Extendicare

News Release

Extendicare Announces 2023 Fourth Quarter and Year End Results

MARKHAM, ONTARIO, March 7, 2024 – Extendicare Inc. ("Extendicare" or the "Company") (TSX: EXE) today reported results for the three and twelve months ended December 31, 2023. Results are presented in Canadian dollars unless otherwise noted.

Fourth Quarter 2023 Highlights

- Adjusted EBITDA(1) increased $19.5 million in Q4 to $28.7 million, driven by home health care volume growth and rate increases; growth in managed services, including full quarter impact of the Revera and Axium transactions; and funding increases and improved occupancy in long-term care ("LTC").
- Home health care growth continued, with Q4 average daily volume ("ADV") of 28,158, up 10.2% from Q4 2022 and 2.8% from the prior quarter.
- LTC occupancy returned to pre-pandemic levels, increasing 330 basis points ("bps") to 97.8% in Q4 compared to Q4 2022.
- Beds under management through Extendicare Assist grew 64.2% to 9,783 from Q4 2022 driven by the Revera and Axium transactions. SGP third-party and joint venture serviced beds grew 24.1% to 136,164 over Q4 2022.
- We commenced construction on two new LTC homes in the Ottawa region in Q4 in partnership with Axium. This brings new LTC homes under construction to six, representing a total of 1,536 new beds to replace 1,377 Class C beds, with three of these homes scheduled to open in 2024.
- We entered into agreements to sell the land and buildings associated with the Sudbury and Kingston Class C homes, which are scheduled to close in 2024 when the corresponding redevelopment projects are opened. Aggregate proceeds are $9.1 million yielding estimated net proceeds after tax and closing costs of $8.5 million and a net gain of $7.7 million.

Subsequent to Q4

- We entered into an agreement of purchase and sale to sell our 256-bed LTC home in Orleans, Ontario that started construction in Q4 to Axium JV, subject to customary closing conditions, including receipt of regulatory approvals, with closing anticipated in Q2 2024.

"Our strong fourth quarter is the result of the strategic initiatives we have undertaken to reposition Extendicare for growth and value creation," said Dr. Michael Guerriere, President and Chief Executive Officer. "This is the first quarter where we see the full financial impact of the Revera and Axium transactions. We also acquired a Revera redevelopment project through our joint venture with Axium, the first in a pipeline of up to 29 projects for which we have offer rights. We are also benefiting from cost management efforts and rate increases, as home care and LTC margins return closer to historical norms. This, coupled with the robust growth we delivered in the home care and managed services segments over the last five quarters, validates the compelling market opportunity emanating from the growing demand for seniors' care."

Strong Execution Across All Operating Segments

ParaMed reported its fifth sequential quarter of growth in Q4 with ADV of 28,158, a 2.8% increase from Q3 2023 and 10.2% from Q4 2022. ParaMed's recovery in NOI margin(1) continued in Q4, up 220 bps from the prior year to 8.8%, when adjusted to exclude the impact of the retroactive funding in Q4 and the impact of unfunded COVID costs in Q4 2022. Q4 NOI margin was up approximately 20 bps from Q3 2023 when adjusted for the additional statutory holiday in Q4. Unadjusted ParaMed NOI margin was 12.6% in Q4.

Extendicare's LTC occupancy rates have returned to pre-pandemic levels with overall occupancy at 97.8% in Q4 consistent with Q3 2023. Occupancy improvements, cost moderation and funding rate increases led to NOI margin improving 310 bps to 8.5% in Q4 compared to Q4 2022.

Managed services benefited from the Revera and Axium transactions closing in Q3 2023, with revenue and NOI almost double that of the prior year period. The transactions added 56 homes and 6,990 beds to our Extendicare Assist and SGP group purchasing services divisions.

Progress on LTC Redevelopment in Ontario

In November 2023, Axium Extendicare LTC II LP ("Axium JV II") acquired a new 320-bed LTC redevelopment project in Ottawa from Revera. Construction commenced in Q4 and the home is anticipated to open in Q2 2026. Revera is responsible for the development and construction of the new home, which replaces a 303-bed Revera Class C home nearby that Extendicare is currently managing. The Company posted a $5.0 million letter of credit in support of its commitment to fund its 15% equity share into Axium JV II in connection with the acquisition.

Extendicare also commenced construction of a new 256-bed LTC home in Orleans, Ontario, which is anticipated to open in Q2 2026 and will replace a 240-bed Extendicare Class C home nearby. In March 2024, the Company entered into an agreement of purchase and sale to sell the home to Axium JV, with Extendicare retaining a 15% managed interest. Closing of the transaction is anticipated in Q2 2024, subject to customary closing conditions, including receipt of regulatory approvals.

Together with the four projects already under construction, these six projects will replace 1,377 Class C LTC beds with 1,536 new beds in Ontario. 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 other 29 Class C LTC homes currently being managed by the Company.

Extendicare continues to advance the balance of its redevelopment portfolio to be ready to participate in future capital funding programs. We are hopeful we can begin up to four new construction projects in 2024, pending a funding announcement.

Q4 2023 Financial Highlights (all comparisons with Q4 2022)

- Revenue increased 12.8% or $39.8 million to $350.2 million, driven primarily by LTC flow-through funding increases and improved occupancy; home health care ADV growth, rate increases and the impact of $5.4 million in retroactive funding; and growth in managed services; partially offset by prior period LTC funding of $2.2 million and COVID-19 funding of $15.3 million recognized in Q4 2022.
- NOI(1) increased 97.3% or $21.1 million to $42.8 million; excluding unfunded COVID-19 costs of $8.5 million and out-of-period LTC funding and other adjustments of $2.5 million in Q4 2022 and $5.4 million of out-of-period funding recognized in home health care in Q4 2023, NOI improved by $9.7 million, reflecting revenue growth partially offset by higher operating costs across all segments.
- Adjusted EBITDA(1) increased $19.5 million to $28.7 million, reflecting the improvements in NOI noted above, partially offset by higher administrative costs of $1.6 million.
- Other expense of $2.7 million was down $6.0 million, reflecting a decline in strategic transformation costs in connection with the Revera and Axium transactions and the impact of an impairment charge in Q4 2022.

- Earnings from continuing operations increased $16.3 million to $8.6 million, driven by the after-tax improvement in Adjusted EBITDA and decline in other expense, partially offset by higher depreciation, amortization and net finance costs.
- AFFO(1) was $19.1 million ($0.23 per basic share) compared with $1.9 million ($0.02 per basic share in Q4 2022), reflecting the after-tax improvement in earnings and lower maintenance capex.

Year Ended 2023 Financial Highlights (all comparisons with year ended 2022)

- Revenue increased 6.8% or $83.4 million to $1,305.0 million, driven primarily by LTC flow-through funding increases, improved occupancy, growth in home health care volume of 8.4%, rate increases and growth from managed services, partially offset by lower COVID-19 funding of $80.8 million.
- NOI(1) improved 39.2% or $42.5 million to $151.0 million; excluding the impact of a higher recovery of COVID-19 costs of $12.9 million, net of out-of-period LTC funding and other adjustments of $2.3 million, NOI improved by $31.9 million, reflecting revenue growth, partially offset by higher operating costs across all segments.
- Adjusted EBITDA(1) increased 65.7% or $37.7 million to $95.2 million, reflecting the improvements in NOI noted above, partially offset by higher administrative costs of $4.8 million.
- Other expense of $2.7 million was down $11.3 million; the favourable year-over-year change related to the gain on sale of assets to Axium JV of $9.1 million and impact of an impairment charge recognized in 2022, partially offset by an increase in strategic transformation costs.
- Earnings from continuing operations increased $38.5 million to $34.0 million, driven by the after-tax impact improvement in Adjusted EBITDA, lower net finance costs, and the decline in other expense.
- AFFO(1) of $61.2 million ($0.72 per basic share) was up from $26.1 million ($0.29 per basic share), reflecting the after-tax improvement in earnings and the impact of the normal course issuer bid ("NCIB") activity. Excluding the impact to AFFO of the net higher recovery of COVID-19 costs, prior period LTC funding and workers compensation rebates, AFFO per basic share increased $0.33 to $0.56 from $0.23 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 twelve months ended December 31, 2023 and 2022.

(unaudited)	Three months ended December 31						Twelve months ended December 31					
(millions of dollars unless otherwise noted)	2023			2022			2023			2022		
	Revenue	**NOI**	**Margin**	**Revenue**	**NOI**	**Margin**	**Revenue**	**NOI**	**Margin**	**Revenue**	**NOI**	**Margin**
Long-term care	**206.4**	**17.6**	***8.5%***	193.4	10.5	*5.4%*	**788.1**	**81.8**	***10.4%***	767.1	68.5	*8.9%*
Home health care	**127.2**	**16.1**	***12.6%***	108.4	6.4	*5.9%*	**469.1**	**44.2**	***9.4%***	421.6	22.5	*5.3%*
Managed services	**16.5**	**9.1**	***55.1%***	8.6	4.8	*56.0%*	**47.8**	**25.1**	***52.5%***	32.8	17.5	*53.3%*
	350.2	**42.8**	***12.2%***	310.4	21.7	*7.0%*	**1,305.0**	**151.0**	***11.6%***	1,221.6	108.5	*8.9%*

Note: Totals may not sum due to rounding.

Long-term Care

The average occupancy of our LTC homes has recovered, improving to 97.8% in Q4 2023, up 330 bps from 94.5% in Q4 2022 and unchanged from 97.8% in Q3 2023.

In 2023, preferred occupancy continued to recover yielding $1.1 million of additional revenue over 2022. While there is still a gap to pre-pandemic levels, the improvement demonstrates the importance of optionality within our service offering and strong demand.

NOI and NOI margin in Q4 2023 were $17.6 million and 8.5%, respectively, up from $10.5 million and 5.4% in Q4 2022, reflecting improved alignment of costs with funding, lower staffing agency use and increased occupancy.

Home Health Care

Home health care ADV of 28,158 in Q4 2023 was up 10.2% from Q4 2022 and 2.8% from Q3 2023.

Revenue was $127.2 million in Q4 2023, up 17.3% from Q4 2022, driven by growth in ADV and rate increases, including $5.4 million of out-of-period funding, partially offset by reduced COVID-19 funding of $0.9 million.

NOI and NOI margin were $16.1 million and 12.6%, respectively in Q4 2023, up from $6.4 million and 5.9% in Q4 2022. Excluding the impact of $5.4 million of out-of-period funding recognized in Q4 2023 and unfunded COVID-19 costs of $0.8 million in Q4 2022, NOI improved by $3.5 million to $10.7 million with an NOI margin of 8.8% from $7.1 million and 6.6% in Q4 2022, respectively, reflecting higher volumes and rates, partially offset by higher wages and benefits.

Managed Services

Following the closing of the Revera and Axium transactions, Extendicare Assist had management contracts with 72 homes comprising 9,783 beds at the end of Q4 2023, up from 50 homes and 5,959 beds at the end of Q4 2022. It also provides a further 50 homes with consulting and other services. The number of third-party beds served by SGP increased to approximately 136,200 at the end of Q4 2023, up 24.1% from Q4 2022 and 5.6% from Q3 2023.

Revenue increased by $8.0 million or 92.5% to $16.5 million from Q4 2022, largely due to the addition of managed homes as a result of the Revera and Axium transactions and new SGP clients, partially offset by Extendicare Assist clients that reduced their scope of services. NOI increased by $4.3 million to $9.1 million with an NOI margin of 55.1% in the quarter compared to 56.0% in Q4 2022.

Financial Position

Extendicare has strong liquidity with cash and cash equivalents on hand of $75.2 million and access to a further $70.9 million in undrawn demand credit facilities as at December 31, 2023. Furthermore, proceeds are expected to be realized in 2024 from the pending sales of the Orleans, Ontario 256-bed LTC redevelopment project to Axium JV and the Sudbury and Kingston Class C LTC land and buildings.

Normal Course Issuer Bid

During 2023, the Company purchased for cancellation 1,749,131 Common Shares, at a cost of $11.1 million, or $6.34 per share. Purchases included 1,121,631 Common Shares under the current NCIB, which allows for the purchase for cancellation of up to 7,273,707 Common Shares until June 29, 2024.

Since June 2022, the Company has purchased 6,760,311 Common Shares at a cost of $46.1 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 twelve months ended December 31, 2023 and 2022.

(unaudited) *(thousands of dollars unless otherwise noted)*	**Three months ended December 31** **2023**	**2022**	**Twelve months ended December 31** **2023**	**2022**
Revenue	**350,181**	310,393	**1,304,957**	1,221,577
Operating expenses	**307,403**	288,707	**1,153,935**	1,113,048
NOI(1)	**42,778**	21,686	**151,022**	108,529
NOI margin(1)	***12.2%***	*7.0%*	***11.6%***	*8.9%*
Administrative costs	**14,115**	12,526	**55,835**	51,075
Adjusted EBITDA(1)	**28,663**	9,160	**95,187**	57,454
Adjusted EBITDA margin(1)	***8.2%***	*3.0%*	***7.3%***	*4.7%*
Other expense	**2,714**	8,751	**2,686**	13,953
Share of (profit) loss from investment in joint ventures	**578**	–	**(20)**	–
Earnings (loss) from continuing operations	**8,620**	(7,704)	**33,982**	(4,511)
per basic and diluted share *($)*	**0.10**	(0.09)	**0.40**	(0.05)
Loss from operating activities of discontinued operations	**–**	(306)	**–**	(172)
Gain on sale of discontinued operations, net of tax	**–**	6,317	**–**	74,237
Net earnings (loss)	**8,620**	(1,693)	**30,013**	69,554
per basic and diluted share *($)*	**0.10**	(0.02)	**0.40**	0.78
per diluted share *($)*	**0.10**	(0.02)	**0.40**	0.76
AFFO(1)	**19,050**	1,889	**61,216**	26,143
per basic share *($)*	**0.23**	0.02	**0.72**	0.29
per diluted share *($)*	**0.21**	0.02	**0.68**	0.29
Maintenance capex	**4,988**	6,630	**14,658**	14,982
Cash dividends declared per share	**0.12**	0.12	**0.48**	0.48
Payout ratio(1)	**52%**	544%	**66%**	162%
Weighted average number of shares *(000's)*				
Basic	**84,297**	86,678	**84,986**	89,009
Diluted	**95,507**	97,604	**96,219**	100,015

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.

March Dividend Declared

The Board of Directors of Extendicare today declared a cash dividend of $0.04 per share for the month of March 2024, which is payable on April 15, 2024, to shareholders of record at the close of business on March 29, 2024. This dividend is designated as an "eligible dividend" within the meaning of the Income Tax Act (Canada).

Conference Call and Webcast

On March 8, 2024, at 11:30 a.m. (ET), Extendicare will hold a conference call to discuss its 2023 fourth 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 March 22, 2024. To access the rebroadcast, dial 1-800-319-6413 followed by the passcode 0669#.

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 a network of 125 long-term care homes (53 owned/72 under management contracts), deliver 10 million hours of home health care services annually, and provide group purchasing services to third parties representing approximately 136,200 beds across Canada. Extendicare proudly employs approximately 22,000 qualified, highly trained and dedicated team members 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 relevant measures 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 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 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)	**2023**	**2022**	**2023**	**2022**
Net cash from operating activities	**19,040**	32,271	**23,284**	98,869
Add (Deduct):				
Net change in operating assets and liabilities, including interest, and taxes	**3,283**	(26,758)	**43,218**	(65,534)
Other expense	**2,714**	3,809	**11,806**	9,011
Current income tax on items excluded from AFFO	**(720)**	(1,020)	**(2,729)**	(2,391)
Depreciation for office leases	**(711)**	(778)	**(3,099)**	(2,959)
Depreciation for FFEC (maintenance capex)	**(3,611)**	(2,137)	**(11,556)**	(8,974)
Additional maintenance capex	**(1,059)**	(4,493)	**(2,584)**	(6,008)
Principal portion of government capital funding	**503**	995	**2,540**	4,129
Adjustments for joint ventures	**(389)**	–	**336**	–
AFFO	**19,050**	1,889	**61,216**	26,143

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

(unaudited) *(thousands of dollars)*	Three months ended December 31		Twelve months ended December 31	
	2023	**2022**	**2023**	**2022**
Earnings (loss) from continuing operations before income taxes	**12,264**	(10,364)	**44,803**	(4,496)
Add (Deduct):				
Depreciation and amortization	**8,678**	7,692	**32,225**	31,559
Net finance costs	**4,429**	3,081	**15,493**	16,438
Other expense	**2,714**	8,751	**2,686**	13,953
Share of (profit) loss from investment in joint ventures	**578**	–	**(20)**	–
Adjusted EBITDA	**28,663**	9,160	**95,187**	57,454
Administrative costs	**14,115**	12,526	**55,835**	51,075
Net operating income	**42,778**	21,686	**151,022**	108,529

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 Revera, 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 Manitoba; and 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 Q4 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.

Extendicare contact:
David Bacon, Senior Vice President and Chief Financial Officer
T: (905) 470-4000
E: david.bacon@extendicare.com
www.extendicare.com

Endnote

(1) See the "Non-GAAP Measures" section of this press release and the Company's Q4 2023 MD&A, which includes the reconciliation of such non-GAAP measures to the most directly comparable GAAP measures.