



Extendicare Inc. (EXETF)

Updated May 13th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$10.33	5 Year Annual Expected Total Return:	-7.2%	Market Cap:	\$855 M
Fair Value Price:	\$5.30	5 Year Growth Estimate:	0.0%	Ex-Dividend Date:	05/30/2025
% Fair Value:	195%	5 Year Valuation Multiple Estimate:	-12.5%	Dividend Payment Date:	06/16/2025
Dividend Yield:	3.5%	5 Year Price Target	\$5.30	Years Of Dividend Growth:	1 ¹
Dividend Risk Score:	F	Sector:	Healthcare	Rating:	Hold

Overview & Current Events

Extendicare is a leading provider of long-term care (LTC) and home health care services in Canada, focusing on delivering high-quality care to seniors. At the end of last year, Extendicare operated 122 LTC homes, comprising 51 homes owned by the company and 71 under management contracts. Further, Extendicare provides home health care services through ParaMed, delivering 11 million hours of care last year. The company also offers managed services to third parties and joint ventures through Extendicare Assist and SGP, which provide management, consulting, and procurement services across Canada. Extendicare pays dividends monthly and reports its financials in CAD. All figures in this report have been converted to USD, unless otherwise noted.

On May 6th, 2025, Extendicare reported its Q1 results for the period ending March 31st, 2025. The company registered \$269.8 million in revenue, reflecting a 5.8% increase from the same period last year, driven by LTC funding increases, higher occupancy, 8.9% growth in home health care ADV, and growth in managed services. Still, revenue was somewhat offset by the closure of three Class C LTC homes replaced by new Axiom JV developments. Operating expenses rose modestly to about \$233.6 million, primarily due to increased labor costs in both long-term care and home health care, including compensation enhancements and investments in recruitment and technology.

Despite this, net operating income (NOI) grew by 12.2% to \$36.2 million and Adjusted EBITDA increased 18.2% to \$25.6 million. Net income for the quarter was about \$10.8 million, or \$0.13 per share. Looking forward, Extendicare expects lasting growth driven by expanded service offerings through its acquisition of Closing the Gap, ongoing redevelopment progress, and rising demand for senior care. For FY2025, we continue to expect EPS of \$0.53.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.91	\$0.30	\$0.02	\$0.26	\$0.25	\$0.47	\$0.10	\$0.58	\$0.30	\$0.60	\$0.53	\$0.53
DPS	\$0.35	\$0.36	\$0.38	\$0.35	\$0.37	\$0.38	\$0.38	\$0.35	\$0.36	\$0.33	\$0.36	\$0.36
Shares²	87.8	88.4	88.8	88.4	89.1	89.8	90.0	89.0	85.0	95.4	95.4	100.0

Extendicare's EPS trend has been shaped by several factors over the years. In 2016, EPS fell sharply driven by the sale of its U.S. operations and the restructuring of its business to focus on the Canadian market. This transition led to lower EPS as the company worked through integration and realignment. In the following years, Extendicare focused on operational efficiency, better cost management, and the redevelopment of long-term care facilities to help stabilize its results. The company also benefited from a more focused strategy in the home health care and long-term care sectors.

During the pandemic years (2020-2021), the company remained profitable despite challenges like higher staffing costs, pandemic-related expenses, and operational disruptions. However, ParaMed, Extendicare's home health care division, showed resilience, with strong demand for its services, helping to cushion the impact on overall earnings. From 2023 to 2024, EPS surged to \$0.60, reflecting a recovery in home health care volumes as pandemic impacts eased. The growth in

¹ In local currency (CAD).

² Share count is in millions.

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managed services, driven by partnerships like Revera and Axiom, boosted higher-margin revenue streams, boosting the company's profitability.

Moving forward, we don't forecast any growth in EPS and the dividend. This is due to starting off of a high earnings base, while remaining cautious of potential headwinds between CAD and USD. Note that the company increased its dividend recently to a monthly rate of CAD \$0.042. However, before that, the dividend had remained stable for about 12 years at a rate of CAD \$0.04. We believe gradual dividend growth is not a priority for the company.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	---	22.2	---	25.3	23.9	11.5	---	10.0	17.8	9.1	19.5	10.0
Avg. Yld.	5.5%	5.4%	5.2%	5.3%	6.2%	7.0%	7.2%	6.0%	6.8%	6.0%	3.5%	6.8%

Extendicare has traded at a wide range of multiples over the past decade, even when excluding the years of depressed or inflated earnings. Today, the stock is trading at 19.5 times our EPS estimate for FY2025. We fear this is rich multiple given the lack of earnings growth prospects over the medium term. We believe investors pay a premium for the stock because they are attracted to the monthly dividend. Yet, we would require a much higher yield in today's environment to be satisfied with holding the stock.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	18%	120%	---	135%	148%	81%	---	60%	120%	55%	68%	68%

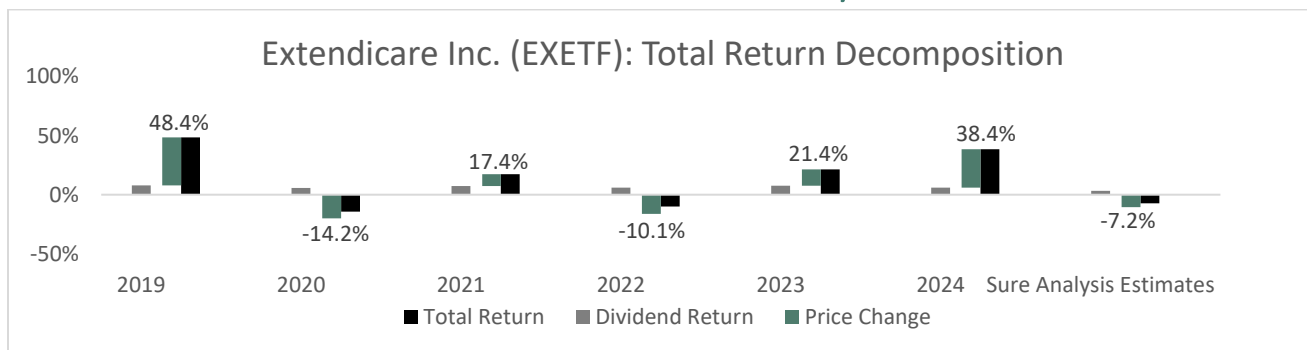
Extendicare's safety and quality are upheld through high standards in its long-term care homes, with many accredited by Accreditation Canada, and a focus on continuous improvements in care models. Also, its competitive advantage lies in its integrated continuum of care, covering long-term care, home health care, and managed services. Therefore, Extendicare can efficiently meet growing senior care demands.

Regarding its recession resiliency, Extendicare benefits from the inelastic demand for senior care services, driven by an aging population. The company's publicly funded home health care and long-term care services provide a stable revenue base, even in economic downturns. Extendicare has demonstrated its resilience during COVID-19 and is well-positioned to continue expanding with low leverage and a focus on high-margin services.

Final Thoughts & Recommendation

We like Extendicare for its solid position in the growing senior care market, offering a wide range of services with a focus on quality care. However, labor costs and funding pressures in the sector could pose some challenges for growth in the short term. While we rate the stock a hold due to finally starting to grow the dividend, we believe shares could deliver negative returns over the medium term due to trading at a valuation significantly higher from our fair multiple.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	739	801	847	864	853	824	931	939	966	1,070
SG&A Exp.	29	29	29	31	31	693	765	797	804	875
D&A Exp.	21	24	24	27	30	29	31	25	24	24
Operating Profit	46	45	51	46	40	70	40	20	47	81
Operating Margin	6.2%	5.6%	6.0%	5.3%	4.7%	8.5%	4.3%	2.1%	4.8%	7.6%
Net Profit	182	27	2	24	22	40	9	53	25	55
Net Margin	24.6%	3.3%	0.2%	2.8%	2.5%	4.9%	1.0%	5.7%	2.6%	5.1%
Free Cash Flow	14	(29)	5	(9)	9	66	(5)	(2)	(79)	74
Income Tax	11	6	8	3	5	12	5	0	8	18

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	740	733	743	658	680	755	706	576	507	502
Cash & Equivalents					72	141	82	123	57	85
Accounts Receivable	28	30	27	29	35	39	52	44	64	62
Goodwill & Int. Ass.	69	67	76	70	69	69	73	72	94	84
Total Liabilities	616	604	640	566	592	655	626	502	441	415
Accounts Payable	101	90	98	98	105	147	151	184	153	168
Long-Term Debt	327	373	426	388	426	443	421	283	252	204
Shareholder's Equity	124	130	103	93	88	101	80	74	66	87
LTD/E Ratio	2.64	2.88	4.16	4.20	4.82	4.40	5.27	3.81	3.80	2.35

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	15.2%	3.6%	0.2%	3.5%	3.2%	5.6%	1.3%	8.3%	4.6%	10.9%
Return on Equity	298%	21.1%	1.4%	25.1%	23.9%	42.8%	10.2%	69.4%	35.8%	71.8%
ROIC	42.5%	5.6%	0.3%	4.9%	4.3%	7.6%	1.8%	12.5%	7.5%	18.0%
Shares Out.	87.8	88.4	88.8	88.4	89.1	89.8	90.0	89.0	85.0	95.4
Revenue/Share	7.46	8.04	8.46	8.75	8.57	8.21	9.22	9.39	10.04	11.22
FCF/Share	0.14	(0.29)	0.05	(0.09)	0.09	0.66	(0.05)	(0.02)	(0.82)	0.78

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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