

Chartwell Provides Business Update Related To COVID-19 Pandemic

9/15/2020

MISSISSAUGA, ON, Sept. 15, 2020 /CNW/ - Chartwell Retirement Residences ("Chartwell") (TSX: CSH.UN) issued the following statement related to the ongoing COVID-19 pandemic:

Business Update

As Canada's largest owner and operator of seniors living residences with 196 residences and 29,300 suites under management, Chartwell plays a vital role for our residents, their families and our staff during these challenging times. Throughout this pandemic, our employees are demonstrating exceptional courage, commitment and dedication, working together to keep our residents, their families and each other safe. We are grateful to each and every one of them. As a reflection of the exemplary work of our employees, in our "Listening to Serve You Better" survey, 96% of our residents and 95% of families and friends indicated that their residence has taken important measures to keep residents safe during the COVID-19 pandemic. In addition, 94% of families and friends indicated that they felt their loved one was safe living at a Chartwell residence. In total, over 12,500 of our residents and their family and friends participated in this survey.

Due to the uncertainty of the effects of COVID-19, on April 16, 2020, we withdrew our 2020 Outlook contained in our 2019 MD&A. The COVID-19 pandemic has introduced significant uncertainties as discussed in the "Forward Looking Information and COVID-19 Risk" section of our Q2 2020 MD&A.

As of September 14, 2020, one of our retirement residences and two of our long term care residences have confirmed positive COVID-19 cases.

Restrictions on residence visits during this pandemic continue to have a negative impact on our occupancy levels. Tours by or on behalf of prospective residents were not permitted in our retirement residences from the beginning of the pandemic. There has been a gradual reopening occurring since June. The majority of our retirement residences have been permitted to have on-site personalized tours since the end of August, unless in outbreak. Alberta, the only province we operate in that has not permitted tours, has announced that it will lift this restriction on September 17, 2020. Where we have not been able to conduct in-person prospective resident tours, or where preferred by the prospective resident, we have provided a live virtual personalized tour experience.

In June 2020, we began accepting move-ins in all our retirement residences, with the exception of residences in outbreak, and we reactivated our marketing programs. In British Columbia, Alberta and Ontario, new residents are currently required to self-isolate for fourteen days and this can be an inhibitor to permanent move-in decisions as well as reducing demand for short-stay visits. This is not a requirement in Quebec. A newly-developed resident transition program offers unique experiences to our new residents during their initial stay at Chartwell, compensating for the inconveniences of such self-isolations. In addition, in Ontario, family members can now be designated as essential caregivers and can visit their loved ones both during and after the self-isolation period.

The following table provides an update in respect of our same property retirement occupancy:

	One month ended May 31, 2020	One month ended June 30, 2020	One month ended July 31, 2020	One month ended August 31, 2020
Same property retirement occupancy	84.5%	83.5%	82.9%	82.4%
Change from the previous month (1)		(1.0pp)	(0.6pp)	(0.5pp)

The pace of decline in same property retirement occupancy has slowed since the onset of the pandemic with move-in activity steadily increasing and in August representing approximately 65% of previous-year volumes. Move-out activity continues to be below previous-year levels and in August was approximately 75% of previous-year volumes primarily due to reduced departures to long term care, particularly in Ontario. Same property retirement leasing activity in August represented approximately 77% of August 2019.

Ontario's long term care funding is delivered via four distinct envelopes allocated to personal care, programming,

food and administration. The first three envelopes must be spent entirely on residents and are independently audited. Any surplus funding is returned to the government on the closing of the annual audited long term care home financial returns.

On September 10, 2020, the Ontario government issued its previously-announced redesigned capital funding subsidy ("CFS") program policy for long term care. The policy includes a \$1.75 billion investment to redevelop 12,000 beds and add an additional 8,000 beds over the next five years. We have 577 Class B and C beds that are eligible for this redevelopment program. We are grateful to the Ontario government for taking this important step to improve the aging long-term care infrastructure in the province. We continue to work closely with our industry partners and the government to finalize the details of the new CFS program, to ensure the related approval and licensing process to expedite projects are feasible within this new program, and importantly to ensure the sustainability of long term care homes including adjusting operating funding to sufficient levels to absorb additional costs, particularly enhanced staffing, to prevent and contain the spread of COVID-19.

On September 9, 2020, the Ontario government announced further funding of \$45 million for COVID-related expenses. Chartwell's share of this funding is \$1.7 million. They also committed to an additional \$90 million with specific details on allocations to follow. While this is welcome support to the sector, this funding is not sufficient to fully cover additional costs incurred by long term care home operators to comply with government orders and directives. Our pandemic-related expenses in our Ontario Long Term Care residences to August 31, 2020, exceeded the aggregate funding, including the funding announced on September 9, 2020, by approximately \$3.0 million.

British Columbia has announced additional funding, effective mid-July, to support enhanced protocols for visitors in long term care homes and retirement residences with funded assisted living.

We expect to continue to incur higher-than-normal operating costs in our retirement residences and long term care homes as a result of investments in additional staffing, in particular related to screening, housekeeping, extended dining services, additional care services, personal protective equipment and supplies. Top-up pay, which has largely been fully funded to date, is temporary.

Our tenant credit quality remains strong given the typical investment profile of Canadian seniors in our target customer demographic. Substantially all August and September rent and service charges have been collected, consistent with our past experience.

Financial Position

At September 14, 2020, liquidity (2) amounted to \$392.5 million, which included \$86.5 million of cash and cash

equivalents and \$306.0 million of available borrowing capacity on our credit facilities. In addition, Chartwell's share of cash and cash equivalents held in its equity-accounted joint ventures was \$12.3 million.

At September 14, 2020, we have \$51.9 million of mortgage maturities remaining in 2020, of which \$26.3 million are CMHC insured, and includes \$23.9 million related to a mortgage on a property acquired from Batimo Inc. ("Batimo") in the first half of 2020, that we expect to replace with a CMHC-insured mortgage. We have \$243.3 million of mortgage maturities in 2021, of which \$37.5 million are CMHC insured. We have strong lending relationships and expect to re finance these mortgage maturities as they come due.

On August 26, 2020, we refinanced a mortgage on a property recently acquired from Batimo with a CMHC-insured mortgage for \$21.2 million, bearing interest of 1.49% per annum with a four-year term to maturity.

In addition, we have over \$925 million of unencumbered assets and a conservative capital structure that allows us to access further debt if needed.

We will continue to evaluate further opportunities to increase liquidity, including accessing CMHC top-up programs as we have historically and delaying certain capital investments, potential development and redevelopment project expenditures. We expect to be able to meet all of our obligations as they become due utilizing primarily the following sources of liquidity: (i) cash ow generated from our operations, (ii) property-specific mortgages, and (iii) secured and unsecured credit facilities.

Transaction activity

We expect the previously-announced sale of three non-core properties in Alberta to close in Q3 2020.

On June 2, 2020, we entered into an agreement to sell three non-core residences (225 suites) located in Pickering, Oshawa and Barrie, Ontario for \$33.8 million and on August 31, 2020, the purchaser waived its conditions. The closing is expected in Q4 2020. These properties have been classified as assets held for sale as at September 14, 2020.

Footnotes

(1) 'pp' means percentage points.

(2) Liquidity is a measure used by management in evaluating operating and financial performance. Please refer to the cautionary statements under the heading "Non-GAAP Financial Measures" in this press release.

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 over 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

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. 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" section in Chartwell's 2019 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.

Non-GAAP Financial Measures

Chartwell's consolidated 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, 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 financial 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 Q2 2020 MD&A available on Chartwell's website and at www.sedar.com.

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