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... helping people live better

NEWS RELEASE

EXTENDICARE ANNOUNCES 2020 SECOND QUARTER RESULTS

MARKHAM, ONTARIO – August 13, 2020 – Extendicare Inc. ("Extendicare" or the "Company") (TSX: EXE) today reported results for the three and six months ended June 30, 2020. Results are presented in Canadian dollars unless otherwise noted.

"Our focus remains firmly on the safety of our residents, clients and staff and providing the necessary resources to prevent the spread of the virus," said President and Chief Executive Officer, Dr. Michael Guerriere. "We have established strict protocols and processes to help us manage through this challenging time, with ongoing re-evaluation to ensure we are adapting for the growing understanding of the virus. The past six months have been very challenging for everyone and I truly appreciate the compassion, care and commitment our team have demonstrated in caring for some of society's most vulnerable people. We take our responsibility very seriously and our residents, clients and staff can be confident that we will do whatever is necessary to protect them."

COVID-19

We are carefully monitoring the risk of a possible "second wave" and are preparing our operations by maintaining sufficient levels of personal protective equipment (PPE) and enhancing infection prevention measures, to address the unique nature of the virus.

As of today, of our 69 long-term care homes and retirement communities, one long-term care home is in outbreak, with one positive staff case of COVID-19. In respect of our Extendicare Assist clients, none are currently in outbreak.

To date, we have incurred an estimated $20.0 million of pandemic-related operating expenses and $1.2 million in COVID-19 related administrative costs. These costs are partially offset by $10.2 million in revenue or expense recovery associated with the various provincial government programs, resulting in a reduction of our consolidated net operating income (NOI) and Adjusted EBITDA of approximately $9.8 million and $11.0 million, respectively. We have incurred a further estimated $17.4 million in pandemic pay fully funded by programs announced by the Ontario and Alberta governments to temporarily increase hourly wages for certain eligible front-line employees. We have recorded the pandemic pay in operating expenses and recognized the related offsetting funding for these programs as revenue. In addition, we have purchased an additional $12.7 million in PPE inventory to ensure that we continue to have sufficient supply to provide the necessary level of protection to our residents, clients and staff, particularly as governments lift restrictions and we resume visitation and move-in activities in our long-term care and retirement residences.

The Federal Government and the provincial governments where we operate have all announced various programs and financial assistance to address the increased costs and other challenges presented by COVID-19, and we continue to assess our eligibility for and potential of these programs to mitigate the financial impacts of COVID-19. However, the amount and timing of such funding, relative to the additional expenses incurred, has and will continue to cause volatility in our results.

As restrictions have eased, we have begun to see signs of improvement in our operations. Home health care average daily volumes (ADV) have shown steady improvement in recent weeks as some elective health care services have resumed and staff have started to return to work. In addition, we have recommenced in-person tours at our retirement communities in Ontario. While we can't predict the ultimate impact nor the duration of the pandemic, we are focused on managing our operations through this challenge so we are well positioned to take advantage of opportunities as the pandemic recedes.

Financial Highlights

For purposes of the following financial discussion, revenue and NOI exclude the year-over-year decline resulting from ParaMed's B.C. home health care operations and the incremental funding related to Bill-148 received by ParaMed in Q2 2019.

Q2 2020 (all comparisons with Q2 2019)

- Revenue up 4.7% or $12.7 million to $281.9 million; driven by COVID-19 funding, LTC funding enhancements and growth in retirement living and other operations, partially offset by a 20.7% decline in home health care ADV.
- Net operating income (NOI)[(1)] of $19.9 million, down $13.5 million; reflecting COVID-19 costs in excess of funding and lower ADV and increased back office operating costs in home health care, partially offset by growth in the retirement living and other operations segments.
- Adjusted EBITDA[(1)] of $8.2 million, down $17.0 million; primarily driven by COVID-19 costs in excess of funding, lower NOI from home health care and higher administrative costs.
- Loss from continuing operations of $8.9 million, down $13.9 million; primarily driven by COVID-19 costs in excess of funding (estimated $7.8 million after tax), the decline in NOI from home health care operations, increased administrative costs, and an impairment charge on certain retirement communities in Saskatchewan taken in the quarter.
- AFFO[(1)] of $2.9 million ($0.033 per basic share), down $12.0 million; reflecting decline in Adjusted EBITDA (including COVID-19 estimated net costs of $0.087 per share), partially offset by lower current taxes.
- Earnings from discontinued operations included a release of the captive's reserves of $5.5 million compared to $2.5 million in the prior year.

Six Months 2020 (all comparisons with Six Months 2019)

Results for the six months ended June 30, 2020 were negatively impacted by COVID-19 costs in excess of funding, a 12% decline in home health care business volumes and higher back office and administrative costs, partially offset by growth in the retirement living and other operations segments.

- Revenue up 3.5% or $18.8 million to $550.8 million.
- Net operating income (NOI)[(1)] down $13.8 million to $50.3 million.
- Adjusted EBITDA[(1)] of $28.3 million, down $16.6 million.
- Loss from continuing operations of $7.7 million, down $12.7 million; primarily driven by COVID-19 costs in excess of funding (estimated $8.1 million after tax) and the decline in home health care business volumes.
- AFFO[(1)] of $14.6 million ($0.162 per basic share), down $13.0 million; reflecting decline in Adjusted EBITDA (including COVID-19 estimated net costs of $0.090 per share), increase in net interest costs and higher maintenance capex, partially offset by a reduction in current taxes.
- Earnings from discontinued operations included a release of the captive's reserves of $9.5 million compared to $4.4 million in the prior year.
- Dividends declared of $21.5 million in 2020, representing approximately 147% of AFFO.

Business Updates

The following is a summary of the Company's revenue, NOI and NOI margins by business segment, excluding the B.C. home health care operations and incremental Bill 148 funding received in Q2 2019, for the three and six months ended June 30, 2020 and 2019.

(unaudited)	**Three months ended June 30**				**Six months ended June 30**			
(millions of dollars, unless otherwise noted)	**2020**		**2019**		**2020**		**2019**	
Revenue								
Long-term care	**178.5**		159.9		**338.7**		316.2	
Retirement living	**11.7**		10.0		**23.8**		19.5	
Home health care	**85.5**		93.4		**175.6**		184.5	
Other	**6.3**		5.9		**12.7**		11.8	
Total revenue	**281.9**		269.2		**550.8**		532.0	
NOI and NOI margin [1]								
Long-term care	**11.1**	***6.2%***	19.4	*12.1%*	**29.5**	***8.7%***	36.3	*11.5%*
Retirement living	**3.5**	***30.0%***	2.9	*29.2%*	**7.2**	***30.4%***	5.5	*28.2%*
Home health care	**1.4**	***1.7%***	7.9	*8.4%*	**5.7**	***3.2%***	15.7	*8.5%*
Other	**3.9**	***62.0%***	3.2	*54.3%*	**7.8**	***61.4%***	6.6	*56.2%*
Total NOI [1]	**19.9**	***7.1%***	33.4	*12.4%*	**50.3**	***9.1%***	64.1	*12.0%*

Note: Totals may not sum due to rounding.

Long-term Care

The impact of COVID-19 became more evident in our long-term care operations in Q2, as costs associated with protecting residents and staff exceeded additional funding received, resulting in lower NOI compared to the same period last year.

NOI and NOI margin in Q2 2020 were $11.1 million and 6.2%, respectively, down from $19.4 million and 12.1% respectively in Q2 2019. NOI and NOI margin decreased in the quarter largely as a result of increased costs associated with COVID-19 and pandemic pay programs, estimated to be $26.2 million and $8.6 million in excess of government funding received.

Average occupancy dropped to 93.5% in Q2 2020, down 400 bps from Q2 2019 and 350 bps from Q1 2020, mainly driven by reduced admissions as a result of COVID-19. Despite lower occupancy levels, our revenue base is largely protected as full funding is preserved in Ontario until December 31, 2020. Alberta has introduced additional funding for COVID-19 costs, which includes an allocation to address occupancy reductions and we expect similar protocols to be followed in other provinces.

We recently submitted applications to build over 4,200 beds to replace all of our 3,287 existing C beds and add new long-term care beds under the Ontario's government redesigned construction funding subsidy (CFS) program announced on July 15, 2020. We continue to work closely with our industry partners and the government to finalize the details of the new CFS program and the related approval and licensing processes to expedite our projects that are feasible under the new proposed program.

Home Health Care

The impact of COVID-19 on our ParaMed home health care operations volumes during Q2 2020, excluding the B.C. operations included in Q2 2019, resulted in a 20.7% decline in our ADV in Q2 2020, as compared to Q2 2019, and a 17.4% decline from Q1 2020. We have experienced a steady improvement in ParaMed's business volumes in recent weeks, with ADV for the four weeks ending August 9, 2020 increasing to 22,422, up 10.0% as compared to the ADV for Q2 2020 of 20,380. While we are unable to predict the extent or the duration of COVID-19 on the home health care operations, we believe that the negative impact on ADV will continue to reverse as we emerge from the pandemic, particularly as elective health care services resume, the CERB program winds down and staff return to work.

In Q2 2020, revenue decreased to $85.5 million, down 8.5% from Q2 2019, excluding revenue from the B.C. operations and Bill 148 included in Q2 2019. The drop in revenue is primarily due to the 20.7% decline in ADV resulting from the impact of COVID-19, partially offset by $9.6 million in COVID-19 and pandemic pay funding. NOI and NOI margin decreased to $1.4 million and 1.7%, respectively in Q2 2020, down from $7.9 million and 8.4%, respectively in Q2 2019. NOI and NOI margin was lower as a result of lower business volumes, continued higher back-office operating costs and costs related to COVID-19 in excess of funding of an estimated $0.4 million.

Subsequent to quarter end, our home health care subsidiary, ParaMed Inc., applied for and received a payment of $21.0 million under the Canada Emergency Wage Subsidy (CEWS) program. CEWS is a Federal Government program designed to help Canadian employers that have experienced revenue declines to re-hire workers previously laid off as a result of COVID-19, help prevent further job losses and better position to resume normal operations following the crisis. Despite the significant declines in home health care revenue experienced since the onset of the COVID-19 pandemic, we have sought to maintain our front-line and back office staffing levels to ensure we are able to respond quickly to increases in demand for home health care services and resume operating at normalized levels as the pandemic recedes. The subsidy amount will be recorded in Q3 2020 as a reduction in operating expenses of the home health care segment and we anticipate applying for additional funding in the coming weeks.

Retirement Living

Our retirement living operations continued to deliver positive financial results in Q2 2020, as contributions from lease-up communities more than offset the negative impact of COVID-19 on occupancy levels.

In Q2 2020, revenue increased to $11.7 million, up 17.3% from the same quarter last year and NOI margins increased slightly to 30.0%, up from 29.2% from the same quarter last year, largely driven by the opening of The Barrieview in October 2019, partially offset by the impact of COVID-19 on occupancy levels at our stabilized communities.

Average occupancy of our stabilized portfolio decreased to 91.5% in Q2 2020 from 93.5% in Q1 2020, due to continued temporary restrictions on in-person tours by prospective residents as a result of COVID-19. Stabilized occupancy as at June 30, 2020 was 91.3%, down 150 bps from March 31, 2020 and down 120 bps from June 30, 2019. Restrictions in Ontario have been lifted and we have resumed in-person tours for prospective residents in our Ontario communities, while continuing to conduct virtual tours in our Saskatchewan communities.

Other Canadian Operations

Financial performance in the Company's other operations remained strong and revenue increased 6.4% to $6.3 million, largely driven by an increase of clients in our SGP Purchasing Partner Network (SGP). SGP continues to grow its market share, increasing the number of third-party residents served by 28.1% at June 30, 2020, from the same quarter last year and by 3.1% since March 31, 2020.

SGP has continued to expand its reach and at the beginning of Q3 2020 welcomed a number of new clients, including Golden Life and Groupe Lokia to its network, bringing its service coverage to approximately 79,000 senior residents across Canada.

Financial Position

Extendicare maintained its strong financial flexibility and liquidity in Q2 2020, with cash and cash equivalents on hand of $122.0 million and access to a further $71.9 million in undrawn demand credit facilities as at June 30, 2020. In addition, the Company has $14.1 million of restricted cash held by its captive insurance company that is anticipated to be released in Q3 2020, pending the completion of the regulatory approval of the deregistration of the captive in Bermuda and the subsequent wind-up of the captive subsidiary.

During the six months ended June 30, 2020, the Company renewed and extended non-CMHC mortgages on three long-term care homes and finalized new non-CMHC mortgages on two retirement communities. The Company also renewed one CMHC mortgage on a long-term care home and finalized a new CMHC mortgage on a retirement community to replace a construction loan. As a result of these financing activities, the Company does not have any scheduled debt maturities until Q1 2022.

Select Financial Information

The following is a summary of the Company's consolidated financial information for the three and six months ended June 30, 2020 and 2019.

(unaudited) *(thousands of dollars unless otherwise noted)*	**Three months ended June 30** (2)		**Six months ended June 30** (2)	
	2020	**2019**	**2020**	**2019**
Revenue	**281,947**	284,053	**553,765**	558,322
Operating expenses	**262,013**	248,733	**503,448**	492,616
NOI (1)	**19,934**	35,320	**50,317**	65,706
NOI margin (1)	***7.1%***	*12.4%*	***9.1%***	*11.8%*
Administrative costs	**11,767**	10,168	**22,019**	20,780
Adjusted EBITDA (1)	**8,167**	25,152	**28,298**	44,926
Adjusted EBITDA margin (1)	***2.9%***	*8.9%*	***5.1%***	*8.0%*
Other expense	**2,780**	975	**2,780**	2,404
Earnings (loss) from continuing operations	**(8,889)**	4,966	**(7,652)**	4,979
per basic and diluted share *($)*	**(0.10)**	0.06	**(0.09)**	0.06
Earnings from discontinued operations, net of tax	**5,230**	3,359	**9,899**	6,304
Net earnings (loss)	**(3,659)**	8,325	**2,247**	11,283
per basic and diluted share *($)*	**(0.04)**	0.10	**0.03**	0.13
AFFO (1)	**2,946**	14,927	**14,576**	27,542
per basic share *($)*	**0.033**	0.168	**0.162**	0.310
per diluted share *($)*	**0.033**	0.161	**0.162**	0.299
Current income tax expense (recovery) included in FFO	**(1,848)**	3,283	**225**	4,811
FFO effective tax rate	***140.9%***	*20.0%*	***2.3%***	*17.5%*
Maintenance capex	**2,157**	2,312	**3,912**	3,228
Cash dividends declared per share	**0.120**	0.120	**0.240**	0.240
Payout ratio (1)	**365%**	71%	**147%**	77%
Weighted average number of shares *(thousands)*				
Basic	**89,826**	89,039	**89,735**	88,933
Diluted	**100,177**	99,415	**100,095**	99,312

*(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.*

(2) Comparative figures have been re-presented to reflect discontinued operations.

Extendicare's financial reports, including its Management's Discussion and Analysis are available on its website at www.extendicare.com under the "Investors/Financial Reports" section.

August Dividend Declared

The Board of Directors of Extendicare today declared a cash dividend of $0.04 per share for the month of August 2020, which is payable on September 15, 2020, to shareholders of record at the close of business on August 31, 2020. This dividend is designated as an “eligible dividend” within the meaning of the Income Tax Act (Canada).

Conference Call and Webcast

On August 14, 2020, at 11:30 a.m. (ET), Extendicare will hold a conference call to discuss its 2020 second 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 August 28, 2020. To access the rebroadcast dial 1-800-319-6413 followed by the passcode 4907#.

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 8.8 million hours of home health care services annually, and provide group purchasing services to third parties representing approximately 75,200 senior residents across Canada. Our qualified and highly trained workforce of approximately 22,800 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 Extendicare 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, increased litigation and regulatory exposure and the outcome of any litigation and regulatory proceedings. 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 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. Risks and uncertainties related to the effects of COVID-19 on Extendicare 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; the availability of insurance on favourable terms; litigation and/or regulatory proceedings against or involving 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. 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 Extendicare. For further information on the risks, uncertainties and assumptions that could cause Extendicare’s actual results to differ from current expectations, refer to “Risk Factors” in Extendicare’s Annual Information Form and “Forward Looking-Statements” in Extendicare’s Q2 2020 Management’s Discussion and Analysis filed by Extendicare with the securities regulatory authorities, available at www.sedar.com 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.

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