Extendicare

News Release

Extendicare Announces 2022 Fourth Quarter and Year End Results

MARKHAM, ONTARIO, March 2, 2023 – Extendicare Inc. ("Extendicare" or the "Company") (TSX: EXE) today reported results for the three and twelve months ended December 31, 2022. Results are presented in Canadian dollars unless otherwise noted.

Fourth Quarter Highlights

- Average long-term care ("LTC") occupancy improved by 100 bps to 94.5%(1) from Q3 2022 despite persistent COVID-19 outbreaks, which drove elevated costs.
- Home health care average daily volumes ("ADV") up 2.0% from Q3 2022; 90 bps improvement in NOI margins from Q3 2022 excluding net COVID costs.
- Managed services revenue and NOI(2) up 24.0% and 11.2%, respectively, from Q4 2021, driven by 17.7% growth in third-party beds served by SGP division to 109,700.
- Adjusted EBITDA(2) declined $15.3 million to $9.2 million, primarily due to an increase in unfunded COVID-19 costs of $13.4 million that may be offset by pandemic funding in future quarters.
- Completed the previously announced sale of our five Saskatchewan LTC homes to the Saskatchewan Health Authority for an aggregate purchase price of $13.1 million and an after-tax gain of $6.3 million.
- Purchases under our Normal Course Issuer Bid ("NCIB") reached 5,011,180 Common Shares at March 2, 2023, a return of capital to shareholders of $35.0 million, representing 5% of outstanding shares.

"We significantly advanced our plan to become Canada's leader in the delivery of high-quality long-term care and home care services in 2022," said President and Chief Executive Officer, Dr. Michael Guerriere. "The sale of our retirement operations allows us to leverage our deep expertise and scale to drive growth, advance our long-term care redevelopment program, and return capital to shareholders. Once we receive regulatory approval, our strategic partnership with Axium and Revera will position us to drive significant long-term growth that is capital efficient."

"Q4 was a challenging quarter as we carefully managed our operations through the final stages of the pandemic, which left high inflation, rising interest rates and an extremely tight labour market in its wake. Governments continue to provide support for elevated pandemic costs, although the extent and timing of funding lagged, putting pressure on our financial results in the quarter. Nevertheless, we were pleased to see growth return to our home health care operations as there is a substantial backlog of people needing care that built up during the pandemic," Guerriere added.

Enhanced Government of Ontario Capital Funding Supports Redevelopment

In November 2022, the Government of Ontario introduced time-limited funding to support new long-term care home construction projects. This new funding helps to offset rising construction costs and interest rates that have made it challenging to begin construction on additional homes. The supplemental funding adds $35 per bed per day to the base capital funding subsidy and is available for projects that receive construction approval from the government before August 31, 2023.

Extendicare's redevelopment program is composed of 20 projects in Ontario comprising 4,248 new or replacement beds. The Company has three projects currently under construction that are expected to open between Q3 2023 and Q1 2024. With the announcement of the new funding, Extendicare is targeting to break ground on up to four new projects in 2023, with tendered construction costs and receipt of applicable regulatory approvals largely determining if and when they proceed.

We continue to advance the balance of our redevelopment portfolio to be well positioned to make use of future capital funding that may be made available beyond August 2023 and continue to work collaboratively with our industry partners and the Ontario government to address the particular challenges faced by projects in the Greater Toronto Area and in small rural markets.

COVID-19 Ongoing Impact on Our Operations

COVID-19 continues to be prevalent in communities across Canada, resulting in a persistent level of outbreak activity across the long-term care sector and health care staffing challenges across the Company, particularly in our home health care segment. In Q4 2022, over 80% of our long-term care homes experienced a COVID-19 outbreak. Fortunately, vaccinations continue to be highly effective, resulting in the virus having a significantly milder impact on our resident population than earlier in the pandemic. Although outbreaks continue to drive higher costs, primarily related to staffing and mandatory COVID protocols, our LTC occupancy rates and home health care ADV continue to recover.

COVID-19 Financial Impacts

The timing mismatch between the incurrence of COVID-19 costs and their reimbursement continues to drive volatility in our financial results. In Q4 2022, our provincial COVID-19 prevention and containment funding declined by $6.7 million to $15.3 million and our estimated COVID-19 expenses increased by $1.4 million to $23.8 million, resulting in an $8.1 million decline in our consolidated NOI(2) as compared to Q3 2022.

In December 2022, the Government of Ontario announced a further $180.0 million in funding to assist with COVID-19 related costs through to March 31, 2023, which was partially allocated to homes in December. Given the ongoing level of outbreak activity in our LTC homes, we expect to incur costs associated with the pandemic into 2023 as we continue to invest the resources required to help protect our residents, clients and staff. We anticipate the Government of Ontario will announce further prevention and containment funding to the sector as it continues to monitor the pandemic; however, no formal announcements have been made to date. The governments of Alberta and Manitoba 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 a cumulative unfunded pandemic impact on our Adjusted EBITDA(2) from continuing operations of $31.4 million. We continue to expect volatility in our operating and financial results until the effects of COVID-19 are behind us.

Update on Our Strategic Transactions with Revera and Axium

We continue to prepare for the completion of our previously announced transactions with Revera and Axium, in support of our mission to be leader in the delivery of high-quality long-term care with a more capital-efficient platform for growth. While regulatory approvals in Ontario and Manitoba are still pending, we are developing a comprehensive integration plan to ensure a smooth and expeditious transition once approvals are received. Total aggregate consideration to be paid on closing of these transactions is approximately $70.0 million, subject to customary adjustments.

Q4 2022 Financial Highlights (all comparisons with Q4 2021(3))

- Revenue increased 1.4% or $4.2 million to $310.4 million, driven primarily by LTC flow-through funding enhancements, timing of spend under the flow-through care envelopes, prior period LTC funding of $2.2 million, home health care billing rate increases and growth from managed services, partially offset by lower COVID-19 funding of $20.8 million, the impact of home health care retroactive rate increase of $3.5 million received in Q4 2021 and a 1.0% decline in home health care ADV.

- NOI(2) declined $17.1 million to $21.7 million, impacted by an increase in unfunded COVID-19 costs of $13.5 million, higher operating costs across all segments, the home health care retroactive rate increase of $3.5 million received in Q4 2021 and lower home health care ADV, partially offset by prior period LTC funding adjustments of $2.2 million.

- Adjusted EBITDA(2) declined $15.3 million to $9.2 million, reflecting the decline in NOI noted above, partially offset by lower administrative costs of $1.7 million.

- Other expense of $8.8 million was down $6.2 million, reflecting lower year-over-year impairment charges of $10.1 million on certain LTC homes in Manitoba and Alberta, partially offset by a $3.9 million increase in costs related to the Revera and Axium transactions.
- Loss from continuing operations of $7.7 million declined $3.2 million, driven by the after-tax impact of the decline in Adjusted EBITDA, partially offset by lower other expense and net finance costs.
- AFFO(2) of $1.9 million ($0.02 per basic share) was down from $16.5 million ($0.18 per basic share), reflecting the decline in earnings, including the loss in AFFO of approximately $0.02 per share from the disposed retirement living segment, higher maintenance capex and a reduction in the principal portion of government capital funding.

Year ended 2022 Financial Highlights (all comparisons with year ended 2021(3))

- Revenue increased 4.7% or $54.6 million to $1,221.6 million, driven primarily by LTC flow-through funding enhancements, prior period funding adjustments of $4.7 million, home health care billing rate increases and growth from managed services, partially offset by lower COVID-19 funding of $44.7 million and the impact of timing of spend under the flow-through care envelopes.
- NOI(2) declined $24.4 million to $108.5 million; excluding CEWS of $17.4 million received by ParaMed in 2021, NOI was lower by $7.0 million, driven by higher operating costs across all segments, the impact of the loss of occupancy protection for Ontario LTC homes, and an increase in unfunded COVID-19 costs of $1.0 million, partially offset by prior period LTC funding adjustments of $4.7 million and workers compensation rebates of $4.2 million.
- Adjusted EBITDA(2) declined $23.1 million to $57.5 million, reflecting the decline in NOI noted above and lower administrative costs of $1.4 million.
- Other expense of $14.0 million was down $1.0 million, reflecting lower year-over-year impairment charges of $10.1 million on certain LTC homes in Manitoba and Alberta, partially offset by $9.0 million of costs related to the strategic transformation of the Company in connection with the Revera and Axium transactions.
- Loss from continuing operations of $4.5 million declined $12.0 million, driven by the after-tax impact of the decline in Adjusted EBITDA, partially offset by lower net finance costs.
- AFFO(2) of $26.1 million ($0.29 per basic share) was down from $53.7 million ($0.60 per basic share), reflecting the decline in earnings including the loss in AFFO of approximately $0.07 per share from the disposed retirement living segment, a reduction in the principal portion of government capital funding and higher maintenance capex.

Business Updates

The following is a summary of Extendicare's revenue, NOI(2) and NOI margins(2) by business segment for the three and twelve months ended December 31, 2022 and 2021.

(unaudited)	**Three months ended December 31**						**Twelve months ended December 31**					
(millions of dollars	**2022**			**2021(3)**			**2022**			**2021(3)**		
unless otherwise noted)	**Revenue**	**NOI**	**Margin**	**Revenue**	**NOI**	**Margin**	**Revenue**	**NOI**	**Margin**	**Revenue**	**NOI**	**Margin**
Long-term care	**193.4**	**10.5**	***5.4%***	189.5	23.5	*12.4%*	**767.1**	**68.5**	***8.9%***	728.7	67.3	*9.2%*
Home health care	**108.4**	**6.4**	***5.9%***	109.8	10.9	*9.9%*	**421.6**	**22.5**	***5.3%***	410.6	49.6	*12.1%*
Managed services	**8.6**	**4.8**	***56.0%***	6.9	4.3	*62.5%*	**32.8**	**17.5**	***53.3%***	27.8	16.1	*58.1%*
	310.4	**21.7**	***7.0%***	306.2	38.7	*12.7%*	**1,221.6**	**108.5**	***8.9%***	1,167.0	133.0	*11.4%*

Note: Totals may not sum due to rounding.

Long-term Care

While COVID-19 continued to impact our LTC homes in Q4 2022, occupancy improved to an average of 94.5%[(1)] in Q4 2022, up 240 bps from Q4 2021 and up 100 bps from Q3 2022.

NOI and NOI margin in Q4 2022 were $10.5 million and 5.4%, respectively, down from $23.5 million and 12.4% in Q4 2021. Excluding higher unfunded COVID-19 costs of $13.8 million, NOI increased by $0.8 million, which included the benefit of prior period funding adjustments of $2.2 million and workers compensation rebates of $0.3 million, offset by higher operating costs.

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 eleven months ended December 31, 2022, was 98.1% and 96.9%, respectively. The continuing incidence of LTC outbreaks impacted our occupancy recovery progress and ability to achieve the required 97% occupancy in all of our Ontario LTC homes, lowering our LTC NOI by approximately $0.7 million for the year ended December 31, 2022.

Home Health Care

Gradual waning of the impact of the pandemic allowed our home health care operations to return to growth in the quarter, posting a 2.0% increase in our Q4 2022 ADV to 25,542 from Q3 2022; down 1.0% from Q4 2021. ParaMed revenue was $108.4 million in Q4 2022, down 1.2% from Q4 2021, driven by reduced COVID-19 funding of $7.8 million. Excluding COVID-19 funding, revenue improved by $6.5 million, reflecting billing rate increases and $6.8 million in additional funding to support wage enhancements, partially offset by a $3.5 million retroactive billing rate increase received in Q4 2021 and lower ADV of 1.0%.

NOI and NOI margin were $6.4 million and 5.9%, respectively, in Q4 2022, compared to $10.9 million and 9.9% in Q4 2021. The $4.5 million decline in NOI reflected higher wages and benefits, travel and technology costs, including increased costs associated with recruitment, retention and training to address increased staff turnover and capacity challenges, partially offset by billing rate increases and a decline in unfunded COVID-19 costs of $0.3 million.

Managed Services

Revenue increased by $1.7 million or 24.0% to $8.6 million from Q4 2021, largely due to timing and mix of Assist services and growth in SGP clients, contributing to a $0.5 million increase in NOI to $4.8 million. The number of third-party beds served by SGP increased to approximately 109,700 at the end of Q4 2022, up 17.7% from Q4 2021 and 2.6% from Q3 2022.

Financial Position

Extendicare is well positioned with strong liquidity, which included cash and cash equivalents on hand of $167.3 million and access to a further $77.0 million in undrawn demand credit facilities as at December 31, 2022.

In addition, we have undrawn construction financing in the aggregate of $123.3 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 initiated a NCIB. As at March 2, 2023, we had purchased for cancellation 5,011,180 Common Shares at a cost of $35.0 million, representing a weighted average price per share of $6.99. The NCIB provides us with flexibility to purchase up to 7,829,630 Common Shares for cancellation until June 29, 2023. Decisions regarding the quantity and 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 twelve months ended December 31, 2022 and 2021.

(unaudited) *(thousands of dollars unless otherwise noted)*	**Three months ended December 31**		**Twelve months ended December 31**	
	2022	**2021[3]**	**2022**	**2021[3]**
Revenue	**310,393**	306,162	**1,221,577**	1,166,987
Operating expenses	**288,707**	267,420	**1,113,048**	1,034,017
NOI[2]	**21,686**	38,742	**108,529**	132,970
NOI margin[2]	***7.0%***	*12.7%*	***8.9%***	*11.4%*
Administrative costs	**12,526**	14,236	**51,075**	52,431
Adjusted EBITDA[2]	**9,160**	24,506	**57,454**	80,539
Adjusted EBITDA margin[2]	***3.0%***	*8.0%*	***4.7%***	*6.9%*
Other expense	**8,751**	14,969	**13,953**	14,969
(Loss) earnings from continuing operations	**(7,704)**	(4,483)	**(4,511)**	7,504
per basic and diluted share *($)*	**(0.09)**	(0.05)	**(0.05)**	0.08
(Loss) earnings from operating activities of discontinued operations	**(306)**	661	**(172)**	4,000
Gain on sale of discontinued operations, net of tax	**6,317**	–	**74,237**	–
Net (loss) earnings	**(1,693)**	(3,822)	**69,554**	11,504
per basic share *($)*	**(0.02)**	(0.04)	**0.78**	0.13
per diluted share *($)*	**(0.02)**	(0.04)	**0.76**	0.13
AFFO[2]	**1,889**	16,530	**26,143**	53,721
per basic share *($)*	**0.02**	0.18	**0.29**	0.60
per diluted share *($)*	**0.02**	0.17	**0.29**	0.58
Maintenance capex	**6,630**	5,472	**14,982**	14,084
Cash dividends declared per share	**0.12**	0.12	**0.48**	0.48
Payout ratio[2]	**544%**	65%	**162%**	80%
Weighted average number of shares *(thousands)*				
Basic	**86,678**	90,040	**89,009**	89,990
Diluted	**97,604**	100,953	**100,015**	100,903

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.

Conference Call and Webcast

On March 3, 2023, at 11:30 a.m. (ET), Extendicare will hold a conference call to discuss its 2022 fourth quarter and year end 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 March 17, 2023. To access the rebroadcast dial 1-800-319-6413 followed by the passcode 9841#.

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 109,700 beds across Canada. Extendicare proudly employs approximately 18,000 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 Q4 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 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 December 31**		**Twelve months ended December 31**	
(thousands of dollars)	**2022**	**2021**	**2022**	**2021**
Net cash from operating activities	**30,203**	14,147	**98,714**	59,077
Add (Deduct):				
Net change in operating assets and liabilities, including interest, and taxes	**(24,690)**	7,301	**(65,379)**	5,632
Other expense	**3,809**	—	**9,011**	—
Current income tax on items excluded from AFFO	**(1,020)**	—	**(2,391)**	46
Depreciation for office leases	**(778)**	(668)	**(2,959)**	(2,741)
Depreciation for FFEC (maintenance capex)	**(2,137)**	(2,045)	**(8,974)**	(8,225)
Additional maintenance capex	**(4,493)**	(3,427)	**(6,008)**	(5,859)
Principal portion of government capital funding	**995**	1,222	**4,129**	5,791
AFFO	**1,889**	16,530	**26,143**	53,721

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 December 31		Twelve months ended December 31	
(thousands of dollars)	**2022**	**2021**(3)	**2022**	**2021**(3)
(Loss) earnings from continuing operations before income taxes	**(10,364)**	(3,556)	**(4,496)**	13,985
Add:				
Depreciation and amortization	**7,692**	7,845	**31,559**	30,831
Net finance costs	**3,081**	5,248	**16,438**	20,754
Other expense	**8,751**	14,969	**13,953**	14,969
Adjusted EBITDA	**9,160**	24,506	**57,454**	80,539
Administrative costs	**12,526**	14,236	**51,075**	52,431
Net operating income	**21,686**	38,742	**108,529**	132,970

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. Forward-looking statements can often be identified by the expressions "anticipate", "believe", "estimate", "expect", "intend", "objective", "plan", "project", "will", "may", "should" 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. 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 Q4 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) The LTC average occupancies for the periods presented have been restated to exclude 190 ward-style beds (185 in Ontario LTC) that have not been in use since 2020 and will not be returned to service.

(2) See the "Non-GAAP Measures" section of this press release and the Company's Q4 2022 MD&A, which includes the reconciliation of such non-GAAP measures to the most directly comparable GAAP measures.

(3) Comparative figures have been re-presented to reflect discontinued operations. For additional details refer to the "Discontinued Operations" section in the Company's Q4 2022 MD&A and Note 18 of the audited consolidated financial statements for the year ended December 31, 2022.