



# DELIVERING BEST-IN-CLASS SERVICES & GROWING LONG-TERM VALUE

2019 Third Quarter Results Conference Call  
November 8, 2019

**EXTENDICARE**<sup>®</sup>  
... helping people live better

#### **FORWARD LOOKING STATEMENTS**

This presentation contains forward-looking statements, based on our best judgments, which reflect risks and uncertainties.

Actual results could vary from expectations.

"EBITDA", "Adjusted EBITDA", "net operating income" (NOI), "funds from operations" (FFO), and "adjusted funds from operations" (AFFO) are non-GAAP measures and do not have standardized meanings prescribed by GAAP.

Further information can be found in the disclosure documents filed by Extendicare.

# THIRD QUARTER HIGHLIGHTS

- ◆ Revenue up due to LTC funding enhancements and growth in retirement living
- ◆ Expanded SGP network with significant new client serving 4,000 residents
- ◆ Opened a new 124-suite retirement living community in October 2019
- ◆ Well positioned with stable revenue, conservative dividend payout ratio and strong balance sheet

*Executing our plan to drive long-term growth*



# PARAMED PROGRESS ON TRACK

- ◆ ParaMed accounted for 38% of total revenue YTD 2019
- ◆ Progress continues with \$12M ParaMed transformation that will drive long-term growth and value creation; cost estimates still on track with \$2.6M remaining, the majority of which will be incurred in 2019
- ◆ New cloud-based system implementation on track for 90% completion at end of 2019 and 100% by March 2020
- ◆ Improved seasonal sequential volume impact
- ◆ Progress continues with ParaMed's exit from lower margin B.C. home health care market in Q1 2020



*Driving increased client volumes and care hours through investments in people, process, and technology*

# LONG-TERM CARE – STABLE FOUNDATION

- ◆ LTC funding increases drove increase in revenue
- ◆ Ontario government's elimination of structural compliance funding deferred until April 1, 2020
- ◆ Waiting on Alberta government decision on changes to LTC funding
- ◆ Extendicare working with Ontario government to advance redevelopment projects
- ◆ Ontario government is aware of the pressing need for more long-term care in the province

EXTENDICARE®  
... helping people live better

*Stable revenue base with future growth potential*



# RETIREMENT LIVING – DRIVING GROWTH

- ◆ Average stabilized occupancy grew to 94.6% YTD, up from 90.5% for the same period in 2018
- ◆ Lease-up occupancy increased to 78% as at Sept. 30, 2019, from 72% as at June 30, 2019
- ◆ The Barrierview (124 suites) opened in October 2019, projecting stabilized occupancy of 95% by the end of 2020, ahead of expectations

*Esprit*   
Lifestyle  
Communities



*Expanding capacity and rising occupancy trends*

# CONTRACT SERVICES AND GROUP PURCHASING – GROWING NETWORK

- ◆ Services have grown by 7.4% YTD 2019, representing 2% of total revenue and 10% of total NOI
- ◆ Currently 6,601 Extencicare Assist beds under contract services
- ◆ SGP welcomed West Coast Seniors Housing Management, providing services to over 4,000 residents in British Columbia, bringing the total served by SGP and its partners to over 64,000 residents across Canada
- ◆ Continue to seek additional opportunities for future expansion



*Expanding its network while exploring new growth opportunities*



# FINANCIAL REVIEW

**EXTENDICARE**<sup>®</sup>  
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# THIRD QUARTER RESULTS

## Q3 2019 Consolidated Financial Highlights

(all comparisons are with Q3 2018 unless otherwise indicated)

REVENUE

\$282.7M

▲  
0.9%

ADJUSTED EBITDA

\$23.6M

▼  
3.3%

*EBITDA Margin 8.3%*

NET OPERATING INCOME

\$34.9M

▼  
1.8%

*NOI margin 12.3%*

ADJUSTED FUNDS FROM OPERATIONS

\$13.7M

▲  
2.3%

*Payout ratio 78% for nine months 2019*



# FACTORS IMPACTING COMPARABILITY

- ◆ **Revenue** – incremental funding of \$2.2M YTD19 related to Bill 148 for fiscal 2018.
- ◆ **Operating expenses** – ParaMed transformation (lower by \$0.4M Q3 | neutral YTD)
  - ◆ \$0.5M (Q3/19) vs \$0.9M (Q3/18) | \$1.8M (YTD19) vs \$1.8M (YTD18)
- ◆ **Administrative costs:**
  - ◆ ParaMed transformation (higher by \$0.5M Q3 | \$2.1M YTD):
    - ◆ \$0.7M (Q3/19) vs \$0.2M (Q3/18) | \$0.6M (YTD18) vs \$2.7M (YTD19)
  - ◆ Severance (lower by \$0.6M Q3 and YTD):
    - ◆ \$1.1M (Q3/19 and YTD/19) vs \$1.7M (Q3/18 and YTD18)
- ◆ **Adoption of IFRS 16 in 2019 (neutral to net earnings and AFFO)**
  - ◆ Administrative costs – reduced by \$0.7M (Q3) and \$2.1M (YTD)
  - ◆ Depreciation costs – increased by \$0.6M (Q3) and \$2.0M (YTD)
  - ◆ Interest costs – increased by \$0.3M (YTD)

## NET IMPACT ON 2019 OVER 2018:

- NOI increase of \$0.4M (Q3) and \$2.2M (YTD)
- Adjusted EBITDA increase of \$1.2M (Q3) and \$2.8M (YTD)
- AFFO increase of \$1.4M (Q3) and \$1.5M (YTD)

# ADJUSTED THIRD QUARTER RESULTS

## Q3 2019 Consolidated Financial Highlights <sup>(1)</sup>

(all comparisons are with Q3 2018 unless otherwise indicated)

REVENUE

\$282.7M

▲  
0.9%

ADJUSTED EBITDA

\$25.2M

▼  
7.4%

*EBITDA Margin 8.9%*

NET OPERATING INCOME

\$35.4M

▼  
2.7%

*NOI margin 12.5%*

ADJUSTED FUNDS FROM OPERATIONS

\$15.3M

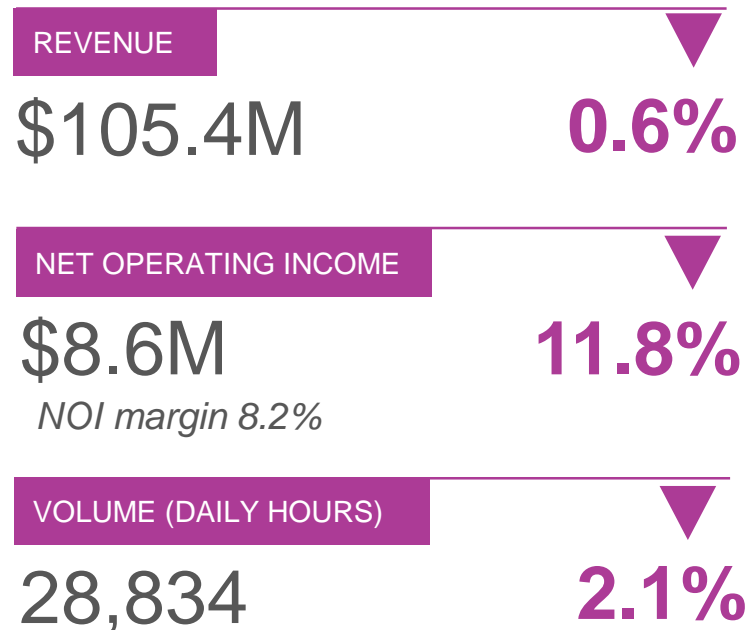
▼  
6.5%

*Payout ratio 73% for nine months 2019*

*(1) Adjusted for the factors affecting comparability as outlined on slide 9 and in the MD&A.*

# HOME HEALTH CARE

## Q3 2019 <sup>(1)</sup>



- ◆ Incremental funding offset by a decline in home health care volumes and higher back office operating costs
- ◆ ParaMed to exit low margin B.C. market by March 2020
- ◆ B.C. operations contributed revenue of \$13.1M and break even net operating income in Q3 2019
- ◆ Excluding B.C, NOI margin 9.3%<sup>(1)</sup> in Q3 2019

*(1) Adjusted for the factors affecting comparability as outlined on slide 9 and in the MD&A.*

# LONG-TERM CARE

## Q3 2019

### REVENUE

**\$161.0M** **1.1%** ▲

### NET OPERATING INCOME

**\$20.6M** **2.2%** ▲  
*NOI margin 12.8%*

### AVERAGE OCCUPANCY

**97.9%** **10 bps** ▲

- ◆ Revenue up \$1.7M or 1.1% of which \$1.2M related to Ontario flow-through funding envelopes, which are directly offset by increased costs of resident care
- ◆ NOI up \$0.4M; benefitted from funding enhancements, timing of envelope spending, and lower utility costs compared to Q3 2018

# RETIREMENT LIVING

## Q3 2019

### REVENUE

\$10.4M

▲  
13.6%

### NET OPERATING INCOME

\$2.9M

▲  
8.0%

*NOI margin 28.3%*

### AVERAGE SAME-STORE OCCUPANCY

94.7%

▲  
786 bps

### AVERAGE STABILIZED OCCUPANCY

94.4%

▲  
206 bps

- ◆ Revenue and NOI growth driven by increase in same-store occupancy of 786 bps to 94.7%
- ◆ Average occupancy of lease-up communities grew from 79.3% in Q3 2018 to 92.2% in Q3-19, excluding the impact of Bolton Mills, which opened in Q1 2019
- ◆ Average occupancy of stabilized communities grew 206 bps to 94.4% compared to Q3 2018
- ◆ Occupancy of lease-up communities grew from 72.2% as at June 30, 2019 to 78.0% as at September 30, 2019

# OTHER CANADIAN OPERATIONS

## Q3 2019

REVENUE ▲

\$5.9M

1.9%

NET OPERATING INCOME ▼

\$3.2M

12.8%

*NOI margin 53.9%*

CONTRACT SERVICES (BEDS) ▼

6,601

0.5%

SGP 3<sup>RD</sup> PARTY RESIDENTS ▲

64,300

26.1%

- ◆ Revenue growth due to increase in clients served
- ◆ NOI decline as increased revenue offset by increased costs to support growth and timing of non-recurring revenue compared to Q3 2018

# STRONG FINANCIAL POSITION

Q3 2019

TOTAL LONG TERM DEBT <sup>(1)</sup>

**\$573.2M**

*Up \$29.1M over YE2018*

CASH

**\$96.8M**

*Up \$30.9M over YE2018*

WEIGHTED AVERAGE MATURITY

**6.8 Years**

WEIGHTED AVERAGE RATE

**4.8%**

EBITDA INTEREST COVERAGE

**3.1x**

DEBT TO GBV

**49.1%**

(1) Includes current portion, reflects convertible debt at face and excludes deferred financing costs

# COMPELLING GROWTH OPPORTUNITIES ACROSS A CONTINUUM OF CARE SERVICES



Canadian population aged **65 and older** will rise 25% by 2036



Seniors **80 and over** will double between 2011 and 2036

Ontario to **build 15,000 new beds and** redevelop another 15,000 beds



Home care services market estimated annual growth

- ◆ Business foundation is strong
- ◆ Clear strategy to drive profitable growth
- ◆ Making investments to meet growing market needs for seniors care

(1) Includes opening of 124-suite retirement living community in Barrie, Ontario in October 2019.





**THANK YOU**