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NEWS RELEASE

Extendicare Announces 2022 Second Quarter Results

MARKHAM, ONTARIO, August 9, 2022 – Extendicare Inc. ("Extendicare" or the "Company") (TSX: EXE) today reported results for the three and six months ended June 30, 2022. Results are presented in Canadian dollars unless otherwise noted.

Second Quarter Highlights

- Completed the previously announced sale of the retirement living segment, realizing estimated net proceeds of approximately $128.0 million.
- Levels of community transmission of COVID-19 trended lower throughout the quarter, resulting in fewer outbreaks and reduction in staff absenteeism. Home health care average daily volumes ("ADV") increased by 2.5% and long-term care ("LTC") average occupancy increased by 160 bps over Q1 2022. However, the recent resurgence in cases caused by the new variants is once again driving increased outbreaks in our LTC homes and rising levels of staff absenteeism as we enter Q3 2022, which will extend the ongoing volatility in our operating and financial results.
- Increases in Ontario home health care rates for government contracted services of 3% for personal support services and 5% for nursing and allied health services estimated to contribute additional annual revenue of approximately $13.1 million to help address increasing labour costs.
- Commenced normal course issuer bid ("NCIB") on June 30, 2022, providing flexibility to purchase up to 7,829,630 Common Shares for cancellation until June 29, 2023, or on such earlier date as the NCIB is complete.

"During the quarter, we made significant progress on our strategic transition to focus on growth in long-term care and home health care by closing the sale of our retirement home division," said President and Chief Executive Officer, Dr. Michael Guerriere. "We continue to advance our plan to provide high-quality care for our residents, patients and clients. We submitted all regulatory filings in respect of our Revera and Axium transactions and are awaiting provincial approvals. These transactions position Extendicare to deliver further growth using a less capital-intensive business model."

"Record low unemployment in Canada is leading to labour shortages that are constraining growth in many sectors of the economy. The situation in healthcare is particularly challenging, most notably in our home health care segment where we have not been able to find sufficient caregivers to meet the strong and increasing demand for care. Government rate increases and one-time funding are helping to alleviate some of the inflation impact; however, we expect our operations will continue to be challenged until market conditions improve," Guerriere added.

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

During the quarter, the Company completed the previously announced sale of its Esprit retirement communities in Ontario and Saskatchewan to Sienna-Sabra LP for an aggregate purchase price of $307.5 million. The estimated proceeds, net of debt repayments, taxes, working capital and other closing adjustments and transactions costs, is approximately $128.0 million, subject to customary post-closing working capital adjustments. These operations contributed $0.9 million to AFFO[(1)] ($0.01 AFFO per basic share) for the six months ended June 30, 2022 and $7.1 million ($0.08 AFFO per basic share) for the year ended December 31, 2021.

Regulatory approvals in Ontario and Manitoba for the transactions with Revera and Axium are pending. Total aggregate consideration to be paid on closing of these transactions is approximately $70.0 million, subject to customary adjustments.

As part of the Ontario government's $1 billion investment over the next three years to expand home care services in the province, the government increased home health care rates by 3% for personal support contracts and 5% for nursing and allied health contracts effective April 1, 2022. Based on ADV and mix of services provided for the trailing twelve months ended June 30, 2022, these billing rate increases are estimated to raise annual revenue by approximately $13.1 million and help offset wage and benefit increases and increased recruitment costs in the home health division.

Commitment to Long-term Care Redevelopment

We have been awarded 4,248 new or replacement beds for 20 redevelopment projects in Ontario, which would replace all of our 3,285 existing Class C beds, including the three projects currently under construction. Rising construction costs resulting from inflation and rising interest rates, coupled with construction industry labour disruptions and supply chain issues being experienced throughout the sector present challenges to advancing our redevelopment program. We remain actively engaged with our industry partners and the Ontario government to identify and implement necessary enhancements to the government's capital funding program to make all projects feasible. We continue to advance our redevelopment projects through the planning and approval phases with the goal of having six more projects ready to break ground by the end of 2023.

The Company's three homes under construction in Sudbury, Kingston and Stittsville, Ontario continue to progress. The three projects will replace a total of 624 Class C LTC beds with 704 new beds, representing a net investment of $180.7 million.

New COVID-19 Variants Driving Resurgence in Cases Exiting Q2 2022

The significant impact of the COVID-19 Omicron variant experienced in Q1 2022 largely abated during Q2 2022, with the level of new infections and outbreaks in our LTC homes dropping significantly and the level of staff absenteeism improving through most of the quarter. However, late in Q2 2022 and continuing through to today, the emergence of the BA.4 and BA.5 sub-variants has resulted in a resurgence of the virus in the community leading to new outbreaks in our LTC homes and rising levels of staff absenteeism in our home health segment. As at August 8, 2022, 15 of our owned LTC homes are in outbreak.

Vaccinations and boosters continue to protect against serious illness and hospitalization among our residents and staff. We remain focused on key infection prevention and control measures, including promoting vaccination boosters, to minimize virus spread, with the knowledge that even milder variants pose a serious risk to the vulnerable populations in our care.

COVID-19 Financial Impacts

Pandemic related spending declined by $20.1 million to $22.1 million in Q2 2022 from Q1 2022, and was largely offset by provincial funding, including $1.6 million related to recovery of 2021 costs, resulting in net unfunded COVID-19 costs from continuing operations of $0.6 million in Q2 2022. We continue to expect volatility in our operating and financial results until the effects of COVID-19 are behind us.

Since the beginning of the pandemic, we have received funding to cover 90% of our COVID-related costs, leaving cumulative unfunded pandemic costs in our Adjusted EBITDA(1) from continuing operations of $22.4 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.

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 three and five months ended June 30, 2022, was 96.6% and 96.0%, respectively, compared to 94.9% for the two months ended March 31, 2022.

Q2 2022 Financial Highlights (all comparisons with Q2 2021(2))

- Revenue increased 5.3% or $14.9 million to $296.6 million, driven by LTC funding enhancements, home health care billing rate increases and growth from other operations, partially offset by lower COVID-19 funding of $11.0 million and the impact of timing of flow-through funding.

- Net operating income ("NOI")(1) increased $1.4 million to $30.3 million; excluding the Canada Emergency Wage Subsidy ("CEWS") of $7.7 million received by ParaMed in Q2 2021, NOI would have increased by $9.1 million, driven by a decline in net COVID-19 costs of $5.9 million and workers compensation rebates of $3.9 million, partially offset by higher operating costs.
- Adjusted EBITDA(1) increased $1.6 million to $17.1 million, reflecting the increase in NOI noted above and decline in administrative costs of $0.2 million, impacted by lower COVID-19 costs of $1.0 million and other items, partially offset by higher transaction-related professional fees of $1.0 million.
- Earnings from continuing operations increased $1.8 million to $3.5 million, driven by the after-tax impact of the improvement in Adjusted EBITDA noted above and lower net finance costs, partially offset by higher depreciation and amortization.
- AFFO(1) of $8.9 million, or $0.10 per basic share in Q2 2022, up from $0.09 per basic share in Q2 2021, reflecting the improvement in earnings from continuing operations and lower maintenance capex, partially offset by the loss of earnings from the disposed retirement segment of approximately $0.02 cents per share and the impact of share-based compensation settled in cash in the quarter.

Six Months 2022 Financial Highlights (all comparisons with Six Months 2021(2))

- Revenue increased 4.5% or $25.7 million to $602.3 million, driven by LTC funding enhancements, home health care billing rate increases and growth from other operations, partially offset by lower COVID-19 funding of $14.9 million and the impact of timing of flow-through funding.
- NOI(1) declined $1.9 million to $63.3 million; excluding CEWS of $17.4 million received by ParaMed in 2021, NOI would have increased by $15.5 million, driven by a decline in net COVID-19 costs of $13.8 million, workers compensation rebates of $3.9 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.
- Adjusted EBITDA(1) declined $2.6 million to $36.6 million, reflecting the decline in NOI noted above and increase in administrative costs of $0.7 million, impacted by higher transaction-related professional fees of $1.6 million and information technology costs, partially offset by lower COVID-19 costs of $1.8 million.
- Earnings from continuing operations declined $1.6 million to $7.6 million, driven by the after-tax impact of the decline in Adjusted EBITDA noted above and lower net finance costs, partially offset by higher depreciation and amortization.
- AFFO(1) of $21.0 million ($0.23 per basic share) was down $6.7 million, reflecting the decline in earnings and principal portion of government capital funding, partially offset by lower 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 and six months ended June 30, 2022 and 2021.

(unaudited)	**Three months ended June 30**						**Six months ended June 30**					
(millions of dollars	**2022**			**2021(2)**			**2022**			**2021(2)**		
unless otherwise noted)	**Revenue**	**NOI**	**Margin**	**Revenue**	**NOI**	**Margin**	**Revenue**	**NOI**	**Margin**	**Revenue**	**NOI**	**Margin**
Long-term care	**181.6**	**17.6**	***9.7%***	173.7	11.1	*6.4%*	**381.4**	**44.2**	***11.6%***	363.5	26.9	*7.4%*
Home health care	**106.8**	**8.2**	***7.7%***	101.1	14.0	*13.9%*	**205.4**	**10.9**	***5.3%***	198.8	30.0	*15.1%*
Other Operations	**8.2**	**4.5**	***54.9%***	6.9	3.7	*54.2%*	**15.4**	**8.2**	***53.1%***	14.3	8.3	*58.1%*
	296.6	**30.3**	***10.2%***	281.7	28.9	*10.3%*	**602.3**	**63.3**	***10.5%***	576.6	65.2	*11.3%*

Note: Totals may not sum due to rounding.

Long-term Care

As the prevalence of the virus in the community subsided through most of the quarter, our LTC homes saw sequential improvement in average occupancy of 160 bps to 90.2% in Q2 2022, up from 88.6% in Q1 2022. Average occupancy increased by 450 bps from the same prior year period.

NOI and NOI margin in Q2 2022 were $17.6 million and 9.7%, respectively, up from $11.1 million and 6.4% in Q2 2021, due largely to higher net COVID-19 recoveries of $6.3 million, funding enhancements and workers compensation rebates of $1.8 million, partially offset by the higher cost of labour, utilities and insurance.

Home Health Care

Service volumes continue to be constrained by the very tight labour market leading to greater competition for workers. COVID-related absenteeism peaked in Q1 and improved throughout most of the quarter, which resulted in Q2 2022 ADV improving to 25,174, up 2.5% from Q1 2022 ADV of 24,552, and down modestly from Q2 2021 ADV by 0.4%. The resurgence of community spread driven by the new Omicron variants as we exited Q2 2022 is driving higher staff absenteeism which will impact our Q3 2022 ADV.

In Q2 2022, ParaMed revenue was $106.8 million, up 5.6% from Q2 2021, driven by billing rate increases, including approximately $4.4 million to support government funded wage enhancements, partially offset by reduced COVID-19 funding of $3.3 million, and a decline in ADV of 0.4%.

NOI and NOI margin were $8.2 million and 7.7%, respectively, in Q2 2022, compared to $6.3 million and 6.3% in Q2 2021, excluding CEWS payments received by ParaMed in Q2 2021 of $7.7 million. The $1.9 million improvement in NOI was due to billing rate increases and workers compensation rebates of $2.1 million, partially offset by increased wages and benefits, recruitment, travel, technology and training costs to address staffing capacity challenges, and an increase in unfunded COVID-19 costs of $0.4 million.

Other Operations

Revenue increased by $1.3 million or 18.7% to $8.2 million from Q2 2021, largely due to growth in SGP clients and timing and mix of Assist consulting services, contributing to a $0.8 million or 20.2% growth in NOI to $4.5 million. The number of third-party beds served by SGP increased to approximately 102,200 at the end of Q2 2022, up 22.4% from Q2 2021 and 3.4% from Q1 2022.

Financial Position

Extendicare is well positioned with strong liquidity, which included cash and cash equivalents on hand of $238.1 million and access to a further $76.7 million in undrawn demand credit facilities as at June 30, 2022.

In addition, the Company has undrawn construction financing in the aggregate of $146.4 million available for its ongoing Stittsville, Sudbury and Kingston LTC redevelopment projects.

Normal Course Issuer Bid

As previously announced, the Company commenced a NCIB on June 30, 2022, that provides the Company with flexibility to purchase up to 7,829,630 Common Shares for cancellation until June 29, 2023, or on such earlier date as the NCIB is complete. The Company has entered into an automatic purchase plan with its designated broker in connection with its NCIB to facilitate the purchase of Common Shares during times when the Company would ordinarily not be active in the market. Subsequent to June 30, 2022, the Company has purchased for cancellation 985,176 Common Shares at a cost of $7.1 million, representing a weighted average price of $7.22 per share.

The Company's board of directors has authorized the NCIB as a way to provide the Company with additional flexibility to manage capital. The Board believes that, from time to time, the market price of Common Shares may be an attractive and appropriate use of corporate funds. Decisions regarding the timing of future purchases of Common Shares will be based on market conditions, share price, capital needs and other factors.

Select Financial Information

The following is a summary of the Company's consolidated financial information for the three and six months ended June 30, 2022 and 2021.

(unaudited)	Three months ended June 30		Six months ended June 30	
(thousands of dollars unless otherwise noted)	**2022**	**2021[2]**	**2022**	**2021[2]**
Revenue	**296,585**	281,693	**602,295**	576,554
Operating expenses	**266,244**	252,793	**538,978**	511,335
NOI[1]	**30,341**	28,900	**63,317**	65,219
NOI margin[1]	***10.2%***	*10.3%*	***10.5%***	*11.3%*
Administrative costs	**13,259**	13,434	**26,672**	25,975
Adjusted EBITDA[1]	**17,082**	15,466	**36,645**	39,244
Adjusted EBITDA margin[1]	***5.8%***	*5.5%*	***6.1%***	*6.8%*
Earnings from continuing operations	**3,510**	1,661	**7,555**	9,173
per basic and diluted share *($)*	**0.04**	0.02	**0.08**	0.10
Earnings (loss) from operating activities of discontinued operations	**(37)**	(701)	**38**	110
Gain on sale of retirement living segment, net of tax	**67,920**	—	**67,920**	—
Net earnings	**71,393**	960	**75,513**	9,283
per basic share ($)	**0.79**	0.01	**0.83**	0.10
per diluted share *($)*	**0.72**	0.01	**0.78**	0.10
AFFO[1]	**8,906**	8,073	**20,954**	27,618
per basic share *($)*	**0.10**	0.09	**0.23**	0.31
per diluted share *($)*	**0.10**	0.09	**0.23**	0.30
Maintenance capex	**2,700**	3,746	**4,112**	4,779
Cash dividends declared per share	**0.12**	0.12	**0.24**	0.24
Payout ratio[1]	**121%**	133%	**103%**	78%
Weighted average number of shares *(thousands)*				
Basic	**90,139**	89,980	**90,107**	89,954
Diluted	**101,102**	100,615	**101,108**	100,672

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.

August Dividend Declared

The Board of Directors of Extendicare today declared a cash dividend of $0.04 per share for the month of August 2022, which is payable on September 15, 2022, to shareholders of record at the close of business on August 31, 2022. This dividend is designated as an "eligible dividend" within the meaning of the Income Tax Act (Canada).

Conference Call and Webcast

On August 10, 2022, at 11:30 a.m. (ET), Extendicare will hold a conference call to discuss its 2022 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 1-800-319-4610 or 416-915-3239. A replay of the call will be available approximately two hours after completion of the live call until midnight on August 26, 2022. To access the rebroadcast dial 1-800-319-6413 followed by the passcode 9166#.

About Extendicare

Extendicare is a leading provider of care and services for seniors across Canada, operating under the Extendicare, 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 108 long-term care homes and retirement communities (58 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 102,200 beds across Canada. Extendicare proudly employs approximately 19,000 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 Q2 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 June 30**		**Six months ended June 30**	
(thousands of dollars)	**2022**	**2021**[(2)]	**2022**	**2021**[(2)]
Earnings from continuing operations before income taxes	**4,646**	2,695	**10,910**	13,345
Add:				
Depreciation and amortization	**8,058**	7,431	**16,309**	15,157
Net finance costs	**4,378**	5,340	**9,426**	10,742
Adjusted EBITDA	**17,082**	15,466	**36,645**	39,244
Administrative costs	**13,259**	13,434	**26,672**	25,975
Net operating income	**30,341**	28,900	**63,317**	65,219

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 June 30**		**Six months ended June 30**	
(thousands of dollars)	**2022**	**2021**	**2022**	**2021**
Net cash from (used in) operating activities	**19,578**	22,254	**69,802**	9,107
Add (Deduct):				
Net change in operating assets and liabilities, including interest, and taxes	**(8,321)**	(11,348)	**(45,543)**	21,583
Depreciation for office leases	**(753)**	(623)	**(1,410)**	(1,350)
Depreciation for FFEC (maintenance capex)	**(2,802)**	(1,916)	**(4,664)**	(3,881)
Additional maintenance capex	**102**	(1,830)	**552**	(898)
Principal portion of government capital funding	**1,102**	1,536	**2,217**	3,057
AFFO	**8,906**	8,073	**20,954**	27,618

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; 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 Q2 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.

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Endnotes

(1) See the “Non-GAAP Measures” section of this press release and the Company’s Q2 2022 MD&A, which includes the reconciliation of such non-GAAP measures to the most directly comparable GAAP measures.

(2) Comparative figures have been re-presented to reflect discontinued operations. For additional details refer to the “Discontinued Operations” section in the Company’s Q2 2022 MD&A and Note 14 of the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2022.