Management's Discussion and Analysis

Q1 2024

Extendicare Inc.
Dated: May 15, 2024

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Three months ended March 31, 2024
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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 400, Markham, Ontario, Canada, L3R 4T9.

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 the largest private-sector owner and operator of long-term care ("LTC") homes in Canada and one of the largest private-sector providers of publicly funded home health care services in Canada through its wholly owned subsidiary ParaMed Inc. ("ParaMed"). As well, the Company provides management, consulting and other services to LTC homes owned by third parties and joint ventures to which the Company is a party through its Extendicare Assist division and procurement services through its group purchasing division, SGP Purchasing Partner Network ("SGP").

During Q3 2023, the Company completed the previously announced transactions (the "Revera Transactions") with Revera Inc. and its affiliates ("Revera") and Axium LTC Limited Partnership and its affiliates ("Axium") (together the "Revera and Axium Transactions"), resulting in Extendicare entering into two limited partnership joint ventures with Axium, in which the Company has a 15% managed interest in each. The limited partnership joint ventures, Axium Extendicare LTC LP ("Axium JV") and Axium Extendicare LTC II LP ("Axium JV II") (together, the "Joint Ventures"), are accounted for in the Company's consolidated financial statements as investments using the equity method. Refer to the discussion under "Business Overview – Joint Ventures" and *Notes 5 and 14* of the unaudited interim condensed consolidated financial statements.

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, 2024. 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, 2024 and the notes thereto, together with the annual MD&A and the audited consolidated financial statements for the year ended December 31, 2023, and the notes thereto, prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS"). The accompanying unaudited interim condensed consolidated financial statements for the three months ended March 31, 2024 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting", as issued by the International Accounting Standards Board.

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, 2024, 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. 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 15, 2024, 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+ at www.sedarplus.ca under the Company's issuer profile and on the Company's website at www.extendicare.com.

FORWARD-LOOKING STATEMENTS

This MD&A 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 MD&A 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, including anticipated timelines and costs in respect of development projects; statements relating to the agreements entered into with Revera, Axium and two limited partnership joint ventures with Axium in respect of the acquisition, disposition, ownership, operation and redevelopment of LTC homes in Ontario and Manitoba; and statements relating to expected future current income taxes and maintenance capex impacting AFFO. Forward-looking statements can often be identified by the expressions "anticipate", "believe", "estimate", "expect", "intend", "objective", "plan", "project", "will", "may", "should" 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, those described under "Risks and Uncertainties" in this MD&A and those other risks, uncertainties and other factors identified in the Company's other public filings with the Canadian securities regulators available on SEDAR+ at www.sedarplus.ca under the Company's issuer profile. These risks and uncertainties include 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 comply with and renew its government licenses and customer and joint venture agreements; changes in labour relations, employee costs and pay equity; 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 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 proposed or actualized dispositions, acquisitions and development projects, including risks relating to the actual completion of proposed transactions.

The preceding reference to material factors or assumptions is not exhaustive. All forward-looking statements in this MD&A are qualified in their entirety by this forward-looking disclaimer. Although forward-looking statements contained in this MD&A 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 MD&A. 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

Ontario Ministry of Long-Term Care Addresses Inflation Gap

In March 2024, the Ontario Ministry of Long-Term Care (the "MLTC") announced a number of funding enhancements to address the significant gap in funding that had developed since 2019 as the sectors' operating cost inflation, particularly in the accommodation envelopes, had significantly outpaced funding increases. The MLTC announced level of care funding increases to take effect April 1, 2024, representing an 11.5% increase in the other accommodation envelope and 4.5% to the flow-through envelopes. The Company estimates this will result in incremental annual revenue of approximately $12.0 million to the non-flow through, other accommodation envelope. In addition, the MLTC is providing LTC operators with one-time funding for the MLTC funding year ended March 31, 2024, intended to help relieve financial pressures and address key priorities, including capital and maintenance needs, redevelopment and other operating needs. As a result, the Company recognized approximately $12.2 million in one-time funding in Q1 2024, of which approximately $9.2 million is retroactive to April 1, 2023. These funding increases will help return the sector to long term financial stability, providing stable operating funding to support the broader redevelopment agenda.

For more information on these funding changes, refer to the discussion under the heading "Business Overview – Long-term Care – Ontario LTC Funding Changes".

Ontario LTC Redevelopment Activities

On March 24, 2024, Extendicare opened Axium JV's new 256-bed Countryside LTC home in Sudbury, Ontario. The new home replaces Extendicare's Class C Falconbridge home nearby and its 186 operational beds and 58 ward-style beds that had been taken out of service. Subsequent to March 31, 2024, the Company completed the sale of the land and building associated with the Falconbridge home. Proceeds from the sale were $5.3 million, resulting in an estimated gain net of taxes, certain closing and other costs, of $4.1 million (refer to *Note 16* of the unaudited interim condensed consolidated financial statements).

Subsequent to March 31, 2024, the Company completed the sale of its 256-bed LTC redevelopment project in Orleans, Ontario to Axium JV, for cash proceeds of $20.1 million net of Extendicare's 15% retained managed interest, holdbacks and closing costs. The net book value of the project was $15.5 million, resulting in an estimated gain, net of taxes, certain closing and other costs, of $2.5 million. The gain is also net of $0.4 million related to the Company's 15% managed interest in the joint venture (refer to *Note 16* of the unaudited interim condensed consolidated financial statements). The Company posted a $2.9 million letter of credit in support of its commitment to fund its 15% equity share into Axium JV in connection with the sale.

As at May 15, 2024, the Joint Ventures have five LTC redevelopment projects under construction in Ontario, consisting of 1,280 new beds, slated to replace 1,121 Class C beds. Four of the projects are replacing homes owned by Extendicare and the fifth is replacing an existing Revera home that Extendicare is managing. The homes are being constructed exclusively with private and semi-private rooms, with substantial improvements in common areas available to the residents. For more information refer to "Key Performance Indicators – LTC Projects Under Construction".

In March 2024, the MLTC announced another time-limited supplemental construction funding subsidy ("CFS") to support redevelopment. Similar to the supplemental CFS that expired in August 2023, the new supplement provides an additional $35.00 per bed per day to the existing base CFS and is available to eligible applicants who receive the government's approval to construct by November 30, 2024.

While the MLTC continues to demonstrate its commitment to building new LTC homes in Ontario, it has acknowledged that given the delays in redevelopment of the Class C LTC homes, their operating licenses will need to remain in service beyond their current expiration date of June 2025. In April 2024, the MLTC sent letters to all Class C home operators asking them to submit notice of their intentions regarding their Class C homes in order to qualify for license extensions of up to five years. The Company is seeking license extensions for all its remaining Class C beds.

The Company continues to progress its remaining 15 redevelopment projects in Ontario, consisting of 3,032 new or replacement beds that would replace 2,211 Class C beds. With the enhanced CFS in place until November 2024, we are readying four new projects to begin construction in 2024, with tendered construction costs and receipt of applicable regulatory approvals largely determining if and when they proceed. In addition, the Company has the option to purchase all future Revera LTC redevelopment projects undertaken in connection with Revera's 29 Class C LTC homes currently managed by the Company. We are working collaboratively with industry partners and the government to make as many of these projects as possible economically feasible, including the need to address the particular challenges faced by projects in the Greater Toronto Area and in smaller rural markets.

Home Health Care Funding Increases Support Service Expansion

In Q4 2023, the government confirmed a 6.7% billing rate increase to the sector, retroactive to April 1, 2023, in an effort to stabilize and expand the home and community care sector. The government prescribed that the increases be directed to increases in wages and benefits for home health care staff; travel, training, recruitment and retention costs; technology investments and operational support for staff and delivery of services.

The 6.7% increase allowed us to recognize $5.4 million in revenue in Q4 2023, reflecting a recovery of increased wages and benefits and investments in recruiting, retention, training and technology that were previously made by the home health care business retroactive to April 1, 2023. In Q1 2024, the Company made a number of investments enabled by the 6.7% rate increase, consisting of enhancements to our wage and benefits programs, and further investing in recruiting, retention, training and technology. These changes resulted in recognizing additional one-time revenue and expense of $13.6 million related to compensation to home health care staff, with no impact to NOI. For more information, refer to the discussion under the heading "Business Overview – Home Health Care – Home Health Care Funding Changes".

BUSINESS OVERVIEW

As at March 31, 2024, the Company operates 123 LTC homes, composed of 52 homes (7,113 beds) wholly owned by the Company and 71 homes (9,777 beds) under management contracts with third parties through Extendicare Assist, including 26 LTC homes owned by the Joint Ventures, in which the Company has a 15% managed interest. The Company's network of 123 LTC homes has capacity for 16,890 residents across three provinces in Canada, with Ontario, Manitoba and Alberta accounting for 79.5%, 11.6% and 9.0% of residents served, respectively.

In addition to providing procurement services to the LTC homes wholly owned by the Company, SGP supports third-party clients and the LTC homes owned by the Joint Ventures, representing approximately 138,300 beds across Canada, as at March 31, 2024.

The Company's home health care operations, ParaMed, delivered approximately 10.2 million hours of home health care services for the trailing twelve months ended March 31, 2024. The majority of ParaMed's services are delivered in Ontario and Alberta, which accounted for 94% and 4% of the total volume, respectively.

Joint Ventures

Joint ventures are accounted for in the Company's consolidated financial statements as investments using the equity method, whereby the investment is initially recognized at cost, and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income or loss of the joint venture from the date of acquisition, increased by the Company's contributions and reduced by distributions received. The Company's share of joint venture profit or loss is included in the consolidated statements of earnings.

The following table summarizes the classification of properties that are owned through the Company's joint ventures as at March 31, 2024.

Joint Venture	# of Properties	# of Beds	Extendicare Ownership	Accounting Treatment
Axium Extendicare LTC II LP(i)	26	3,502	15 %	Equity method
Axium Extendicare LTC LP(ii)	4	960	15 %	Equity method

(i) Twenty-five properties of Axium Extendicare LTC II LP are operational and one is under construction as at March 31, 2024.

(ii) One property of Axium Extendicare LTC LP is operational and three are under construction as at March 31, 2024.

Operating Segments

The Company reports on the following segments: i) long-term care; ii) home health care; iii) managed services, composed of the Extendicare Assist and SGP divisions; and iv) the corporate functions, including the Company's joint venture interests, and any intersegment eliminations as "corporate".

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, 2024 and 2023. The impact of COVID-19 affects the comparability of the contributions of the LTC and home health care business segments to the Company's consolidated revenue and NOI. Refer to "Select Quarterly Financial Information" and "2024 First Quarter Financial Review" for additional details to understand the impacts on the business segments.

	Three months ended March 31,				Year ended December 31,	
	2024		2023		2023	
Operating Segments as % of	Revenue	NOI	Revenue	NOI	Revenue	NOI
Long-term care	**56.2 %**	**56.6 %**	63.9 %	75.8 %	60.4 %	54.2 %
Home health care	**39.1 %**	**24.0 %**	33.1 %	14.4 %	35.9 %	29.2 %
Managed services	**4.7 %**	**19.4 %**	3.0 %	9.8 %	3.7 %	16.6 %
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 homes owned entirely by the Company are reported under the long-term care operating segment and consist of 52 LTC homes with capacity for 7,113 residents, inclusive of a stand-alone funded designated supportive living home (140 suites) and a funded designated supportive living wing (60 suites) in Alberta and two private pay retirement wings (76 suites) in Ontario. In addition, the Company has 127 ward-style beds in Ontario LTC homes that have been taken out of service as a result of regulatory changes and which form part of the Company's remaining 3,041 Class C Beds that are eligible to be reinstated upon redevelopment.

Provincial legislation and regulations closely control all aspects of the operation and funding of LTC homes and government-funded designated 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 significantly smaller 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, nutritional support and other 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 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 implemented for LTC in 2024 in Ontario, Alberta and Manitoba.

ONTARIO LTC FUNDING CHANGES

Effective July 1, 2024, the MLTC is implementing a 2.5% increase in preferred accommodation premiums paid for by residents to LTC providers for private and semi-private accommodation. For older LTC beds that are not classified as "New" or "A" beds, the maximum daily preferred accommodation premiums are now $9.19 and $20.65 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 are now $13.77 and $28.70 for semi-private and private rooms, respectively.

Effective April 1, 2024, the MLTC implemented a 6.6% blended funding increase, representing an 11.5% increase in the other accommodation envelope and 4.5% to the flow-through envelopes. In addition, on April 1, 2024, the second stage of the phase out of funding for ward-style beds not in service took effect. The Company estimates these funding changes will result in incremental annual revenue of approximately $21.3 million, of which $12.0 million is applicable to the non-flow through, other accommodation envelope. In April 2023, the corresponding 2.4% blended funding increase, net of the first stage of the phase out of funding for ward-style beds, represented incremental revenue of approximately $4.0 million, of which $2.2 million was applicable to the non-flow through, other accommodation envelope.

In March 2024, the MLTC provided LTC operators with one-time funding of $2,543 per bed for the MLTC funding year ending March 31, 2024. This one-time funding provides financial support for the homes to help relieve financial pressures and address key priorities, including capital and maintenance needs, redevelopment and other operating needs. As a result, the Company recognized approximately $12.2 million in one-time funding in Q1 2024, of which approximately $9.2 million is retroactive to April 1, 2023.

In November 2021, the MLTC implemented the first phase of its LTC Staffing Plan to increase direct care hours for LTC residents over four years through increased funding of the nursing and program flow-through envelopes, where any funding not spent on resident care is returned to the government. During 2023, the Company recognized approximately $71.2 million in revenue through the flow-through envelopes to support the increased hours of direct care (2022 – $42.8 million). The final phase of the LTC Staffing Plan took effect on April 1, 2024, and the Company estimates that it will provide incremental revenue of approximately $28.0 to $33.0 million in 2024 to support the incremental hours of direct care. While there is no impact on NOI from this increase in flow-through funding, it does have the effect of compressing the NOI margin as a percentage of revenue.

ALBERTA LTC FUNDING CHANGES

As at May 15, 2024, Alberta Health Services has not announced funding increases for the year commencing April 1, 2024.

MANITOBA LTC FUNDING CHANGES

As at May 15, 2024, Manitoba Health has not announced funding increases for the year commencing April 1, 2024. The following are the funding changes implemented in 2024, retroactive to prior periods.

In March 2024, Manitoba Health implemented annual baseline funding increases for LTC operators retroactive to April 1, 2023, resulting in additional annual revenue for the Company of $3.2 million, of which $2.2 million had been accrued during

2023. As result, the Company has recognized incremental revenue of $1.0 million in Q1 2024, of which approximately $0.6 million relates to prior periods.

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.

HOME HEALTH CARE FUNDING CHANGES

As at May 15, 2024, the MLTC has not announced home health care funding increases for the year commencing April 1, 2024.

The following summarizes the government funding changes announced for home health care during 2023 in Ontario that resulted in retroactive adjustments in Q4 2023 and Q1 2024.

As previously disclosed, in Q3 2023 the government confirmed a 3.0% billing rate increase retroactive to April 1, 2023, which we had accrued for throughout the year. In Q4 2023, the government confirmed a further 6.7% billing rate increase to the sector, retroactive to April 1, 2023, to help stabilize and expand the home and community care sector. The government prescribed that the increases be directed to increases in wages and benefits for home health care staff; travel, training, recruitment and retention costs; technology investments and operational support for staff and delivery of services.

Based on ADV and mix of services provided for the trailing twelve months ended March 31, 2024, these rate increases will increase our annual revenue by approximately $42.0 million and help offset wage and benefit increases, increased recruitment, retention and training costs and investments in technology and back-office support, some of which have already been implemented or incurred. In Q4 2023, and as a result of the 6.7% increase, we recognized $5.4 million in funding retroactive to April 1, 2023, which represented a recovery of increased wages and benefits and investments in recruiting, retention, training and technology that were previously made by the home health care business. Additional changes to our wage and benefits programs, and ongoing investments in recruiting, retention, training and technology were made in Q1 2024 as a result of the 6.7% billing rate increase announced in Q4 2023. In addition, we recognized one-time revenue and expense of $13.6 million related to compensation to home health care staff, with no impact on NOI.

Managed Services

The Company leverages its size, scale and operational expertise in the seniors' care industry to provide managed services to third parties and joint ventures to which the Company is a party through its Extendicare Assist and SGP divisions.

MANAGEMENT CONTRACTS AND CONSULTING AND OTHER SERVICES

Through its Extendicare Assist division, the Company provides management, consulting and other services to third parties and joint ventures to which the Company is a party, including not-for-profit and for-profit organizations, hospitals and municipalities. Extendicare Assist's business is classified into two categories: (i) management contracts and (ii) consulting and other services. Our management contracts category consists of two offerings: i) a fully managed service, providing management oversight over the day-to-day operations of the homes and ii) a back-office services only offering. Our full suite of back-office support services include human resources, labour relations, payroll and benefits administration, accounting and information technology expertise supported by our cloud-based integrated technology platform that provides all systems needed to operate a senior care home. Our full-service management contract offering provides the full suite of back-office support services with oversight of the day-to-day operations of a home supported by our regional support and clinical quality management teams. Our consulting and other services category covers a wide variety of offerings, including clinical improvement programs, operational reviews, financial performance advice and LTC home redevelopment services. We also offer an LTC operating policy subscription service that can be procured as a standalone service. As at March 31, 2024, Extendicare Assist has management contacts with 71 LTC homes with capacity for 9,777 residents including 1,039 private pay retirement beds, and provides a further 52 homes with consulting and other services. Some of the LTC homes under management contract have both funded and private pay retirement beds as part of the same mix-use property.

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, 2024, SGP provided services to third parties and joint ventures to which the Company is a party representing approximately 138,300 beds 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 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.

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; and

"Occupancy" is measured as the percentage of the number of earned resident days relative to the total available resident days. Total available resident days is the number of beds available for occupancy multiplied by the number of days in the period. Beginning in 2023, the determination of earned and available resident days is adjusted for certain bed types that are excluded from the government's occupancy requirements for funding purposes.

Long-term Care

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

Long-term Care Homes	2024(ii)				2023(ii)			2022
Average Occupancy(i) *(%)*	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Total LTC	**97.5%**	97.8%	97.8%	97.2%	96.6%	94.5%	93.5%	92.5%
Change over prior year period (bps)	**90**	330	430	470	580	240	260	460
Sequential quarterly change (bps)	**(30)**	—	60	60	210	100	100	170
Ontario LTC								
Total ON LTC	**98.6%**	98.7%	98.9%	98.7%	97.9%	94.8%	93.4%	92.1%
Preferred Accommodation(iii)								
"New" homes – private	**94.0%**	91.9%	92.2%	92.2%	91.1%	87.9%	86.3%	86.4%
"C" homes – private	**93.3%**	92.7%	94.6%	92.7%	91.0%	90.7%	87.2%	85.8%
"C" homes – semi-private	**66.6%**	65.3%	63.4%	61.9%	59.2%	55.3%	52.6%	54.3%

(i) Excludes ward-style beds in Ontario LTC homes that have been taken out of service per regulatory changes, and which form part of the Company's Class C beds that are eligible to be reinstated upon redevelopment (185 ward-style beds beginning Q1 2023; 127 ward-style beds at the end of Q1 2024).

(ii) Beginning in 2023, the determination of earned and available resident days is adjusted for certain bed types that are excluded from the government's occupancy requirements for funding purposes.

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

During 2023, the Company's total LTC occupancy levels recovered from the negative impacts of COVID-19 and returned to pre-pandemic levels of over 97%. In Q1 2024, total average occupancy was 97.5%, up 90 bps from Q1 2023.

In Ontario, government funding is occupancy-based, but once the average occupancy level of 97% for the calendar year is achieved, operators are funded based on 100% occupancy. In the event of closure to admissions related to an outbreak, which is not unusual during the winter months, full funding is preserved in Ontario, otherwise referred to as occupancy protection funding. However, occupancy protection does not compensate for the loss of preferred accommodation premiums from private and semi-private room vacancies.

LTC Projects Under Construction

The following table summarizes the LTC development projects that are under construction as at May 15, 2024. For more information, refer to the discussion under "Significant Developments – Ontario LTC Redevelopment Activities".

LTC Project	Owner(i)	Extendicare Ownership Interest	# of Class C Beds Replaced	# of New Beds	Construction Commenced	Expected Opening	Estimated Development Costs(ii) *($ millions)*
Limestone Ridge (Kingston)	Axium JV	15.0 %	150	192	Q2-21	Q3-24	49.7
Crossing Bridge (Stittsville)	Axium JV	15.0 %	256	256	Q4-21	Q3-24	75.1
Peterborough	Axium JV	15.0 %	172	256	Q2-23	Q4-25	100.6
Orleans(iii)	Axium JV	15.0 %	240	256	Q4-23	Q2-26	107.3
Carlingview Manor (Ottawa)	Axium JV II	15.0 %	303	320	Q4-23	Q2-26	121.4
			1,121	**1,280**			**454.1**

(i) For the projects owned by Axium JV II, Revera is responsible for the development and construction of the new home, pursuant to a development and construction management agreement.

(ii) Development costs are defined on a GAAP basis (which includes the cost of land, hard construction and soft development costs, furniture, fixtures and equipment, financing costs and capitalized interest costs during construction), net of any capital development government grant receivable on substantial completion of construction, if applicable.

(iii) Subsequent to March 31, 2024, the Company completed the sale of the Orleans project to Axium JV (refer to "Significant Developments – Ontario LTC Redevelopment Activities" and *Note 16* of the unaudited interim condensed consolidated financial statements).

Certain of the LTC development projects have experienced inflationary pressures, labour disruptions and rising interest rates that have impacted our projected completion and opening dates and construction cost increases outside of the initial contingency levels included in estimated development costs. We continue to work with our general contractors and construction partners to mitigate the impacts of these factors on schedules and costs.

Home Health Care

The table set out below provides the service volumes and ADV of the home health care operations for the past eight quarters. In Q1 2024, our ADV increased to 29,007, up 11.4% from Q1 2023.

The impact of COVID-19 on our workforce capacity, exacerbated by a tight labour market, impeded the recovery of our home health care ADV during 2022. During this time, referral activity remained strong and in Q4 2022, our home health care operations experienced a return to sequential growth in ADV that continued throughout 2023, overcoming the seasonal softness usually experienced in the summer months.

Home Health Care	**2024**				**2023**			**2022**
Service Volumes	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Hours of service *(000's)*	**2,639.7**	2,590.5	2,518.8	2,466.3	2,343.8	2,349.8	2,304.7	2,290.9
ADV	**29,007**	28,158	27,378	27,102	26,043	25,542	25,051	25,174
Change over prior year period	**11.4 %**	10.2 %	9.3 %	7.7 %	6.1 %	(1.0)%	(1.2)%	(0.4)%
Sequential quarterly change	**3.0 %**	2.8 %	1.0 %	4.1 %	2.0 %	2.0 %	(0.5)%	2.5 %

Managed Services

The table set out below provides information in respect of the third-party clients, including the Joint Ventures, receiving services from Extendicare Assist and SGP at the end of each period for the past eight quarters. For Extendicare Assist, the key performance indicators reflect those homes and beds under our management contracts offering, and exclude those homes that receive consulting and other services.

As at March 31, 2024, Extendicare Assist has management contacts with 71 LTC homes with capacity for 9,777 residents, including 1,039 private pay retirement beds, and provides a further 52 homes with consulting and other services.

SGP continues to grow its market share, increasing its third-party, including joint-venture, beds served by 23.7% at the end of Q1 2024 from Q1 2023, and by 1.5% from Q4 2023.

In August 2023, the completion of the Revera Transactions added 56 homes and 6,990 beds to our Extendicare Assist fully managed services and SGP group purchasing services divisions, including 25 LTC homes owned by Axium JV II. Separately, we also entered into new full-service management contracts with two additional homes representing 340 beds that were former third-party managed clients of Revera. In Q1 2024, we opened Countryside, a new 256-bed LTC home within Axium JV, bringing the total LTC homes in operation in the Joint Ventures to 26.

As well, certain of Extendicare Assist's clients moved to self-management, changed their contracted scope of services or ceased operations during 2023 and in Q1 2024, and while they are no longer counted as management contract homes in our key performance indicators, a significant portion of them remain as consulting and other services clients of Extendicare Assist. There is minimal impact on SGP, as substantially all of the homes that moved to self-management are continuing as customers of SGP.

	2024				**2023**			**2022**
Managed Services	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Extendicare Assist Management Contracts								
Homes at period end								
Third party	**45**	47	48	50	50	50	50	50
Joint venture	**26**	25	25	—	—	—	—	—
Total homes at period end	**71**	72	73	50	50	50	50	50
Resident capacity								
Third party	**6,339**	6,601	6,780	5,959	5,959	5,959	6,263	6,263
Joint venture	**3,438**	3,182	3,182	—	—	—	—	—
Total resident capacity	**9,777**	9,783	9,962	5,959	5,959	5,959	6,263	6,263
Change over prior year period	**64.1 %**	64.2 %	59.1 %	(4.9)%	(4.9)%	(4.9)%	(1.5)%	(1.5)%
Sequential quarterly change	**(0.1)%**	(1.8)%	67.2 %	— %	— %	(4.9)%	— %	— %
SGP Clients								
Third-party and joint-venture beds	**138,250**	136,164	128,901	115,455	111,772	109,725	106,989	102,219
Change over prior year period	**23.7 %**	24.1 %	20.5 %	12.9 %	13.1 %	17.7 %	21.0 %	22.4 %
Sequential quarterly change	**1.5 %**	5.6 %	11.6 %	3.3 %	1.9 %	2.6 %	4.7 %	3.4 %

SELECT QUARTERLY FINANCIAL INFORMATION

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

	2024				2023			2022
(thousands of dollars unless otherwise noted)	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Revenue	**367,095**	350,181	322,529	307,535	324,712	310,393	308,889	296,585
Net operating income[1]	**44,743**	42,778	35,210	28,470	44,564	21,686	23,526	30,341
NOI margin[1]	***12.2%***	*12.2%*	*10.9%*	*9.3%*	*13.7%*	*7.0%*	*7.6%*	*10.2%*
Adjusted EBITDA[1]	**30,132**	28,663	20,770	14,776	30,978	9,160	10,034	18,057
Adjusted EBITDA margin[1]	***8.2%***	*8.2%*	*6.4%*	*4.8%*	*9.5%*	*3.0%*	*3.2%*	*6.1%*
Share of (loss) profit from investment in joint ventures	**1,130**	(578)	598	—	—	—	—	—
Earnings (loss) from continuing operations	**13,096**	8,620	11,831	1,951	11,580	(7,704)	(4,362)	3,510
per basic share *($)*	**0.16**	0.10	0.14	0.02	0.14	(0.09)	(0.04)	0.04
per diluted share *($)*	**0.15**	0.10	0.14	0.02	0.14	(0.09)	(0.04)	0.04
(Loss) earnings from operating activities of discontinued operations	**—**	—	—	—	—	(306)	96	(37)
Gain on sale of discontinued operations, net of income taxes	**—**	—	—	—	—	6,317	—	67,920
Net earnings (loss)	**13,096**	8,620	11,831	1,951	11,580	(1,693)	(4,266)	71,393
per basic share *($)*	**0.16**	0.10	0.14	0.02	0.14	(0.02)	(0.04)	0.79
per diluted share *($)*	**0.16**	0.10	0.14	0.02	0.14	(0.02)	(0.04)	0.72
AFFO[1]	**17,630**	19,050	12,290	9,037	20,839	1,889	2,112	9,624
per basic share *($)*	**0.21**	0.23	0.14	0.11	0.24	0.02	0.02	0.11
per diluted share *($)*	**0.20**	0.21	0.14	0.11	0.23	0.02	0.02	0.11
Maintenance capex	**3,411**	4,988	4,895	2,728	2,047	6,630	4,240	2,700
Cash dividends declared	**9,988**	10,000	10,122	10,104	10,178	10,275	10,584	10,754
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	**84,062**	84,297	85,009	85,212	85,437	86,678	89,178	90,139
Diluted	**95,146**	95,507	95,870	96,009	96,229	97,604	100,079	101,102

There are a number of factors affecting the trend of the Company's quarterly results from continuing operations. The financial impacts of COVID-19 that had impacted the Company since Q1 2020 had largely abated by the end of 2023, including government prevention and containment funding, which ended in March 2023 in Ontario and Manitoba, and in June 2023 in Alberta.

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 reasons. The significant factors that impact the results from period to period, in addition to the impacts that resulted 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 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 increases in preferred accommodation premiums effective July 1st; Alberta long-term care providers generally receive annual rate increases and acuity-based funding adjustments on April 1st and accommodation funding increases effective July 1st, and changes in home health care billing rates for Ontario and Alberta government contracts generally take effect April 1st;
- salary and wage increases for non-unionized staff are generally implemented on January 1st, with increases for unionized staff occurring throughout the year based on agreements in effect;
- home health care volumes are impacted by seasonal patterns with volumes in the summer months generally lower, impacting Q3 volumes; also, statutory holidays vary between quarters which can have an impact on the comparability of sequential quarterly NOI and NOI margins;
- 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 income or expense" and "fair value adjustments".

Reconciliations of Adjusted EBITDA and Net Operating Income

The following table provides a reconciliation of "earnings (loss) from continuing operations before income taxes" to Adjusted EBITDA and "net operating income", which excludes discontinued operations. Refer to the discussion under "Non-GAAP Measures".

	2024				2023			2022[2]
(thousands of dollars)	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Earnings (loss) from continuing operations before income taxes	**17,593**	12,264	13,668	3,105	15,766	(10,364)	(5,042)	4,646
Add (Deduct):								
Depreciation and amortization	**8,155**	8,678	9,023	7,173	7,351	7,692	7,558	8,058
Net finance costs	**3,608**	4,429	3,725	3,096	4,243	3,081	3,931	4,378
Other (income) expense	**1,906**	2,714	(5,048)	1,402	3,618	8,751	3,587	975
Share of (profit) loss from investment in joint ventures	**(1,130)**	578	(598)	—	—	—	—	—
Adjusted EBITDA	**30,132**	28,663	20,770	14,776	30,978	9,160	10,034	18,057
Administrative costs	**14,611**	14,115	14,440	13,694	13,586	12,526	13,492	12,284
Net operating income	**44,743**	42,778	35,210	28,470	44,564	21,686	23,526	30,341

STATEMENT OF EARNINGS

The following provides the consolidated statement of earnings for the periods ended March 31, 2024 and 2023.

	Three months ended March 31,		
(thousands of dollars unless otherwise noted)	**2024**	**2023**	**Change**
Revenue	**367,095**	324,712	42,383
Operating expenses	**322,352**	280,148	42,204
Net operating income[1]	**44,743**	44,564	179
Administrative costs	**14,611**	13,586	1,025
Adjusted EBITDA[1]	**30,132**	30,978	(846)
Depreciation and amortization	**8,155**	7,351	804
Other expense	**1,906**	3,618	(1,712)
Share of profit from investment in joint ventures	**(1,130)**	—	(1,130)
Earnings before net finance costs and income taxes	**21,201**	20,009	1,192
Interest expense (net of capitalized interest)	**4,988**	5,354	(366)
Interest revenue	**(1,453)**	(1,809)	356
Accretion	**393**	370	23
Fair value adjustments	**(320)**	328	(648)
Net finance costs	**3,608**	4,243	(635)
Earnings before income taxes	**17,593**	15,766	1,827
Income Tax Expense (Recovery)			
Current	**5,773**	3,846	1,927
Deferred	**(1,276)**	340	(1,616)
Total income tax expense	**4,497**	4,186	311
Net earnings	**13,096**	11,580	1,516
Net earnings	**13,096**	11,580	1,516
Add (Deduct)[i]**:**			
Fair value adjustments	**(235)**	243	(478)
Other expense	**1,401**	2,659	(1,258)
Earnings from continuing operations before separately reported items, net of taxes[1]	**14,262**	14,482	(220)

(i) The separately reported items being added to or deducted from earnings from continuing operations are net of income taxes.

2024 FIRST QUARTER FINANCIAL REVIEW

The following is an analysis of the consolidated results from operations for Q1 2024, as compared to Q1 2023.

Revenue

Revenue of $367.1 million in Q1 2024 increased by $42.4 million or 13.1% from $324.7 million in Q1 2023. Higher revenue was driven primarily by LTC flow-through funding enhancements, including a year-over-year increase in prior period LTC funding of $3.2 million, improved occupancy, growth in home health care ADV of 11.4%, higher billing rates, including the impact of $13.6 million in retroactive funding, and growth in managed services, partially offset by COVID-19 funding of $24.8 million recognized in Q1 2023. The change in LTC prior period funding adjustments of $3.2 million reflects $9.8 million recorded in the quarter, including $9.2 million of one-time funding in Ontario to support homes with capital or operating needs, partially offset by $6.6 million recorded in Q1 2023.

Operating Expenses

Operating expenses of $322.4 million in Q1 2024 increased by $42.2 million or 15.1% from Q1 2023. This increase was driven by higher labour costs (including increased hours of care supported by increased flow-through funding, labour rate increases and staffing agency costs) and technology costs across business segments, partially offset by estimated costs related to COVID-19 of $12.7 million in Q1 2023. Labour costs in Q1 2024 included $13.6 million of one-time compensation costs for home health care staff supported by retroactive funding recorded in the quarter.

Net Operating Income

Net operating income was $44.7 million in Q1 2024 as compared to $44.6 million in Q1 2023, representing 12.2% and 13.7% of revenue, respectively. Excluding the year-over-year net reduction of $8.9 million related to the net recovery of estimated COVID-19 costs of $12.1 million recognized in Q1 2023, partially offset by an increase in prior period funding adjustments of $3.2 million, NOI increased to $34.9 million in Q1 2024 from $25.9 million in Q1 2023, and represented 10.2% and 8.8% of revenue, respectively. The NOI improvement of $9.0 million reflects funding enhancements and higher occupancy, growth in home health care ADV of 11.4%, higher billing rates, and growth in managed services, partially offset by higher operating costs across all segments.

Administrative Costs

Administrative costs increased by $1.0 million to $14.6 million in Q1 2024, primarily due to higher labour costs and professional fees.

Adjusted EBITDA

Adjusted EBITDA declined by $0.8 million to $30.1 million in Q1 2024 from $31.0 million in Q1 2023 and represented 8.2% of revenue as compared to 9.5% in the same prior year period, reflecting the increase in NOI, offset by higher administrative costs. Excluding the year-over-year net reduction of $8.9 million related to the net recovery of estimated COVID-19 costs of $12.1 million recognized in Q1 2023, partially offset by an increase in prior period funding adjustments of $3.2 million, Adjusted EBITDA increased to $20.3 million in Q1 2024 from $12.3 million in Q1 2023 and represented 5.9% and 4.2% of revenue, respectively.

Depreciation and Amortization

Depreciation and amortization costs increased by $0.8 million to $8.2 million in Q1 2024, primarily due to the implementation of key cloud-based IT platforms and amortization of operational entitlements in connection with the Revera Transactions.

Other Expense

Other expense declined by $1.7 million to $1.9 million in Q1 2024, reflecting lower strategic transformation costs in connection with the Revera and Axium Transactions. The strategic transformation costs incurred in 2024 include IT integration and management transition costs, and in 2023, such costs also included transaction, legal and regulatory costs. The Company will continue to incur strategic transformation costs through to the end of 2024, estimated in the range of $7.0 to $9.0 million for the year (inclusive of Q1), the timing of which will vary as the integration plan is executed.

Share of Profit From Investment in Joint Ventures

Share of profit from joint ventures was $1.1 million in Q1 2024, which includes the impact of one-time funding for Ontario LTC homes recognized in the quarter, of which the Company's 15% share was approximately $0.9 million and $0.7 million related to prior periods. Refer to *Note 5* of the unaudited interim condensed consolidated financial statements.

Net Finance Costs

Net finance costs declined by $0.6 million in Q1 2024, reflecting a favourable change in fair value adjustments for interest rate swaps of $0.6 million and lower interest revenue from cash on hand, partially offset by lower interest expense related to a decline in long-term debt.

Income Taxes

The income tax provision of $4.5 million was unchanged and represented an effective tax rate of 25.6% in Q1 2024, as compared to 26.6% in Q1 2023.

Net Earnings

The Company reported net earnings of $13.1 million ($0.16 per basic share) in Q1 2024 as compared to $11.6 million ($0.14 per basic share) in Q1 2023. The increase in net earnings of $1.5 million largely resulted from the share of profit from joint ventures of $1.1 million, the decline in other expense of $1.7 million ($1.3 million net of tax) and lower net finance costs, partially offset by the decrease in Adjusted EBITDA of $0.8 million and higher depreciation and amortization 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 *(thousands of dollars unless otherwise noted)*	**Long-term Care**	**Home Health Care**	**Managed Services**	**Total**
2024				
Revenue	**206,489**	**143,531**	**17,075**	**367,095**
Operating expenses	**181,160**	**132,778**	**8,414**	**322,352**
Net operating income[1]	**25,329**	**10,753**	**8,661**	**44,743**
NOI margin[1]	***12.3%***	***7.5%***	***50.7%***	***12.2%***
2023				
Revenue	207,611	107,427	9,674	324,712
Operating expenses	173,857	100,994	5,297	280,148
Net operating income[1]	33,754	6,433	4,377	44,564
NOI margin[1]	*16.3%*	*6.0%*	*45.2%*	*13.7%*
Change				
Revenue	(1,122)	36,104	7,401	42,383
Operating expenses	7,303	31,784	3,117	42,204
Net operating income[1]	(8,425)	4,320	4,284	179

LONG-TERM CARE OPERATIONS

Revenue from LTC operations declined by $1.1 million or 0.5% to $206.5 million in Q1 2024. Excluding a reduction in funding of $24.1 million to support costs associated with COVID-19, revenue increased by $23.0 million largely driven by funding increases and timing of spend, including $8.3 million in higher Ontario flow-through funding, improved occupancy and an increase of approximately $3.2 million in prior period funding adjustments. The year-over-year net impact of prior period funding adjustments reflects $9.8 million recorded in the quarter, including $9.2 million of one-time funding in Ontario to support homes with capital or operating needs, partially offset by $6.6 million recorded in Q1 2023.

Net operating income from LTC operations declined by $8.4 million or 25.0% to $25.3 million in Q1 2024 as compared to $33.8 million in Q1 2023, with NOI margins of 12.3% and 16.3%, respectively. Excluding the year-over-year net reduction in prior period funding of $8.9 million, related to the net recovery of COVID-19 costs of $12.1 million in Q1 2023, partially offset by prior period funding adjustments of $3.2 million, NOI improved to $15.5 million (7.9% of revenue) in Q1 2024 from $15.1 million (8.5% of revenue) in the prior period, reflecting funding enhancements and increased occupancy, partially offset by higher operating costs. NOI margins fell despite higher absolute NOI due to higher flow-through funding levels.

HOME HEALTH CARE OPERATIONS

Revenue from home health care operations increased by $36.1 million or 33.6% to $143.5 million in Q1 2024 from $107.4 million in Q1 2023, driven by 11.4% growth in ADV and billing rate increases, including $13.6 million of retroactive funding recognized in Q1 2024 to support one-time compensation costs incurred in the quarter.

Net operating income from home health care operations increased by $4.3 million to $10.8 million (7.5% of revenue) in Q1 2024 from $6.4 million (6.0% of revenue) in Q1 2023, reflecting higher ADV and rate increases, partially offset by higher wages and benefits. Excluding the impact of the $13.6 million of one-time compensation costs and offsetting funding incurred in Q1 2024, the NOI margin was 8.3% in the quarter.

MANAGED SERVICES

Revenue from managed services increased by $7.4 million or 76.5% to $17.1 million in Q1 2024 compared to Q1 2023, largely due to the addition of the Revera and the Joint Ventures' homes and new SGP clients, partially offset by Extendicare Assist clients that reduced their scope of services. Refer to the discussion under "Key Performance Indicators – Managed Services".

Net operating income from managed services increased by $4.3 million or 97.9% to $8.7 million in Q1 2024 compared to Q1 2023, with NOI margins of 50.7% and 45.2%, respectively, reflecting revenue growth, partially offset by higher operating expenses to support the growth in clients served and due to changes to the mix of Extendicare Assist consulting services.

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

Reconciliations of FFO to Net Earnings

The following table provides a reconciliation of "net earnings" to FFO, which the Company believes is the most comparable GAAP measure to FFO. In addition, the table includes a reconciliation from FFO to AFFO as supplemental information, both of which include discontinued operations. Refer to the discussion under "Non-GAAP Measures".

	Three months ended March 31,		
(thousands of dollars unless otherwise noted)	**2024**	**2023**	**Change**
Net earnings	**13,096**	11,580	1,516
Add (Deduct):			
Depreciation and amortization	**8,155**	7,351	804
Depreciation for FFEC (maintenance capex)	**(1,956)**	(2,333)	377
Depreciation for office leases	**(737)**	(821)	84
Other expense	**1,906**	3,618	(1,712)
Fair value adjustments	**(320)**	328	(648)
Current income tax expense (recovery) on other expense and fair value adjustments	**(505)**	(959)	454
Deferred income tax expense (recovery)	**(1,276)**	340	(1,616)
FFO adjustments for joint ventures(i)	**403**	—	403
FFO	**18,766**	19,104	(338)
Amortization of deferred financing costs	**283**	361	(78)
Accretion (recovery) costs	**393**	370	23
Non-cash share-based compensation	**(970)**	(124)	(846)
Principal portion of government capital funding	**468**	842	(374)
Additional maintenance capex	**(1,246)**	286	(1,532)
AFFO adjustments for joint ventures(i)	**(64)**	—	(64)
AFFO	**17,630**	20,839	(3,209)
Per Basic Share *($)*			
FFO	**0.22**	0.22	—
AFFO	**0.21**	0.24	(0.03)
Per Diluted Share *($)*			
FFO	**0.21**	0.21	—
AFFO	**0.20**	0.23	(0.03)
Dividends			
Declared	**9,988**	10,178	(190)
Declared per share *($)*	**0.12**	0.12	—
Weighted Average Number of Shares			
Basic *(000's)*	**84,062**	85,437	
Diluted *(000's)*	**95,146**	96,229	
Current income tax expense included in FFO	**6,278**	4,805	1,473
FFO effective tax rate	***25.1 %***	*20.1 %*	

(i) Refer to the additional information provided under "FFO and AFFO Adjustments for Joint Ventures".

Reconciliations of AFFO to Net Cash From Operating Activities

The following table provides a reconciliation of AFFO, which includes discontinued operations, to “net cash from operating activities”, which the Company believes is the most comparable GAAP measure to AFFO. Refer to the discussion under “Non-GAAP Measures”.

	Three months ended March 31,		
(thousands of dollars)	**2024**	**2023**	**Change**
Net cash from operating activities	**39,416**	(30,139)	69,555
Add (Deduct):			
Net change in operating assets and liabilities, including interest and taxes	**(21,185)**	50,345	(71,530)
Other expense	**1,906**	3,618	(1,712)
Current income tax on items excluded from AFFO	**(505)**	(959)	454
Depreciation for office leases	**(737)**	(821)	84
Depreciation for FFEC (maintenance capex)(i)	**(1,956)**	(2,333)	377
Additional maintenance capex(i)	**(1,246)**	286	(1,532)
Principal portion of government capital funding	**468**	842	(374)
Adjustments for joint ventures(ii)	**1,469**	—	1,469
AFFO	**17,630**	20,839	(3,209)
Total maintenance capex(i)	**3,411**	2,047	1,364

(i) Total maintenance capex represents the aggregate of the items classified as “depreciation for FFEC” and “additional maintenance capex”, and includes $0.2 million in respect of the Company’s 15% managed interest in joint ventures, for the three months ended March 31, 2024. 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.

(ii) Refer to the additional information provided under “FFO and AFFO Adjustments for Joint Ventures”.

AFFO 2024 First Quarter Financial Review

In Q1 2024, AFFO decreased by $3.2 million to $17.6 million ($0.21 per basic share) from $20.8 million ($0.24 per basic share) in Q1 2023, largely reflecting the decline in Adjusted EBITDA, increased current income taxes and higher maintenance capex. Excluding the year-over-year net reduction of $5.8 million in AFFO related to a net recovery of COVID-19 costs in Q1 2023, partially offset by out-of-period LTC funding and share of profit from joint ventures in Q1 2024, AFFO improved by $2.6 million to $9.7 million ($0.12 per basic share) from $7.1 million ($0.08 per basic share) in the prior year.

Dividends declared as a percentage of AFFO for the three months ended March 31, 2024, represented a payout ratio of 57%. In addition to cash on hand of $90.5 million as at March 31, 2024, and ongoing cash generated from operations, the Company has available undrawn credit facilities totalling $68.0 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 “2024 First Quarter Financial Review”.

The current income tax expense included in AFFO was $6.3 million for the three months ended March 31, 2024, compared to $4.8 million in the same prior year period, representing an effective tax rate on FFO of 25.1% and 20.1%, respectively. 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 2024, the Company expects the effective tax rate on FFO will be in the range of 19% to 22%.

Including the Company’s 15% managed interest in joint ventures, maintenance capex was $3.4 million for Q1 2024 compared to $2.0 million for Q1 2023 and to $5.0 million for Q4 2023, representing 0.9%, 0.6% and 1.4% of revenue, respectively. For the three months ended March 31, 2024, maintenance capex was $3.7 million compared to $2.1 million in the prior year, representing 1.0% and 0.6% of revenue, respectively. These costs fluctuate on a quarterly and annual basis with the timing of projects and seasonality. In 2024, the Company expects to spend in the range of $16.0 million to $18.0 million in maintenance capex, including approximately $1.1 million in connection with the Company’s 15% managed interest in joint ventures.

The following provides a reconciliation of "Adjusted EBITDA" to AFFO, which includes discontinued operations, as supplemental information. Refer to the discussion under "Non-GAAP Measures".

	Three months ended March 31,		
(thousands of dollars)	**2024**	**2023**	**Change**
Adjusted EBITDA	**30,132**	30,978	(846)
Add (Deduct):			
Depreciation for FFEC (maintenance capex)	**(1,956)**	(2,333)	377
Depreciation for office leases	**(737)**	(821)	84
Accretion (recovery) costs	**(393)**	(370)	(23)
Interest expense	**(4,988)**	(5,354)	366
Interest revenue	**1,453**	1,809	(356)
FFO adjustments for joint ventures	**1,533**	—	1,533
	25,044	23,909	1,135
Current income tax expense (recovery)	**6,278**	4,805	1,473
FFO	**18,766**	19,104	(338)
Amortization of deferred financing costs	**283**	361	(78)
Accretion (recovery) costs	**393**	370	23
Non-cash share-based compensation	**(970)**	(124)	(846)
Principal portion of government capital funding	**468**	842	(374)
Additional maintenance capex	**(1,246)**	286	(1,532)
AFFO adjustments for joint ventures	**(64)**	—	(64)
AFFO	**17,630**	20,839	(3,209)

FFO and AFFO Adjustments for Joint Ventures

The following tables provide additional information in respect of the adjustments to FFO and AFFO for joint ventures. Refer to the discussion under "Non-GAAP Measures".

	Three months ended March 31,		
(thousands of dollars unless otherwise noted)	**2024**	**2023**	**Change**
Depreciation and amortization	**472**	—	472
Depreciation for FFEC (maintenance capex)	**(69)**	—	(69)
FFO adjustments for joint ventures	**403**	—	403
Principal portion of government capital funding	**76**	—	76
Additional maintenance capex	**(140)**	—	(140)
AFFO adjustments for joint ventures	**(64)**	—	(64)

	Three months ended March 31,		
(thousands of dollars unless otherwise noted)	**2024**	**2023**	**Change**
Net cash from operating activities	**1,970**	—	1,970
Net change in operating assets and liabilities, including interest and taxes	**(368)**	—	(368)
Depreciation for FFEC (maintenance capex)	**(69)**	—	(69)
Additional maintenance capex	**(140)**	—	(140)
Principal portion of government capital funding	**76**	—	76
Adjustments for joint ventures	**1,469**	—	1,469
Total maintenance capex for joint ventures	**209**	—	209

(thousands of dollars unless otherwise noted)	Three months ended March 31, 2024	2023	Change
Adjusted EBITDA	**1,970**	—	1,970
Depreciation for FFEC (maintenance capex)	**(69)**	—	(69)
Interest expense	**(477)**	—	(477)
Interest revenue	**109**	—	109
FFO adjustments for joint ventures	**1,533**	—	1,533
Principal portion of government capital funding	**76**	—	76
Additional maintenance capex	**(140)**	—	(140)
AFFO adjustments for joint ventures	**(64)**	—	(64)

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

The following summarizes the sources and uses of cash for the three months ended March 31, 2024 and 2023.

(thousands of dollars)	Three months ended March 31, 2024	2023
Net cash from (used in) operating activities	**39,416**	(30,139)
Net cash used in investing activities	**(8,666)**	(32,625)
Net cash (used in) from financing activities	**(15,388)**	922
Increase (decrease) in cash and cash equivalents	**15,362**	(61,842)

As at March 31, 2024, the Company had cash and cash equivalents on hand of $90.5 million, reflecting an increase in cash of $15.4 million from the beginning of the year. Cash flow from operating activities of $39.4 million for the three months ended March 31, 2024, was in excess of cash dividends paid of $10.0 million.

Net cash from (used in) operating activities was a source of cash of $39.4 million for the three months ended March 31, 2024, up $69.6 million from a use of cash of $30.1 million in the prior year, reflecting favourable changes in operating assets and liabilities between periods. Fluctuations in operating assets and liabilities between periods are primarily attributable to the volatility and timing of cash receipts related to funding changes and flow-through funding, and the timing of payroll cycles.

Net cash used in investing activities was a use of cash of $8.7 million for the three months ended March 31, 2024 as compared to $32.6 million in the prior year. The 2024 activity included purchases of property, equipment and other intangible assets of $9.4 million, the collection of other assets of $0.5 million and distributions from investments in joint ventures of $0.2 million. The 2023 activity included purchases of property, equipment and other intangible assets of $33.5 million, partially offset by the collection of other assets of $0.8 million.

The table that follows summarizes the additions to property, equipment and other intangibles, allocated between growth and maintenance capex for each of the continuing and discontinued operations. Growth capex relates to the LTC redevelopment projects, building improvements, investments in transitioning key IT platforms to cloud-based solutions, projects, or other capital projects, all of which are aimed at earnings growth. Maintenance capex relates to the capital additions incurred to sustain and upgrade existing property and equipment.

(thousands of dollars)	Three months ended March 31, 2024	2023
Growth capex	**6,739**	22,871
Maintenance capex	**3,202**	2,047
	9,941	24,918

Management monitors and prioritizes the capital expenditure requirements of its properties throughout the year, taking into account the urgency and necessity of the expenditure. Growth capex in 2024 will be focused primarily on the LTC projects under construction, redevelopment activities and continued investments in technology to support growth initiatives (refer to "Other Contractual Obligations and Contingencies – Commitments"). The level of future growth capex will primarily be impacted by the timing of redevelopment projects advancing to construction, which is dependent on future enhancements to the Capital Funding Program in Ontario, any potential redevelopment programs that are introduced in Alberta and Manitoba, and whether such projects are sold to Axium JV.

Net cash (used in) from financing activities was a use of cash of $15.4 million for the three months ended March 31, 2024, a decrease of $16.3 million from a source of cash of $0.9 million in the prior year. The 2024 activity included cash dividends paid of $10.0 million and debt and lease liability repayments of $5.1 million. The 2023 activity included draws on LTC construction financings of $16.6 million, partially offset by debt and lease liability repayments of $5.4 million and cash dividends paid of $10.2 million.

Capital Structure

SHAREHOLDERS' EQUITY

Total shareholders' equity as at March 31, 2024, was $90.3 million as compared to $87.9 million at December 31, 2023, reflecting the contributions from net earnings and comprehensive income, offset by dividends declared of $10.0 million.

As at March 31, 2024, the Company had 83,383,698 Common Shares issued and outstanding (carrying value – $468.8 million), as compared to 83,158,315 Common Shares (carrying value – $467.3 million) as at December 31, 2023, reflecting 225,383 Common Shares issued under the Company's equity-based compensation plan.

Share Information *(000's)*	**May 14, 2024**	**March 31, 2024**	**December 31, 2023**
Common Shares (TSX symbol: EXE)(i)	**83,383.7**	**83,383.7**	83,158.3

(i) Closing market value per TSX on May 14, 2024, was $7.67.

As at May 15, 2024, the Company had an aggregate of 3,659,228 Common Shares reserved and available for issuance pursuant to the Company's long-term incentive plan, of which there were in aggregate 2,445,492 performance share units and deferred share units outstanding as at March 31, 2024 (refer to *Note 7* of the unaudited interim condensed consolidated financial statements).

As at May 15, 2024, 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, 2024, consistent with that declared in 2023, representing $10.0 million and $10.2 million in each period, respectively.

Normal Course Issuer Bid

In June 2023, the Company received approval from the TSX to renew its normal course issuer bid ("NCIB") to purchase for cancellation up to 7,273,707 Common Shares, representing 10% of its public float, through the facilities of the TSX and/or through alternative Canadian trading systems, in accordance with TSX rules. The NCIB commenced on June 30, 2023, and provides the Company with flexibility to purchase Common Shares for cancellation until June 29, 2024, or on such earlier date as the NCIB is complete. The actual number of Common Shares purchased under the NCIB and the timing of any such purchases will be at the Company's discretion. Subject to the TSX's block purchase exception, daily purchases will be limited to 36,281 Common Shares. The Company has entered into an automatic purchase plan with its designated broker in connection with its NCIB to facilitate the purchase of Common Shares during times when the Company would ordinarily not be active in the market. The Board authorized the NCIB because it believes that, from time to time, the market price of the Common Shares may be such that their purchase may be an attractive and appropriate use of corporate funds. Decisions regarding the quantity and timing of purchases of Common Shares are based on market conditions, share price, the outlook for capital needs, including LTC redevelopment needs and other factors. As at May 14, 2024, the Company had purchased 1,121,631 Common Shares at a cost of $7.0 million under the current NCIB, all of which were acquired in 2023.

Under its prior NCIB that expired on June 29, 2023, the Company purchased 5,638,680 Common Shares at a cost of $39.1 million, representing a weighted average price per share of $6.94, of which 627,500 were acquired in 2023 at a cost of $4.1 million.

Long-term Debt

Long-term debt totalled $330.1 million as at March 31, 2024, as compared to $334.5 million as at December 31, 2023, representing a decrease of $4.4 million, reflecting regular debt and lease liability repayments of $5.1 million, partially offset by new lease liabilities and changes in accretion and deferred financing costs. The current portion of long-term debt as at March 31, 2024, was $20.0 million. 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, 2024. Details of the components, maturities dates, terms and conditions of long-term debt are provided in *Note 6* of the unaudited interim condensed consolidated financial statements.

LTC CONSTRUCTION FINANCING

As at March 31, 2024, no amount had been drawn on the Company's $92.5 million construction facility in connection with its 256-bed LTC redevelopment project in Orleans. The facility bears interest at a fixed rate of 5.72% and includes a construction period that commences after the initial drawdown and converts to a 25-year non-revolving term loan no later than 30 months after the initial drawdown. Interest is capitalized during construction. Subsequent to March 31, 2024, this redevelopment project was sold to, and the related construction facility assumed by, Axium JV (refer to *Note 16* of the unaudited interim condensed consolidated financial statements).

CMHC MORTGAGES

In March 2024, the Company extended the maturity date of its $20.4 million variable rate mortgage to July 1, 2027. The mortgage is insured through the Canada Mortgage and Housing Corporation ("CMHC") program and is secured by a Canadian financial institution at a variable rate based on the lender's cost of funds plus 225 basis points.

CREDIT FACILITIES

The Company has two demand credit facilities totalling $112.3 million. One is secured by 14 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, 2024, $27.3 million of the facilities secure the Company's legacy defined benefit pension plan obligations, $10.9 million secures the Company's obligation to fund capital contributions to the Joint Ventures in connection with construction of LTC redevelopment projects within the Joint Ventures, and $6.1 million was used in connection with obligations relating to LTC homes, leaving $68.0 million of undrawn capacity on the demand facilities. The letter of credit to secure the pension plan obligations renews annually in May based on an actuarial valuation, and on May 1, 2024, it was reduced to $23.2 million.

LONG-TERM DEBT KEY METRICS

Management has limited the amount of debt that may be subject to changes in interest rates, with $20.4 million of mortgage debt at variable rates. The Company's term loan of $28.5 million as at March 31, 2024, has effectively been converted to fixed-rate financings with interest rate swaps over the full term. As at March 31, 2024, the interest rate swaps were valued as an asset at $0.5 million.

The following summarizes key metrics of consolidated long-term debt as at March 31, 2024, and December 31, 2023.

	March 31, 2024			**December 31, 2023**		
(thousands of dollars unless otherwise noted)	**Before Adjustments for Joint Ventures**	**Adjustments for Joint Ventures**(ii)	**Adjusted for Joint Ventures**	**Before Adjustments for Joint Ventures**	**Adjustments for Joint Ventures**(ii)	**Adjusted for Joint Ventures**
Weighted average interest rate of long-term debt outstanding	**5.4%**		**5.8%**	5.4%		5.7%
Weighted average term to maturity of long-term debt outstanding	**5.1 yrs**		**6.2 yrs**	5.2 yrs		6.2 yrs
Trailing twelve months consolidated interest coverage ratio(i) (1)	**4.4 X**		**4.2 X**	4.2 X		4.0 X
Debt to Gross Book Value (GBV)						
Total assets (carrying value)	**701,009**	**77,865**	**778,874**	672,731	72,825	745,556
Accumulated depreciation on property and equipment	**319,053**	**6,377**	**325,430**	312,906	5,950	318,856
Accumulated amortization on other intangible assets	**43,758**	**798**	**44,556**	41,814	798	42,612
GBV	**1,063,820**	**85,040**	**1,148,860**	1,027,451	79,573	1,107,024
Debt(iii)	**334,017**	**57,983**	**392,000**	338,831	55,578	394,409
Debt to GBV	**31.4%**		**34.1%**	33.0%		35.6%

(i) Capitalized interest included in the calculation of the interest coverage ratio before adjustments for joint ventures was $2.4 million for the trailing twelve months ended March 31, 2024 (nil for the three months ended March 31, 2024). The calculation adjusted for joint ventures includes the Company's 15% share of the joint ventures' Adjusted EBITDA and interest expense of $3.3 million and $2.0 million, respectively, inclusive of $0.8 million of capitalized interest ($0.4 million for the three months ended March 31, 2024).

(ii) The adjustments to GBV represent the Company's 15% share of the joint ventures' GBV of $110.5 million less the Company's carrying value in the joint ventures of $25.4 million. The adjustment for debt represents the Company's 15% share of the joint ventures' mortgages at carrying amount, excluding deferred financing costs.

(iii) Debt includes the Company's 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 $90.5 million as at March 31, 2024, as compared with $75.2 million as at December 31, 2023, representing an increase of $15.4 million. In addition, the Company has access to a further $68.0 million in undrawn demand credit facilities. Cash and cash equivalents exclude restricted cash of $0.8 million.

The Company had a working capital deficiency (current liabilities less current assets) of $46.6 million as at March 31, 2024, including the current portion of long-term debt of $20.0 million.

Subsequent to March 31, 2024, cash proceeds of $25.4 million were realized from the sale of the Company's 256-bed LTC redevelopment project in Orleans, Ontario to Axium JV, with Extendicare retaining a 15% managed interest, and the sale of the land and building associated with the former Class C LTC home in Sudbury (Falconbridge). In addition, the Company's sale of the land and building associated with its Kingston Class C LTC home is scheduled to close in 2024 for estimated proceeds of $3.8 million. For further details on these transactions, refer to the discussion under "Significant Developments – Ontario LTC Redevelopment Activities" and to *Notes 12 and 16* of the unaudited interim condensed consolidated financial statements).

Management believes that the current cash and cash equivalents on hand, cash from operating activities, available funds from credit facilities and future debt financings will be sufficient to support the Company's ongoing business operations, including required working capital, maintenance capex and debt repayment obligations and the Company's share of capital requirements, in partnership with Axium, to support our long-term care redevelopment program. Growth through redevelopment of the LTC homes over the next few years, strategic acquisitions and developments may 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.

Inflationary impacts on operating costs, rising interest rates such that capital and credit markets and industry sentiment are adversely affected, ongoing pressures of funding and rate increases not keeping pace with cost increases, health care staffing constraints and the potential for another pandemic, epidemic or outbreak may make it 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 inflationary impacts and rising interest rates 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, 2024, the Company had outstanding commitments of $17.2 million in connection with various IT service and license agreements to support the transition of key IT platforms to cloud-based solutions in support of the Company's growth initiatives. The Company also had commitments of $66.5 million in connection with a fixed-price construction agreement for a new 256-bed LTC home in Orleans, Ontario that has been assigned to Axium JV as part of the sale of the project completed in April 2024.

In December 2023, the Company entered into agreements to sell the land and buildings associated with its Sudbury (Falconbridge) and Kingston Class C LTC homes for aggregate proceeds of $9.1 million, yielding estimated net proceeds after tax and closing costs of $8.2 million and a net gain of $7.4 million. Subsequent to March 31, 2024, the Company completed the sale of the Sudbury land and building for proceeds of $5.3 million and an estimated net gain of $4.1 million, after taxes and closing costs. The Kingston sale is anticipated to close in 2024 when the corresponding redevelopment project opens.

For further details on the above commitments and sales transactions, refer to the discussion under "Significant Developments – Ontario LTC Redevelopment Activities" and to *Notes 12 and 16* of the unaudited interim condensed consolidated financial statements).

Guarantees

The Company provides unsecured guarantees related to certain credit facilities held by the Joint Ventures; namely, construction loans and letter of credit facilities in support of ongoing construction of joint venture LTC redevelopment projects and term loans and lease-up credit facilities for operating joint venture LTC homes. As at March 31, 2024, 24 LTC homes within the Joint Ventures have existing credit facilities available of up to $610.7 million. The guarantees provided by the Company vary depending upon the joint venture and the project, but are typically either on a joint and several basis for 50% of the loan amount or on a several basis for 15% of the loan amount or some lesser portion thereof. The amount of the guarantees vary as borrowings increase on projects under construction and reduce as homes move into operations when guarantee requirements are generally lower. As at March 31, 2024, the Company has provided unsecured guarantees of $105.5 million in support of the credit facilities held by the Joint Ventures (refer to *Note 12* of the unaudited interim condensed consolidated financial statements).

The Joint Ventures are subject to debt service coverage covenants on certain of their respective credit facilities. The Joint Ventures were in compliance with the covenants as at March 31, 2024.

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 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 and retirement communities located in Saskatchewan as well as their family members. The claim seeks an order certifying the action as a class action and unspecified damages.

In January 2022, four active class actions against the Company in Ontario were consolidated into one action pursuant to the *Class Proceedings Act* (Ontario). The consolidated claim is in respect of all Ontario LTC homes owned, operated, licensed and/or managed by the Company and its affiliates and names as defendants the Company, certain of its affiliates and the owners of any such managed LTC homes and alleges negligence, gross negligence, breach of fiduciary duty, breach of contract, unjust enrichment, wrongful death in respect of all persons who contracted COVID-19 at the residence or subsequently contracted COVID-19 from such persons and breach of section 7 of the *Canadian Charter of Rights and Freedoms*. The consolidated claim seeks damages in the aggregate of $110.0 million. On March 7, 2024, the consolidated claim was certified against the Company, but only in respect of the Ontario LTC homes it owns and with a gross negligence cause of action. The Company has appealed certain aspects of the decision.

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. Similar legislation has been passed in other provincial jurisdictions, including Saskatchewan.

In October 2021, the Supreme Court of Canada dismissed an application for leave to appeal by the Attorney General of Ontario which sought to challenge the decision issued by the previous presiding court that ruled in favour of certain unions in respect of a legal challenge to a 2016 Pay Equity Tribunal decision. The unions argued that new pay equity adjustments were required in order to maintain pay equity with municipal LTC homes where PSWs and other direct care workers in other industries are included in determining pay equity. The matter has now been referred back to the Pay Equity Tribunal to settle the matter between the participating LTC homes, unions and the Government and establish a framework for pay equity suitable for the sector. The Company, along with other participants in the LTC sector, including the Government of Ontario, are working to resolve the matter. Given the uncertainty of the matter and the various stakeholders involved, and as a result the wide range of possible settlement outcomes and related funding changes the Company is unable to determine a reliable estimate of the potential outcome and it could have a materially adverse impact on the Company's business, results of operations and financial condition.

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, 2023, contained in the Company's 2023 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".

New Accounting Policies

During the three months ended March 31, 2024, the Company adopted IAS amendments to IAS 1 *Presentation of Financial Statements*, which clarified the criteria of classification of liabilities as current or non-current. The adoption of these amendments to IAS 1 did not have a material impact on the consolidated financial statements (refer to *Note 2* of the unaudited interim condensed consolidated financial statements.

NON-GAAP MEASURES

Certain measures used in this MD&A listed below, including any related per share amounts, used by management to measure, compare and explain the operating results and financial performance of the Company, are not measures recognized under GAAP and do not have standardized meanings prescribed by GAAP. These 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. These measures 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. Such measures are presented in this document because management believes that they are relevant measures of Extendicare's operating performance and ability to pay cash dividends.

Management uses these measures to exclude the impact of certain items, because it believes doing so provides investors a more effective analysis of underlying operating and financial performance and improves comparability of underlying financial performance between periods. The exclusion of certain items does not imply that they are non-recurring or not useful to investors.

These measures are defined below and reconciliations to the most comparable GAAP measure are referenced, as applicable.

"**Net operating income**", or "**NOI**", is defined as revenue less operating expenses, and this value represents the underlying performance of the operating business segments.

"**NOI margin**" is defined as NOI as a percentage of revenue.

"**EBITDA**" is defined as earnings (loss) from continuing operations before net finance costs, income taxes, depreciation and amortization.

"**Adjusted EBITDA**" is defined as EBITDA adjusted to exclude the line items "share of profit from investment in joint ventures" and "other (income) expense", and as a result, is equivalent to the line item "earnings before depreciation, amortization, and other" reported on the consolidated statements of earnings. 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.

"**Adjusted EBITDA Margin**" is defined as Adjusted EBITDA as a percentage of revenue.

Reconciliations of "net operating income" and "Adjusted EBITDA" to "earnings (loss) from continuing operations before income taxes" are provided under "Select Quarterly Financial Information – Reconciliations of Adjusted EBITDA and Net Operating Income".

"**Earnings (loss) from continuing operations before separately reported items, net of tax**" is defined as earnings (loss) from continuing operations, excluding the following separately reported line items: "fair value adjustments" and "other (income) 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. "Fair value adjustments" relate to the change in the fair value of or gains and losses on interest rate agreements. "Other (income) expense" relates to gains or losses on the disposal or impairment of assets and early retirement of debt, transaction and integration costs in connection with acquisitions, restructuring and transformation charges, and proxy related costs. 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.

Reconciliations of "earnings (loss) from continuing operations before separately reported items" to "earnings (loss) from continuing operations" are provided under "Statement of Earnings".

"**Funds From Operations**", or "**FFO**", is defined as net earnings before income taxes, depreciation and amortization and fair value adjustments, and the line item "other (income) expense", 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 (excluding current income taxes in respect of "fair value adjustments" and "other (income) expense" that are not otherwise included in FFO). The Company determines and includes its 15% share of FFO from its joint ventures on this same basis. Depreciation for FFEC is considered representative of the amount of maintenance (non-growth) capital expenditures, or "maintenance capex", to be used in determining FFO, 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.

Reconciliations of FFO to "earnings from continuing operations" are provided under "Funds From Operations and Adjusted Funds From Operations – Reconciliations of FFO to Net Earnings".

"**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 were funded through investments held for the former 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. The Company determines and includes its 15% share of AFFO from its joint ventures on this same basis. Management considers AFFO a relevant measure of the ability of the Company to earn cash and pay cash dividends to shareholders.

"**Payout ratio**" is defined as the ratio of dividends declared to AFFO. Management considers this a useful metric to evaluate the Company's dividend capacity.

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.

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

"**Interest coverage ratio**" and "**net interest coverage ratio**" are defined as the ratio of Adjusted EBITDA to interest expense, including interest capitalized and excluding financing prepayment costs and the amortization of deferred financing costs, and in the case of 'net interest', including interest revenue. Management considers these relevant measures as they indicate the Company's ability to meet its interest cost obligations on a trailing twelve-month basis.

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 2023 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 Inflationary Pressures and Supply Chain Interruptions", "Risks Related to Liability and Insurance" and "Risks Related to Government Oversight, 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".

Endnotes

(1) This is a non-GAAP financial measure. Refer to the discussion under "Non-GAAP Measures".

(2) Certain prior period figures in Q2 2022 have been re-presented to conform with the Q3 2022 presentation in connection with the classification of strategic transformation costs as "other expense".