



## Chartwell Announces First Quarter 2023 Results

**MISSISSAUGA, ONTARIO** – May 4, 2023 – Chartwell Retirement Residences (“Chartwell”) (TSX: CSH.UN) announced today its results for the first quarter ended March 31, 2023.

### Highlights

- Net loss was \$9.2 million compared to \$3.3 million in Q1 2022.
- Same property adjusted net operating income (“NOI”) <sup>(1)</sup> up 7.7% in Q1 2023 from Q1 2022, or 11.7% excluding \$1.6 million of prior period expense recoveries in Q1 2022.
- Funds from operations (“FFO”) <sup>(1)</sup> for continuing operations up 3.3% in Q1 2023 from Q1 2022, or 14.1% excluding \$2.2 million of prior period expense recoveries in Q1 2022.
- Weighted average same property occupancy increased 1.4 percentage points compared to Q1 2022, with all platforms achieving growth.

"I am encouraged by the progress our teams are making driving occupancy recovery and reducing reliance on agency staffing - our key priorities for 2023. Our focus on growing resident, family, and business referrals, property specific marketing and sales strategies, now supported by new technology solutions, are generating positive results in increasing initial contacts, personalized tours and new leases. We have also begun to see a meaningful reduction in utilization of staffing agencies resulting from our recruitment and retention efforts. With the upcoming rollout of our new website and marketing automation system, the continuing implementation of electronic health records system and completion of our staffing optimization project across our portfolio, our teams will have even better tools to accelerate occupancy recovery and cash flow growth for the remainder of this year," commented Vlad Volodarski, CEO. "There is significant embedded potential value in our portfolio. We are committed to realizing it through our operating initiatives and numerous portfolio optimization strategies underway."

### Operating Performance Trends

- In Q1 2023 compared to Q1 2022, same property adjusted NOI increased \$3.6 million or 7.7% on higher revenue from both rental and service rate increases and increased occupancy. Q1 2022 included recoveries of pandemic expenses for preceding years of \$1.6 million for which there was not a comparable amount in Q1 2023.
- In Q1 2023, weighted average occupancy in our same property portfolio was 78.5% compared to 77.1% in Q1 2022, an increase of 1.4 percentage points. All platforms achieved occupancy gains in Q1 2023 compared to Q1 2022.

### Financial Results

The following table summarizes select financial and operating performance measures:

	Three Months Ended March 31		
	2023	2022	Change
(\$000s, except per unit amounts, number of units, and occupancy)			
Resident revenue	165,824	157,668	8,156
Direct property operating expense	117,874	113,787	4,087
Net income/(loss)	(9,253)	(3,316)	(5,937)
FFO <sup>(1)</sup>			
Continuing operations	20,918	20,259	659
Total	24,338	31,324	(6,986)
FFO per unit <sup>(1)</sup>			
Continuing operations	0.09	0.09	-
Total	0.10	0.13	(0.03)
Weighted average number of units outstanding (000s) <sup>(2)</sup>	239,948	236,048	3,900
Weighted average occupancy rate -same property portfolio <sup>(3)</sup>	78.5%	77.1%	1.4pp
Same property adjusted NOI <sup>(1)</sup>	49,645	46,092	3,553
G&A expenses	15,429	13,828	1,601

For Q1 2023 net loss was \$9.2 million compared to \$3.3 million in Q1 2022 primarily due to:

- negative changes in fair values of financial instruments,
- lower net income from LTC Discontinued Operations (as defined below),
- higher direct operating expenses,
- higher finance costs,
- higher depreciation of property, plant and equipment ("PP&E"),
- higher net loss from joint ventures, and
- higher G&A expenses.

partially offset by:

- higher resident revenue,
- deferred tax benefit in Q1 2023 as compared to a deferred tax expense in Q1 2022, and
- higher gain on disposal of assets.

For Q1 2023, resident revenue increased \$8.2 million or 5.2% primarily due to revenue growth in our same property portfolio and contributions from our acquisitions and development portfolio partially offset by our dispositions and repositioning portfolio.

For Q1 2023, direct property operating expense increased \$4.1 million or 3.6% primarily due to higher expenses in our same property portfolio and our acquisitions and development portfolio partially offset by lower expenses in our dispositions and repositioning portfolio.

For Q1 2023, FFO from continuing operations was \$20.9 million or \$0.09 per unit compared to \$20.3 million or \$0.09 per unit for Q1 2022. Q1 2022 included recoveries of pandemic expenses for preceding years of \$2.2 million for which there was not a comparable amount in Q1 2023. Excluding these recoveries, FFO from continuing operations increased 14.1%. The change in FFO from continuing operations was primarily due to:

- higher adjusted NOI from continuing operations of \$5.4 million which is comprised of changes as follows:
  - higher adjusted NOI of \$3.9 million from our acquisitions and development portfolio,
  - higher same property adjusted NOI of \$3.6 million or 7.7%. Q1 2022 included recoveries of pandemic expenses for preceding years of \$1.6 million as described above. The increase in same property adjusted NOI is due to higher revenue from rental and service rate increases and increased occupancy and lower pandemic expenses partially offset by higher overall staffing net of declining agency staffing, repairs and maintenance, supplies, food and utilities expenses, and
  - lower NOI of \$2.0 million from our dispositions and repositioning portfolio,

partially offset by:

- higher finance costs of \$3.5 million, and
- higher G&A expenses of \$1.6 million, primarily timing related.

FFO from continuing operations for Q1 2023 includes \$0.8 million of Lease-up-Losses <sup>(1)</sup> and Imputed Cost of Debt <sup>(1)</sup> related to our development projects (Q1 2022 – \$1.0 million).

Total FFO for Q1 2023 was \$24.3 million or \$0.10 per unit, compared to \$31.3 million or \$0.13 per unit in Q1 2022. Total FFO per unit for Q1 2023 includes \$0.01 per unit compared to \$0.04 per unit in Q1 2022, from the 16 long term care homes in Ontario, one of which has an adjacent retirement residence, which have been reclassified as discontinued operations ("LTC Discontinued Operations") as we have entered into definitive agreements to substantially exit our Long Term Care operations in Ontario. Q1 2022 LTC Discontinued Operations included recoveries of pandemic and other expenses for preceding years of \$7.2 million or \$0.03 per unit for which there was not a comparable amount in Q1 2023.

## Financial Position

As at March 31, 2023 liquidity <sup>(1)</sup> amounted to \$155.6 million, which included \$13.8 million of cash and cash equivalents and \$141.8 million of available borrowing capacity on our credit facilities.

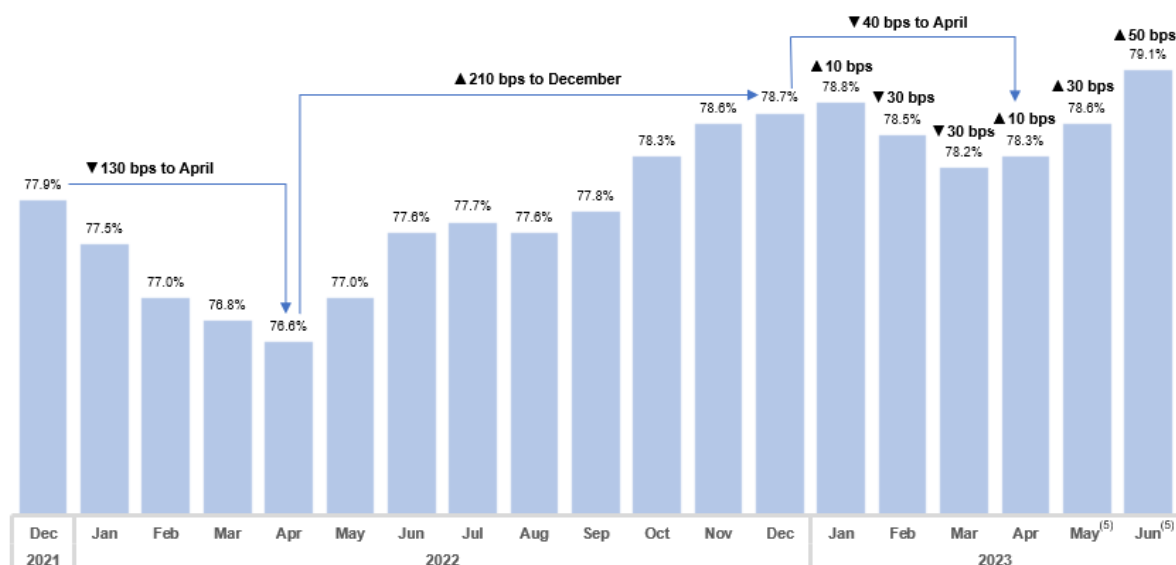
The interest coverage ratio <sup>(4)</sup> on a rolling 12-month basis was 2.3 at March 31, 2023 compared to 2.6 at March 31, 2022. The net debt to adjusted EBITDA ratio <sup>(4)</sup> at March 31, 2023 was 11.5 compared to 10.4 at March 31, 2022.

## 2023 Outlook

An updated discussion of our business outlook can be found in the “2023 Outlook” section of our Management’s Discussion and Analysis for the three months ended March 31, 2023 (the “Q1 2023 MD&A”). The following provides an update on our near term outlook for our same property occupancy and staffing costs.

### Same Property Occupancy Update

The chart included provides an update in respect of our same property retirement occupancy:



Due to seasonally lower move-in activity, we normally experience declines in occupancy from December to April. The three year average for 2017, 2018, 2019 (“pre-pandemic average”) decline in our same property portfolio occupancy from December to April was 180 basis points (“bps”). For the same four months in 2023, the decline in occupancy was 40 basis points, significantly lower than the pre-pandemic average. Occupancy and leasing trends are also outperforming the same months of 2022.

As at April 30, 2023, our same property weighted average occupancy is expected to increase 30 basis points in May 2023 and a further 50 basis points in June 2023.

Our marketing and sales initiatives produced improvements in personalized tours, sales closing ratios, leasing, and permanent move ins. We expect to see continued occupancy growth in 2023 and beyond, supported by accelerating demographic growth, shortages of long term care beds and fewer senior housing construction starts.

Staffing costs increased in Q1 2023 due to higher compensation offset by a decrease in agency staffing costs. We expect agency staffing costs to continue to decline gradually through 2023.

### Taxation

We estimate the taxable capital gain resulting from the LTC Transactions will attract SIFT taxes of approximately \$34.0 million in 2023. In addition, the majority of our 2023 distributions are expected to be classified as eligible dividends as a result of the taxable capital gain. We expect to have sufficient deductions and losses carried forward to offset any other SIFT taxes in 2023 and 2024.

### Liquidity and Financing Update

As at May 4, 2023, liquidity amounted to \$184.7 million, which included \$27.9 million of cash and cash equivalents and \$156.8 million of available borrowing capacity on our Credit Facilities.

As of the date of this MD&A, for the remainder of 2023 we have \$121.5 million of mortgage debt maturing at the weighted average interest rate of 3.68%, of which \$39.6 million is CMHC insured and bears a weighted average interest rate of 3.92%. At the date of this MD&A, 10-year CMHC insured mortgage rates are estimated at approximately 3.8% and five-year conventional mortgage financing is available at 5.0%.

On April 19, 2023, we entered into amending agreements to extend the maturity date of our Credit Facilities with a combined maximum potential capacity of \$400.0 million from May 29, 2024 to May 29, 2025 with substantially the same terms.

The LTC Transactions are expected to generate net proceeds of approximately \$269.2 million, which are expected to be used, subject to market conditions, to pay down our Credit Facilities. On closing of the LTC Transactions, our unencumbered asset pool and available capacity on our secured Credit Facilities are expected to decline by approximately \$49.9 million and \$27.1 million, respectively.

In December 2023 our senior unsecured debentures with a face value of \$200.0 million will mature. We expect to refinance these debentures with new senior unsecured debentures, other unsecured or secured debt instruments or equity financing, subject to market conditions.

## Quarterly Investor Materials and Conference Call

We invite you to review our Q1 2023 investor materials on our website at [investors.chartwell.com](http://investors.chartwell.com)

### Q1 2023 Financial Statements

### Q1 2023 Management's Discussion and Analysis

### Q1 2023 Investor Presentation

A conference call hosted by Chartwell's senior management team will be held **Friday May 5, 2023, at 10:00 AM ET**. The telephone numbers for the conference call are: **Local: (416) 340-2217** or **Toll Free: 1-800-806-5484**. **The passcode for the conference call is: 7852181#**. The conference call can also be heard over the Internet by accessing the Chartwell website at [www.chartwell.com](http://www.chartwell.com), clicking on "Investor Relations" and following the link at the top of the page. A slide presentation to accompany management's comments during the conference call will be available on the website. Please log on at least 15 minutes before the call commences.

The telephone numbers to listen to the call after it is completed (Instant Replay) are: Local (905) 694-9451 or Toll-Free: 1-800-408-3053. The Passcode for the Instant Replay is 6077836#. These numbers will be available for 30 days following the call. An audio file recording of the call, along with the accompanying slides, will also be archived on the Chartwell website at [www.chartwell.com](http://www.chartwell.com).

## Footnotes

- (1) FFO, FFO for continuing operations, Total FFO, including per unit amounts, Adjusted Resident Revenue, Adjusted Direct Property Operating Expense, Adjusted NOI, liquidity, interest coverage ratio, Lease-up Losses, Imputed Cost of Debt, and net debt to adjusted EBITDA ratio are non-GAAP measures. These measures do not have standardized meanings prescribed by GAAP and, therefore, may not be comparable to similar measures used by other issuers. These measures are used by management in evaluating operating and financial performance. Please refer to the heading "Non-GAAP Measures" on page 6 of this press release. Certain information about non-GAAP financial measures, non-GAAP ratios, capital management measures and supplementary measure found in Chartwell's Q1 2023 MD&A, is incorporated by reference. Full definitions of FFO & FFO per unit can be found on page 13, same property adjusted NOI on page 14, adjusted NOI on page 14, liquidity on page 23, interest coverage ratio on page 33 and net debt to adjusted EBITDA ratio on page 49 of the Q1 2023 MD&A available on Chartwell's website and under Chartwell's profile on the System for electronic Document and Analysis Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com). The definition of these measures have been incorporated by reference.
- (2) Includes Trust Units, Class B Units of Chartwell Master Care LP, and Trust Units issued under Executive Unit Purchase Plan and Deferred Trust Unit Plan.
- (3) 'pp' means percentage points.
- (4) Non-GAAP: Calculated in accordance with the trust indentures for Chartwell's 3.786% Series A senior unsecured debentures and 4.211% Series B senior unsecured debentures and may not be comparable to similar metrics used by other issuers or to any GAAP measures.
- (5) Forecast includes leases and notices as at April 30, 2023 and an estimate of mid-month move-ins of 20 and 40 basis points for May and June respectively, based on the preceding 12 months average of such activity for the respective period.
- (6) Non-GAAP; Share of resident revenue and direct property operating expense from joint ventures represents Chartwell's proportionate share of the resident revenue and direct property operating expense of our Equity-Accounted JVs.
- (7) Resident revenue and direct property operating expense reported in LTC Discontinued Operations represents the resident revenue and direct property operating expense related to LTC Discontinued Operations.

## **Forward-Looking Information**

*This press release contains forward-looking information that reflects the current expectations, estimates and projections of management about the future results, performance, achievements, prospects or opportunities for Chartwell and the seniors housing industry. Forward-looking statements are based upon a number of assumptions and are subject to a number of known and unknown risks and uncertainties, many of which are beyond our control, and that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking statements. Examples of forward-looking information in this document include, but are not limited to, statements regarding our business strategies, operational sales, marketing and optimization strategies including targets, and the expected results of such strategies, predictions and expectations with respect to industry trends including growth in the senior population, a deficit of long term care beds and the slow down of new construction starts, expectations with respect to taxes that are expected to be payable in the current and future years and statements regarding the tax classification of distributions, and occupancy rate forecasts. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. These factors are more fully described in the “Risks and Uncertainties and Forward-Looking Information” section in Chartwell’s Q1 2023 MD&A, and in materials filed with the securities regulatory authorities in Canada from time to time, including but not limited to our most recent Annual Information Form the (“AIF”). A copy of the Q1 2023 MD&A, the AIF and Chartwell’s other publicly filed documents can be accessed under Chartwell’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).*

## **About Chartwell**

*Chartwell is an unincorporated, open-ended real estate trust which indirectly owns and operates a complete range of seniors housing communities, from independent supportive living through assisted living to long term care. It is the largest operator in the Canadian seniors living sector with nearly 200 quality retirement communities in four provinces including properties under development. Chartwell is committed to its vision of Making People’s Lives BETTER and to providing a happier, healthier, and more fulfilling life experience for its residents. For more information, visit [www.chartwell.com](http://www.chartwell.com).*

For more information, please contact:

### **Chartwell Retirement Residences**

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## Non-GAAP Financial Measures

Chartwell's condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Management uses certain financial measures to assess Chartwell's operating and financial performance, which are measures not defined in generally accepted accounting principles ("GAAP") under IFRS. The following measures: FFO, FFO per unit, same property adjusted NOI, adjusted NOI, liquidity, interest coverage ratio and net debt to adjusted EBITDA ratio as well as other measures discussed elsewhere in this release, do not have a standardized definition prescribed by IFRS. They are presented because management believes these non-GAAP measures are relevant and meaningful measures of Chartwell's performance and as computed may differ from similar computations as reported by other issuers and may not be comparable to similarly titled measures reported by such issuers. For a full definition of these measures, please refer to the Q1 2023 MD&A available on Chartwell's website and at [www.sedar.com](http://www.sedar.com).

The following table reconciles resident revenue and direct property operating expense from our financial statements to adjusted resident revenue and adjusted direct property operating expense and NOI to Adjusted NOI from continuing operations and Adjusted NOI and identifies contributions from our same property portfolio and our acquisition, development, dispositions, repositioning and other portfolio:

(\$000s, except occupancy rates)	Q1 2023	Q1 2022	Change
<b>Resident revenue</b>	<b>165,824</b>	<b>157,668</b>	<b>8,156</b>
Add:			
Share of resident revenue from joint ventures <sup>(6)</sup>	30,428	28,080	2,348
Resident revenue from LTC Discontinued Operations <sup>(7)</sup>	61,815	67,955	(6,140)
<b>Adjusted resident revenue</b>	<b>258,067</b>	<b>253,703</b>	<b>4,364</b>
Comprised of:			
Same property	165,375	157,429	7,946
Acquisitions and development	20,262	11,172	9,090
Dispositions and repositioning	72,430	85,102	(12,672)
Adjusted resident revenue	258,067	253,703	4,364
<b>Direct property operating expense</b>	<b>117,874</b>	<b>113,787</b>	<b>4,087</b>
Add:			
Share of direct property operating expense from joint ventures <sup>(6)</sup>	21,723	20,743	980
Direct property operating expense from LTC Discontinued Operations <sup>(7)</sup>	56,653	55,200	1,453
<b>Adjusted direct property operating expense</b>	<b>196,250</b>	<b>189,730</b>	<b>6,520</b>
Comprised of:			
Same property	115,730	111,337	4,393
Acquisitions and development	12,607	7,376	5,231
Dispositions and repositioning	67,913	71,017	(3,104)
Adjusted direct property operating expense	196,250	189,730	6,520
<b>NOI</b>	<b>47,950</b>	<b>43,881</b>	<b>4,069</b>
Add:			
Share of NOI from joint ventures	8,705	7,337	1,368
<b>Adjusted NOI from continuing operations</b>	<b>56,655</b>	<b>51,218</b>	<b>5,437</b>
Add:			
NOI from LTC Discontinued Operations	5,162	12,755	(7,593)
<b>Adjusted NOI</b>	<b>61,817</b>	<b>63,973</b>	<b>(2,156)</b>
Comprised of:			
Same property	49,645	46,092	3,553
Acquisitions and development	7,655	3,796	3,859
Dispositions and repositioning	4,517	14,085	(9,568)
Adjusted NOI	61,817	63,973	(2,156)
Weighted average occupancy rate – same property portfolio	78.5%	77.1%	1.4pp
Weighted average occupancy rate – acquisitions and development portfolio	75.8%	59.8%	16.0pp
Weighted average occupancy rate – dispositions and repositioning portfolio	91.5%	83.2%	8.3pp
Weighted average occupancy rate - total portfolio	80.1%	77.1%	3.0pp

The following table provides a reconciliation of net income/(loss) to FFO for continuing operations:

(\$000s, except per unit amounts and number of units)		Q1 2023	Q1 2022	Change
	Net income/(loss)	(12,590)	(11,862)	(728)
	<i>Add (Subtract):</i>			
B	Depreciation of PP&E	39,237	36,621	2,616
D	Amortization of limited life intangible assets	739	744	(5)
B	Depreciation of PP&E and amortization of intangible assets used for administrative purposes included in depreciation of PP&E and amortization of intangible assets above	(1,144)	(1,222)	78
E	Loss/(gain) on disposal of assets	(2,712)	(545)	(2,167)
J	Transaction costs arising on dispositions	402	55	347
G	Deferred income tax	(7,477)	641	(8,118)
O	Distributions on Class B Units recorded as interest expense	234	234	-
M	Changes in fair value of financial instruments	2,509	(2,641)	5,150
Q	FFO adjustments for Equity-Accounted JVs	1,720	(1,766)	3,486
	FFO	20,918	20,259	659
	Weighted average number of units	239,948	236,048	3,900
	FFOPU	0.09	0.09	-

The following table provides a reconciliation of net income/(loss) to FFO for total operations:

(\$000s, except per unit amounts and number of units)		Q1 2023	Q1 2022	Change
	Net income/(loss)	(9,253)	(3,316)	(5,937)
	<i>Add (Subtract):</i>			
B	Depreciation of PP&E	39,237	38,437	800
D	Amortization of limited life intangible assets	739	946	(207)
B	Depreciation of PP&E and amortization of intangible assets used for administrative purposes included in depreciation of PP&E and amortization of intangible assets above	(1,144)	(1,222)	78
E	Loss/(gain) on disposal of assets	(2,701)	(545)	(2,156)
J	Transaction costs arising on dispositions	474	556	(82)
G	Deferred income tax	(7,477)	641	(8,118)
O	Distributions on Class B Units recorded as interest expense	234	234	-
M	Changes in fair value of financial instruments	2,509	(2,641)	5,150
Q	FFO adjustments for Equity-Accounted JVs	1,720	(1,766)	3,486
	FFO	24,338	31,324	(6,986)
	Weighted average number of units	239,948	236,048	3,900
	FFOPU	0.10	0.13	(0.03)