

Extendicare Announces Agreement to Acquire Nine Long-Term Care Homes from Revera

MARKHAM, ON (November 28, 2024) – Extendicare Inc. (“Extendicare” or the “Company”) (TSX: EXE.TO) announced today that it has entered into an agreement with Revera Inc. (“Revera”) and certain of its affiliates to acquire nine Class C long-term care (“LTC”) homes (the “Acquired Homes”) located in Ontario and Manitoba and one parcel of vacant land located in Ontario (the “Transaction”).

Closing of the Transaction is subject to customary closing conditions, including receipt of regulatory approvals from the Ontario Ministry of Long-Term Care, Ontario Retirement Home Regulatory Authority, and Manitoba Health and Winnipeg Regional Health Authority, and is not conditional on financing or due diligence. The Transaction is anticipated to close in mid-2025.

The aggregate cash consideration for the Transaction is approximately \$60.3 million, subject to customary and other adjustments. The purchase price is expected to be funded from cash on hand and existing senior secured credit facilities.

Relatedly, Extendicare has been advised by Revera that Revera has entered into a sale agreement with a third party pursuant to which that third party will acquire 21 of Revera’s Class C LTC homes located in Ontario that are currently managed by Extendicare (the “Third-Party Sale”), subject to regulatory approval. Upon closing of the two transactions, Extendicare’s existing management agreements with Revera in respect of the 30 homes, as well as related redevelopment arrangement agreements, will terminate in accordance with their terms.

“This transaction adds approximately 1,100 beds to our redevelopment pipeline, giving us control of the redevelopment process for these homes,” said Dr. Michael Guerriere, President and CEO of Extendicare. “Although we have generally avoided purchasing Class C homes, this was a unique opportunity as net operating income from the acquired homes more than offsets the reduction in management fees, and the opportunity to sell seven operational retirement homes once LTC redevelopment is complete makes it likely we will recover most of the purchase price.”

Transaction Overview

The Acquired Homes encompass 1,396 beds in nine homes, seven of which consist of a mix of 361 funded LTC beds and 574 private pay retirement beds. The LTC beds in these seven homes are all C beds which we intend to redevelop and replace with six new LTC homes comprising a proposed 361 replacement beds and 727 new beds. Also included in the 1,396 beds is the 250 bed Class C Carlingview Manor home in Ottawa, which is in the process of being redeveloped into a new LTC home that is owned by our joint venture with Axiom. We are committed to ensuring that the residents, their families and staff at these homes are unaffected by this change in ownership as Extendicare will continue to operate the homes in the same manner as it currently does under current management agreements. There are not expected to be any job losses as a result of the Transaction.

The homes to be acquired in the Transaction are set out in the table below.

Name	Address	LTC Beds⁽¹⁾	Retirement beds
Blenheim Community Village	Blenheim, ON	57	30
Brierwood Gardens	Brantford, ON	67	71
Riverbend Place	Cambridge, ON	39	92
Summit Place	Owen Sound, ON	99	77
Telfer Place	Paris, ON	35	180
Village on the Ridge	Ridgetown, ON	30	65
Trillium Court	Kincardine, ON	34	59
Carlingview Manor ⁽²⁾	Ottawa, ON	250	-
Poseidon	Winnipeg, MB	211	-
Total Beds		822	574

⁽¹⁾ LTC Beds excludes 133 third and fourth ward-style beds that have been taken out of service per regulatory requirements that are eligible to be reinstated upon redevelopment.

⁽²⁾ Carlingview Manor is in the process of being redeveloped into a new 320-bed LTC home that is owned by the Axiom JV.

In accordance with the management agreements to be terminated on completion of the Third-Party Sale, Revera is required to repay Extencicare a portion of the consideration paid to Revera in respect of the management agreements. Assuming completion of the Third-Party Sale at the end of the second quarter of 2025, Extencicare expects the repayment to be approximately \$1.5 million.

The Transaction would add approximately \$124.0 million and \$13.0 million in annualized revenue and net operating income⁽¹⁾ ("NOI"), respectively, to the Company's LTC segment, based on the actual revenue and NOI generated from the Acquired Homes, adjusted for one-time items, for the nine-month period ended September 30, 2024. Also, the loss of management fees as a result of the Transaction and the Third-Party Sale would reduce the Company's managed services segment annualized revenue and NOI by approximately \$14.7 million and \$6.2 million, respectively, based on actual revenue and NOI, adjusted for one-time impacts, for the nine months ended September 30, 2024. On a combined basis, the annualized net effect of the Transaction and Third-Party Sale, would be an increase in the Company's consolidated revenue and NOI of approximately \$109.3 million and \$6.8 million, respectively.

On the same basis, the annualized impact on adjusted funds from operations ("AFFO")⁽¹⁾, assuming the Transaction is funded from cash on hand, would add approximately \$1.4 million (or AFFO/basic share of \$0.02)

On a combined pro forma basis, giving effect to the Transaction and the Third-Party Sale, the Company's LTC segment would own and operate 61 LTC homes with capacity for 8,509 residents, inclusive of these 574 private pay retirement beds across 7 mixed use homes, and our Extencicare Assist division within the managed services segment would provide management contract services to 40 LTC homes with capacity for 5,943 residents.

Advisors

Torys LLP is acting as legal advisor to Extencicare in connection with the Transaction. Stormont Partners is acting as financial advisor to Revera and Goodmans LLP is acting as legal advisor to Revera in connection with the Transaction.

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 to meet the needs of a growing seniors' population, inspired by our mission to provide people with the care they need, wherever they call home. We operate a network of 122 long-term care homes (52 owned, 70 under management contracts), deliver approximately 10.7 million hours of home health care services annually, and provide group purchasing services to third parties representing approximately 143,500 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 and adjusted funds from operations, 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 or net earnings (loss), 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 the impact of the Transaction and Third-Party Sale thereon.

Detailed descriptions of these measures can be found in Extendicare's Q3 2024 Management's Discussion & Analysis ("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.

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 the Transaction, the Third-Party Sale, their impact on the Company, and the potential redevelopment and subsequent sale of the Acquired Homes. 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 Extendicare's current expectations regarding future results, performance or achievements and are based upon information currently available to it and on assumptions that Extendicare believes are reasonable. 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 Extendicare 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 2024 MD&A and latest Annual Information Form 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. Except as required by applicable securities laws, Extendicare assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

For further information, please contact:

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Endnotes:

(1) See the "Non-GAAP Measures" section of this press release and Extendicare's Q3 2024 MD&A, which includes the reconciliation of such non-GAAP measure to the most directly comparable GAAP measure.