

**EXTENDICARE ANNOUNCES 2020 FIRST QUARTER RESULTS**

**MARKHAM, ONTARIO** – May 14, 2020 – Extendicare Inc. (“Extendicare” or the “Company”) (TSX: EXE) today reported results for the three months ended March 31, 2020. Results are presented in Canadian dollars unless otherwise noted.

“The past two months have been especially trying for our residents, clients, frontline workers and their families,” said President and Chief Executive Officer, Dr. Michael Guerriere. “I want to express my heartfelt thanks to our team for their ongoing care and commitment. They have worked tirelessly, under very challenging circumstances and their efforts are truly appreciated. While the situation continues to evolve, we are closely monitoring any changes and adapting our response to best protect our residents, clients and staff. We remain singularly focused on providing the compassionate support and service our community have come to expect from us and we will continue to do everything in our power to protect those in our care.”

**COVID-19 Response and Business Impact**

The care and wellbeing of our residents and clients have always been Extendicare’s top priority. The COVID-19 pandemic has challenged Extendicare’s role in protecting the health of our most vulnerable citizens given the particular virulence of the virus in seniors and those with pre-existing medical conditions. Our exceptional team has risen to the challenge by providing high quality care under demanding circumstances.

As the impacts of the COVID-19 pandemic were first being reported we reacted quickly to protect our residents, clients and staff by implementing enhanced infection control and management protocols. As conditions have evolved, we have adapted our policies and procedures to safeguard those in our care, including limiting non-essential visitors to our homes, putting in place a universal masking policy and implementing enhanced screening of all residents and staff at our long-term care homes and retirement communities. Similarly, we have adopted enhanced infection control protocols across our home health care operations.

As of today, of our 69 long-term care homes and retirement communities, 13 long-term care homes and two retirement communities have one or more positive cases of COVID-19, with a majority of these outbreaks limited to less than 10 residents and/or staff. In addition, five long-term care homes previously in outbreak have been declared clear of the virus by public health. We are also working with our Extendicare Assist clients to help them manage any outbreaks in their homes.

COVID-19 impacted our financial results in the first quarter of 2020, with reduced home health care hours, increased operating costs and lower occupancy levels in our retirement communities. Governments at all levels have introduced a variety of programs to help mitigate the financial and operational impacts of COVID-19. We continue to evaluate and where applicable access these programs to help offset the additional costs associated with COVID-19.

While we are completely focused on addressing the COVID-19 challenge in the near-term, we remain confident in our future. It is difficult to predict how long COVID-19 will continue to impact our operations or its long-term implications for our business. Looking forward, as the COVID-19 challenges recede, we believe the demographic tailwinds and the investments we have made in our businesses will provide us with a variety of opportunities for the future.

## Financial Highlights from Q1 2020 (all comparisons with Q1 2019)

- Revenue up 2.3% or \$6.1 million to \$268.8 million, excluding the impact of ParaMed’s B.C. home health care operations; driven by long-term care (LTC) funding enhancements, COVID-19 funding, growth in retirement living and the impact of the leap day, partially offset by lower home health care volumes.
- Net operating income (NOI)<sup>(1)</sup> down \$0.3 million, excluding the impact of ParaMed’s B.C. home health care operations; reflecting growth in the LTC and retirement living segments, offset by lower volumes and increased back office operating costs in home health care and higher costs due to COVID-19.
- Adjusted EBITDA<sup>(1)</sup> of \$19.9 million, up \$0.3 million; impacted by lower ParaMed transformation costs partially offset by higher administrative costs.
- Earnings from continuing operations of \$1.9 million, up \$0.8 million; impacted by the provision recorded in Q1 2019 for costs associated with the exit of ParaMed from the B.C. home health care market, net of changes in foreign exchange and fair value adjustments related to the Captive’s investments and interest rate swaps.
- AFFO<sup>(1)</sup> of \$11.6 million (\$0.130 per basic share), down \$1.0 million; resulting from higher maintenance capex and current taxes, partially offset by higher earnings.
- Earnings from discontinued operations related to a release of the captive’s reserves of \$4.0 million compared to \$1.9 million in the prior year.
- Dividends declared of \$10.7 million in 2020, representing approximately 92% of AFFO.

## Business Updates

The following is a summary of the Company’s revenue, NOI and NOI margin by business segment, excluding the B.C. home health care operations, for the three months ended March 31, 2020 and 2019.

<i>(unaudited)</i> <i>(thousands of dollars, unless otherwise noted)</i>	<b>Three months ended March 31</b>			
	<b>2020</b>		<b>2019</b>	
<b>Revenue</b>				
Long-term care	<b>160,240</b>		156,221	
Retirement living	<b>12,039</b>		9,508	
Home health care	<b>90,125</b>		91,107	
Other	<b>6,439</b>		5,875	
<b>Total revenue</b>	<b>268,843</b>		262,711	
<b>NOI and NOI margin</b>				
Long-term care	<b>18,436</b>	<b>11.5%</b>	16,838	10.8%
Retirement living	<b>3,709</b>	<b>30.8%</b>	2,579	27.1%
Home health care	<b>4,285</b>	<b>4.8%</b>	7,822	8.6%
Other	<b>3,921</b>	<b>60.9%</b>	3,416	58.1%
<b>Total NOI</b>	<b>30,351</b>	<b>11.3%</b>	30,655	11.7%

## Long-term Care

Long-term care continued to provide a stable base for our operations in the first quarter of 2020, despite the impact of COVID-19. Revenue increased to \$160.2 million in Q1 2020, up 2.6% from Q1 2019 as a result of increased Ontario flow-through funding (including COVID-19 funding) and incremental funding for the leap day in 2020.

The NOI margin increased in Q1 2020 to 11.5%, up from 10.8% in Q1 2019, partially driven by funding enhancements, timing of spending under the flow-through envelopes and the leap day, partially offset by increased labour and resident care costs, and costs associated with COVID-19 that have yet to be funded. Average occupancy remained flat at 97.0% in Q1 2020, compared to 96.9% in Q1 2019. In the event of closure to admissions related to an outbreak, full funding is preserved in Ontario and we expect similar protocols to be followed in other provinces.

## ***Home Health Care***

ParaMed felt the financial impact of COVID-19 towards the end of the first quarter of 2020. Cancellation of all elective procedures in acute care hospitals, the impact of social distancing and self-isolation, restrictions on non-urgent care services and reductions in our workforce capacity, have resulted in a significant drop in our average daily volume (ADV) and increased the workload of the back-office staff in revising schedules. Since March 15, 2020, our ADV has declined by approximately 22.5% as of May 10, 2020, an improvement from the previously reported 23.4% decline as of April 26, 2020. Revenue, excluding the former B.C. operations, decreased to \$90.1 million, down 1.1% from Q1 2019, primarily due to a 3.1% decline in ADV, partially offset by incremental leap day revenue and changes in service mix. The NOI margin decreased to 4.8% in Q1 2020, down from 6.2% in Q4 2019 as a result of higher back-office operating costs, due to a combination of increased staff and increased workload in connection with the impact of COVID-19, higher ParaMed transformation costs and lower business volumes.

Given the impact of COVID-19, we made the decision to defer implementation of the new cloud-based platform in Alberta, leaving approximately 5% of our business volumes outside the new platform.

The impact of COVID-19 has continued into Q2 2020 with lower business volumes and higher back-office costs. While we are unable to predict the extent or the duration of the COVID-19 related factors, we believe that these impacts will reverse as we emerge from the pandemic, particularly as elective health care services resume.

## ***Retirement Living***

Our retirement living operations continued to deliver positive financial results in Q1 2020, despite the negative impact of COVID-19 on occupancy levels in late March. In Q1 2020, revenue increased to \$12.0 million, up 26.6% from the same quarter last year, and NOI margins strengthened in the quarter to 30.8%, up from 27.1% in Q1 2019, due to organic growth from same-store operations, primarily due to lease-up activity, and the opening of The Barrievue in Q4 2019.

Average occupancy of the stabilized portfolio decreased to 93.5% in Q1 2020, from 94.9% in Q4 2019 due to expected lower occupancy levels during the winter months and temporary restrictions on move-ins and tours by prospective residents as a result of COVID-19. Stabilized occupancy as at April 30, 2020 is 91.7%, down 110 bps from 92.8% as at March 31, 2020. We expect COVID-19 to continue to impact occupancy levels while restrictions on move-ins remain in place.

Construction on our previously announced expansion of our Empire Crossing Retirement Community in Port Hope, has been deferred until such time as societal and financial conditions are more favourable.

## ***Other Canadian Operations***

Financial performance in the Company's other Canadian operations remained strong with revenue up 9.6% to \$6.4 million, driven largely by an expansion in our SGP Purchasing Partner Network (SGP). As at March 31, 2020, SGP provided services to third parties representing approximately 72,900 senior residents across Canada, an increase of 27.8% from Q1 2019 and 12.5% since the beginning of the year. In addition to offering cost-effective purchasing contracts to other senior care providers, our SGP business has been instrumental in allowing us to secure and provide our staff with personal protective equipment necessary to help protect them and those in our care from COVID-19.

## **Financial Position**

Extendicare maintained its strong financial flexibility and liquidity in Q1 2020, with \$105.8 million of cash and cash equivalents on hand as at March 31, 2020. Subsequent to quarter end, the Company further strengthened its liquidity position with the refinancing of construction debt of \$25.8 million on the Douglas Crossing Retirement Community, securing \$47.8 million CMHC-insured financing and new mortgages of \$10.3 million on two retirement communities. Consequently, as at May 13, 2020, the Company has cash on hand of \$128.6 million, with access to a further \$71.9 million in undrawn demand credit facilities. For the balance of 2020, we have remaining scheduled debt maturities of \$23.0 million in CMHC mortgages in Q4 2020.

## Select Financial Information

The following is a summary of the Company's consolidated financial information for the three months ended March 31, 2020 and 2019.

<i>(unaudited)</i> <i>(thousands of dollars unless otherwise noted)</i>	<b>Three months ended March 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Revenue</b>	<b>271,818</b>	274,269
Operating expenses	<b>241,435</b>	243,883
<b>NOI<sup>(1)</sup></b>	<b>30,383</b>	30,386
<i>NOI margin<sup>(1)</sup></i>	<i><b>11.2%</b></i>	<i>11.1%</i>
Administrative costs	<b>10,483</b>	10,834
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>19,900</b>	19,552
<i>Adjusted EBITDA margin<sup>(1)</sup></i>	<i><b>7.3%</b></i>	<i>7.1%</i>
Depreciation and amortization	<b>9,853</b>	9,427
Other expense	–	1,429
<b>Earnings from continuing operations</b>	<b>1,871</b>	1,057
per basic and diluted share (\$)	<b>0.02</b>	0.01
<b>Earnings from discontinued operations, net of tax</b>	<b>4,035</b>	1,901
<b>Net earnings</b>	<b>5,906</b>	2,958
per basic and diluted share (\$)	<b>0.07</b>	0.03
<b>AFFO<sup>(1)</sup></b>	<b>11,630</b>	12,615
per basic share (\$)	<b>0.130</b>	0.142
per diluted share (\$)	<b>0.127</b>	0.138
<b>Current income tax expense included in FFO</b>	<b>2,073</b>	1,528
<i>FFO effective tax rate</i>	<i><b>18.8%</b></i>	<i>14.3%</i>
<b>Maintenance capex</b>	<b>1,756</b>	916
<b>Cash dividends declared per share</b>	<b>0.120</b>	0.120
<b>Payout ratio<sup>(1)</sup></b>	<b>92%</b>	84%
<b>Weighted average number of shares</b> <i>(thousands)</i>		
Basic	<b>89,644</b>	88,825
Diluted	<b>100,023</b>	99,186

(1) **Non-GAAP Measures:** *Extencicare 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 Extencicare to make cash distributions; or (ii) certain ongoing rights and obligations of Extencicare 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 Extencicare’s disclosure documents, including its Management’s Discussion and Analysis, filed with the securities regulatory authorities; these documents are available at [www.sedar.com](http://www.sedar.com) and on Extencicare’s website at [www.extencicare.com](http://www.extencicare.com).*

Extencicare’s financial reports, including its Management’s Discussion and Analysis are available on our website at [www.extencicare.com](http://www.extencicare.com) under the “Investors/Financial Reports” section.

## May Dividend Declared

The Board of Directors of Extencicare today declared a cash dividend of \$0.04 per share for the month of May 2020, which is payable on June 15, 2020, to shareholders of record at the close of business on May 29, 2020. This dividend is designated as an “eligible dividend” within the meaning of the Income Tax Act (Canada).

## Conference Call and Webcast

On May 15, 2020, at 11:30 a.m. (ET), Extencicare will hold a conference call to discuss its 2020 first quarter results. The call will be webcast live and archived online at [www.extencicare.com](http://www.extencicare.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 May 29, 2020. To access the rebroadcast dial 1-800-319-6413 followed by the passcode 4487#.

## About Extencicare

Extencicare is a leading provider of care and services for seniors across Canada, operating under the Extencicare, Esprit Lifestyle, ParaMed, Extencicare 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 9.2 million hours of home health care services annually, and provide group purchasing services to third parties representing approximately 72,900 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

*This press release contains forward-looking statements concerning anticipated financial events, results, circumstances, economic performance or expectations with respect to Extencicare and its subsidiaries, including, without limitation, statements regarding its business operations, business strategy, and financial condition and in particular statements in respect of the impact of measures taken to mitigate the impact of COVID-19, the availability of various government programs and financial assistance announced in respect of COVID-19, the impact of COVID-19 on the Company’s operating costs, staffing, procurement, occupancy levels (primarily in its retirement communities) and volumes in its home health care business, the impact on the capital and credit markets and the Company’s ability to access the credit markets as a result of COVID-19, and increased litigation and regulatory exposure. Forward-looking statements can be identified because they generally contain the words “anticipate”, “believe”, “estimate”, “expect”, “intend”, “objective”, “plan”, “project”, “will” 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 Extencicare 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 Extencicare to differ materially from those expressed or implied in the statements. Risks and uncertainties related to the effects of COVID-19 on Extencicare include the length, spread and severity of the pandemic; the nature and extent of the measures taken by all levels of governments and public health officials, both short and long term, in response to COVID-19; domestic and global credit and capital markets; the Company’s ability to access capital on favourable terms or at all due to the potential for reduced revenue and increased operating expenses as a result of COVID-19; litigation and/or regulatory action being commenced against the Company, regardless of merit; the health and safety of the Company’s employees and its residents and clients; and domestic and global supply chains, particularly in respect of personal protective equipment (PPE). Given the evolving circumstances surrounding COVID-19, it is difficult to predict how significant the adverse impact will be on the global and domestic economy and the business operations and financial position of Extencicare. For further information on the risks, uncertainties and assumptions that could cause Extencicare’s actual results to differ from current expectations, refer to “Risk Factors” in Extencicare’s Annual Information Form and “Forward Looking-Statements” in Extencicare’s Q1 2020 Management’s Discussion and Analysis filed by Extencicare with the securities regulatory authorities, available at [www.sedar.com](http://www.sedar.com) and on Extencicare’s website at [www.extencicare.com](http://www.extencicare.com). Given these risks and uncertainties, readers are cautioned not to place undue reliance on Extencicare’s forward-looking statements.*

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