EXTENDICARE®
... helping people live better

NEWS RELEASE

EXTENDICARE ANNOUNCES FOURTH QUARTER AND YEAR END 2019 RESULTS

MARKHAM, ONTARIO – February 27, 2020 – Extendicare Inc. ("Extendicare" or the "Company") (TSX: EXE) today reported results for the three and twelve months ended December 31, 2019. Results are presented in Canadian dollars unless otherwise noted.

"In 2019, we built a strong foundation for future growth and improved profitability," said Chief Executive Officer, Dr. Michael Guerriere. "We invested in our ParaMed operations and with our transformation project now almost complete, along with our exit from the lower margin B.C. market, we expect to drive improved performance in 2020. We also expanded other areas of our operations, with 29% growth in our retirement living capacity and expansion in our contract services and group purchasing services. With an ongoing focus on improving the quality of our operations and operating efficiency, we are well-positioned to deliver best-in-class services for Canada's growing seniors population, while also driving sustainable value creation for our shareholders."

Financial Highlights from Q4 2019 (all comparisons with Q4 2018)

- Revenue of $290.9 million, up 0.7% or $2.1 million; driven by long-term care (LTC) funding enhancements and growth in retirement living, partially offset by lower home health care volumes.
- Net operating income (NOI) (1) unchanged at $32.9 million; reflecting growth in the LTC and retirement living segments and year-end adjustments, offset by lower home health care volumes and increased back office operating costs.
- Adjusted EBITDA (1) of $23.0 million, up $0.5 million; impacted by lower administrative costs.
- Earnings from continuing operations of $4.9 million, up $13.9 million; impacted by changes in foreign exchange and fair value adjustments related to the Captive's investments and interest rate swaps, and an $11.8 million net of tax impairment charge recorded in 2018.
- AFFO (1) of $11.4 million ($0.127 per basic share), down $1.2 million; resulting from higher maintenance capex and net interest costs partially offset by higher earnings and lower current taxes.

Financial Highlights from Year ended 2019 (all comparisons with Year ended 2018)

- Revenue of $1,132.0 million, up 1.1% or $12.0 million; driven by LTC funding enhancements, growth in retirement living and incremental home health care funding of $2.2 million for 2018 related to Bill 148, partially offset by lower home health care volumes.
- NOI of $133.5 million, down $0.5 million; driven by growth in LTC and retirement living and year-end adjustments, offset by the impact of lower home health care volumes and higher back office operating costs.
- Adjusted EBITDA of $91.1 million, down $3.1 million; impacted by higher administrative costs, primarily due to increased compensation costs and professional fees.
- Earnings from continuing operations of $17.1 million, up $9.0 million from $8.1 million; impacted by changes in foreign exchange and fair value adjustments, higher depreciation and amortization and an impairment charge recorded in 2018.
- AFFO of $52.6 million ($0.590 per basic share) down $5.2 million; impacted by lower Adjusted EBITDA as noted above and higher net interest costs.
- Dividends declared of $42.7 million in 2019, representing approximately 81% of AFFO.
- Strong liquidity position as at December 31, 2019, with consolidated cash and short-term investments on hand of $94.5 million and available credit facilities with conservative leverage position of debt to gross book value of 49% and weighted average interest rate of 4.7%.

Business Updates

Long-term Care

Long-term care continued to provide a stable base for our operations in Q4 2019. Revenue increased to $166.6 million in Q4 2019, up 1.2% from Q4 2018 as a result of funding enhancements and timing of flow-through funding. NOI margins [(1)] increased in the current quarter to 12.3%, up from 11.4% in Q4 2018, partially driven by favourable labour accrual adjustments in the current quarter. Average occupancy remained stable at 97.8% in the current quarter, compared to 97.6% in the prior year quarter.

ParaMed Progress

ParaMed ceased providing services under its lower margin B.C. home health care contracts at the end of January 2020, removing its adverse impact on ParaMed's future profitability.

We continue to make good progress on our ParaMed transformation, with 89% of targeted business volumes transitioned to the new cloud-based platform at the end of 2019, and 95% transitioned to-date. The remaining Alberta-based volumes are expected to be completed by the end of Q1 2020. As we near the end of the system implementation stage, we added to our back-office staff in preparation for the planned increase in volumes and ongoing staff training and support needs. While this investment in our long-term infrastructure sets us up for future success, the associated costs were a drag on NOI margin in the current quarter.

The ParaMed transformation project remains on budget at $12 million, with approximately $1.2 million remaining to be incurred in Q1 2020. Once complete, we expect this investment will lead to increased staff retention, increased revenue growth and ultimately improved margins in the business. We expect to begin to see volume increases in 2020, excluding the impact of the B.C. exit, with margin improvements coming later in the year.

Retirement Living Operations

Retirement living continues to deliver strong financial results with new suites added in the quarter and future growth planned. In the Q4 2019, revenue from the retirement living segment increased to $11.4 million, up 25.6% from the same quarter last year and NOI margins strengthened to 26.4%, up from 25.2% in Q4 2018. Average occupancy of the stabilized portfolio grew to 94.9% in Q4 2019, up from 89.8% in Q4 2018.

In October 2019, we opened The Barrieview Retirement Community in Barrie, Ontario, adding 124 new suites. Based on the strong pre-sale activity and initial occupancy experienced at this property, we expect to achieve stabilized occupancy of 95% by the end of 2020, earlier than originally anticipated. Expansion plans are advancing at our Empire Crossing Retirement Community in Port Hope, Ontario for a 59-suite addition scheduled to commence construction in Q2 2020.

Other Canadian Operations

Within our other Canadian Operations segment, SGP Purchasing Partner Network (SGP) continues to expand its market presence in offering cost-effective purchasing contracts to other senior care providers. At the end of 2019, SGP provided services to third parties representing approximately 64,800 senior residents across Canada, an increase of 26.8% from the end of 2018. In January 2020, SGP welcomed a number of highly respected new clients to its portfolio, including Amica Senior Lifestyles with over 4,100 senior residence suites. Together with its partners, SGP now provides cost effective products and services to third-party clients with approximately 71,600 senior residents across Canada.

Select Financial Information

The following is a summary of financial information for the three and twelve months ended December 31, 2019 and 2018.

(unaudited)	Three months ended December 31		Twelve months ended December 31	
(thousands of dollars, unless otherwise noted)	**2019**	**2018**	**2019**	**2018**
Revenue				
Long-term care	**166,656**	164,656	**643,785**	632,533
Retirement living	**11,356**	9,039	**41,276**	33,412
Home health care	**106,699**	109,012	**422,995**	431,343
Other	**6,184**	6,086	**23,894**	22,719
Total revenue	**290,895**	288,793	**1,131,950**	1,120,007
Operating expenses	**258,018**	255,930	**998,500**	986,023
Net operating income (NOI) (1)	**32,877**	32,863	**133,450**	133,984
NOI margin (1)	***11.3%***	*11.4%*	***11.8%***	*12.0%*
Administrative costs	**9,879**	10,325	**42,339**	39,746
Adjusted EBITDA (1)	**22,998**	22,538	**91,111**	94,238
Adjusted EBITDA margin (1)	***7.9%***	*7.8%*	***8.0%***	*8.4%*
Depreciation and amortization	**10,597**	10,184	**39,590**	35,270
Other expense	**–**	16,642	**2,404**	20,195
Earnings (loss) from continuing operations	**4,893**	(9,055)	**17,051**	8,084
per basic and diluted share *($)*	**0.05**	(0.10)	**0.19**	0.09
Earnings from discontinued operations, net of tax	**5,195**	15,562	**11,579**	23,654
Net earnings	**10,088**	6,507	**28,630**	31,738
per basic and diluted share *($)*	**0.11**	0.07	**0.32**	0.36
AFFO (1)	**11,365**	12,570	**52,600**	57,751
per basic share *($)*	**0.127**	0.142	**0.590**	0.653
per diluted share *($)*	**0.124**	0.138	**0.572**	0.634
Current income tax expense included in FFO	**1,075**	2,075	**8,552**	8,205
FFO effective tax rate	*8.0%*	*14.5%*	*15.6%*	*13.6%*
Maintenance capex	**6,028**	4,202	**12,312**	12,675
Cash dividends declared per share	**0.120**	0.120	**0.480**	0.480
Payout ratio (1)	**94%**	84%	**81%**	73%
Weighted average number of shares *(thousands)*				
Basic	**89,467**	88,612	**89,148**	88,403
Diluted	**99,850**	98,962	**99,539**	98,753

Summary of Factors Affecting Comparability of Results for 2019

Certain factors impact the comparability of the consolidated financial results to the prior year. These factors included retroactive Bill 148 funding, the costs associated with the ParaMed transformation, favourable year-end accrual adjustments, severance costs and the adoption of IFRS 16.

The net impact of these items was an increase of $0.9 million in NOI and an increase of $1.2 million in Adjusted EBITDA in Q4 2019 over Q4 2018 and an increase of $2.8 million in NOI and an increase of $3.7 million in Adjusted EBITDA for the 2019 year over 2018.

Net Operating Income

Excluding the impact of the previously noted factors, NOI declined by $0.9 million to $32.5 million for Q4 2019, and represented 11.2% of revenue as compared to $33.4 million, or 11.6% of revenue, for Q4 2018. For the 2019 year, NOI declined by $3.3 million to $133.0 million, or 11.8% of revenue, as compared to $136.3 million, or 12.2% of revenue, for 2018. Net operating income for Q4 and the year 2019 reflected funding enhancements and growth of the retirement living and other Canadian operations, offset by lower home health care volumes and increased back office operating costs.

Adjusted EBITDA

Excluding the impact of the previously noted factors, Adjusted EBITDA declined by $0.7 million to $22.7 million, or 7.8% of revenue, for Q4 2019, as compared to $23.4 million, or 8.1% of revenue, for Q4 2018. For the 2019 year, Adjusted EBITDA declined by $6.8 million to $92.4 million, or 8.2% of revenue, as compared to $99.2 million, or 8.9% of revenue, for 2018. Adjusted EBITDA for Q4 and the year 2019 reflected growth in LTC and retirement living operations, offset by lower volumes and NOI in the home health care operations and higher administrative costs.

Discontinued Operations

The after-tax earnings from discontinued operations of $5.2 million and $11.6 million for Q4 and the year 2019, respectively, included a release of reserves from the Company's Captive of $5.5 million and $12.2 million, respectively. The after-tax earnings of $15.5 million and $23.6 million for Q4 and the year 2018, respectively, included a $6.0 million and $14.1 million reduction of the Captive's reserves respectively. In addition, both periods of 2018 were impacted by a $3.6 million decrease in indemnification provisions and other items and a $5.9 million net tax recovery.

AFFO

For Q4 2019, AFFO declined by $1.2 million, or 9.6%, to $11.4 million from $12.6 million for Q4 2018 impacted by an increase in maintenance capex of $1.8 million and net interest costs of $0.8 million, partially offset by lower current taxes of $1.0 million. Current income taxes this quarter were impacted by favourable year-end accrual adjustments and deferred tax timing differences.

For the 2019 year, AFFO declined by $5.2 million, or 8.9%, to $52.6 million from $57.8 million in 2018 impacted by the decline in Adjusted EBITDA, partly driven by reduced volumes and lower net operating income in the home health care operations and higher administrative costs, and increased net interest costs.

Excluding the impact of the previously noted factors, AFFO declined by $1.8 million, or 13.9%, to $11.4 million for Q4 2019 and by $7.0 million, or 11.2%, to $55.3 million from $62.3 million for the 2019 year.

Extendicare's financial reports, including its Management's Discussion and Analysis are available on our website at www.extendicare.com under the "Investors/Financial Reports" section. Also, a supplemental information package containing historical quarterly financial results and operating statistics and a list of our senior care homes can be found on the website under the same section.

Conference Call and Webcast

On February 28, 2020, at 11:30 a.m. (ET), Extendicare will hold a conference call to discuss its 2019 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 1-800-898-3989 or 416-406-0743 followed by the passcode 5474392#. A replay of the call will be available approximately two hours after completion of the live call until midnight on March 13, 2020. To access the rebroadcast dial 1-800-408-3053 or 905-694-9451 followed by the passcode 6253014#.

Footnote:

(1) **Non-GAAP Measures:** Extendicare assesses and measures operating results and financial position based on performance measures referred to as “net operating income”, “NOI”, “NOI margin”, “Adjusted EBITDA”, “Adjusted EBITDA margin”, “AFFO”, “AFFO per share”, and “payout ratio”. In addition, the Company assesses its return on investment in development activities using the non-GAAP financial measure “NOI Yield”. These are not measures recognized under GAAP and do not have standardized meanings prescribed by GAAP. These non-GAAP measures are presented in this document because either: (i) management believes that they are a relevant measure of the ability of Extendicare to make cash distributions; or (ii) certain ongoing rights and obligations of Extendicare may be calculated using these measures. Such non-GAAP 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. They 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. Detailed descriptions of these terms can be found in Extendicare’s disclosure documents, including its Management’s Discussion and Analysis, filed with the securities regulatory authorities; these documents are available at www.sedar.com and on Extendicare’s website at www.extendicare.com.

About Extendicare

Extendicare is a leading provider of care and services for seniors across Canada, operating under the Extendicare, Esprit Lifestyle, 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 122 long-term care homes and retirement communities (69 owned/53 contract services), provide approximately 9.3 million hours of home health care services annually, and provide group purchasing services to third parties representing approximately 71,600 senior residents across Canada. Our qualified and highly trained workforce of approximately 22,000 individuals is passionate about providing high quality services to help people live better.

Forward-looking Statements

Information provided by Extendicare from time to time, including this release, contains or may contain forward-looking statements concerning anticipated financial events, results, circumstances, economic performance or expectations with respect to Extendicare and its subsidiaries, including, without limitation, statements regarding its business operations, business strategy, and financial condition. Forward-looking statements can be identified because they generally contain the words “expect”, “intend”, “anticipate”, “believe”, “estimate”, “project”, “plan” or “objective” or other similar expressions or the negative thereof. Forward-looking statements reflect management’s beliefs and assumptions and are based on information currently available, and Extendicare 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 Extendicare to differ materially from those expressed or implied in the statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on Extendicare’s forward-looking statements. Further information can be found in the disclosure documents filed by Extendicare with the securities regulatory authorities, available at www.sedar.com and on Extendicare’s website at www.extendicare.com.

Extendicare contact:
David Bacon
Senior Vice President and Chief Financial Officer
Phone: (905) 470-4000; Fax: (905) 470-4003
Email: david.bacon@extendicare.com
www.extendicare.com