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NEWS RELEASE

EXTENDICARE ANNOUNCES 2022 FIRST QUARTER RESULTS

MARKHAM, ONTARIO, May 12, 2022 – Extendicare Inc. ("Extendicare" or the "Company") (TSX: EXE) today reported results for the three months ended March 31, 2022. Results are presented in Canadian dollars unless otherwise noted.

First Quarter Highlights

- High community transmission of the Omicron variant resulted in increased outbreaks and high absenteeism across the organization. Consequently, home health care average daily volumes ("ADV") were 4.8% lower than Q4 2021 and our long-term care ("LTC") average occupancy dropped by 120 bps.
- The sale of the Esprit retirement living portfolio is scheduled to close on or about May 16, 2022, for estimated net proceeds of approximately $125.0 million.
- Process to seek regulatory approvals for Revera and Axium transactions is underway in Manitoba and Ontario. If approved, Extendicare will assume operational responsibility for Revera's 56 long-term care homes, acquire a 15% managed interest in the 24 homes that will be owned in partnership with Axium; enter into a joint venture with Axium in respect of certain Extendicare redevelopment projects.
- The Province of Ontario announced an additional 2,624 new and redeveloped beds for 12 of our LTC redevelopment projects in 2022, bringing the total new and redeveloped beds awarded to Extendicare to 4,248 for 20 LTC redevelopment projects, including the three LTC projects currently under construction.

"The marked increase in COVID-19 cases since the beginning of the year driven by the highly contagious Omicron variant, was a setback to the positive recovery in occupancy and home health care volumes we had experienced in the latter part of 2021," said President and Chief Executive Officer, Dr. Michael Guerriere. "Thanks to vaccinations, the impact of the virus was much milder than in previous waves. Nevertheless, high numbers of staff absences because of illness or isolation requirements drove higher sick pay, overtime and temporary replacement costs in the quarter. Demand for our services remains high and when the pandemic subsides, we expect our recovery to resume."

"With the pending sale of the retirement portfolio, the ongoing work to obtain regulatory approval for our Revera and Axium transactions and the new bed allocations from the Government of Ontario, our strategic transition to focus on growth in long-term care and home health care is gathering momentum. We are dedicated to advancing the delivery of high-quality care and services across our LTC homes and home care districts," added Guerriere.

Protecting Our Residents, Clients and Caregivers

The highly transmissible Omicron variant began to emerge in December and drove a significant increase in COVID-19 infections in Q1 2022. Vaccinations and boosters have helped to mitigate the incidence of serious illness and hospitalization among our residents and staff. Despite milder symptoms, we experienced a high level of staff absenteeism during Q1, creating staffing challenges and increased labour costs.

As of May 11, 2022, 27 of our 69 LTC homes and retirement communities are in outbreak.

We continue to remain vigilant and focus on key prevention and control measures to minimize the spread of the virus, understanding that even milder variants can still pose a serious risk to the most vulnerable members of our community.

Repositioning Extendicare to Focus on Growth in Long-term Care and Home Health Care

The need for home care services is growing. The Ontario government recognizes the critical role home health care plays in the continuum of care, as evidenced by its recent announcement to invest $1 billion more over the next three years to expand home care services in the province.

In response to the increasing demand, Extendicare is refocusing its business on providing high quality home health care and long-term care. In the first quarter we announced the entering into agreements for the sale of our Esprit retirement living portfolio and for the acquisition of a 15% managed interest in 24 Revera LTC homes, management of an additional 32 Revera LTC homes and a redevelopment joint venture with Axium. This strategy allows us to grow while providing the flexibility to allocate capital for strategic initiatives, including acquisitions. Operating and building new long-term care homes is a key pillar of our growth agenda, and these new relationships allow us to achieve that objective, while substantially reducing the amount of capital we must invest to redevelop our Class C portfolio.

Based on the anticipated revenue of the 56 managed LTC homes and the Company's incremental costs in respect of such management, the Revera Transactions would have generated for 2022 approximately $17.0 million in incremental annual revenue in our Other Operations segment and, excluding integration costs, NOI and AFFO of approximately $7.6 million and $4.3 million ($0.042 AFFO per basic share), respectively. In additional, an estimated $1.0 million in AFFO ($0.01 AFFO per basic share) would have been received in 2022 through distributions in respect of our 15% interest in the 26 LTC homes to be jointly owned with Axium. Total aggregate consideration to be paid on closing of these transactions is approximately $70.0 million, subject to customary adjustments.

Closing of the previously announced sale of our Esprit retirement communities in Ontario and Saskatchewan to Sienna-Sabra LP for an aggregate purchase price of $307.5 million is scheduled to close on or about May 16, 2022. All regulatory approvals have been obtained and closing is subject only to customary closing conditions.. The estimated net proceeds, net of debt repayments, taxes, certain closing adjustments and transactions costs, is approximately $125.0 million, subject to customary post-closing working capital adjustments. The Company classified its retirement living segment as discontinued in Q1 2022. These operations contributed $1.3 million to AFFO(1) in Q1 2022 and $7.1 million ($0.08 AFFO per basic share) for the year ended December 31, 2021.

Commitment to Long-term Care Redevelopment

We continue to advance our redevelopment strategy to replace our older Class C LTC beds in Ontario. We have been awarded 4,248 new or replacement beds across 20 redevelopment projects, which would replace all of our 3,285 existing Class C beds, including three projects currently under construction that will replace a total of 624 Class C LTC beds with 704 new beds, requiring a net investment of $178.9 million. Our new homes are being constructed exclusively with single patient rooms to maximize privacy, safety and resident comfort.

We are actively engaged with our industry partners and the government to identify and implement necessary enhancements to the government's capital development funding program to make these projects economically feasible given the construction cost inflation being experienced by all operators. We continue to work through Ontario Ministry of Long-Term Care ("MLTC") and municipal approval processes and are targeting to have six more projects ready for construction before the end of 2023.

COVID-19 Financial Impacts

The resurgence of COVID-19 outbreaks within our homes necessitated increased pandemic-related spending in Q1 2022.

We recognized $13.3 million in prevention and containment funding in Q1 2022 that related to spending in 2021, resulting in net recovery of COVID costs from continuing operations in Q1 2022 of $8.5 million, compared to net unfunded COVID costs of $0.2 million in Q1 2021.

Since the beginning of the pandemic, we have received funding to cover a large portion of our pandemic-related costs. Exclusive of government funding for pandemic pay programs, $196.0 million (90%) of our $217.8 million in costs incurred to the end of Q1 2022 have been funded, leaving cumulative unfunded pandemic costs in our Adjusted EBITDA(1) from continuing operations of $21.8 million. We will continue to incur elevated costs in our ongoing efforts to protect our residents, clients and staff until the threat of the pandemic has abated.

Subsequent to Q1 2022, the MLTC announced additional COVID-19 prevention and containment funding of $278.0 million for April 1, 2022 through to March 31, 2023. The Alberta and Manitoba governments have indicated their intention to continue to provide funding support on a retroactive basis for COVID-19 costs incurred through to

March 31, 2022. While we are encouraged by these announcements, we expect ongoing volatility in our operating and financial results until the effects of COVID-19 are behind us.

In Ontario, occupancy targets were reinstated on February 1, 2022, requiring LTC homes to achieve an average occupancy of 97%, adjusted to exclude the third and fourth beds in ward rooms, in order to maintain full funding. The adjusted average occupancy of our Ontario LTC homes for the two months ended March 31, 2022, was 94.9%, down from 95.8% in December 2021.

Q1 2022 Financial Highlights (all comparisons with Q1 2021[(2)])

- Revenue increased 3.7% or $10.8 million to $305.7 million, driven by LTC funding enhancements, including $2.9 million in retroactive LTC funding, and home health care billing rate increases, partially offset by lower COVID-19 funding of $3.9 million and the impact of timing of flow-through funding.
- Net operating income ("NOI")[(1)] decreased $3.3 million to $33.0 million; excluding the Canada Emergency Wage Subsidy ("CEWS") of $9.7 million received by ParaMed in Q1 2021, NOI would have increased by $6.4 million, driven by higher net COVID-19 recoveries of $7.9 million and retroactive LTC funding of $2.9 million, partially offset by higher operating costs and the impact of the loss of occupancy protection for Ontario LTC homes on February 1st.
- Adjusted EBITDA[(1)] decreased $4.2 million to $19.6 million, reflecting the decline in NOI noted above and increased administrative costs related to transaction-related professional fees of $0.6 million and increased information technology costs, partially offset by lower COVID-19 related costs of $0.8 million.
- Earnings from continuing operations decreased $3.5 million to $4.0 million, driven by the after-tax impact of the decline in Adjusted EBITDA noted above.
- AFFO[(1)] of $12.0 million ($0.13 per basic share) was down $7.5 million, reflecting the decline in earnings and higher maintenance capex.

Business Updates

The following is a summary of the Company's revenue, NOI[(1)] and NOI margins[(1)] by business segment for the three months ended March 31, 2022 and 2021.

	Three months ended March 31					
(unaudited)			**2022**			**2021[(2)]**
(millions of dollars unless otherwise noted)	**Revenue**	**NOI**	**Margin**	**Revenue**	**NOI**	**Margin**
Long-term care	**199.8**	**26.6**	***13.3%***	189.8	15.8	*8.3%*
Home health care	**98.6**	**2.7**	***2.7%***	97.7	16.0	*16.3%*
Other Operations	**7.3**	**3.7**	***51.0%***	7.4	4.6	*61.7%*
	305.7	**33.0**	***10.8%***	294.9	36.3	*12.3%*

Note: Totals may not sum due to rounding.

Long-Term Care

The surge in COVID-19 related outbreaks across our LTC homes halted the occupancy recovery and contributed to a sequential decline in average occupancy by 120 bps to 88.6% in Q1 2022, down from 89.8% in Q4 2021. Average occupancy increased by 520 bps from the same prior year period.

NOI and NOI margin in Q1 2022 were $26.6 million and 13.3%, respectively, up from $15.8 million and 8.3% in Q1 2021, due to higher net COVID-19 recoveries of $9.9 million and funding enhancements (including retroactive funding in Manitoba of $2.9 million), partially offset by higher costs of labour and utilities, and the impact of the loss of occupancy protection for the Ontario LTC homes on February 1st.

Home Health Care

Referral activity remains above pre-COVID-19 levels as strong demand for our services continues. However, service delivery has been impacted by the reduction in workforce capacity experienced in Q1 2022 and Q2 2022 caused by absenteeism related to the Omicron variant. As many as 900 staff in late January 2022 were on paid sick leave due to COVID. As a result, our Q1 2022 ADV of 24,552 was down 4.8% from Q4 2021, up modestly from Q1 2021 ADV by 0.8%.

In Q1 2021, ParaMed revenue was $98.6 million, up 1.0% from Q1 2021, driven by billing rate increases and an increase in ADV of 0.8%, partially offset by reduced COVID-19 and pandemic pay funding of $1.2 million.

NOI and NOI margin were $2.7 million and 2.7%, respectively, in Q1 2022, compared to $6.3 million and 6.4% in Q1 2021, excluding CEWS payments received by ParaMed in Q1 2021 of $9.7 million. The $3.6 million decline in NOI was largely due to an increase in unfunded COVID-19 costs of $2.0 million and higher costs to address staffing capacity challenges, resulting in higher wages and benefits, recruitment, travel and training costs, and higher information technology costs.

Other Operations

Revenue declined by 2.1% to $7.3 million from Q1 2021, largely due to lower management services revenue. NOI declined by $0.9 million or 19.0% to $3.7 million, due to increased staff and information technology costs in support of growth initiatives. The number of third-party residents served by SGP increased to approximately 98,800 at the end of Q1 2022, up 21.9% from Q1 2021 and 6.0% from Q4 2021.

Financial Position

Extendicare is well positioned with strong liquidity, which included cash and cash equivalents on hand of $118.4 million and access to a further $72.8 million in undrawn demand credit facilities as at March 31, 2022. Estimated net proceeds from the sale of the Esprit retirement operations of $125.0 million will further increase our cash and cash equivalents subsequent to March 31, 2022.

In addition, the Company has undrawn construction financing in the aggregate of $150.6 million available for its ongoing Stittsville, Sudbury and Kingston LTC redevelopment projects.

Select Financial Information

The following is a summary of the Company's consolidated financial information for the three months ended March 31, 2022 and 2021.

(unaudited)	**Three months ended March 31**	
(thousands of dollars unless otherwise noted)	**2022**	**2021**[(2)]
Revenue	**305,710**	294,861
Operating expenses	**272,734**	258,542
NOI[(1)]	**32,976**	36,319
NOI margin[(1)]	***10.8%***	*12.3%*
Administrative costs	**13,413**	12,541
Adjusted EBITDA[(1)]	**19,563**	23,778
Adjusted EBITDA margin[(1)]	***6.4%***	*8.1%*
Earnings from continuing operations	**4,045**	7,512
per basic and diluted share *($)*	**0.04**	0.08
Earnings from discontinued operations, net of tax	**75**	811
Net earnings	**4,120**	8,323
per basic and diluted share *($)*	**0.04**	0.09
AFFO[(1)]	**12,048**	19,545
per basic share *($)*	**0.13**	0.22
per diluted share *($)*	**0.13**	0.21
Maintenance capex	**1,412**	1,033
Cash dividends declared per share	**0.12**	0.12
Payout ratio[(1)]	**89%**	55%
Weighted average number of shares *(thousands)*		
Basic	**90,075**	89,929
Diluted	**101,190**	100,520

Extendicare's disclosure documents, including its Management's Discussion and Analysis ("MD&A"), 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 2022, which is payable on June 15, 2022, to shareholders of record at the close of business on May 31, 2022. This dividend is designated as an "eligible dividend" within the meaning of the Income Tax Act (Canada).

Conference Call and Webcast

On May 13, 2022, at 11:30 a.m. (ET), Extendicare will hold a conference call to discuss its 2022 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 27, 2022. To access the rebroadcast dial 1-800-319-6413 followed by the passcode 8865#.

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 119 long-term care homes and retirement communities (69 owned/50 contract services), provide approximately 9.2 million hours of home health care services annually, and provide group purchasing services to third parties representing approximately 98,800 senior residents across Canada. Extendicare proudly employs approximately 20,000 qualified, highly trained and dedicated individuals 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 a relevant measure 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 Q1 2022 MD&A (refer to "Non-GAAP Measures"), which is available on SEDAR's website at www.sedar.com and on Extendicare's website at www.extendicare.com.

The reconciliations for certain non-GAAP measures included in this press release are outlined as follows:

The following table provides a reconciliation of “earnings from continuing operations before income taxes” to Adjusted EBITDA and “net operating income”, which excludes discontinued operations.

(unaudited)	**Three months ended March 31**	
(thousands of dollars)	**2022**	**2021**[(2)]
Earnings from continuing operations before income taxes	**6,264**	10,650
Add:		
Depreciation and amortization	**8,251**	7,726
Net finance costs	**5,048**	5,402
Adjusted EBITDA	**19,563**	23,778
Administrative costs	**13,413**	12,541
Net operating income	**32,976**	36,319

The following table provides a reconciliation of AFFO, which includes discontinued operations, to “net cash from (used in) operating activities”, which the Company believes is the most comparable GAAP measure to AFFO.

(unaudited)	**Three months ended March 31**	
(thousands of dollars)	**2022**	**2021**
Net cash from (used in) operating activities	**50,224**	**(13,147)**
Add (Deduct):		
Net change in operating assets and liabilities, including interest, and taxes	**(37,222)**	32,931
Depreciation for office leases	**(657)**	(727)
Depreciation for FFEC (maintenance capex)	**(1,862)**	(1,965)
Additional maintenance capex	**450**	932
Principal portion of government capital funding	**1,115**	1,521
AFFO	**12,048**	19,545

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 its business operations, business strategy, growth strategy, results of operations and financial condition, including anticipated timelines, costs and financial returns in respect of development projects, statements relating to the agreements entered into with Revera Inc. and its affiliates (“Revera”) and Axium Infrastructure Inc. and its affiliates (“Axium”) in respect of the ownership, operation and redevelopment of LTC homes in Ontario and Manitoba; statements relating to the Retirement Living Sale; statements relating to the Saskatchewan LTC Home Transition; 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 often be identified by the expressions “anticipate”, “believe”, “estimate”, “expect”, “intend”, “objective”, “plan”, “project”, “will” 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. In particular, risks and uncertainties related to the effects of COVID-19 on the Company 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 and Uncertainties” and “Forward Looking-Statements” in Extendicare’s Q1 2022 MD&A 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.

Extendicare contact:
David Bacon, Senior Vice President and Chief Financial Officer
Phone: (905) 470-4000; Fax: (905) 470-5588
Email: david.bacon@extendicare.com
www.extendicare.com

Endnotes

(1) See the “Non-GAAP Measures” section of this press release and the Company’s Q1 2022 MD&A, which includes the reconciliation of such non-GAAP measures to the most directly comparable GAAP measures.

(2) In connection with the February 3, 2022 announcement that the Company has agreed to sell its Esprit retirement living portfolio, the Company classified its retirement living segment as discontinued in Q1 2022 and re-presented its comparative consolidated financial statements, including the comparative financial information. For additional details refer to the “Discontinued Operations” section in the Company’s Q1 2022 MD&A and Note 14 of the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2022.