Extendicare

News Release

Extendicare Announces 2023 Third Quarter Results

MARKHAM, ONTARIO, November 9, 2023 – Extendicare Inc. ("Extendicare" or the "Company") (TSX: EXE) today reported results for the three and nine months ended September 30, 2023. Results are presented in Canadian dollars unless otherwise noted.

Third Quarter Highlights

- Home health care volume growth continued, with Q3 average daily volume ("ADV") of 27,378, an increase of 1.0% from Q2 2023 and 9.3% from Q3 2022.
- Long-term care ("LTC") occupancy continued steady recovery, improving to 97.8%, an increase of 60 bps from Q2 2023 and 430 bps from Q3 2022.
- Adjusted EBITDA(1) increased $10.7 million to $20.8 million, reflecting growth in home health care ADV, rate increases, moderation in LTC costs, higher occupancy and growth in managed services, partially offset by higher administrative costs.
- The Revera transactions closed, adding 56 LTC homes and approximately 7,000 beds to the managed services portfolio, 25 of which were acquired through a 15% managed interest in a limited partnership joint venture with Axium LTC Limited Partnership ("Axium").
- The sale of four redevelopment projects into a limited partnership joint venture with Axium closed, with Extendicare retaining a 15% managed interest, establishing the joint venture to support the redevelopment of Extendicare's Class C homes.

Subsequent to Q3

- Extendicare commenced construction in October on a new 256-bed LTC home to replace a 240-bed Class C home in Ottawa. It is currently anticipated that the redevelopment project will be sold to Axium JV.

"Closing our transactions with Axium and Revera marks a major milestone in our strategic transformation," said Dr. Michael Guerriere, President and Chief Executive Officer. "The trend of positive sequential growth we are seeing across our operating segments confirms the compelling market opportunity emanating from the growing demand for seniors' care. The new construction project is the first of many being pursued, and demonstrates the organic growth potential of our pipeline of redevelopment opportunities and our commitment to move quickly to pursue them in partnership with Axium."

Completed Strategic Transactions with Revera and Axium

The Company closed the previously announced Axium transaction on September 13, 2023, selling four Class C redevelopment projects comprising an aggregate of 960 LTC beds currently under construction to Axium Extendicare LTC LP ("Axium JV"), a limited partnership joint venture with Axium, with Extendicare retaining a 15% managed interest. The aggregate purchase price, net of Extendicare's 15% retained interest, was $147.3 million, comprised of cash proceeds of $59.0 million, the assumption of debt of $72.3 million and certain other liabilities and construction related holdbacks, net of taxes and certain closing costs. The net book value of the property and equipment related to the four projects was $135.8 million, resulting in a gain, net of taxes, certain closing costs and other costs of $8.7 million. The Company will continue to undertake all development activities in respect of these joint venture homes and will provide managed services to operate the homes upon completion of construction.

Additionally, the Company closed the previously announced Revera transactions on August 1, 2023, which added 56 LTC homes and approximately 7,000 beds to the higher margin managed services segment, 25 of which were acquired through a 15% managed interest in a limited partnership joint venture, Axium Extendicare LTC II LP ("Axium JV II"). The total aggregate cash consideration paid was approximately $32.6 million, net of holdbacks, plus assumption of approximately $37.1 million in debt (Extendicare's share of joint venture debt).

Axium JV and Axium JV II are both limited partnership joint ventures between Axium, holding an 85% interest, and Extendicare, holding a 15% managed interest.

Seizing Redevelopment Opportunities in Ontario

Subsequent to the end of the quarter and under the enhanced capital funding subsidy that was in place until August 31, 2023, Extendicare commenced construction on a new 256-bed LTC home in Ottawa. The estimated development costs for the project are $102.2 million.

Together with the four projects already under construction in Sudbury, Kingston, Stittsville and Peterborough, these five projects will replace 1,074 Class C LTC beds with 1,216 new beds. In addition to the Company's remaining 15 projects to replace 2,211 Class C beds with 3,032 new beds across Ontario, the Company has the option to purchase all future Revera LTC redevelopment projects undertaken in connection with Revera's 30 Class C LTC homes currently being managed by the Company.

While the enhanced capital funding subsidy expired at the end of August 2023 and further funding has not yet been announced, we continue to advance the balance of our redevelopment portfolio to be ready to make use of any future enhancements to the government's capital funding program.

Improved Performance Across Operating Segments

ParaMed grew in Q3, overcoming the seasonal softness usually experienced in the summer months. ADV in the third quarter was 27,378, a 1% increase from Q2 2023 and up 9.3% from Q3 2022. This marks the fourth quarter of sequential growth, demonstrating continued strong demand for our services. ParaMed NOI margin recovery continued in Q3 up 120 bps from Q2 2023 to 9.8%, reflecting the operating leverage inherent in our scalable back-office and cloud-based platform.

Our LTC operations continued to recover from pandemic related impacts. Overall occupancy in the third quarter was up 60 bps to 97.8% from Q2 2023, with improvements in preferred occupancy reflecting strong demand. Progress on recruiting care professionals enabled us to reduce the use of agency labour in our homes. Accordingly, NOI margin improved to 8.7%, up from 7.8% in Q2 2023, excluding the impact of COVID-19 funding and related costs.

Managed services results benefited from the close of the Revera and Axium transactions in the quarter.

Q3 2023 Financial Highlights (all comparisons with Q3 2022)

- Revenue increased 4.4% or $13.6 million to $322.5 million, driven primarily by LTC flow-through funding increases, higher LTC occupancy, growth in home health care ADV, rate increases and growth in managed services, partially offset by COVID-19 funding of $22.0 million recognized in Q3 2022.
- NOI[(1)] increased 49.7% or $11.7 million to $35.2 million, reflecting revenue growth, partially offset by higher operating costs across all segments.
- Adjusted EBITDA[(1)] increased $10.7 million to $20.8 million, reflecting the improvements in NOI noted above, partially offset by higher administrative costs of $0.9 million.
- In connection with the Revera and Axium transactions, the Company recognized other income of $5.0 million in Q3 2023 compared with an expense of $3.6 million in Q3 2022; the favourable year-over-year change of $8.6 million related to a gain on sale of assets to Axium JV of $9.1 million, partially offset by a $0.5 million increase in strategic transformation costs.

- Earnings from continuing operations increased $16.2 million to $11.8 million, driven by the after-tax impact of the improvement in Adjusted EBITDA and other income, partially offset by higher depreciation and amortization.
- AFFO[1] was $12.3 million ($0.14 per basic share) compared with $2.1 million ($0.02 per basic share), reflecting the improvement in earnings, partially offset by higher maintenance capex.

Nine Months 2023 Financial Highlights (all comparisons with Nine Months 2022)

- Revenue increased 4.8% or $43.6 million to $954.8 million, driven primarily by LTC flow-through funding increases, higher prior year LTC funding of $3.7 million, improved LTC occupancy, growth in home health care ADV of 7.7%, rate increases and growth from managed services, partially offset by lower COVID-19 funding of $65.5 million.
- NOI[1] improved 24.6% or $21.4 million to $108.2 million; excluding the impact of a higher recovery of COVID-19 costs of $4.4 million and prior year LTC funding of $3.7 million, net of workers compensation rebates of $3.9 million received in Q2 2022, NOI improved by $17.2 million, reflecting LTC funding increases and higher occupancy, growth in home health care ADV and rates, and growth from managed services, partially offset by higher operating costs across all segments.
- Adjusted EBITDA[1] increased $18.2 million to $66.5 million, reflecting the improvements in NOI noted above, partially offset by higher administrative costs of $3.2 million.
- Other (income) expense was near zero compared to an expense of $5.2 million in 2022; the favourable year-over-year change related to the gain on sale of assets to Axium JV of $9.1 million, partially offset by a $3.9 million increase in strategic transformation costs.
- Earnings from continuing operations increased $22.2 million to $25.4 million, driven by the after-tax impact of the improvement in Adjusted EBITDA, lower net finance costs, and the favourable change in other (income) expense of $5.2 million.
- AFFO[1] of $42.2 million ($0.49 per basic share) was up from $24.3 million ($0.27 per basic share), reflecting the improvement in earnings and the impact of the normal course issuer bid ("NCIB") activity in 2022, partially offset by higher maintenance capex. Excluding the impact to AFFO of the net higher recovery of COVID-19 costs, prior year LTC funding, and workers compensation rebates, AFFO per basic share increased $0.18 to $0.33 from $0.15 in the prior year.

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, 2023 and 2022.

(unaudited)	**Three months ended September 30**						**Nine months ended September 30**					
(millions of dollars	**2023**			**2022**			**2023**			**2022**		
unless otherwise noted)	**Revenue**	**NOI**	**Margin**	**Revenue**	**NOI**	**Margin**	**Revenue**	**NOI**	**Margin**	**Revenue**	**NOI**	**Margin**
Long-term care	**191.7**	**16.6**	***8.7%***	192.3	13.9	*7.2%*	**581.7**	**64.2**	***11.0%***	573.7	58.1	*10.1%*
Home health care	**118.1**	**11.6**	***9.8%***	107.8	5.2	*4.8%*	**341.9**	**28.1**	***8.2%***	313.2	16.1	*5.1%*
Managed services	**12.7**	**7.0**	***55.2%***	8.8	4.5	*50.9%*	**31.2**	**15.9**	***51.1%***	24.2	12.7	*52.3%*
	322.5	**35.2**	***10.9%***	308.9	23.5	*7.6%*	**954.8**	**108.2**	***11.3%***	911.2	86.8	*9.5%*

Note: Totals may not sum due to rounding.

Long-Term Care

The average occupancy of our LTC homes has continued to recover, improving to 97.8% in Q3 2023, up 430 bps from 93.5% in Q3 2022 and up 60 bps from 97.2% in Q2 2023.

NOI and NOI margin in Q3 2023 were $16.6 million and 8.7%, respectively, up from $13.9 million and 7.2% in Q3 2022, reflecting improved alignment of costs with funding and increased occupancy, partially offset by higher operating costs.

Home Health Care

Home health care ADV of 27,378 in Q3 2023 was up 9.3% from Q3 2022 and 1.0% from Q2 2023, overcoming the seasonal softness usually experienced in the summer months.

Revenue was $118.1 million in Q3 2023, up 9.6% from Q3 2022, driven by growth in ADV and rate increases, partially offset by reduced COVID-19 funding of $3.3 million.

NOI and NOI margin were $11.6 million and 9.8% respectively, in Q3 2023, up from $5.2 million and 4.8% in Q3 2022. Excluding the impact of unfunded COVID-19 costs of $0.7 million in Q3 2022, NOI improved by $5.7 million and NOI margin improved by 410 bps from 5.7% in Q3 2022, reflecting higher volumes and rates, partially offset by higher wages and benefits.

Managed Services

Following the closing of the Revera and Axium transactions and other changes to Extendicare Assist's client base, Extendicare Assist has management contracts with 73 homes comprising 9,962 beds at the end of Q3 2023, up from 50 homes and 5,959 beds at the end of Q3 2022, and provides a further 53 homes with consulting and other services. The number of third-party beds served by SGP increased to approximately 128,900 at the end of Q3 2023, up 20.5% from Q3 2022 and 11.6% from Q2 2023.

Revenue increased by $3.9 million or 44.3% to $12.7 million from Q3 2022, largely due to the addition of managed homes as a result of the Revera and Axium transactions and other new SGP clients, partially offset by Extendicare Assist clients that reduced their scope of services. NOI increased by $2.5 million to $7.0 million with an NOI margin of 55.2% in the quarter compared to 50.9% in Q3 2022.

Financial Position

Extendicare is well positioned with strong liquidity of cash and cash equivalents on hand of $96.3 million and access to a further $75.8 million in undrawn demand credit facilities as at September 30, 2023.

Normal Course Issuer Bid

As at November 8, 2023, the Company had purchased for cancellation 1,398,033 Common Shares year to date, at a cost of $8.8 million, or $6.29 per share. Purchases include 770,533 Common Shares under the current NCIB that provides the Company with flexibility to purchase for cancellation up to 7,273,707 Common Shares until June 29, 2024.

Since June 2022, the Company has purchased 6,409,213 Common shares at a cost of $43.8 million. Decisions regarding the quantity and timing of purchases of Common Shares are based on market conditions, share price and the outlook for capital needs.

Select Financial Information

The following is a summary of the Company's consolidated financial information for the three and nine months ended September 30, 2023 and 2022.

(unaudited) *(thousands of dollars unless otherwise noted)*	**Three months ended September 30**		**Nine months ended September 30**	
	2023	**2022**	**2023**	**2022**
Revenue	**322,529**	308,889	**954,776**	911,184
Operating expenses	**287,319**	285,363	**846,532**	824,341
NOI(1)	**35,210**	23,526	**108,244**	86,843
NOI margin(1)	**10.9%**	7.6%	**11.3%**	9.5%
Administrative costs	**14,440**	13,492	**41,720**	38,549
Adjusted EBITDA(1)	**20,770**	10,034	**66,524**	48,294
Adjusted EBITDA margin(1)	**6.4%**	3.2%	**7.0%**	5.3%
Other income (expense)	**5,048**	(3,587)	**28**	(5,202)
Share of profit from investment in joint ventures	**598**	–	**598**	–
Earnings (loss) from continuing operations	**11,831**	(4,362)	**25,362**	3,193
per basic and diluted share *($)*	**0.14**	(0.04)	**0.30**	0.04
Earnings from operating activities of discontinued operations	**–**	96	**–**	134
Gain on sale of discontinued operations, net of tax	**–**	–	**–**	67,920
Net earnings (loss)	**11,831**	(4,266)	**25,362**	71,247
per basic and diluted share *($)*	**0.14**	(0.04)	**0.30**	0.79
per diluted share *($)*	**0.14**	(0.04)	**0.30**	0.75
AFFO(1)	**12,290**	2,112	**42,166**	24,254
per basic share *($)*	**0.14**	0.02	**0.49**	0.27
per diluted share *($)*	**0.14**	0.02	**0.47**	0.27
Maintenance capex	**4,895**	4,240	**9,670**	8,352
Cash dividends declared per share	**0.12**	0.12	**0.36**	0.36
Payout ratio(1)	**82%**	501%	**72%**	132%
Weighted average number of shares *(000's)*				
Basic	**85,009**	89,178	**85,218**	89,794
Diluted	**95,870**	100,079	**96,106**	100,799

Extendicare's disclosure documents, including its Management's Discussion and Analysis ("MD&A"), may be found on SEDAR+ at www.sedarplus.ca 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 2023, which is payable on December 15, 2023, to shareholders of record at the close of business on November 30, 2023. This dividend is designated as an "eligible dividend" within the meaning of the Income Tax Act (Canada).

Conference Call and Webcast

On November 10, 2023, at 11:30 a.m. (ET), Extendicare will hold a conference call to discuss its 2023 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 24, 2023. To access the rebroadcast dial 1-800-319-6413 followed by the passcode 0466#.

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 managed services to a network of 126 long-term care homes and retirement communities (53 owned/73 managed services), provide approximately 9.7 million hours of home health care services annually, and provide group purchasing services to third parties representing approximately 128,900 beds across Canada. Extendicare proudly employs approximately 22,000 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 2023 MD&A (refer to "Non-GAAP Measures"), which is available on SEDAR+ at www.sedarplus.ca 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 September 30**		**Nine months ended September 30**	
(thousands of dollars)	**2023**	**2022**	**2023**	**2022**
Net cash from operating activities	**7,223**	943	**4,244**	66,598
Add (Deduct):				
Net change in operating assets and liabilities, including interest, and taxes	**5,901**	2,620	**39,935**	(38,776)
Other expense	**4,072**	3,587	**9,092**	5,202
Current income tax on items excluded from AFFO	**(679)**	(944)	**(2,009)**	(1,371)
Depreciation for office leases	**(791)**	(771)	**(2,388)**	(2,181)
Depreciation for FFEC (maintenance capex)	**(3,455)**	(2,173)	**(7,945)**	(6,837)
Additional maintenance capex	**(1,240)**	(2,067)	**(1,525)**	(1,515)
Principal portion of government capital funding	**534**	917	**2,037**	3,134
Adjustments for joint ventures	**725**	–	**725**	–
AFFO	**12,290**	2,112	**42,166**	24,254

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**		**Nine months ended September 30**	
	2023	**2022**	**2023**	**2022**
Earnings (loss) from continuing operations before income taxes	**13,668**	(5,042)	**32,539**	5,868
Add (Deduct):				
Depreciation and amortization	**9,023**	7,558	**23,547**	23,867
Net finance costs	**3,725**	3,931	**11,604**	13,357
Other (income) expense	**(5,048)**	3,587	**(28)**	5,202
Share of profit from investment in joint ventures	**(598)**	–	**(598)**	–
Adjusted EBITDA	**20,770**	10,034	**66,524**	48,294
Administrative costs	**14,440**	13,492	**41,720**	38,549
Net operating income	**35,210**	23,526	**108,244**	86,843

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 and costs in respect of development projects; statements relating to the agreements entered into with Axium and its affiliates, Axium JV and/or Axium JV II in respect of the acquisition, disposition, ownership, operation and redevelopment of LTC homes in Ontario; and in particular statements in respect of 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 "Risks and Uncertainties" and "Forward Looking-Statements" in Extendicare's Q3 2023 MD&A filed by Extendicare with the securities regulatory authorities, available at www.sedarplus.ca 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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Endnote

(1) See the "Non-GAAP Measures" section of this press release and the Company's Q3 2023 MD&A, which includes the reconciliation of such non-GAAP measures to the most directly comparable GAAP measures.