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NEWS RELEASE

Extendicare Announces 2022 Third Quarter Results

MARKHAM, ONTARIO, November 10, 2022 – Extendicare Inc. ("Extendicare" or the "Company") (TSX: EXE) today reported results for the three and nine months ended September 30, 2022. Results are presented in Canadian dollars unless otherwise noted.

Third Quarter Highlights

- Average long-term care ("LTC") occupancy improved by 90 bps to 91.1% from Q2 2022 levels, with high levels of COVID transmission in the community driving a persistent level of new outbreaks in LTC homes that are hindering the pace of occupancy recovery.
- LTC net operating income ("NOI") margins are down 240 bps in Q3 2022 from the prior year driven by the cumulative impact of lower COVID-19 recoveries, higher operating costs and funding rate increases that have lagged inflationary pressures.
- High demand for home health care services continues; however, an extremely tight labour market, combined with ongoing COVID-19 related absenteeism and seasonal impacts, resulted in 0.5% lower home health care average daily volumes ("ADV") and a 160 bps decline in NOI margins as compared to Q2 2022 excluding the impact of net COVID expenses and workers compensation rebates received in Q2 2022.
- Subsequent to quarter end, we completed the transition of ownership and operations of our five Saskatchewan LTC homes to the Saskatchewan Health Authority ("SHA") for an aggregate purchase price of $13.1 million.
- We continued to purchase shares under our Normal Course Issuer Bid ("NCIB"), with 3,601,962 Common Shares purchased for cancellation as at November 9, 2022 at a cost of $25.5 million, representing a weighted average price per share of $7.08.

"Despite multiple challenges during the quarter, we remained focused on providing high-quality care for our residents, patients and clients and continued to advance our transition to a focused, growth oriented long-term care and home health care provider," said President and Chief Executive Officer, Dr. Michael Guerriere. "The pandemic continues to cause volatility in our results, with ongoing mismatches between costs and funding. The shortage of caregivers continues to create challenges as we strive to meet the strong demand for care, particularly in our home health care business. In addition, as the broader population moves on from pandemic-related restrictions and protocols, COVID-19 remains an ever-present concern, resulting in increased costs and higher staff absenteeism. While navigating these challenges, we are also faced with levels of inflation not seen in decades, which are significantly impacting our operating costs. As funding rate increases have lagged inflation, our financial performance has been negatively impacted."

Advancing Our Strategic Transactions with Revera and Axium

Work continues to prepare for the completion of our previously announced transactions with Revera and Axium, which further the transition of our long-term care operations to a more capital-efficient platform for growth. While regulatory approvals in Ontario and Manitoba are still pending, we are working with Revera and Axium on a comprehensive integration plan to ensure a smooth and expeditious transition following approval. Total aggregate consideration to be paid on closing of these transactions is approximately $70.0 million, subject to customary adjustments.

Completed Transition and Sale of Saskatchewan LTC Homes

On October 9, 2022, the SHA and Extendicare completed the transition of the operations and delivery of long-term care services to the SHA, including the sale of property, plant and equipment, other assets and assumption of certain liabilities by the SHA, for an aggregate purchase price of $13.1 million. We expect to record a gain on sale, net of tax and closing costs, of approximately $4.9 million in Q4 2022.

Commitment to Long-term Care Redevelopment

We continue to make progress on our plans to build 20 redevelopment projects in Ontario, which comprise 4,248 new or replacement beds. Three of these projects are currently under construction and are progressing towards openings between Q3 2023 and Q1 2024. However, rising construction costs and interest rates, labour disruptions and supply chain issues being experienced throughout the construction industry are making it challenging to begin construction on additional homes. We are working collaboratively with our industry partners and the Ontario government to enhance to the government's capital funding program to make as many of these projects as possible economically feasible. We are endeavouring to have up to six more projects ready to break ground by the end of 2023.

COVID-19 Ongoing Impact on Our Operations

While governments have reduced some COVID-19 protocols in LTC to better balance quality of life with the safety of residents and staff, mandatory masking and weekly testing requirements for all staff remain in place in Ontario. High rates of vaccination among our residents and employees have meant the virus continues to have a significantly milder impact on our resident population than earlier in the pandemic, despite a persistently high number of homes experiencing outbreaks. As at November 9, 2022, 13 of our owned LTC homes were experiencing a COVID-19 outbreak.

High levels of COVID-19 infection in the community continue to impact our employees, leading to higher absenteeism and exacerbating an already tight labour market. This continues to limit our ability to meet the strong demand for our home health care services. We continue to focus on key prevention and containment measures to minimize the spread of the virus, with the knowledge that even milder variants pose a serious risk to the most vulnerable members of our community, particularly among LTC residents.

COVID-19 Financial Impacts

In Q3 2022, pandemic related spending increased by $0.4 million to $22.5 million from Q2 2022 and was largely offset by provincial funding. Q3 2022 included $1.1 million related to the recovery of 2021 COVID costs, resulting in net unfunded COVID-19 costs from continuing operations of $0.5 million in the quarter.

As at the end of Q3 2022, the Ontario Ministry of LTC had fully allocated all prevention and containment funding announced to date. Given the ongoing level of outbreaks being experienced in our LTC homes, we expect to continue to incur costs associated with the pandemic in Q4 2022 and beyond. While no additional funding to support the extra costs has been announced by the Government of Ontario as yet, it has indicated its intention to continue to monitor the evolution of the pandemic and to adjust funding levels should circumstances change. The western provinces where we operate have indicated their intention to continue to provide funding support for prevention and containment measures for the foreseeable future.

Since the beginning of the pandemic, we have received funding to cover approximately 90% of our COVID-related costs, leaving cumulative unfunded pandemic costs in our Adjusted EBITDA[1] from continuing operations of $22.9 million. We continue to expect volatility in our operating and financial results until the effects of COVID-19 are behind us.

Q3 2022 Financial Highlights (all comparisons with Q3 2021[2])

- Revenue increased 8.7% or $24.6 million to $308.9 million, driven primarily by LTC flow-through funding enhancements and timing of spend under the flow-through care envelopes, home health care billing rate increases and growth from other operations, partially offset by lower COVID-19 funding of $9.0 million and a 1.2% decline in home health care ADV.
- NOI[1] declined $5.5 million to $23.5 million, driven by higher operating costs across all segments, lower home health care ADV and a net increase in unfunded COVID-19 costs of $1.3 million.
- Adjusted EBITDA[1] declined $6.8 million to $10.0 million, reflecting the decline in NOI noted above and increase in administrative costs of $1.3 million, impacted by higher wages and technology costs.
- Other expense of $3.6 million reflects costs related to the strategic transformation of the Company in connection with the Revera and Axium transactions, and includes transaction, legal, regulatory, IT integration and management transition costs.
- Earnings from continuing operations declined $7.2 million to a loss of $4.4 million, driven by the after-tax impact of the decline in Adjusted EBITDA and other expense noted above, partially offset by lower net finance costs.
- AFFO[1] of $2.1 million ($0.02 per basic share) down from $9.6 million ($0.11 per basic share), reflecting the decline in earnings, including the loss of approximately $0.02 per share from the disposed retirement living segment, a reduction in the principal portion of government capital funding and higher maintenance capex.

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

- Revenue increased 5.9% or $50.4 million to $911.2 million, driven primarily by LTC flow-through funding enhancements, home health care billing rate increases and growth from other operations, partially offset by lower COVID-19 funding of $23.9 million and the impact of timing of spend under the flow-through care envelopes.
- NOI[1] declined $7.4 million to $86.8 million; excluding CEWS of $17.4 million received by ParaMed in 2021, NOI would have increased by $10.0 million, driven by an increase in net COVID-19 recoveries of $12.5 million, workers compensation rebates of $3.9 million and retroactive LTC funding of $2.9 million, partially offset by higher operating costs across all segments and the impact of the loss of occupancy protection for Ontario LTC homes.
- Adjusted EBITDA[1] declined $7.7 million to $48.3 million, reflecting the decline in NOI noted above and the increase in administrative costs of $0.4 million.
- Other expense of $5.2 million reflects costs related to the strategic transformation of the Company in connection with the Revera and Axium transactions, and includes transaction, legal, regulatory, IT integration and management transition costs.
- Earnings from continuing operations declined $8.8 million to $3.2 million, driven by the after-tax impact of the decline in Adjusted EBITDA and other expense noted above, and higher depreciation and amortization, partially offset by lower net finance costs.
- AFFO[1] of $24.3 million ($0.27 per basic share) down from $37.2 million ($0.41 per basic share), reflecting the decline in earnings, including the loss of approximately $0.06 per share from the disposed retirement living segment, and a reduction in the principal portion of government capital funding, partially offset by lower maintenance capex.

Business Updates

The following is a summary of Extendicare's revenue, NOI[1] and NOI margins[1] by business segment for the three and nine months ended September 30, 2022 and 2021.

(unaudited)	Three months ended September 30						Nine months ended September 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	**192.3**	**13.9**	***7.2%***	175.7	16.8	*9.6%*	**573.7**	**58.1**	***10.1%***	539.2	43.8	*8.1%*
Home health care	**107.8**	**5.2**	***4.8%***	102.0	8.7	*8.5%*	**313.2**	**16.1**	***5.1%***	300.8	38.7	*12.9%*
Other operations	**8.8**	**4.5**	***50.9%***	6.6	3.5	*53.4%*	**24.2**	**12.7**	***52.3%***	20.8	11.8	*56.6%*
	308.9	**23.5**	***7.6%***	284.3	29.0	*10.2%*	**911.2**	**86.8**	***9.5%***	860.8	94.2	*10.9%*

Note: Totals may not sum due to rounding.

Long-term Care

Despite the prevalence of community infections and outbreaks at our LTC homes in Q3 2022, occupancy improved to an average of 91.1% in Q3 2022, up 240 bps from Q3 2021 and up 90 bps from Q2 2022.

NOI and NOI margin in Q3 2022 were $13.9 million and 7.2%, respectively, down from $16.8 million and 9.6% in Q3 2021. Excluding lower COVID-19 recoveries of $1.1 million, NOI declined by $1.9 million, reflecting funding increases from the various provincial governments that were insufficient to address the significant pressure, inflationary and otherwise, on operating costs, including increased labour rates, utilities, supplies and insurance.

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 and isolation beds, in order to maintain full funding. The adjusted average occupancy of our Ontario LTC homes for the three and eight months ended September 30, 2022, was 97.3% and 96.5%, respectively, compared to 96.0% for the five months ended June 30, 2022. The continuing incidence of LTC outbreaks in Q3 2022 and subsequent to the quarter is anticipated to impact our occupancy recovery progress and ability to achieve the required 97% occupancy in all of our Ontario LTC homes. Accordingly, we have provided approximately $0.8 million to lower our LTC NOI for the nine months ended September 30, 2022.

Home Health Care

In Q3 2022, newer Omicron sub-variants gave rise to higher levels of infection and community transmission driving increased levels of COVID-19 related staff absenteeism. As a result, our Q3 2022 ADV of 25,051 was down 0.5% from Q2 2022, and down 1.2% from Q3 2021, driven by ongoing staffing capacity challenges and the tight labour market, further exacerbated by the typical seasonal volume reductions experienced in the third quarter.

In Q3 2022, ParaMed revenue was $107.8 million, up 5.6% from Q3 2021, driven by billing rate increases, including approximately $6.7 million to support government funded wage enhancements, partially offset by reduced COVID-19 funding of $4.4 million, and a decline in ADV of 1.2%.

NOI and NOI margin were $5.2 million and 4.8%, respectively, in Q3 2022, compared to $8.7 million and 8.5% in Q3 2021. The $3.5 million decline in NOI reflected billing rate increases, offset by higher wages and benefits, travel and technology costs, including increased costs associated with recruitment, retention and training to address increased staff turnover and staffing capacity challenges, and an increase in unfunded COVID-19 costs of $0.2 million.

Other Operations

Revenue increased by $2.3 million or 34.6% to $8.8 million from Q3 2021, largely due to growth in SGP clients and the timing and mix of Assist services, contributing to a $1.0 million growth in NOI to $4.5 million. The number of third-party beds served by SGP increased to approximately 107,000 at the end of Q3 2022, up 21.0% from Q3 2021 and 4.7% from Q2 2022.

Financial Position

Extendicare is well positioned with strong liquidity, which included cash and cash equivalents on hand of $174.6 million and access to a further $76.9 million in undrawn demand credit facilities as at September 30, 2022.

In addition, we have undrawn construction financing in the aggregate of $141.5 million available for our ongoing Stittsville, Sudbury and Kingston LTC redevelopment projects.

Normal Course Issuer Bid

Following the completion of the sale of our retirement living segment in Q2 2022, we have been actively purchasing shares through an NCIB. As at November 9, 2022, we had purchased for cancellation 3,601,962 Common Shares at a cost of $25.5 million, representing a weighted average price per share of $7.08. The NCIB provides us 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. Decisions regarding the timing of future purchases of Common Shares will be based on market conditions, share price and the outlook for capital needs, which includes the impact of the announced strategic transactions with Revera and Axium.

Select Financial Information

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

(unaudited) *(thousands of dollars unless otherwise noted)*	**Three months ended September 30** 2022	2021[3]	**Nine months ended September 30** 2022[2]	2021[3]
Revenue	**308,889**	284,271	**911,184**	860,825
Operating expenses	**285,363**	255,262	**824,341**	766,597
NOI[1]	**23,526**	29,009	**86,843**	94,228
NOI margin[1]	***7.6%***	*10.2%*	***9.5%***	*10.9%*
Administrative costs	**13,492**	12,220	**38,549**	38,195
Adjusted EBITDA[1]	**10,034**	16,789	**48,294**	56,033
Adjusted EBITDA margin[1]	***3.2%***	*5.9%*	***5.3%***	*6.5%*
Other expense	**3,587**	—	**5,202**	—
(Loss) earnings from continuing operations	**(4,362)**	2,812	**3,193**	11,987
per basic and diluted share *($)*	**(0.04)**	0.03	**0.04**	0.13
Earnings (loss) from operating activities of discontinued operations	**96**	3,231	**134**	3,339
Gain on sale of discontinued operations, net of tax	**—**	—	**67,920**	—
Net (loss) earnings	**(4,266)**	6,043	**71,247**	15,326
per basic share *($)*	**(0.04)**	0.07	**0.79**	0.17
per diluted share *($)*	**(0.04)**	0.07	**0.75**	0.17
AFFO[1]	**2,112**	9,573	**24,254**	37,191
per basic share *($)*	**0.02**	0.11	**0.27**	0.41
per diluted share *($)*	**0.02**	0.11	**0.27**	0.40
Maintenance capex	**4,240**	3,833	**8,352**	8,612
Cash dividends declared per share	**0.12**	0.12	**0.36**	0.36
Payout ratio[1]	**501%**	112%	**132%**	87%
Weighted average number of shares *(thousands)*				
Basic	**89,178**	90,009	**89,794**	89,973
Diluted	**100,079**	100,786	**100,799**	100,735

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.

November Dividend Declared

The Board of Directors of Extendicare today declared a cash dividend of $0.04 per share for the month of November 2022, which is payable on December 15, 2022, to shareholders of record at the close of business on November 30, 2022. This dividend is designated as an "eligible dividend" within the meaning of the Income Tax Act (Canada).

Conference Call and Webcast

On November 11, 2022, at 11:30 a.m. (ET), Extendicare will hold a conference call to discuss its 2022 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 1-800-319-4610 or 416-915-3239. A replay of the call will be available approximately two hours after completion of the live call until midnight on November 25, 2022. To access the rebroadcast dial 1-800-319-6413 followed by the passcode 9517#.

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 103 long-term care homes and retirement communities (53 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 107,000 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 Q3 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) *(thousands of dollars)*	**Three months ended September 30** **2022**	 **2021**[3]	**Nine months ended September 30** **2022**[2]	 **2021**[3]
(Loss) earnings from continuing operations before income taxes	**(5,042)**	4,196	**5,868**	17,541
Add:				
Depreciation and amortization	**7,558**	7,829	**23,867**	22,986
Net finance costs	**3,931**	4,764	**13,357**	15,506
Other expense	**3,587**	—	**5,202**	—
Adjusted EBITDA	**10,034**	16,789	**48,294**	56,033
Administrative costs	**13,492**	12,220	**38,549**	38,195
Net operating income	**23,526**	29,009	**86,843**	94,228

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) *(thousands of dollars)*	**Three months ended September 30** **2022**	 **2021**	**Nine months ended September 30** **2022**[2]	 **2021**
Net cash from (used in) operating activities	**(1,291)**	35,823	**68,511**	44,930
Add (Deduct):				
Net change in operating assets and liabilities, including interest, and taxes	**4,854**	(23,252)	**(40,689)**	(1,669)
Other expense	**3,587**	—	**5,202**	—
Current income tax on items excluded from AFFO	**(944)**	46	**(1,371)**	46
Depreciation for office leases	**(771)**	(723)	**(2,181)**	(2,073)
Depreciation for FFEC (maintenance capex)	**(2,173)**	(2,299)	**(6,837)**	(6,180)
Additional maintenance capex	**(2,067)**	(1,534)	**(1,515)**	(2,432)
Principal portion of government capital funding	**917**	1,512	**3,134**	4,569
AFFO	**2,112**	9,573	**24,254**	37,191

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 Q3 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) Certain prior period figures in Q1 2022 and Q2 2022 have been re-presented to conform with the Q3 2022 presentation in connection with the classification of strategic transformation costs as "other expense". Refer to the discussion under Note 12 of the unaudited interim condensed consolidated financial statements.

(3) Comparative figures have been re-presented to reflect discontinued operations. For additional details refer to the "Discontinued Operations" section in the Company's Q3 2022 MD&A and Note 15 of the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2022.