

EXTENDICARE[®]

... helping people live better

MANAGEMENT'S DISCUSSION AND ANALYSIS

Q1 2021

Extendicare Inc.

Dated: May 12, 2021

Management’s Discussion and Analysis

Three months ended March 31, 2021

Dated: May 12, 2021

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BASIS OF PRESENTATION

This Management’s Discussion and Analysis (MD&A) provides information on Extendicare Inc. and its subsidiaries, and unless the context otherwise requires, references to “Extendicare”, the “Company”, “we”, “us” and “our” or similar terms refer to Extendicare Inc., either alone or together with its subsidiaries. The Company’s common shares (the “Common Shares”) are listed on the Toronto Stock Exchange (TSX) under the symbol “EXE”. The registered office of Extendicare is located at 3000 Steeles Avenue East, Suite 700, Markham, Ontario, Canada, L3R 9W2.

Extendicare is a recognized leader in the delivery of quality health care services to Canadians across the continuum of seniors’ care. In operation since 1968, it is one of the largest private-sector owner/operators of long-term care (LTC) homes in Canada and the largest private-sector provider of publicly funded home health care services in Canada through its wholly owned subsidiary ParaMed Inc. (ParaMed). In addition, the Company owns and operates retirement communities in secondary markets under the Esprit Lifestyle Communities brand, provides business-to-business contract and consulting services through its Extendicare Assist division and services its homes and communities and those of its clients through its group purchasing division SGP Purchasing Partner Network (SGP).

Extendicare proudly employs more than 23,000 qualified, highly trained and dedicated individuals who are passionate about providing high quality care and services to help people live better.

Extendicare completed the dissolution of its wholly owned Bermuda-based captive insurance company, Laurier Indemnity Company, Ltd. (the “Captive”) in Q1 2021. As a result of the initiation of the wind-up plan, the Company classified the formerly separate U.S. segment as a discontinued operation in Q2 2020 and re-presented its comparative consolidated statement of earnings. Accordingly, the Company is no longer presenting a separate U.S. segment and has re-presented the comparative financial information presented in this MD&A (refer to the discussion under “Discontinued Operations”).

In This MD&A

This MD&A has been prepared to provide information to current and prospective investors of the Company to assist them to understand the Company’s financial results for the three months ended March 31, 2021. This MD&A should be read in conjunction with the Company’s unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021, and the notes thereto, together with the annual MD&A and the audited consolidated financial statements for the year ended December 31, 2020, and the notes thereto, prepared in accordance with International Financial Reporting Standards (IFRS). The accompanying unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021, have been prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting”, as issued by the International Accounting Standards Board (IASB).

In this document, “Q1” refers to the three-month period ended March 31; “Q2” refers to the three-month period ended June 30; “Q3” refers to the three-month period ended September 30; and “Q4” refers to the three-month period ended December 31. Except as otherwise specified, references to years indicate the fiscal year ended December 31, 2020, or December 31 of the year referenced.

In this MD&A, the Company uses a number of performance measures and indicators to monitor and analyze the financial results that do not have standardized meanings prescribed by generally accepted accounting principles (GAAP) and, therefore, may not be comparable to similar performance measures and indicators used by other issuers. Please refer to the “Key Performance Indicators” and “Non-GAAP Measures” sections of this MD&A for details.

The annual and interim MD&A, financial statements and other materials are available on the Company’s website at www.extendicare.com. All currencies are in Canadian dollars unless otherwise indicated.

This MD&A is dated as of May 12, 2021, the date this report was approved by the Company’s board of directors (the “Board of Directors” or “Board”), and is based upon information available to management as of that date. This MD&A should not be considered all-inclusive, as it does not include all changes that may occur in general economic, political and environmental conditions. Additionally, other events may or may not occur, which could affect the Company in the future.

ADDITIONAL INFORMATION

Additional information about the Company, including its latest Annual Information Form, may be found on SEDAR’s website at www.sedar.com under the Company’s issuer profile and on the Company’s website at www.extendicare.com.

FORWARD-LOOKING STATEMENTS

This Quarterly Report contains forward-looking statements within the meaning of applicable Canadian securities laws (“forward-looking statements” or “forward-looking information”). Statements other than statements of historical fact contained in this Quarterly Report may be forward-looking statements, including, without limitation, management’s expectations, intentions and beliefs concerning anticipated future events, results, circumstances, economic performance or expectations with respect to the Company, including, without limitation: statements regarding its business operations, business strategy, growth strategy, results of operations and financial condition; statements relating to the expected annual revenue, net operating income yield (NOI Yield) and adjusted funds from operations (AFFO) to be derived from development projects; statements relating to indemnification provisions in respect of disposed operations; 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 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 often be identified by the expressions “anticipate”, “believe”, “estimate”, “expect”, “intend”, “objective”, “plan”, “project”, “will” or other similar expressions or the negative thereof. These forward-looking statements reflect the Company’s current expectations regarding future results, performance or achievements and are based upon information currently available to the Company and on assumptions that the Company believes are reasonable. Actual results and developments may differ materially from results and developments discussed in the forward-looking statements, as they are subject to a number of risks and uncertainties.

Although forward-looking statements are based upon estimates and assumptions that the Company believes are reasonable based upon information currently available, these statements are not representations or guarantees of future results, performance or achievements of the Company and are inherently subject to significant business, economic and competitive uncertainties and contingencies. In addition to the assumptions and other factors referred to specifically in connection with these forward-looking statements, the risks, uncertainties and other factors that could cause the actual results, performance or achievements of the Company to differ materially from those expressed or implied by the forward-looking statements, include, without limitation, the following: the occurrence of a pandemic, epidemic or outbreak of a contagious illness, such as COVID-19; changes in the overall health of the economy and changes in government; the availability and ability of the Company to attract and retain qualified personnel; changes in the health care industry in general and the long-term care industry in particular because of political, legal and economic influences; changes in applicable accounting policies; changes in regulations governing the health care and long-term care industries and the compliance by the Company with such regulations; changes in government funding levels for health care services; the ability of the Company to renew its government licenses and customer contracts; changes in labour relations and costs; changes in tax laws; resident care and class action litigation, including the Company’s exposure to punitive damage claims, increased insurance costs and other claims; the ability of the Company to maintain and increase resident occupancy levels and business volumes; changes in competition; changes in demographics and local environment economies; changes in foreign exchange and interest rates; changes in the financial markets, which may affect the ability of the Company to refinance debt; and the availability and terms of capital to the Company to fund capital expenditures and acquisitions; changes in the anticipated outcome and benefits of dispositions, acquisitions and development projects, including risks relating to completion; and those other risks,

uncertainties and other factors identified in the Company's other public filings with the Canadian securities regulators available on SEDAR's website at www.sedar.com under the Company's issuer profile.

In particular, 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 (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 Extendicare.

The preceding list of material factors or assumptions is not exhaustive. Although forward-looking statements contained in this Quarterly Report are based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Accordingly, readers should not place undue reliance on such forward-looking statements and assumptions as management cannot provide assurance that actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. The forward-looking statements speak only as of the date of this Quarterly Report. Except as required by applicable securities laws, the Company assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

SIGNIFICANT DEVELOPMENTS

Protecting Our Residents, Clients and Staff

As we emerged from the fourth quarter of 2020, we saw a resurgence of COVID-19 cases across the country. The discovery of new "variants of concern" and higher rates of community transmission, made it more challenging to protect our homes from the virus, despite the implementation of enhanced safety protocols and testing programs. As a result of prioritized access to vaccines during the first quarter of 2021 for those living and working in LTC homes, we have seen a dramatic decrease in the number of cases across our homes. Notwithstanding the precipitous drop in cases within our LTC homes, the "third wave" has seen the most significant surge in cases across the country since the start of the pandemic. Higher rates of community transmission have exerted considerable strain on our health care systems across Canada and we remain vigilant in our ongoing efforts to protect our residents, clients and staff and their families. Emergency measures enacted by Canada's federal and provincial governments to combat the spread of COVID-19 remain in place or have been reinstated in most regions. We continue to work closely with all levels of government, health authorities, our industry partners and advocacy groups on various initiatives to help ensure our collective response to the crisis is focused on the protection and care of our residents, clients and staff.

This pandemic has been a tragedy on a global scale, but also a devastating personal experience for so many with loved ones in Canada's LTC homes. Our condolences are extended to each grieving family and care team who has lost a parent, a grandparent, a sibling or a friend to this virus.

We continue to focus on improving our clinical program and building stronger relationships with hospitals and attending physicians in our homes. During the first quarter, we established enhanced testing protocols and initiated various vaccine awareness and education programs to promote participation rates within our residents and staff. We also continue to work closely with public health officials and our hospital partners to collaborate on solutions to continue to protect our residents and staff, and do our part to help bolster the broader health care system as it deals with the current crisis.

We continue to maintain increased staffing levels in our homes in order to respond to the ongoing needs of our residents during the significant restrictions and precautions in place to combat the virus. During the last year, we have increased our recruiting team and added more than 1,000 new frontline caregivers to our LTC homes. There remain significant challenges recruiting new staff as the shortage of health care workers has been exacerbated by the increase in demand for caregivers caused by the pandemic. Many of our homes still have numerous vacancies they are trying to fill.

We continue to invest in critical programs and support for our staff and residents, including:

- A regular staff testing program to test all LTC staff, further enhanced with the introduction of rapid testing capabilities;
- Augmented clinical expertise deployed to assist homes in outbreak with on-the-ground infection control;

- Ongoing supports for staff required to isolate (meals, hotel stays, paid sick time) and paid time off and travel expenses for staff to be vaccinated; and
- Sustained PPE inventory to ensure a stable supply for staff.

Due in large part to our ongoing vaccination efforts of residents, staff and essential family caregivers across our homes and communities, as of May 11, 2021, there were only two active resident cases of COVID-19 across our 69 LTC homes and retirement communities. The homes we support through Extendicare Assist have also experienced a similar dramatic reduction in active cases at their homes and with their staff as we have worked closely with our Extendicare Assist clients to coordinate and promote their vaccination campaigns.

VACCINATIONS PLAY A VITAL ROLE

Vaccinations have clearly demonstrated their vital role in reducing the impact of COVID-19 and the severity of the illness for those infected. We continue to vaccinate residents, staff and essential family caregivers at our homes and approximately 90% of our LTC and 86% of our retirement residents have been fully vaccinated.

Our extensive education and awareness campaign for staff, along with the provision of paid time off and reimbursement of travel expenses for vaccination, have resulted in approximately 74% of our LTC staff and 67% of our retirement staff having received at least their first dose. Community healthcare workers are now eligible for vaccination in most parts of the country and so the ParaMed vaccine campaign is now well under way as well. As increased supply is made available, we expect to see a significant increase in vaccination rates among our home health care staff.

ENHANCED TESTING PROGRAMS

As was evident throughout 2020, routine staff testing enables us to identify COVID-19 positive individuals who may be asymptomatic or pre-symptomatic and remove them from the home before the virus can be transmitted. This early detection has been a critical tool in helping to keep COVID-19 out of our LTC homes and retirement communities. In concert with health authorities in all provinces, we continue to monitor evolving virus variants. Following a successful point-of-care test pilot program in Ontario in Q4 2020, we have implemented rapid testing for all LTC staff and visitors across Ontario, and increased testing frequency to two to three times a week in areas where there are high levels of community transmission.

We have also expanded the use of rapid tests in our LTC homes outside Ontario. The rapid testing program provides results within 15 minutes, enabling our teams to quickly identify infections among staff or designated family visitors and remove them from the home until they are no longer infectious. We are now administering approximately 24,000 rapid tests each week through our program.

COVID-19 Related Expenses and Funding

The extensive outbreaks we experienced as part of the “second wave” in the first weeks of 2021 necessitated increased levels of COVID related expenses as compared to Q4 2020. We continue to invest the resources required to help protect our residents, clients and staff. We continue to receive important financial support for our LTC operations from the respective provincial governments with additional funding announcements both during, and subsequent to, Q1 2021.

In Q1 2021, we incurred an estimated \$45.3 million of pandemic-related operating expenses and \$0.9 million in COVID-19 related administrative costs, bringing the cumulative total since the beginning of the pandemic in Q1 2020 to an estimated \$116.3 million and \$4.4 million, respectively.

These costs were partially offset by various provincial government COVID-19 funding programs, which for Q1 2021 was \$43.9 million, resulting in a reduction of our consolidated net operating income (NOI) and Adjusted EBITDA of approximately \$1.4 million and \$2.3 million, respectively. Since Q1 2020, cumulative revenue or expense recovery from government programs was \$88.3 million, resulting in a reduction of our consolidated NOI and Adjusted EBITDA of approximately \$28.0 million and \$32.4 million, respectively.

We have also incurred a further estimated \$11.9 million in temporary pandemic pay increases for eligible front-line staff in Q1 2021, and cumulative pandemic pay increases since Q1 2020 of \$55.8 million, offset by funded programs announced in Ontario and Alberta. We record the pandemic pay in operating expenses and recognize the related offsetting funding for these programs as revenue.

In addition, as at March 31, 2021, we have \$15.3 million in PPE inventory to ensure a continued stable and sufficient supply for our staff as COVID-19 measures continue to be in place.

The following table provides a summary of the estimated revenue recognized and the operating and administrative costs incurred related to COVID-19 for Q1 2021 and each of the quarters and full year of 2020.

Estimated COVID-19 Revenue, Operating Expenses and Administrative Costs						
<i>(millions of dollars)</i>	2021				2020	
	Q1	Q4	Q3	Q2	Q1	Year
Revenue						
Long-term care	47.0	25.6	21.1	17.6	0.4	64.7
Retirement living	—	—	—	—	—	—
Home health care	8.8	6.4	7.6	9.6	—	23.6
Revenue impact	55.8	32.0	28.7	27.2	0.4	88.3
Operating Expenses						
Long-term care	48.1	34.3	27.7	26.2	0.7	88.9
Retirement living	0.1	0.1	0.5	0.5	—	1.1
Home health care	9.0	7.2	7.7	10.0	—	24.9
Operating expenses impact	57.2	41.6	35.9	36.7	0.7	114.9
NOI						
Long-term care	(1.1)	(8.7)	(6.6)	(8.6)	(0.3)	(24.2)
Retirement living	(0.1)	(0.1)	(0.5)	(0.5)	—	(1.1)
Home health care	(0.2)	(0.8)	(0.1)	(0.4)	—	(1.3)
NOI impact	(1.4)	(9.6)	(7.2)	(9.5)	(0.3)	(26.6)
Administrative costs	0.9	0.7	1.6	1.2	—	3.5
Adjusted EBITDA impact	(2.3)	(10.3)	(8.8)	(10.7)	(0.3)	(30.1)

Subsequent to December 31, 2020, the Ontario Ministry of Long-Term Care (MLTC) announced an additional \$398.0 million in funding to support the province's LTC sector in managing the "second wave", which included \$268.0 million in additional prevention and containment funding to LTC homes to further support the additional costs associated with screening, staffing and PPE during 2020 through to March 31, 2021, the MLTC's fiscal year end. Furthermore, the Government of Ontario's 2021 Budget announced on March 24, 2021, included an additional \$600.0 million in COVID-19 response funding for their next fiscal year, commencing April 1, 2021, demonstrating their continued support for the LTC sector. As a result of the above announcements and other funding received in our western provinces, \$18.8 million of the \$47.0 million recognized in COVID-19 related funding in Q1 2021 in our LTC segment relates to COVID costs incurred in 2020.

The Federal Government and the provincial governments where we operate have all announced various programs and financial assistance to address the challenges presented by COVID-19, and continue to evolve these programs to mitigate the financial impacts of the pandemic. However, the amount and timing of announcements of these payments does not always correlate to the period in which the additional expenses are incurred. As a result, we expect ongoing volatility in our operating and financial results until the effects of COVID-19 are behind us as the unknown amounts of additional COVID-19 related funding cannot always be estimated at the time the expenses are incurred.

While we believe the financial impacts of COVID-19 will largely reverse as we emerge from the pandemic, there is no guarantee as to how soon that may be or that any other pandemic, epidemic or outbreak will not have a material adverse effect on the business, results of operations and financial condition of the Company.

Ongoing Impact of COVID-19 on our LTC and Retirement Occupancy

The Ontario 2021 Budget provided an extension of LTC occupancy protection to the end of August 2021, as discussed below, which ensures the sector can maintain its critical focus on preventing transmission of the virus in LTC homes and supports the measured admission of new residents from hospitals and the community. In addition, it is anticipated that we will not be returning to full occupancy levels in homes with ward-style, four-bed rooms, as these will remain with a maximum of two residents per room in all homes. We expect funding to continue at our current level for these ward-style rooms beyond August 2021.

Since the start of the COVID-19 pandemic, our LTC occupancy has declined and in Ontario dropped below 97% beginning in Q2 2020 and was 82.9% in Q1 2021. The Government of Ontario has provided full occupancy funding for basic accommodation in LTC throughout the pandemic. To date, each of the western provinces where we operate LTC homes have provided additional funding to support COVID-19 costs. In certain provinces, this funding includes specific funding related to occupancy.

Our retirement communities have also seen declines in occupancy and slower growth in lease-up communities as move-ins and tours have been impacted by COVID-19 protocols. Despite this challenge, we are pleased with the performance of our stabilized communities, having maintained an average occupancy of more than 90% throughout the pandemic, with average stabilized occupancy of 90.7% in Q1 2021, down from a peak of 94.9% in Q4 2019. We expect occupancy challenges to continue until restrictions on in-person tours and move-in protocols are lifted, in line with decreased prevalence of the virus in the communities in which we operate.

Home Health Care Volumes and Margins Recovering

Home health care operations were significantly impacted at the onset of the COVID-19 pandemic. Cancellations and disruption of elective procedures in hospitals, adoption of social distancing and self-isolation by clients, restrictions on non-urgent care services and reductions in our workforce capacity resulted in a significant drop in our average daily volumes (ADV) in Q2 2020 and increased the workload of the back-office staff, primarily to manage suspended services and staff scheduling changes due to the impact of the pandemic.

Since Q2 2020, demand for our home health care services has been steadily increasing, with sequential ADV growth in each quarter since. While still short of pre-COVID-19 levels due to workforce capacity challenges, ADV in Q1 2021 was up 1.7% from Q4 2020 and has further increased 2.7% based on the 4-week ADV as of May 2, 2021.

Workforce capacity constraints continue to impact our ability to return ADV in our home health care operations to pre-pandemic levels. Workforce limitations continue to be exacerbated by various pandemic-related factors, including increased demand for health care workers from hospitals and LTC, challenges securing child care when schools have closed to in-person learning, and the availability of federal income support programs. In 2020, we invested in several key initiatives to attract new personal support workers (PSW) and home support workers (HSW) to the home health care industry, graduating and hiring almost 300 new caregivers through these programs in 2020. We are targeting graduating and hiring more than 600 new caregivers annually through these programs in addition to our continued focus on returning employees who have been on leave due to COVID-19 constraints.

In addition to the improvement in ADV and our ongoing focus on increasing our staffing capacity, we are also experiencing improvement in our NOI margins in our home health care operations as we realize increased efficiencies and reductions in our back-office costs as a result of our transformation and cloud-based IT platform implementation completed in Q4 2020. Excluding the impact of the Canada Emergency Wage Subsidy (CEWS) and net COVID costs and the one-time costs of \$6.1 million recorded in Q4 2020, our home health care NOI margin in Q1 2021 was 7.3%, up from 4.6% in the same prior year period and up from 5.8% in Q4 2020.

Long-term Care Home Redevelopment

During 2020, the Ontario Ministry of Long-Term Care (MLTC) announced a new Long-Term Care Home Capital Development Funding program (New Funding Program) for the development of new and replacement LTC beds. The program included a \$1.75 billion investment to redevelop 12,000 beds and add an additional 8,000 beds over the next five years. The program was further expanded in March 2021 to \$2.68 billion, targeting investments to support the construction of an increased target of 30,000 new and upgraded LTC beds by 2028. This New Funding Program is an important step to address the aging infrastructure within long-term care for which the industry has been advocating for more than a decade.

We have submitted 22 applications to the MLTC to replace all of our older Class C LTC beds in Ontario that would result in over 4,200 new LTC beds, replacing 3,285 Class C beds. We continue to work closely with our industry partners and the government on how the New Funding Program can be further enhanced to streamline approval and licensing processes and expedite all feasible projects.

Since the announcement of the New Funding Program construction has begun on our first two projects in Sudbury and Kingston, Ontario.

We commenced construction on our first LTC redevelopment project, a 256-bed LTC home in Sudbury, Ontario in October 2020 (the “Sudbury LTC Project”). The Sudbury LTC Project will replace a nearby 234-bed Class C home, and will include 154 private rooms and 102 semi-private rooms that accommodate two residents with a shared bathroom. Our second LTC redevelopment project, a 192-bed LTC home in Kingston, Ontario commenced construction in April 2021 (the “Kingston LTC Project”, and together with the Sudbury LTC Project, the “Sudbury and Kingston LTC Projects”). The Kingston LTC Project will replace an existing 150-bed Class C home, and will include 114 private rooms and 78 semi-private rooms. For more information refer to the discussion under “Key Performance Indicators – LTC Projects Under Construction”.

On May 11, 2021, the Company entered into \$95.9 million in committed construction financings in connection with the Sudbury and Kingston LTC Projects. For more information refer to the discussion under “Liquidity and Capital Resources – Future Liquidity and Capital Resources”.

We have an additional seven projects in advanced stages of approvals with the MLTC that we anticipate having under construction by the end of 2023.

Ontario’s Long-Term Care COVID-19 Commission

On July 29, 2020, the Government of Ontario launched an independent commission into COVID-19 and long-term care (the “Commission”). Led by three commissioners, the Commission’s mandate is to investigate, report on findings and provide recommendations on how COVID-19 spread within LTC homes, how residents, staff, and families were impacted, and the adequacy of measures taken by the province and other parties to prevent, isolate and contain the virus and the impact of existing physical infrastructure, staffing approaches, labour relations, clinical oversight and other features of the LTC system.

On April 30, 2021, the commissioners delivered their final report, which included 85 recommendations. Extencare very much welcomes the report’s call for greater attention and resources to seniors care and long-term care in particular and looks forward to working with the government and the Company’s other partners to address the Commission’s recommendations.

Saskatchewan Ombudsman Long-term Care Investigation

On February 8, 2021, the Company received formal notification that the Saskatchewan Ombudsman is commencing an investigation into the COVID-19 outbreak at the Extencare Parkside LTC home in Regina, which began in late November 2020 and, has since been cleared. As part of this investigation, the Ombudsman will be investigating the Company’s response to the pandemic at the home, both in advance of and during the outbreak, as well as the Saskatchewan Ministry of Health and the Saskatchewan Health Authority’s (SHA) governance, oversight and support of the home throughout the pandemic to date. We have worked closely with the Government of Saskatchewan and the SHA prior to and during the outbreak at Extencare Parkside and will co-operate fully with the work of the Ombudsman.

BUSINESS OVERVIEW

As at March 31, 2021, the Company owned and operated 58 LTC homes and 11 retirement communities, through its Extencare and Esprit Lifestyle Communities divisions, respectively, and provided contract services to 51 LTC homes and retirement communities for third parties through Extencare Assist. In total, Extencare operated or provided contract services to a network of 120 LTC homes and retirement communities across four provinces in Canada, with capacity for 15,547 residents. The majority of these homes are in Ontario and Alberta, which accounted for approximately 77% and 11% of residents served, respectively.

In addition to providing group purchasing services to the Company’s own operations, SGP supports third-party clients representing approximately 81,100 senior residents across Canada, as at March 31, 2021.

The Company’s home health care operations, ParaMed, delivered approximately 8.3 million hours of home health care services for the trailing twelve months ended March 31, 2021. The majority of ParaMed’s volumes are generated in Ontario and Alberta, representing 93% and 4%, respectively.

The Company reports on the following segments: i) long-term care; ii) retirement living; iii) home health care; iv) contract services, consulting and group purchasing as “other operations”; and v) the corporate functions and any intersegment eliminations as “corporate”. For financial reporting purposes, the Company’s owned and operated homes are reported under the “long-term care” or the “retirement living” operating segment based on the predominant level of care provided. The Company’s homes under contract with Extencare Assist are reported under the “other operations” segment, as the revenue from those operations is earned on a fee-for-service basis.

The following table summarizes the contribution of the business segments to the Company’s consolidated revenue and NOI for the three months ended March 31, 2021 and 2020. The impact of COVID-19 on all segments and the impact of CEWS on the home health care segment impacts the comparability of the contributions of the business segments to the Company’s consolidated revenue and NOI. Refer to “Significant Developments – COVID-19 Related Expenses and Funding”, “Key Performance Indicators – Home Health Care – ParaMed Canada Emergency Wage Subsidy” and “2021 First Quarter Financial Review” for additional details to understand the impacts on the business segments.

Operating Segments as % of	Three months ended March 31				Year ended December 31	
	2021		2020		2020	
	Revenue	NOI	Revenue	NOI	Revenue	NOI
Long-term care	63.6 %	40.5 %	59.0 %	60.7 %	61.8 %	28.4 %
Retirement living	3.8 %	8.6 %	4.4 %	12.2 %	4.1 %	7.6 %
Home health care	30.3 %	39.6 %	34.2 %	14.2 %	31.8 %	54.9 %
Other	2.3 %	11.3 %	2.4 %	12.9 %	2.3 %	9.1 %
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

The following describes the operating segments of the Company.

Long-term Care

The Company owns and operates 58 LTC homes with capacity for 8,138 residents, inclusive of a stand-alone designated supportive living home (140 suites) and a designated supportive living wing (60 suites) in Alberta and two retirement wings (76 suites) in Ontario.

Provincial legislation and regulations closely control all aspects of the operation and funding of LTC homes and government-funded supportive living homes, including the fee structure, subsidies, the adequacy of physical homes, standards of care and accommodation, equipment and personnel. A substantial portion of the fees paid to providers of these services are funded by provincial programs, with a portion to be paid by the resident. No individual is refused access to long-term care due to an inability to pay, as a government subsidy, generally based on an income test, is available for LTC residents who are unable to afford the resident co-payment. Long-term care funding in Ontario is provided in four envelopes allocated to personal care, programming, food and accommodation, respectively. The first three envelopes must be spent entirely on residents and are independently audited with any surplus funding returned to the government. The additional COVID-19 pandemic related funding being provided in Ontario is subject to this same reconciliation process. In Alberta, designated supportive living homes provide an alternative setting for residents not yet requiring the needs of a more expensive LTC home. Such homes are licensed, regulated and funded by Alberta Health Services (AHS) in a similar manner to LTC homes, including a government-determined fee structure.

In Ontario, long-term care operators have the opportunity to receive additional funding through higher accommodation rates charged to residents for private and semi-private accommodation, at maximum preferred accommodation rates that are fixed by the government. Long-term care operators are permitted to designate up to 60% of the resident capacity of a home as preferred accommodation and charge premiums that vary according to the structural classification of the LTC home.

The following summarizes the government funding rate changes announced for LTC during 2020 and 2021 in Ontario and Alberta, the Company's largest LTC markets, exclusive of one-time funding in respect of COVID-19 (refer to the discussion under "Significant Developments – COVID-19 Related Expenses and Funding").

Ontario LTC Funding Changes

As at May 12, 2021, there have been no announced changes related to annual inflationary increases on accommodation and flow-through funding envelopes for Ontario LTC which typically are effective for April 1 each year.

Effective April 1, 2020, the MLTC implemented a global inflationary funding increase across the accommodation and flow-through envelopes of 1.5% for Ontario LTC providers. This represents incremental annual revenue for the Company of approximately \$5.1 million, of which approximately \$1.6 million applies to the accommodation envelope (non flow-through).

In addition, effective April 1, 2020, the MLTC eliminated structural compliance premium (SCP) funding for eligible Class A, B and C beds and replaced it with a new LTC minor capital funding program to be phased in over three years. For the first year under the new program, the Company's funding remains unchanged at \$1.3 million, with modest increases during the phase in period.

In respect of the annual inflationary rate increases for preferred accommodation premiums paid for by residents to LTC providers for private and semi-private accommodation, the MLTC implemented a 1.9% increase effective July 1, 2020. However, to provide relief to families experiencing challenges due to COVID-19, this increase in rates for residents has been deferred until July 1, 2021, and LTC providers will instead be compensated directly by the MLTC. For older LTC beds that are not classified as "New" or "A" beds, the maximum daily preferred accommodation premiums increased to \$8.69 and \$19.54 for semi-private and private rooms, respectively. For newer LTC beds that are classified as "New" or "A" beds, the maximum daily preferred accommodation premiums increased to \$13.02 and \$27.15 for semi-private and private rooms, respectively.

Alberta LTC Funding Changes

In March 2021, AHS announced a 0.6% annual inflationary increase for the portion of the accommodation rates paid directly by residents of LTC and designated supportive living homes to providers effective July 1, 2021, representing additional annual revenue for the Company of approximately \$0.2 million (2020 – 2.5% effective October 1, \$0.7 million).

In September 2020, AHS announced adjustments to the government funding for providers of LTC and designated supportive living homes retroactive to April 1, 2020, representing additional annual revenue for the Company of approximately \$0.3 million.

Retirement Living

Under the Esprit Lifestyle Communities brand, the Company owns and operates 11 retirement communities with 1,050 suites. Four of these communities (341 suites) are located in Saskatchewan and seven communities (709 suites) are located in Ontario.

The Company's retirement communities provide accommodation and services to private-pay residents at rates set by the Company based on the services provided and market conditions. The monthly fees vary depending on the type of accommodation, level of care and services chosen by the resident and the location of the retirement community. Residents are able to choose the living arrangements best suited to their personal preference and needs, as well as the level of care and support they receive as their needs evolve over time.

Home Health Care

The Company provides home health care services through ParaMed, whose professionals and staff members are skilled in providing complex nursing care, occupational, physical and speech therapy and assistance with daily activities to accommodate clients of all ages living at home.

Provincial governments fund a wide range of home health care services and contract these services to providers such as ParaMed. ParaMed receives approximately 99% of its revenue from contracts tendered by locally administered provincial agencies, with the remainder coming from private clients.

Other Operations

The Company leverages its size, scale and operational expertise in the senior care industry to provide contract services and consulting to third-parties through other operations, which are composed of its Extencare Assist and SGP divisions.

CONTRACT SERVICES AND CONSULTING

Through its Extencare Assist division, the Company provides a wide range of contract services and consulting to third parties. Extencare Assist partners with not-for-profit and for-profit organizations, hospitals and municipalities seeking to improve their management practices, quality of care practices and operating efficiencies. Extencare Assist provides a broad range of services aimed at meeting the needs of its partners, including: financial administration, record keeping, regulatory compliance and purchasing. In addition, Extencare Assist provides consulting services to third parties for the development and redevelopment of LTC homes. Extencare Assist's contract services portfolio consisted of 51 LTC homes and retirement communities with capacity for 6,359 residents as at March 31, 2021.

GROUP PURCHASING SERVICES

Through its SGP division, the Company offers cost-effective purchasing contracts to other senior care providers for food, capital equipment, furnishings, cleaning and nursing supplies and office products. SGP negotiates long-term, high volume contracts with suppliers that provide members with preferred pricing, thereby providing a cost-effective means to secure quality national brand-name products, along with a range of innovative services. As at March 31, 2021, SGP provided services to third parties representing approximately 81,100 senior residents across Canada.

KEY PERFORMANCE INDICATORS

In addition to those measures identified under “Non-GAAP Measures”, management uses certain key performance indicators in order to compare the financial performance of the Company’s continuing operations between periods. In addition, we assess the operations on a same-store basis between the reported periods. Such performance indicators may not be comparable to similar indicators presented by other companies. Set forth below is an analysis of the key performance indicators and a discussion of significant trends when comparing the Company’s financial results from continuing operations.

The following is a glossary of terms for some of the Company’s key performance indicators:

“**Average Daily Volume**” or “**ADV**” in the context of the home health care operations, is measured as the number of hours of service provided divided by the number of days in the period;

“**Occupancy**” is measured as the percentage of the number of earned resident days (or the number of occupied suites in the case of a retirement community) relative to the total available resident days. Total available resident days is the number of beds (or suites in the case of a retirement community) available for occupancy multiplied by the number of days in the period;

“**Stabilized**” is the classification by the Company of an LTC home or retirement community that has achieved and sustained its expected stabilized occupancy level for three consecutive months, which level varies from project to project;

“**Lease-up**” is any LTC home or retirement community not classified as stabilized;

“**Non same-store**” or “**NSS**” generally refers to those homes, communities or businesses that were not continuously operated by the Company since the beginning of the previous fiscal year or have been classified as held for sale; and

“**Same-store**” or “**SS**” generally refers to those homes, communities or businesses that were continuously operated by the Company since the beginning of the previous fiscal year, and which are not classified as held for sale.

Long-term Care

The following table provides the average occupancy levels of the LTC operations for the past eight quarters.

Long-term Care Homes	2021				2020			2019
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Average Occupancy (%)								
Total LTC	82.9 %	87.7 %	90.0 %	93.5 %	97.0 %	97.8 %	97.9 %	97.5 %
Change over prior year period (bps)	(1,410)	(1,010)	(790)	(400)	10	20	10	30
Sequential quarterly change (bps)	(480)	(230)	(350)	(350)	(80)	(10)	40	60
Ontario LTC								
Total ON LTC	80.3 %	85.3 %	87.9 %	92.9 %	97.6 %	98.2 %	98.5 %	98.2 %
Preferred Accommodation ⁽¹⁾								
"New" homes – private	82.6 %	88.4 %	88.0 %	91.7 %	95.4 %	95.8 %	95.9 %	96.3 %
"C" homes – private	76.6 %	80.7 %	86.5 %	89.5 %	92.8 %	93.1 %	94.2 %	93.8 %
"C" homes – semi-private	50.0 %	54.6 %	58.6 %	63.5 %	66.3 %	66.7 %	66.5 %	65.6 %

(1) Average occupancy reported for the available private and semi-private rooms reflects the percentage of residents occupying those beds and paying the respective premium rates.

The average occupancy at the Company’s LTC homes was 82.9% for Q1 2021, down from 97.0% in Q1 2020 and from 87.7% in Q4 2020. In terms of the quarterly trends, occupancy softness is to be expected during the winter months as a result of seasonal influenza outbreaks, which can lead to a temporary freeze on admissions; however, COVID-19 has negatively impacted occupancy levels since March 2020.

In Ontario, overall government funding is occupancy-based, but once the average occupancy level of 97% or higher for the calendar year is achieved, operators receive government funding based on 100% occupancy. In the event of closure to admissions related to an outbreak, full funding is preserved in Ontario, otherwise referred to as occupancy protection funding. The Company’s Ontario LTC homes generally average above the 97% occupancy threshold, with all but one having done so in 2019. However, as indicated above, such occupancy levels have not sustained as a result of COVID-19. In response, the Government of Ontario provided basic occupancy protection funding for all LTC homes for 2020 and through to August 31, 2021. However, the current occupancy protection does not compensate for the loss of preferred accommodation premiums from private and semi-private room vacancies. The impact of the loss of preferred accommodation revenue was \$0.6 million for the three months ended March 31, 2021 and \$0.7 million for the year ended December 31, 2020.

To date, each of the western provinces in which we operate LTC homes have provided additional funding to support COVID-19 costs. In certain provinces, this funding includes specific funding to address occupancy shortfalls.

LTC Projects Under Construction

The following table summarizes the LTC projects that are under construction:

LTC Project	# of Beds	Expected Opening Date	Estimated Adjusted Development Costs ⁽¹⁾ (\$ millions)	Adjusted Development Costs ⁽¹⁾		Annual CFS ⁽¹⁾ (\$ millions)	Estimated Stabilized NOI ⁽¹⁾ (\$ millions)	Expected NOI Yield ⁽¹⁾
				Incurring as at March 31, 2021	(\$ millions)			
Sudbury	256	Q4-22	62.3	8.1	1.9	3.1	8.0 %	
Kingston	192	Q1-23	45.4	3.4	1.4	2.3	8.1 %	
	448		107.7	11.5	3.3	5.4	8.1 %	

(1) Refer to the discussion under “Non-GAAP Measures” in respect of references to “Adjusted Development Costs” and “NOI Yield”.

Construction of the Sudbury LTC Project commenced in Q4 2020 under a fixed-price construction agreement (\$47.3 million) and is anticipated to be completed in Q4 2022. Total Adjusted Development Costs are estimated at \$62.3 million and the NOI Yield of the project is anticipated to be approximately 8.0%.

Construction of the Kingston LTC Project commenced in Q2 2021 under a fixed-price construction agreement (\$33.2 million) and is anticipated to be completed in Q1 2023. Total Adjusted Development Costs are estimated at \$45.4 million and the NOI Yield of the project is anticipated to be approximately 8.2%.

Retirement Living

The following table summarizes the composition of the Company’s 11 retirement communities in operation as at March 31, 2021. Three communities remain in lease-up, The Barrievue, which opened in October 2019, Bolton Mills, which opened at the beginning of 2019, and West Park Crossing. All retirement communities are classified as same-store as at March 31, 2021.

Retirement	Location	Total	Stabilized	Lease-up
Cedar Crossing	Simcoe, ON	69	69	
Douglas Crossing	Uxbridge, ON	148	148	
Empire Crossing	Port Hope, ON	63	63	
Harvest Crossing	Tillsonburg, ON	100	100	
Riverbend Crossing	Regina, SK	67	67	
Stonebridge Crossing	Saskatoon, SK	116	116	
Yorkton Crossing	Yorkton, SK	79	79	
Lynde Creek Manor	Whitby, ON	93	93	
West Park Crossing	Moose Jaw, SK	79		79
The Barrievue	Barrie, ON	124		124
Bolton Mills	Bolton, ON	112		112
Total suites		1,050	735	315
Total communities		11	8	3

AS AT OCCUPANCY

The following table provides the period end occupancy of the retirement communities in total and for each of the stabilized and lease-up groupings for the past eight quarters based on the classifications as at March 31, 2021.

Sequential occupancy declines in stabilized retirement communities are generally to be expected during the winter months. As well, the opening of The Barrievue (124 suites) in October 2019 resulted in a sequential decline in total occupancy at the end of Q4 2019. However, occupancy levels have been negatively impacted by COVID-19, resulting in periods of restricted move-ins and in-person tours of prospective residents since March 2020. As a result, stabilized occupancy of 91.0% as at March 31, 2021, was down 180 bps from March 31, 2020, but improved 30 bps from December 31, 2020. Occupancy at our lease-up communities of 69.5% as at March 31, 2021, was down 70 bps from March 31, 2020 and December 31, 2020. Overall, total occupancy of 84.6% as at March 31, 2021 was down 140 bps from March 31, 2020, and unchanged from December 31, 2020. Subsequent to March 31, 2021, occupancy at our lease-up communities improved 160 bps to 71.1% as at

April 30, 2021; however, total occupancy declined 10 bps to 84.5%. Although we continue to offer virtual tours where in-person tours are restricted, we expect occupancy levels will continue to be negatively impacted temporarily by COVID-19.

Retirement Communities As at Occupancy (%)	2021				2020			2019
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total communities	84.6 %	84.6 %	85.6 %	84.1 %	86.0 %	85.6 %	86.6 %	83.8 %
Change over prior year period (bps)	(140)	(100)	(100)	30	510	(300)	(290)	(220)
Sequential quarterly change (bps)	—	(100)	150	(190)	40	(100)	280	290
Stabilized communities	91.0 %	90.7 %	93.1 %	91.3 %	92.8 %	95.1 %	94.1 %	92.5 %
Change over prior year period (bps)	(180)	(440)	(100)	(120)	180	530	250	380
Sequential quarterly change (bps)	30	(240)	180	(150)	(230)	100	160	150
Lease-up communities	69.5 %	70.2 %	68.3 %	67.3 %	70.2 %	63.5 %	57.6 %	50.3 %

AVERAGE OCCUPANCY

The following table provides the average occupancy of the retirement communities in total and for each of the stabilized and lease-up groupings for the past eight quarters based on the classifications as at March 31, 2021. The same factors discussed above under “As at Occupancy” contributed to the variances in average occupancy.

Retirement Communities Average Occupancy (%)	2021				2020			2019
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total communities	84.1 %	84.6 %	84.4 %	84.4 %	85.7 %	81.7 %	85.5 %	82.0 %
Change over prior year period (bps)	(160)	290	(110)	240	640	(670)	(240)	(240)
Sequential quarterly change (bps)	(50)	20	—	(130)	400	(380)	350	270
Stabilized communities	90.7 %	91.3 %	91.9 %	91.5 %	93.5 %	94.9 %	94.0 %	91.4 %
Change over prior year period (bps)	(280)	(360)	(210)	10	280	510	390	430
Sequential quarterly change (bps)	(60)	(60)	40	(200)	(140)	90	260	70
Lease-up communities	68.8 %	69.0 %	67.0 %	67.9 %	67.5 %	50.7 %	52.7 %	45.8 %

Home Health Care

AVERAGE DAILY VOLUME

The table set out below provides the service volumes and ADV of the home health care operations, including and excluding volumes related to the B.C. contracts, for the past eight quarters. At the end of January 2020, ParaMed ceased providing services to the B.C. health authorities, which contracts had contributed revenue of \$3.0 million and NOI of less than \$0.1 million, all of which was earned in Q1 2020.

Excluding the impact of the B.C. contracts noted above, the peak impact of COVID-19 on ParaMed’s ADV occurred in April 2020, and since that time, we have seen a gradual recovery in our ADV levels. The recovery of ADV was tempered by seasonal softness around the December holidays and the implementation of further lockdown measures in Q1 2021, particularly school closures, which negatively impacts our workforce capacity. ADV in Q1 2021 improved by 1.7% from Q4 2020, but remained below Q1 2020 by 1.3%. For the four weeks ending May 2, 2021, our ADV was 25,013, an increase of 2.7% from Q1 2021. While, our referral activity recovered to pre-COVID-19 levels in Q4 2020, our workforce capacity remains below our pre-COVID-19 capacity, resulting in lower referral acceptance levels and a slower pace of recovery of our home health care volumes. Further lock-down measures implemented in April 2021, including the move to full online schooling in Ontario, may further impact the pace of our staffing capacity recovery (refer to the discussion under “Significant Developments – Home Health Care Volumes and Margins Recovering”).

Home Health Care Service Volumes	2021				2020			2019
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total Operations								
Hours of service (000's)	2,191.7	2,202.7	2,093.2	1,854.6	2,319.5	2,661.2	2,652.7	2,660.5
ADV	24,352	23,943	22,752	20,380	25,489	28,926	28,834	29,236
Change over prior year period	(4.5)%	(17.2)%	(21.1)%	(30.3)%	(11.6)%	(3.2)%	(2.1)%	(2.7)%
Sequential quarterly change	1.7 %	5.2 %	11.6 %	(20.0)%	(11.9)%	0.3 %	(1.4)%	1.4 %
Excluding B.C.								
Hours of service (000's)	2,191.7	2,202.7	2,093.2	1,854.6	2,246.1	2,329.2	2,322.5	2,340.0
ADV	24,352	23,943	22,752	20,380	24,682	25,318	25,245	25,714
Change over prior year period	(1.3)%	(5.4)%	(9.9)%	(20.7)%	(3.1)%	(4.6)%	(3.3)%	(3.7)%
Sequential quarterly change	1.7 %	5.2 %	11.6 %	(17.4)%	(2.5)%	0.3 %	(1.8)%	1.0 %

PARAMED CANADA EMERGENCY WAGE SUBSIDY

On April 11, 2020, the Government of Canada enacted the CEWS program, which was designed to help Canadian employers that have experienced revenue declines to re-hire workers laid off as a result of COVID-19, help prevent further job losses and better position the employers to resume normal operations after the COVID-19 pandemic. Various changes have been made to the CEWS program since the original announcement, including extending the program until September 2021. We have remained focused on maintaining our workforce capacity 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 (refer to “Significant Developments – Home Health Care Volumes and Margins Recovering”).

As a result of the revenue declines experienced by ParaMed, the Company’s home health care subsidiary, ParaMed applied for and received CEWS funding. In Q1 2021, ParaMed recognized \$9.7 million in CEWS in respect of the claims periods between December 20, 2020 and March 12, 2021. During 2020, ParaMed recognized \$91.2 million in CEWS in respect of all claims periods in 2020 from inception of the program to December 19, 2020. Payments under the CEWS program are accounted for as government grants under IAS 20 and are recorded on a net basis as a reduction to operating expenses of the home health care segment, thereby impacting the home health care segment’s NOI. ParaMed may file for additional CEWS funding in Q2 2021 contingent on the rate of volume recovery and resulting impact on revenue.

Other Operations

The following table provides information in respect of the third-party clients receiving services from Extencicare Assist and SGP at the end of each period for the past eight quarters. At March 31, 2021, Extencicare Assist was providing contract services to third-parties representing 51 LTC homes and retirement communities with capacity for 6,359 senior residents. SGP continues to grow its market share, increasing its third-party residents served by 11.3% at March 31, 2021, over March 31, 2020, and by 2.8% from the end of 2020.

Other Operations	2021				2020			2019
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Extencicare Assist Contract Services								
Homes at period end	51	52	53	53	53	53	53	53
Resident capacity	6,359	6,379	6,543	6,543	6,601	6,601	6,601	6,601
Change over prior year period	(3.7)%	(3.4)%	(0.9)%	(0.9)%	(0.9)%	1.6 %	(0.5)%	(0.5)%
Sequential quarterly change	(0.3)%	(2.5)%	— %	(0.9)%	— %	— %	— %	(0.9)%
SGP Clients								
Third-party senior residents	81,110	78,937	79,372	75,165	72,886	64,762	64,261	58,673
Change over prior year period	11.3 %	21.9 %	23.5 %	28.1 %	27.8 %	26.8 %	26.1 %	16.6 %
Sequential quarterly change	2.8 %	(0.5)%	5.6 %	3.1 %	12.5 %	0.8 %	9.5 %	2.8 %

SELECT QUARTERLY FINANCIAL INFORMATION

The following is a summary of select quarterly financial information for the past eight quarters.

<i>(thousands of dollars unless otherwise noted)</i>	2021	2020				2019		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	322,381	307,742	296,786	281,947	271,818	290,895	282,733	284,053
Net operating income	40,264	55,804	75,976	19,934	30,383	32,877	34,867	35,320
<i>NOI margin</i>	12.5%	18.1%	25.6%	7.1%	11.2%	11.3%	12.3%	12.4%
Adjusted EBITDA	27,723	41,046	63,794	8,167	20,131	23,527	23,846	25,152
<i>Adjusted EBITDA margin</i>	8.6%	13.3%	21.5%	2.9%	7.4%	8.1%	8.4%	8.9%
Earnings (loss) from continuing operations	8,323	15,594	34,644	(8,889)	1,237	4,467	5,353	4,966
per basic share (\$)	0.09	0.17	0.39	(0.10)	0.01	0.05	0.06	0.06
per diluted share (\$)	0.09	0.17	0.36	(0.10)	0.01	0.05	0.06	0.06
Earnings (loss) from discontinued operations	—	1,882	(178)	5,230	4,669	5,621	1,906	3,359
Net earnings	8,323	17,476	34,466	(3,659)	5,906	10,088	7,259	8,325
per basic share (\$)	0.09	0.19	0.38	(0.04)	0.07	0.11	0.08	0.10
per diluted share (\$)	0.09	0.19	0.36	(0.04)	0.07	0.11	0.08	0.10
AFFO	19,545	21,804	42,787	2,946	11,630	11,365	13,693	14,927
per basic share (\$)	0.22	0.24	0.48	0.03	0.13	0.13	0.15	0.17
per diluted share (\$)	0.21	0.23	0.44	0.03	0.13	0.12	0.15	0.16
Maintenance Capex	1,033	7,573	2,381	2,157	1,755	6,028	3,056	2,312
Cash dividends declared	10,752	10,743	10,746	10,743	10,731	10,701	10,680	10,657
per share (\$)	0.120	0.120	0.120	0.120	0.120	0.120	0.120	0.120
Weighted Average Number of Shares (000's)								
Basic	89,929	89,898	89,864	89,826	89,644	89,467	89,253	89,039
Diluted	100,520	100,362	100,223	100,177	100,023	99,850	99,614	99,415

The following is a reconciliation of “earnings (loss) from continuing operations before income taxes” to Adjusted EBITDA and “net operating income”.

<i>(thousands of dollars)</i>	2021	2020				2019		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Earnings (loss) from continuing operations before income taxes	11,753	21,717	47,457	(11,907)	1,603	6,452	7,594	7,169
Add (Deduct):								
Depreciation and amortization	9,855	9,884	9,373	9,685	9,853	10,597	9,861	9,705
Net finance costs	6,115	6,959	6,964	7,609	8,675	6,478	6,391	7,303
Other expense	—	2,486	—	2,780	—	—	—	975
Adjusted EBITDA	27,723	41,046	63,794	8,167	20,131	23,527	23,846	25,152
Administrative costs	12,541	14,758	12,182	11,767	10,252	9,350	11,021	10,168
Net operating income	40,264	55,804	75,976	19,934	30,383	32,877	34,867	35,320

There are a number of factors affecting the trend of the Company’s quarterly results from continuing operations. With respect to the core operations, while year-over-year quarterly comparisons will generally remain comparable, sequential quarters can vary materially for seasonal and other trends. In respect of 2020, COVID-19 has impacted the Company’s quarterly results from continuing operations (refer to “Significant Developments – COVID-19 Related Expenses and Funding” and “Key Performance Indicators – Home Health Care – ParaMed Canada Emergency Wage Subsidy”). The significant factors that impact the results from period to period, in addition to the impacts that result from COVID-19, are as follows:

- Ontario long-term care funding tied to flow-through funding envelopes requires revenue be deferred until it is matched with the related costs for resident care in the periods in which the costs are incurred, resulting in a fluctuation in revenue and operating expenses by quarter, with both generally being at their lowest in the Q1 and at their highest in Q4;
- Ontario long-term care providers generally receive annual flow-through funding increases and case mix index adjustments effective April 1st and accommodation funding increases effective July 1st, and Alberta long-term care

providers generally receive annual inflationary rate increases and acuity-based funding adjustments on April 1st and accommodation funding increases effective July 1st;

- maintenance capex spending, which impacts AFFO, fluctuates on a quarterly basis with the timing of projects and seasonality and is generally at its lowest in Q1 and its highest in Q4;
- utility costs are generally at their highest in Q1 and their lowest in Q2 and Q3; and
- certain line items that are reported separately due to their transitional nature that would otherwise distort the comparability of the historical trends, being “other expense” and “foreign exchange and fair value adjustments”.

STATEMENT OF EARNINGS

The following provides the consolidated statement of earnings for the periods ended March 31, 2021 and 2020.

	Three months ended March 31		
<i>(thousands of dollars unless otherwise noted)</i>	2021	2020	Change
Revenue	322,381	271,818	50,563
Operating expenses	282,117	241,435	40,682
Net operating income	40,264	30,383	9,881
Administrative costs	12,541	10,252	2,289
Adjusted EBITDA	27,723	20,131	7,592
Depreciation and amortization	9,855	9,853	2
Earnings before net finance costs and income taxes	17,868	10,278	7,590
Interest expense (net of capitalized interest)	6,820	7,041	(221)
Interest revenue	(515)	(930)	415
Accretion	317	304	13
Foreign exchange and fair value adjustments	(507)	2,260	(2,767)
Net finance costs	6,115	8,675	(2,560)
Earnings from continuing operations before income taxes	11,753	1,603	10,150
Income tax expense (recovery)			
Current	2,827	2,073	754
Deferred	603	(1,707)	2,310
Total income tax expense	3,430	366	3,064
Earnings from continuing operations	8,323	1,237	7,086
Earnings from discontinued operations	—	4,669	(4,669)
Net earnings	8,323	5,906	2,417
Earnings from continuing operations	8,323	1,237	7,086
Add (Deduct)⁽¹⁾:			
Foreign exchange and fair value adjustments	(302)	1,489	(1,791)
Earnings from continuing operations before separately reported items, net of taxes	8,021	2,726	5,295

(1) The separately reported items being added to or deducted from earnings from continuing operations are net of income taxes, and are non-GAAP measures. Refer to the discussion of non-GAAP measures.

The following provides a reconciliation of “earnings from continuing operations before income taxes” to “Adjusted EBITDA” and “net operating income”.

<i>(thousands of dollars)</i>	Three months ended March 31		
	2021	2020	Change
Earnings from continuing operations before income taxes	11,753	1,603	10,150
Add (Deduct):			
Depreciation and amortization	9,855	9,853	2
Net finance costs (income)	6,115	8,675	(2,560)
Other expense	—	—	—
Adjusted EBITDA	27,723	20,131	7,592
Administrative costs	12,541	10,252	2,289
Net operating income	40,264	30,383	9,881

2021 FIRST QUARTER FINANCIAL REVIEW

The following is an analysis of the consolidated results from operations for Q1 2021, as compared to Q1 2020. Refer to the discussion that follows under “Summary of Results of Operations by Segment” for an analysis of the revenue and net operating income by operating segment.

Revenue

Revenue of \$322.4 million for Q1 2021 increased by \$50.6 million or 18.6% from \$271.8 million in Q1 2020. This increase in revenue was driven primarily by funding related to COVID-19 (\$55.4 million), LTC funding enhancements, and growth in other operations, partially offset by a 1.3% decline in home health care volumes, timing of LTC flow-through funding and lower preferred accommodation revenue in the LTC operations.

Operating Expenses

Operating expenses of \$282.1 million for Q1 2021 increased by \$40.7 million or 16.9% from Q1 2020. Excluding the year-over-year impact on operating expenses from CEWS (\$9.7 million) received by the home health care segment in Q1 2021, operating expenses increased by \$50.4 million or 20.9% to \$291.8 million in Q1 2021 from \$241.4 million in the same prior year period. The increase in operating expenses was driven by increased estimated costs related to COVID-19 and pandemic pay programs (\$56.5 million), higher costs of resident care in the LTC and retirement living operations, partially offset by lower back-office costs and the impact of lower volumes in the home health care operations.

Net Operating Income

Net operating income improved by \$9.9 million to \$40.3 million for Q1 2021 as compared to \$30.4 million for Q1 2020 and represented 12.5% of revenue as compared to 11.2% for Q1 2020. Excluding the impact of CEWS (\$9.7 million) received by the home health care segment in Q1 2021, NOI increased by \$0.2 million to \$30.6 million in Q1 2021 from \$30.4 million in the same prior year period, representing 9.5% and 11.2% of revenue, respectively. Improvements in NOI from the home health care and other operations segments was partially offset by estimated costs of COVID-19 in excess of funding (\$1.1 million), and increased costs of resident care, along with lower preferred accommodation revenue, in the LTC operations.

Administrative Costs

Administrative costs increased by \$2.3 million or 22.3% to \$12.5 million for Q1 2021 and included administrative costs related to COVID-19 of \$0.9 million incurred in Q1 2021, with the balance primarily due to higher labour costs associated with increased management and support staff of key back office functions and increased insurance costs and claims reserves.

Adjusted EBITDA

Adjusted EBITDA increased by \$7.6 million to \$27.7 million for Q1 2021 as compared to \$20.1 million for Q1 2020, and represented 8.6% of revenue as compared to 7.4%, respectively, reflecting the increase in NOI, partially offset by increased administrative costs, as discussed above.

Net Finance Costs

Net finance costs decreased by \$2.6 million for Q1 2021, primarily due to a net favourable change of \$2.8 million in foreign exchange and fair value adjustments related to the Company's interest rate swaps and lower interest expense, partially offset by lower interest revenue. Interest expense of \$6.8 million declined by \$0.2 million reflecting a lower weighted average interest rate, partially offset by increased debt levels.

Income Taxes

The income tax provision was \$3.4 million for Q1 2021, representing an effective tax rate of 29.2%, as compared to \$0.4 million and an effective tax rate of 22.8% for Q1 2020. The Q1 2021 income tax provision includes \$2.6 million of current income taxes payable on the CEWS (\$9.7 million) received by the home health care segment in Q1 2021, partially offset by a decline in taxable income in the other operating segment legal entities.

Earnings from Continuing Operations

Earnings from continuing operations increased by \$7.1 million to \$8.3 million (\$0.09 per basic share) for Q1 2021 from \$1.2 million (\$0.01 per basic share) for Q1 2020, largely driven by the impact of the CEWS (\$9.7 million) received by the home health care segment (\$7.1 million, net of tax, or \$0.08 per basic share), partially offset by the increase in estimated costs of COVID-19 in excess of funding (\$1.5 million, net of tax, or \$0.02 per basic share). The balance of the increase in earnings from continuing operations was primarily due to the net favourable change in foreign exchange and fair value adjustment and improvement in NOI, partially offset by the increase in administrative costs.

Summary of Results of Operations by Segment

The following summarizes the Company's segmented "revenue", "operating expenses" and "net operating income", followed by an analysis of the operating performance of each of the Company's operating segments.

Three months ended March 31 <i>(thousands of dollars unless otherwise noted)</i>	Long-term Care	Retirement Living	Home Health Care	Other Operations	Total
2021					
Revenue	205,135	12,174	97,667	7,405	322,381
Operating expenses	188,846	8,727	81,705	2,839	282,117
Net operating income	16,289	3,447	15,962	4,566	40,264
NOI margin %	7.9 %	28.3 %	16.3 %	61.7 %	12.5 %
2020					
Revenue	160,240	12,039	93,100	6,439	271,818
Operating expenses	141,804	8,330	88,783	2,518	241,435
Net operating income	18,436	3,709	4,317	3,921	30,383
NOI margin %	11.5 %	30.8 %	4.6 %	60.9 %	11.2 %
Change					
Revenue	44,895	135	4,567	966	50,563
Operating expenses	47,042	397	(7,078)	321	40,682
Net operating income	(2,147)	(262)	11,645	645	9,881

LONG-TERM CARE OPERATIONS

Revenue from the LTC operations grew by \$44.9 million or 28.0% to \$205.1 million for Q1 2021, largely driven by increased funding of \$46.6 million to support the costs associated with COVID-19 and pandemic pay programs, offset by a decline primarily due to timing of flow-through funding and lower preferred accommodation revenue due to the impact of COVID-19, partially offset by funding enhancements, including retroactive funding of \$1.0 million related to 2020.

Net operating income from the LTC operations was \$16.3 million for Q1 2021 as compared to \$18.4 million for Q1 2020, a decrease of \$2.1 million or 11.6%, with NOI margins of 7.9% and 11.5%, respectively. The increase in operating expenses of \$47.1 million included higher costs associated with COVID-19 and pandemic pay programs, estimated at \$47.4 million, that were \$0.8 million in excess of COVID-19 related funding (refer to "Significant Developments – COVID-19 Related Expenses and Funding"). The balance of the decline in NOI of \$1.3 million was due to increased costs of resident care in

excess of funding, primarily lower preferred accommodation revenue and higher costs of labour, utilities and insurance, partially offset by retroactive funding of \$1.0 million related to 2020.

RETIREMENT LIVING OPERATIONS

Revenue from retirement living operations grew by \$0.1 million or 1.1% to \$12.2 million for Q1 2021, primarily attributable to increased care services and rates, partially offset by lower average occupancy as a result of the impact of COVID-19.

Net operating income from the retirement living operations was \$3.4 million for Q1 2021 as compared to \$3.7 million for Q1 2020, a decrease of \$0.3 million or 7.1%, primarily due to increased costs of labour and supplies related to COVID and increased utilities.

HOME HEALTH CARE OPERATIONS

The following discussion of the home health care operations excludes the CEWS received in Q1 2021 of \$9.7 million (refer to “Key Performance Indicators – Home Health Care – ParaMed Canada Emergency Wage Subsidy”).

Revenue from the home health care operations increased by \$4.6 million or 4.9% to \$97.7 million for Q1 2021 from \$93.1 million for Q1 2020, reflecting funding of \$8.8 million recognized in Q1 2021 to support the costs associated with COVID-19 and pandemic pay programs, partially offset by \$3.0 million of revenue in Q1 2020 related to the expired B.C. contracts and a decline in ADV of 1.3% due to the impact of COVID-19.

Net operating income from the home health care operations increased by \$2.0 million or 45.2% to \$6.3 million for Q1 2021 from \$4.3 million for Q1 2020, with NOI margins of 6.4% and 4.6%, respectively. The improvement in NOI was largely due to lower back-office costs, including costs incurred in 2020 associated with the ParaMed transformation project previously disclosed, offset by a 1.3% decline in volumes and net costs of \$0.2 million associated with COVID-19 in excess of pandemic pay programs and other COVID assistance (refer to the discussion under “Significant Developments – COVID-19 Related Expenses and Funding”).

OTHER OPERATIONS

Revenue from other operations increased by \$1.0 million or 15.0% to \$7.4 million in Q1 2021 compared to Q1 2020, largely due to the increase in group purchasing clients.

Net operating income from other operations increased by \$0.6 million or 16.4% to \$4.6 million for Q1 2021 compared to Q1 2020, due to revenue growth from an increase in group purchasing clients and lower operating expenses related to reduced travel and business promotion due to COVID-19, partially offset by increased staff to support the growth in operations.

ADJUSTED FUNDS FROM OPERATIONS

The following provides a reconciliation of “net earnings” to FFO and AFFO. A reconciliation of “net cash from operating activities” to AFFO is also provided under “Reconciliation of Net Cash from Operating Activities to AFFO”.

<i>(thousands of dollars unless otherwise noted)</i>	Three months ended March 31		
	2021	2020	Change
Earnings from continuing operations	8,323	1,237	7,086
Add (Deduct):			
Depreciation and amortization	9,855	9,853	2
Depreciation for FFEC (maintenance capex) ⁽¹⁾	(1,965)	(1,840)	(125)
Depreciation for office leases ⁽²⁾	(727)	(624)	(103)
Other expense	—	—	—
Foreign exchange and fair value adjustments	(507)	2,260	(2,767)
Current income tax expense (recovery) on other expense, foreign exchange and fair value adjustments ⁽³⁾	—	—	—
Deferred income tax expense (recovery)	603	(1,707)	2,310
FFO (continuing operations)	15,582	9,179	6,403
Amortization of deferred financing costs	535	441	94
Accretion costs	317	304	13
Non-cash share-based compensation	658	174	484
Principal portion of government capital funding	1,521	1,447	74
Additional maintenance capex ⁽¹⁾	932	85	847
AFFO	19,545	11,630	7,915
Per Basic Share (\$)			
FFO	0.17	0.10	0.07
AFFO	0.22	0.13	0.09
Per Diluted Share (\$)			
FFO	0.17	0.11	0.06
AFFO	0.21	0.13	0.08
Dividends (\$)			
Declared	10,752	10,731	21
Declared per share (\$)	0.12	0.12	—
Weighted Average Number of Shares (thousands)			
Basic	89,929	89,644	
Diluted	100,520	100,023	
Current income tax expense (recovery) included in FFO	2,827	2,073	754
Total maintenance capex⁽¹⁾	1,033	1,755	(722)

(1) The aggregate of the items “depreciation for FFEC” and “additional maintenance capex” represents total actual maintenance capex incurred in the period. An amount equivalent to depreciation for FFEC, or furniture, fixtures, equipment and computers, is deducted in determining FFO, and the difference from the actual total maintenance capex incurred is adjusted for in determining AFFO.

(2) Represents depreciation related to office leases under IFRS 16.

(3) Represents current income tax with respect to items that are excluded from the computation of FFO and AFFO, such as foreign exchange and fair value adjustments, and other expense.

AFFO 2021 Financial Review

For Q1 2021, AFFO improved by \$7.9 million to \$19.5 million (\$0.22 per basic share) from \$11.6 million (\$0.13 per basic share) for Q1 2020, reflecting the increase in Adjusted EBITDA, higher non-cash share based compensation and a reduction in maintenance CAPEX, partially offset by higher current income taxes and net interest costs. AFFO in Q1 2021 included the CEWS received by the home health care segment, net of tax, of \$7.1 million (\$0.08 per basic share) and an increase in estimated COVID-19 related costs in excess of funding, net of tax, of \$1.7 million (\$0.02 per basic share) in Q1 2021 in comparison to \$0.2 million net of tax in Q1 2020.

Dividends declared as a percentage of AFFO for the three months ended March 31, 2021, represented a payout ratio of 55%. In addition to cash generated from operations and cash on hand of \$141.3 million at March 31, 2021, the Company has available undrawn credit facilities totalling \$71.3 million (refer to the discussion under “Liquidity and Capital Resources”).

A discussion of the factors impacting net earnings and Adjusted EBITDA can be found under “2021 First Quarter Financial Review”.

The effective tax rate on FFO from continuing operations was 15.4% for the three months ended March 31, 2021, as compared to 18.4% for the three months ended March 31, 2020. The Company’s current income taxes for 2021 have been impacted by the effects of COVID-19 and the impact of the CEWS received by the home health care segment. In particular, increased costs as a result of COVID-19 and the CEWS received by ParaMed have had an impact on the level of taxable income in our various legal entities and the resulting effective tax rate on the Company’s FFO. The determination of FFO includes a deduction for current income tax expense and does not include deferred income tax expense. As a result, the effective tax rates on FFO can be impacted by: adjustments to estimates of annual deferred timing differences, particularly when dealing with cash-based tax items versus accounting accruals; changes in the proportion of earnings between taxable and non-taxable entities; book-to-file adjustments for prior year filings; and the ability to utilize loss carryforwards. For 2021, the Company expects the effective tax rate on FFO will be in the range of 13% to 15%. However, the continuing impact of the COVID-19 pandemic on the Company’s operations and financial results may impact the effective tax rate on FFO.

Maintenance capex was \$1.0 million for Q1 2021 as compared to \$1.8 million for Q1 2020 and to \$7.6 million for Q4 2020, representing 0.3%, 0.6% and 2.5% of revenue, respectively. These costs fluctuate on a quarterly and annual basis with the timing of projects and seasonality.

Reconciliations of Net Cash from Operating Activities and Adjusted EBITDA to AFFO

The following provides a reconciliation of “net cash from operating activities” to AFFO.

<i>(thousands of dollars)</i>	Three months ended March 31	
	2021	2020
Net cash from operating activities	(13,147)	18,809
Add (Deduct):		
Net change in operating assets and liabilities, including interest, taxes and payments for U.S. self-insured liabilities	32,931	(6,488)
Current income tax on items excluded from AFFO ⁽¹⁾	—	10
Depreciation for office leases ⁽²⁾	(727)	(624)
Depreciation for FFEC (maintenance capex) ⁽³⁾	(1,965)	(1,840)
Additional maintenance capex ⁽³⁾	932	85
Principal portion of government capital funding	1,521	1,447
Amounts offset through investments held for self-insured liabilities ⁽⁴⁾	—	231
AFFO	19,545	11,630

(1) Represents current income tax with respect to items that are excluded from the computation of AFFO, such as foreign exchange and fair value adjustments, and other expense.

(2) Represents depreciation related to office leases under IFRS 16.

(3) The aggregate of the items “depreciation for FFEC” and “additional maintenance capex” represents total actual maintenance capex incurred in the period. An amount equivalent to depreciation for FFEC, or furniture, fixtures, equipment and computers, is deducted in determining FFO, and the difference from the actual total maintenance capex incurred is adjusted for in determining AFFO.

(4) Represents AFFO of the Captive that decreases/(increases) its investments held for self-insured liabilities not impacting the Company’s reported cash and cash equivalents.

The following provides a reconciliation of “Adjusted EBITDA” to AFFO.

<i>(thousands of dollars unless otherwise noted)</i>	Three months ended March 31		
	2021	2020	Change
Adjusted EBITDA	27,723	20,131	7,592
Add (Deduct):			
Depreciation for FFEC (maintenance capex) ⁽¹⁾	(1,965)	(1,840)	(125)
Depreciation for office leases ⁽²⁾	(727)	(624)	(103)
Accretion costs	(317)	(304)	(13)
Interest expense	(6,820)	(7,041)	221
Interest revenue	515	930	(415)
	18,409	11,252	7,157
Current income tax expense ⁽³⁾	2,827	2,073	754
FFO (continuing operations)	15,582	9,179	6,403
Amortization of deferred financing costs	535	441	94
Accretion costs	317	304	13
Non-cash share-based compensation	658	174	484
Principal portion of government capital funding	1,521	1,447	74
Additional maintenance capex ⁽¹⁾	932	85	847
AFFO	19,545	11,630	7,915

(1) The aggregate of the items “depreciation for FFEC” and “additional maintenance capex” represents total actual maintenance capex incurred in the period. An amount equivalent to depreciation for FFEC, or furniture, fixtures, equipment and computers, is deducted in determining FFO, and the difference from the actual total maintenance capex incurred is adjusted for in determining AFFO.

(2) Represents depreciation related to office leases under IFRS 16.

(3) Excludes current income tax with respect to items that are excluded from the computation of FFO and AFFO, such as foreign exchange and fair value adjustments, and other expense.

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

The following summarizes the sources and uses of cash between continuing and discontinued operations for 2021 and 2020.

<i>(thousands of dollars unless otherwise noted)</i>	Three months ended March 31, 2021			Three months ended March 31, 2020		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Net cash from (used in) operating activities	(13,147)	—	(13,147)	18,567	242	18,809
Net cash from (used in) investing activities	(7,321)	—	(7,321)	5,913	(242)	5,671
Net cash used in financing activities	(18,204)	—	(18,204)	(13,490)	—	(13,490)
Foreign exchange gain (loss) on U.S. cash held	(13)	—	(13)	382	—	382
Increase in cash and cash equivalents	(38,685)	—	(38,685)	11,372	—	11,372
Cash and cash equivalents at beginning of year	179,956	—	179,956	94,457	—	94,457
Cash and cash equivalents at end of period	141,271	—	141,271	105,829	—	105,829

As at March 31, 2021, the Company had cash and cash equivalents on hand of \$141.3 million, reflecting a decrease in cash of \$38.7 million from the beginning of the year. Cash used in operating activities of the continuing operations was \$13.1 million for the three months ended March 31, 2021.

Dividends paid of \$10.8 million for the three months ended March 31, 2021, were \$23.9 million in excess of cash used in operating activities during the same period, primarily attributable to the timing of income taxes paid in Q1 2021 related to CEWS funding received in 2020 and changes in other working capital items caused primarily by the volatility and timing of COVID-19 related funding and costs that are expected to normalize.

Net cash from operating activities of the continuing operations was a use of cash of \$13.1 million for the three months ended March 31, 2021, down \$31.7 million as compared to a source of cash of \$18.6 million for the three months ended March 31, 2020, with the increase in earnings offset by a use of cash to support the unfavourable net change in working capital between periods. Income taxes paid this quarter of \$22.9 million were \$20.5 million higher than taxes paid in the same prior period, due to the increase in current income taxes for 2020, primarily due to CEWS recognized in 2020 and timing of related payments. The unfavourable change in accounts receivable of \$23.7 million, reflected an increase in receivables of \$9.6 million from the beginning of 2021, as compared to a decrease of \$14.1 million in the same prior year period. This swing in the accounts receivable balance was primarily attributable to the timing of cash receipts related to COVID-19 funding.

Net cash from investing activities of the continuing operations was a use of cash of \$7.3 million for the three months ended March 31, 2021 as compared to a source of cash of \$5.9 million for the three months ended March 31, 2020. The 2021 activity included purchases of property, equipment and other intangible assets of \$8.8 million, partially offset by the collection of other assets of \$1.5 million. The 2020 activity included purchases of property, equipment and other intangible assets of \$5.4 million, partially offset by the repatriation of cash of \$9.9 million (US\$7.0 million) from the Captive and collection of other assets of \$1.4 million.

The table that follows summarizes the capital expenditures. Growth capex relates to the construction of new beds, building improvements, IT projects, or other capital projects, all of which are aimed at earnings growth. Maintenance capex relates to the actual capital expenditures incurred to sustain and upgrade existing property and equipment.

<i>(thousands of dollars)</i>	Three months ended March 31,	
	2021	2020
Growth capex	7,810	3,671
Maintenance capex	1,033	1,755
	8,843	5,426

Management monitors and prioritizes the capital expenditure requirements of its properties throughout the year, taking into account the urgency and necessity of the expenditure. For 2021, the Company expects to spend in the range of \$14.0 million to \$16.0 million in maintenance capex and in the range of \$60.0 million to \$70.0 million in growth capex related primarily to the construction of the Sudbury and Kingston LTC Projects, redevelopment activities and investments in technology as part of our ongoing strategy of transitioning our key IT platforms to the cloud to support our growth initiatives. Depending on the timing of further announcements of our LTC redevelopment projects during 2021 the level of our growth capex could change (refer to “Key Performance Indicators – LTC Projects Under Construction”).

Net cash from financing activities of the continuing operations was a use of cash of \$18.2 million for the three months ended March 31, 2021, an increase of \$4.7 million from \$13.5 million for the three months ended March 31, 2020. The 2021 activity included debt repayments of \$7.3 million, cash dividends paid of \$10.8 million and financing costs. The 2020 activity included debt repayments of \$6.6 million, cash dividends paid of \$9.3 million and financing costs, partially offset by draws on construction financing of \$2.7 million.

Discontinued operations in 2020 reflect the payment of claims for U.S. self-insured liabilities and the Captive’s costs to administer and manage the settlement of the claims as a component of net cash from operating activities, which payments and costs were funded by the Captive, prior to its deregistration in September 2020. Changes in the Captive’s investments held for U.S. self-insured liabilities, prior to its deregistration, were reported as a component of net cash from investing activities, as those invested funds were not included in the Company’s cash and cash equivalents (refer to “Discontinued Operations”).

Capital Structure

SHAREHOLDERS' EQUITY

Total shareholders' equity as at March 31, 2021, was \$128.4 million as compared to \$128.2 million at December 31, 2020, reflecting the contributions from net earnings and comprehensive income, partially offset by dividends declared of \$10.8 million.

As at March 31, 2021, the Company had 89,562,499 Common Shares issued and outstanding (carrying value – \$500.9 million) as compared to 89,539,085 Common Shares (carrying value – \$500.6 million) as at December 31, 2020. The increase in Common Shares was attributable to shares issued under the Company's equity-based compensation plan (23,414 Common Shares).

Share Information (thousands)	May 11, 2021	March 31, 2021	December 31, 2020
Common Shares (TSX symbol: EXE) ⁽¹⁾	89,562.5	89,562.5	89,539.1

(1) Closing market value per the TSX on May 11, 2021, was \$7.81.

As at May 12, 2021, the Company had an aggregate of 4,240,738 Common Shares reserved and available for issuance pursuant to the Company's long-term incentive plan, of which there were in aggregate 1,516,328 performance share units and deferred share units outstanding as at March 31, 2021 (refer to *Note 9* of the unaudited interim condensed consolidated financial statements).

As at May 12, 2021, the Company had \$126.5 million in aggregate principal amount of convertible subordinate debentures outstanding that mature in April 2025 (the "2025 Debentures"), which in the aggregate are convertible into 10,326,531 Common Shares.

Dividends

The Company declared cash dividends of \$0.12 per share in the three months ended March 31, 2021, consistent with that declared in the same 2020 period, representing dividends declared of \$10.8 million and \$10.7 million in each period respectively.

Long-term Debt

Long-term debt totalled \$558.4 million as at March 31, 2021, as compared to \$564.6 million as at December 31, 2020, representing a decrease of \$6.2 million, due to debt repayments of \$7.3 million, partially offset by increases in lease liabilities and changes in accretion and deferred financing costs. The current portion of long-term debt as at March 31, 2021, was \$89.9 million and included \$43.1 million drawn on demand construction loans. The Company intends to fund repayments of construction loans from proceeds of permanent mortgage financing upon occupancy stabilization. The Company is subject to debt service coverage covenants on certain of its loans and was in compliance with all of these covenants as at March 31, 2021. Details of the components, maturities dates, terms and conditions of long-term debt are provided in *Note 7* of the unaudited interim condensed consolidated financial statements.

CREDIT FACILITIES

The Company has two demand credit facilities totalling \$112.3 million, one of which is secured by 13 Class C LTC homes in Ontario and the other is secured by the assets of the home health care business. Neither of these facilities has financial covenants but do contain normal and customary terms. As at March 31, 2021, \$35.6 million of the facilities secure the Company's defined benefit pension plan obligations and \$5.4 million was used in connection with obligations relating to LTC homes and retirement communities, leaving \$71.3 million available.

LONG-TERM DEBT KEY METRICS

Management has limited the amount of debt that may be subject to changes in interest rates, with only \$22.7 million of mortgage debt and \$43.1 million of construction loans at variable rates. The Company's other variable-rate mortgages and term loan aggregating \$87.4 million as at March 31, 2021, have effectively been converted to fixed-rate financings with interest rate swaps over the full term. As at March 31, 2021, the interest rate swaps were valued as a liability of \$1.7 million.

The following summarizes key metrics of consolidated long-term debt as at March 31, 2021, and December 31, 2020.

<i>(thousands of dollars unless otherwise noted)</i>	March 31, 2021	December 31, 2020
Weighted average interest rate of long-term debt outstanding	4.3 %	4.3 %
Weighted average term to maturity of long-term debt outstanding	6.2 yrs	6.4 yrs
Trailing twelve months consolidated net interest coverage ratio ⁽¹⁾	5.4 X	5.2 X
Trailing twelve months consolidated interest coverage ratio ⁽²⁾	5.0 X	4.7 X
Debt to Gross Book Value (GBV)		
Total assets (carrying value)	933,794	963,127
Accumulated depreciation on property and equipment	276,840	269,947
Accumulated amortization on other intangible assets	28,684	30,445
GBV	1,239,318	1,263,519
Debt ⁽³⁾	572,715	579,654
Debt to GBV	46.2 %	45.9 %

(1) Net interest coverage ratio is defined as Adjusted EBITDA divided by net interest (interest expense before reduction of capitalized interest, net of interest revenue)

(2) Interest coverage ratio is defined as Adjusted EBITDA divided by interest expense before reduction of capitalized interest.

(3) Debt includes convertible debentures at face value of \$126.5 million and excludes deferred financing costs.

Future Liquidity and Capital Resources

The Company's consolidated cash and cash equivalents on hand was \$141.3 million as at March 31, 2021, as compared with \$180.0 million as at December 31, 2020, representing a decrease of \$38.7 million. In addition, the Company has access to a further \$71.3 million in undrawn demand credit facilities. Cash and cash equivalents exclude restricted cash of \$2.6 million.

In addition to the Sudbury and Kingston LTC Projects currently under construction, we have a further seven LTC redevelopment projects in advanced stages of approvals with the MLTC that we anticipate having under construction by the end of 2023. We intend to leverage our strong liquidity as at March 31, 2021 and pursue competitive construction financing options for these projects as required based on the timing of the construction costs of approved projects and the anticipated timing of additional future approvals from the MLTC.

On May 11, 2021, the Company entered into commitment letters for committed construction financings in connection with the Sudbury and Kingston LTC Projects. The facilities include \$54.7 million for Sudbury and \$41.1 million for Kingston and each construction loan matures on the earlier of 42 months from closing or the date that the construction loans are refinanced following completion of construction. Interest rates range from prime plus 1.00% to 1.25% or CDOR plus 2.50% to 2.75% with standby fees of 0.55%. Interest is capitalized during construction and is payable following completion of construction until maturity. The financings are subject to the finalization of definitive agreements.

Management believes that cash from operating activities and future debt financings will be sufficiently available to support the Company's ongoing business operations, maintenance capex and debt repayment obligations. Growth through redevelopment of the LTC homes over the next few years, strategic acquisitions and developments will necessitate the raising of funds through debt, equity financings and/or other means. Decisions will be made on a specific transaction basis and will depend on market and economic conditions at the time. However, given COVID-19's potential impact on the Company's financial performance and operations, as well as on the economy such that capital and credit markets and industry sentiment are adversely affected, it may be more difficult for the Company to access the necessary capital or credit markets or if able to do so, at a higher cost or less advantageous terms than existing borrowings. In addition, reduced revenue and higher operating costs due to COVID-19 may result in reductions or early prepayments of existing financings if covenants are unable to be met (refer to "Risks and Uncertainties").

OTHER CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

Commitments

As at March 31, 2021, the Company has outstanding commitments of \$77.6 million in connection with the construction contracts related to its Sudbury and Kingston LTC Projects, of which \$32.2 million is estimated to be payable in 2021 and the balance in 2022, based on the anticipated construction schedules. The Company also has outstanding commitments of \$19.8 million in connection with a five-year agreement in connection with a finance and human resources cloud-based IT platform as part of our ongoing strategy of transitioning our key IT platforms to the cloud to support our growth initiatives. Payments under the agreement are due annually in advance and the agreement expires in 2025.

Legal Proceedings and Regulatory Actions

In the ordinary course of business, the Company is involved in and potentially subject to legal proceedings brought against it from time to time in connection with its operations. The COVID-19 pandemic has increased the risk that litigation or other legal proceedings, regardless of merit, will be commenced against the Company.

In June 2020, the Company was served with an amended statement of claim filed in the Ontario Superior Court of Justice (“Ontario Superior Court”) adding the Company to a statement of claim previously issued to the owner of a long-term care and retirement community to which the Company provides contracted services under its Extencicare Assist division. The claim seeks an order certifying the claim as a class action pursuant to the *Class Proceedings Act* (Ontario) and alleges negligence and breach of contract in respect of all persons who contracted COVID-19 at the residence or subsequently contracted COVID-19 from such persons, all residents of the residence and all family members of such individuals. The claim seeks damages in the aggregate of \$40.0 million.

In October 2020, the Company was served with a statement of claim filed in Ontario Superior Court alleging negligence, breach of contract, breach of certain statutory duties and Human Rights Code breaches in respect of all residents of a Company LTC home as well as their family members. In January 2021, the claim was amended to include further allegations of gross negligence and claim against 35 Company LTC homes and 36 LTC homes to which the Company provides contract services. The claim seeks an order certifying the action as a class action and damages in the aggregate amount of \$210.0 million.

In October 2020, the Company was served with a statement of claim filed in Ontario Superior Court naming it and multiple other defendants, including multiple LTC homes and their respective owners and operators, the Government of Ontario and several Ontario cities, including the City of Toronto. The claim seeks an order certifying the action as a class action and alleges negligence, breach of fiduciary duty and breach of section 7 of the *Canadian Charter of Rights and Freedoms* by the multiple defendants, including the Company, in the operation of certain LTC homes and provision of care to residents. The claim seeks aggregate damages of \$600.0 million from the multiple defendants.

In December 2020, the Company was served with a statement of claim filed in Ontario Superior Court naming the Company and the owner of a LTC home to which the Company provides contracted services, as well as certain entities related to the owner. The claim seeks an order certifying the claim as a class action and alleges negligence, gross negligence, breach of fiduciary duty, breach of contract and wrongful death in respect of all persons who contracted COVID-19 at the residence or subsequently contracted COVID-19 from such persons, all residents of the residence and all family members of such individuals. The claim seeks damages in the aggregate of \$40.0 million.

In April 2021, the Company was served with a statement of claim filed in the Court of Queen’s Bench for Saskatchewan alleging negligence, breach of fiduciary duty, breach of contract and breach of the required standard of care by the Company and certain unnamed defendants in respect of all residents of Company LTC homes located in Saskatchewan as well as their family members. The claim seeks an order certifying the action as a class action and unspecified damages.

The certification motions for these claims have not been scheduled.

The Company intends to vigorously defend itself against these claims and these claims are subject to insurance coverage maintained by the Company. However, given the status of the proceedings, the Company is unable to assess their potential outcome and they could have a materially adverse impact on the Company’s business, results of operations and financial condition (see “Risks and Uncertainties”).

In December 2020, the Government of Ontario passed Bill 218, *Supporting Ontario’s Recovery Act* (Ontario), which provides targeted liability protection against COVID-19 exposure-related claims against any individual, corporation, or other entity that made a “good faith” or “honest” effort to act in accordance with public health guidance and laws relating to COVID-19 and did not otherwise act with “gross negligence”. The protection under Bill 218 is retroactive to March 17, 2020, when Ontario first implemented emergency measures as part of its response to the COVID-19 pandemic.

DISCONTINUED OPERATIONS

After the sale of its U.S. business in 2015 (the “U.S. Sale Transaction”), the Company retained the Captive, which, along with third-party insurers, insured the Company’s U.S. general and professional liability risks up to the date of the U.S. Sale Transaction, and was reported as the U.S. segment.

As at June 30, 2020, there were no open general and professional liability claims remaining and the updated actuarial valuation of incurred but not reported claims as at June 30, 2020 was immaterial. As a result, the Board of Directors of the Captive approved a wind up plan to deregister the Captive with the Bermuda Monetary Authority (BMA) and subsequently

dissolve the Captive, thereby ceasing the operations of the U.S. segment. Concurrently, the Company entered into a termination agreement with the Captive to assume the remaining obligations and certain liabilities of the Captive effective June 30, 2020.

In September 2020, the BMA approved the deregistration of the Captive. As a result, the remaining portion of the U.S. segment has been classified as a discontinued operation. Accordingly, the comparative interim condensed consolidated statement of earnings has been re-presented.

Effective June 30, 2020, the accrual for self-insured general and professional liabilities was reduced to \$nil from \$12.2 million (US\$9.4 million) at the beginning of the year as a result of claims settlements, the transfer of certain remaining obligations of the Captive to the Company in accordance with a termination agreement and a release of the balance of the accrued self-insured liabilities. Any expense incurred or release of reserves for U.S. self-insured liabilities are presented as discontinued operations.

Following the receipt of approval by the BMA to deregister the Captive, the remaining balance of restricted cash held in investments was released to the Company. During 2020, the Captive transferred \$23.3 million (US\$17.0 million) of cash previously held for investment to the Company for general corporate use.

Earnings from Discontinued Operations

Earnings from discontinued operations were \$4.7 million for Q1 2020 and included a release of reserves of \$4.0 million. Further details are provided in *Note 14* of the unaudited interim condensed consolidated financial statements.

ACCOUNTING POLICIES AND ESTIMATES

Critical Accounting Policies and Estimates

A full discussion of the Company's critical accounting policies and estimates was provided in the MD&A and the accompanying notes to the audited consolidated financial statements for the year ended December 31, 2020, contained in the Company's 2020 Annual Report. The disclosures in such report have not materially changed since that report was filed, and to the extent there have been any changes in management's estimates, they are discussed under "Significant Developments".

Future Changes in Accounting Policies

The following accounting standards, amendments and interpretations will take effect for the Company after December 31, 2021, the nature and effect of which are provided in *Note 2* of the unaudited interim condensed consolidated financial statements, and described below:

DERECOGNITION OF FINANCIAL LIABILITIES

Beginning on January 1, 2022, the Company will adopt the IASB amendment *Annual Improvements to IFRS Standards 2018-2020*. The particular amendment to IFRS 9 *Financial instruments* among *Annual Improvements to IFRS Standards 2018-2020* will clarify which fees are included for the purposes of performing the '10 per cent test' for derecognition of financial liabilities. The adoption of the IFRS 9 *Financial instruments* among *Annual Improvements to IFRS Standards 2018-2020* is not expected to have a material impact on the interim condensed consolidated financial statements.

DEFINITIONS OF ACCOUNTING ESTIMATES

Beginning on January 1, 2023, the Company will adopt the IASB amendments *Definition of Accounting Estimates (Amendments to IAS 8)*. These amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The adoption of these amendments is not expected to have a material impact on the interim condensed consolidated financial statements.

DISCLOSURE INITIATIVE – ACCOUNTING POLICIES

Beginning on January 1, 2023, the Company will adopt the IASB amendments *Disclosure Initiative - Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements)*. The key amendments include: requiring companies to disclose their material accounting policies rather than their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements. The adoption of these amendments is not expected to have a material impact on the interim condensed consolidated financial statements.

NON-GAAP MEASURES

The Company assesses and measures operating results and financial position based on performance measures referred to as “net operating income”, “net operating income margin”, “EBITDA”, “Adjusted EBITDA”, “Adjusted EBITDA margin”, “earnings before depreciation, amortization, and other expense”, “earnings (loss) from continuing operations before separately reported items, net of taxes”, “Funds from Operations” and “Adjusted Funds from Operations”. These measures are commonly used by the Company and its investors as a means of assessing the performance of the core operations in comparison to prior periods. They are presented by the Company on a consistent basis from period to period, thereby allowing for consistent comparability of its operating performance. In addition, the Company assesses its return on investment in development activities using the non-GAAP financial measure “NOI Yield”. These measures are not 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 for users of the Company’s financial statements to assess the Company’s operating performance and ability to pay cash dividends; or (ii) certain ongoing rights and obligations of the Company 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.

References to “net operating income”, or “NOI”, in this document are to revenue less operating expenses, and this value represents the underlying performance of the operating business segments. References to “net operating income margin” are to net operating income as a percentage of revenue.

References to “EBITDA” in this document are to earnings (loss) from continuing operations before net finance costs, income taxes, depreciation and amortization. References to “Adjusted EBITDA” in this document are to EBITDA adjusted to exclude the line item “other expense”, and as a result, is equivalent to the line item “earnings before depreciation, amortization, and other expense” reported on the consolidated statements of earnings. References to “Adjusted EBITDA Margin” are to Adjusted EBITDA as a percentage of revenue. Management believes that certain lenders, investors and analysts use EBITDA, Adjusted EBITDA and Adjusted EBITDA margin to measure a company’s ability to service debt and meet other payment obligations, and as a common valuation measurement.

References to “earnings (loss) from continuing operations before separately reported items, net of tax” in this document are to earnings (loss) from continuing operations, excluding the following separately reported line items: “foreign exchange and fair value adjustments” and “other expense”. These line items are reported separately and excluded from certain performance measures, because they are transitional in nature and would otherwise distort historical trends. They relate to the change in the fair value of or gains and losses on termination of convertible debentures and interest rate agreements, as well as gains or losses on the disposal or impairment of assets and investments, and foreign exchange gains or losses on capital items. In addition, these line items may include acquisition related costs, restructuring charges, proxy related costs and the write-off of unamortized deferred financing costs on early retirement of debt. The above separately reported line items are reported on a pre-tax and on an after-tax basis as a means of deriving earnings (loss) from operations and related earnings per share excluding such items.

“Funds from Operations”, or “FFO”, is defined as Adjusted EBITDA less depreciation for furniture, fixtures, equipment and computers, or “depreciation for FFEC”, depreciation for office leases, accretion costs, net interest expense and current income taxes. Depreciation for FFEC is considered representative of the amount of maintenance (non-growth) capital expenditures, or “maintenance capex”, to be used in determining “Funds from Operations”, as the depreciation term is generally in line with the life of these assets. FFO is a recognized earnings measure that is widely used by public real estate entities, particularly by those entities that own and/operate income-producing properties. Management believes that certain investors and analysts use FFO, and as such has included FFO to assist with their understanding of the Company’s operating results.

“Adjusted Funds from Operations”, or “AFFO”, is defined as FFO plus: i) the reversal of non-cash deferred financing and accretion costs; ii) the reversal of non-cash share-based compensation; iii) the principal portion of government capital funding; iv) amounts received from income support arrangements; and v) the reversal of income or loss of the captive insurance company that was included in the determination of FFO, as those operations are funded through investments held for U.S. self-insured liabilities, which are not included in the Company’s reported cash and cash equivalents. In addition, AFFO is further adjusted to account for the difference in total maintenance capex incurred from the amount deducted in the determination of FFO. Since the Company’s actual maintenance capex spending fluctuates on a quarterly basis with the timing of projects and seasonality, the adjustment to AFFO for these expenditures from the amount of depreciation for FFEC

already deducted in determining FFO, may result in an increase to AFFO in the interim periods reported. Management believes that AFFO is a relevant measure of the ability of the Company to earn cash and pay cash dividends to shareholders.

Both FFO and AFFO are subject to other adjustments, as determined by management in its discretion, that are not representative of the Company's operating performance.

References to "payout ratio" in this document are to the ratio of dividends declared per share to AFFO per basic share.

References to "NOI Yield" in this document are to a financial measure used by the Company to assess its return on investment in development activities. NOI Yield is defined by the Company as the estimated stabilized NOI of a development property in the first year it achieves expected stabilized occupancy, plus the annual construction funding subsidy (CFS) for certain LTC homes, if applicable, divided by the estimated Adjusted Development Costs, as defined below. Management believes that this is a relevant measure of the Company's total economic return of a development project.

"Adjusted Development Costs" is defined as development costs on a GAAP basis (which includes the cost of land, hard and soft development costs, furniture, fixtures and equipment) plus/minus cumulative net operating losses/earnings generated by the development property prior to achieving expected stabilized occupancy, plus an estimated imputed cost of capital during the development period through to the expected stabilized occupancy, net of any capital development government grant receivable on substantial completion of construction for certain LTC homes, if applicable.

Reconciliations of "earnings (loss) from continuing operations before income taxes" to "Adjusted EBITDA" and "net operating income" are provided under "Select Quarterly Financial Information", and "2021 First Quarter Financial Review".

Reconciliations of "earnings from continuing operations" to "FFO" and "AFFO" are provided under "Adjusted Funds from Operations".

Reconciliations of "net cash from operating activities" and "Adjusted EBITDA" to "AFFO" are provided under "Adjusted Funds from Operations – Reconciliations of Net Cash from Operating Activities and Adjusted EBITDA to AFFO".

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in securities and activities of the Company, which investors should carefully consider before investing in the Company. Risks and uncertainties are disclosed in the Company's 2020 Annual Information Form, including without limitation, "Risks Related to a Pandemic, Epidemic or Outbreak of a Contagious Illness, such as COVID-19", "Risks Related to Liability and Insurance" and "Risks Related to Government Funding and Regulatory Changes" found under the section "Risk Factors – Risks Related to the Business". To the extent there have been any changes to those risks or uncertainties as of the date of this MD&A, they are discussed under "Forward-looking Statements" and "Significant Developments".