Maintenance capex	**1,033**	1,755
Cash dividends declared per share	**0.12**	0.12
Payout ratio (1)	**55%**	92%
Weighted average number of shares *(thousands)*		
Basic	**89,929**	89,644
Diluted	**100,520**	100,023

(1) ***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.*

(2) Comparative figures have been re-presented to reflect discontinued operations.

Extendicare's disclosure documents, including its Management's Discussion and Analysis, may be found on SEDAR's website at www.sedar.com 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 2021, which is payable on June 15, 2021, to shareholders of record at the close of business on May 31, 2021. This dividend is designated as an "eligible dividend" within the meaning of the Income Tax Act (Canada).

Conference Call and Webcast

On May 13, 2021, at 11:30 a.m. (ET), Extendicare will hold a conference call to discuss its 2021 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 1-800-319-4610 or 416-915-3239. A replay of the call will be available approximately two hours after completion of the live call until midnight on May 28, 2021. To access the rebroadcast dial 1-800-319-6413 followed by the passcode 6652#.

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 120 long-term care homes and retirement communities (69 owned/51 contract services), provide approximately 8.3 million hours of home health care services annually, and provide group purchasing services to third parties representing approximately 81,100 senior residents across Canada. Extendicare proudly employs more than 23,000 qualified, highly trained and dedicated individuals who are passionate about providing high quality care and services to help people live better.

Forward-looking Statements

This press release contains 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, including anticipated timelines, costs and financial returns in respect of development projects, and in particular statements in respect of the impact of measures taken to mitigate the impact of COVID-19, the availability of various government programs and financial assistance announced in respect of COVID-19, the impact of COVID-19 on the Company's operating costs, staffing, procurement, occupancy levels and volumes in its home health care business, the impact on the capital and credit markets and the Company's ability to access the credit markets as a result of COVID-19, increased litigation and regulatory exposure and the outcome of any litigation and regulatory proceedings. Forward-looking statements can be identified because they generally contain the words "anticipate", "believe", "estimate", "expect", "intend", "objective", "plan", "project", "will" 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. Risks and uncertainties related to the effects of COVID-19 on Extendicare include the length, spread and severity of the pandemic; the nature and extent of the measures taken by all levels of governments and public health officials, both short and long term, in response to COVID-19; domestic and global credit and capital markets; the Company's ability to access capital on favourable terms or at all due to the potential for reduced revenue and increased operating expenses as a result of COVID-19; the availability of insurance on favourable terms; litigation and/or regulatory proceedings against or involving the Company, regardless of merit; the health and safety of the Company's employees and its residents and clients; and domestic and global supply chains, particularly in respect of personal protective equipment. Given the evolving circumstances surrounding COVID-19, it is difficult to predict how significant the adverse impact will be on the global and domestic economy and the business operations and financial position of Extendicare. For further information on the risks, uncertainties and assumptions that could cause Extendicare's actual results to differ from current expectations, refer to "Risk Factors" in Extendicare's Annual Information Form and "Forward Looking-Statements" in Extendicare's Q1 2021 Management's Discussion and Analysis filed by Extendicare with the securities regulatory authorities, available at www.sedar.com 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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