



CHARTWELL ANNOUNCES FOURTH QUARTER & YEAR END 2021 RESULTS

MISSISSAUGA, ONTARIO – February 24, 2022 – Chartwell Retirement Residences (“Chartwell”) (TSX: CSH.UN) announced today its results for the three-month period ended December 31, 2021, and for the year ended December 31, 2021.

In this document, “Q3” refers to the three-month period ended September 30; “Q4” refers to the three-month period ended December 31; “2021” refers to the calendar year 2021; and “2020” refers to the calendar year 2020.

Highlights

- Weighted average same property retirement occupancy improved by 0.4 percentage points to 76.8% compared to Q3 2021.
- Same property retirement move in activity increased 54% in Q4 2021 compared to Q4 2020.
- Same property adjusted net operating income (“NOI”) ⁽¹⁾ declined 17.9% in Q4 2021 from Q4 2020 and funds from operations (“FFO”) ⁽¹⁾ declined 34.6% in Q4 2021 from Q4 2020, primarily as a result of reduced occupancy and continued investments in resident care and infection prevention and control measures, including significant agency staffing costs.
- In Q4 2021, net income was \$18.7 million compared to \$12.2 million in Q4 2020, primarily due to higher gains on disposals of assets and changes in fair values of financial instruments, offset by reduced occupancy and continued investments in resident care and infection prevention and control measures, including significant agency staffing costs.

“With the seniors population growing four times faster than the general population, seniors housing new supply and community/social opportunities for seniors being constrained, and strong housing markets providing seniors with liquidity and financial capability, the long-term prospects for the senior living sector in Canada remain bright. While our results were negatively affected by the pandemic in 2021, our residences’ teams continued to deliver exceptional services and quality care to our residents, enriching their lives, while complying with or exceeding mandated government directives. In addition to supporting our residences teams in their heroic work, we have built a solid foundation for recovery, implementing numerous innovative operational, marketing, sales and technology solutions that will serve us well for many years to come.” commented Vlad Volodarski, CEO. “The positive trends in our website traffic and initial contacts point to pent-up demand, which should support our occupancy recovery to pre-pandemic levels. The accelerating growth of the seniors’ population in the coming years will help to sustain continued occupancy growth. Thanks to our people, Chartwell is in a strong position to meet this growing demand and deliver The Chartwell Experience to more seniors across the country.”

	Three Months Ended December 31		Year Ended December 31	
(\$000s, except per unit amounts and number of units)	2021	2020	2021	2020
Resident revenue	\$ 215,761	\$ 219,034	\$ 855,227	\$ 873,966
Direct property operating expense	\$ 162,602	\$ 156,381	\$ 629,715	\$ 622,499
Net income/(loss)	\$ 18,732	\$ 12,182	\$ 10,132	\$ 14,879
FFO ⁽¹⁾	\$ 28,435	\$ 43,496	\$ 132,262	\$ 165,861
FFO per unit ⁽¹⁾	\$ 0.12	\$ 0.20	\$ 0.59	\$ 0.76
Weighted average number of units outstanding (000s) ⁽²⁾	235,268	218,312	224,351	218,212

In Q4 2021, resident revenue decreased \$3.3 million or 1.5% primarily due to the disposition of properties and occupancy decline in our existing property portfolio.

In Q4 2021, direct property operating expense increased \$6.2 million or 4.0%, primarily due to higher expenses, principally due to the Omicron wave of the pandemic, in our existing property portfolio, partially offset by the disposition of properties.

In Q4 2021, net income was \$18.7 million compared to \$12.2 million in Q4 2020. The change in net income in Q4 2021 was primarily due to higher gain on disposal of assets in Q4 2021, higher management and other fee revenue, lower deferred tax expense, lower finance cost and positive changes in fair values of financial instruments, partially offset by lower resident revenue, higher direct property operating expenses, higher amortization of intangibles, higher net loss, and lower lease revenue from joint ventures, higher general and administrative (“G&A”) expenses and higher impairment charges.

In Q4 2021, FFO ⁽¹⁾ decreased \$15.1 million primarily due to lower occupancy, continued investments in resident care and infection prevention and control measures, including agency staffing costs, lower adjusted NOI from the disposition of properties, higher amortization of internally developed software related intangible assets, and higher G&A expenses partially offset by higher revenue both from inflationary and market-based rental and service rate increases and from the provision of additional care and services, higher adjusted NOI ⁽¹⁾ from acquisitions and development properties that are currently in lease up, lower finance costs and higher management fee revenue.

For 2021, resident revenue decreased \$18.7 million or 2.1%, primarily due to the disposition of properties and occupancy decline in our existing property portfolio.

For 2021, direct property operating expense increased \$7.2 million or 1.2%, primarily due to higher expenses in our existing property portfolio, partially offset by the disposition of properties.

For 2021, net income was \$10.1 million compared to \$14.9 million in 2020. Net income decreased in 2021 primarily due to lower resident revenue, higher direct property operating expenses, higher amortization of intangibles, lower lease revenue from joint ventures, lower interest income, negative changes in fair values of financial instruments, higher net loss from joint ventures and deferred tax expense in 2021 as compared to deferred tax recovery in 2020, partially offset by higher gain on disposal of assets, higher management and other fees, lower depreciation of property, plant and equipment (“PP&E”), lower finance costs and lower impairment charges.

For 2021, FFO ⁽¹⁾ decreased \$33.6 million primarily due to lower occupancy, continued investments in resident care and infection prevention and control measures, including agency staffing costs, lower adjusted NOI from the disposition of properties, higher amortization of internally developed software related intangible assets, higher G&A expenses and lower interest income partially offset by higher revenue from both inflationary and market-based rental and service rate increases and from the provision of additional care and services, higher adjusted NOI ⁽²⁾ from acquisitions and development properties that are currently in lease up, lower finance costs and higher management fee revenue.

Operating Performance

(\$000s, except occupancy)	Three Months Ended December 31			Year Ended December 31		
	2021	2020	Change	2021	2020	Change
Same property occupancy ⁽³⁾	78.7%	82.1%	(3.4pp)	78.2%	85.0%	(6.8pp)
Same property adjusted NOI ⁽¹⁾	\$ 55,533	\$ 67,669	\$ (12,136)	\$ 237,141	\$ 270,395	\$ (33,254)
G&A expenses	\$ 9,669	\$ 8,674	\$ 995	\$ 44,364	\$ 43,895	\$ 469

In Q4 2021, same property occupancy was lower than Q4 2020 by 3.4 percentage points. In Q4 2021, our same property portfolio move ins exceeded Q4 2020 by 54%. Move outs remain below pre-pandemic levels. We expect occupancy to begin to recover in our same property portfolio once restrictions are eased and as we move into the spring leasing season. Compared to Q3 2021, same property occupancy in our Retirement Operations and Long Term Care Operations has increased as the pace of move ins continued to recover and exceeded the pace of move outs each month in Q4 2021.

In Q4 2021, same property adjusted NOI ⁽¹⁾ decreased \$12.1 million or 17.9% primarily due to lower occupancy and the disposition of properties, higher net pandemic expense, higher agency staffing costs, and insurance expenses, partially offset by inflationary and market-based rental and service rate increases and additional care and services revenue and lower food costs as a result of lower occupancy.

In Q4 2021, G&A expenses increased \$1.0 million primarily due to lower government subsidies of \$1.0 million and higher compliance related legal and professional fees of \$0.8 million, partially offset by lower education costs, as a result of moving various educational programs to virtual formats and lower severance costs.

For 2021, weighted average occupancy in our retirement same property portfolio was 77.1%, a 6.9 percentage point decrease from 2020, primarily due the continued impact of the pandemic. Positive trends through 2021, including increasing monthly move in activity through the year, higher move ins in aggregate for 2021 compared to 2020 and lower move out activity in aggregate for 2021 compared to 2020 did not offset declining occupancy from the onset of the pandemic until July 2021, when occupancies stabilized and then began increasing gradually to December 2021.

For 2021, same property adjusted NOI ⁽¹⁾ decreased \$33.2 million or 12.3%, primarily due to lower occupancy, higher agency staffing costs and insurance expenses, partially offset by inflationary and market-based rental and service rate increases and additional care and service revenue, lower net pandemic expense and lower food costs as a result of lower occupancy.

For 2021, G&A expenses increased \$0.5 million primarily due to lower government subsidies of \$0.5 million and higher compliance related legal and professional fees of \$0.8 million, partially offset by lower education costs.

Financial Position

At December 31, 2021, liquidity ⁽¹⁾ amounted to \$438.9 million, which included \$95.5 million of cash and cash equivalents and \$343.4 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 \$5.1 million.

The interest coverage ratio ⁽¹⁾ for the year ended December 31, 2021, remained strong at 2.8 at December 31, 2021 compared to 2.9 at December 31, 2020. The net debt to adjusted EBITDA ratio ⁽¹⁾ at December 31, 2021, was 10.1 compared to 9.4 at December 31, 2020.

Additionally, our unencumbered asset pool value was \$997.8 million at December 31, 2021, and our unencumbered property asset value to unsecured indebtedness ratio increased to 2.0 at December 31, 2021.

Recent Developments

The most recent wave of the pandemic, driven by the Omicron variant of concern, has been impacting our operations. Omicron has proven to be a highly transmissible variant causing significant volumes of infections among the general population as well as among our employees and residents. The pace of the spread of Omicron in late December 2021 and into mid to late January 2022 was significant both in the community and in our residences. Commencing in early February 2022, outbreaks and infections in our residences began to decline.

During the Omicron wave, governments and public health authorities reintroduced restrictions which are expected to result in a delay of our occupancy recovery. In addition, to maintain services for our residents, as many of our employees were and are required to isolate because of virus exposure, we are incurring higher agency, overtime, and recruitment costs. Due to our high resident and staff vaccination rates, most of those affected experience mild to moderate symptoms and recover relatively quickly. Our thoughts are with those who have been affected by this disease. We continue to work collaboratively with public health authorities on infection prevention and control measures and to improve accessibility of our residents and staff to vaccine boosters which will further improve their protection. As of February 24, 2022, 89% of our residents and 54% of our staff had received their third dose vaccine booster shots.

As of February 24, 2022, there are currently COVID-19 outbreaks in 24 of our residences. The severity and duration of outbreaks have significantly lessened as compared to the first year of the pandemic. As a result, our extensive investments in additional personal protective equipment and staffing are returning to normalized levels. Our response to the pandemic has been and continues to be guided by public health authorities and the Federal, Provincial and Municipal governments. We continue to meet or exceed the direction provided by these authorities to control the spread of COVID-19.

The following table summarizes monthly weighted average occupancy rates in our Retirement Operations:

	One month ended October 31, 2021	One month ended November 30 2021	One month ended December 31, 2021	One month ended January 31, 2022	Forecast One month ended February 28, 2022 ⁽³⁾	Forecast One month ended March 31, 2022 ⁽³⁾
Weighted average occupancy rate - same property portfolio	76.7%	76.8%	77.0%	76.6%	76.1%	75.7%
<i>Change from the previous month ⁽⁴⁾</i>	<i>0.2pp</i>	<i>0.1pp</i>	<i>0.2pp</i>	<i>(0.4pp)</i>	<i>(0.5pp)</i>	<i>(0.4pp)</i>
Weighted average occupancy rate - total portfolio	76.0%	75.8%	76.0%	75.8%	75.4%	75.0%
<i>Change from the previous month ⁽⁴⁾</i>	<i>0.3pp</i>	<i>(0.2pp)</i>	<i>0.2pp</i>	<i>(0.2pp)</i>	<i>(0.4pp)</i>	<i>(0.4pp)</i>

Same property occupancy decreased to 76.6% or 0.4 percentage points in January 2022, and is forecasted to decline by 0.5 and 0.4 percentage points for February and March 2022, respectively, based on known leases and notices as at February 10, 2022. These expected occupancy trends are consistent with our historical experience. Sales and leasing activities slowed down in late December and early January 2022 as a result of the new Omicron-driven wave of the pandemic. These activities began rebounding in the second half of January and for the full month of January 2022, all of our leading sales indicators were higher compared to January 2021. Sales and leasing activities have continued to improve in February 2022 compared to both January 2022 and February 2021. Our acquisition and development portfolio has shown lease up progress, growing weighted average occupied suites by 143 suites since September 2021.

We expect a temporary elevation in direct operating expenses in our retirement residences through this wave of the pandemic due to higher-than-normal staffing costs as a result of higher agency staffing and overtime used to augment vacancies resulting from an increased number of staff being required to self-isolate due to the high transmissibility of the Omicron variant. In addition, in 2021 compared to 2020, excluding pandemic related agency staffing utilization, we experienced an increase in recurring agency staffing costs. As the pandemic wanes, labour markets normalize and our staffing levels are optimized, we expect to bring these costs down gradually through 2021.

Footnotes

- (1) FFO, FFO per unit, same property adjusted NOI, adjusted NOI, liquidity, interest coverage ratio, 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 Financial Measures" on page 4 of this press release. Full definitions of FFO & FFO per unit can be found on page 21, same property adjusted NOI on page 22, adjusted NOI on page 22, liquidity on page 34, interest coverage ratio on page 41 and net debt to adjusted EBITDA ratio on page 58 of the 2021 MD&A available on Chartwell's website and at 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) Forecast includes leases and notices as at February 10, 2022.
- (4) 'pp' means percentage points.

COVID-19 Risk Factors

Please refer to the 2021 MD&A to review risk factors to Chartwell relating to COVID-19.

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 "COVID-19 Business Impacts and Related Risks" section, and the "Risks and Uncertainties and Forward-Looking Information" section in Chartwell's 2020 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 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 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.

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 identifies contributions from our same property portfolio and our acquisition, development and other portfolio:

	Three months Ended December 31		Year Ended December 31	
(\$000s, except occupancy rates)	2021	2020	2021	2020
Resident revenue	215,761	219,034	855,227	873,966
Add: Share of resident revenue from joint ventures	27,910	28,624	109,933	116,157
Adjusted resident revenue	243,671	247,658	965,160	990,123
Comprised of:				
Same property	224,534	227,158	890,395	900,413
Acquisitions, development, and other	19,137	20,500	74,765	89,710
Adjusted resident revenue	243,671	247,658	965,160	990,123
Direct property operating expense	162,602	156,381	629,715	622,499
Add: Share of direct property operating expenses from joint ventures	20,232	17,070	75,337	72,697
Adjusted direct property operating expense	182,834	173,451	705,052	695,196
Comprised of:				
Same property	169,001	159,489	653,254	630,018
Acquisitions, development, and other ⁽²⁾	13,833	13,962	51,798	65,178
Adjusted direct property operating expense	182,834	173,451	705,052	695,196
Adjusted NOI	60,837	74,207	260,108	294,927
Comprised of:				
Same property	55,533	67,669	237,141	270,395
Acquisitions, development, and other ⁽²⁾	5,304	6,538	22,967	24,532
Adjusted NOI	60,837	74,207	260,108	294,927

The following table provides a reconciliation of net income/(loss) to FFO for Q4 and Year End:

	Three months ended December 31		Year Ended December 31	
(\$000s, except per unit amounts)	2021	2020	2021	2020
Net income/(loss)	18,732	12,182	10,132	14,879
Add (Subtract):				
B Depreciation of PP&E	41,066	41,092	160,382	174,091
D Amortization of limited life intangible assets	4,615	1,332	7,709	5,590
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	(3,848)	(1,367)	(7,907)	(5,635)
E Loss/(gain) on disposal of assets	(37,857)	(23,001)	(44,840)	(25,072)
J Transaction costs arising on dispositions	858	306	1,374	996
H Impairment losses	850	-	850	3,200
G Deferred income tax	4,346	7,052	984	(3,865)
O Distributions on Class B Units recorded as interest expense	235	235	937	944
M Changes in fair value of financial instruments and foreign exchange loss/(gain)	(2,248)	4,374	(1,295)	(3,828)
Q FFO adjustments for Equity-Accounted JVs	1,686	1,291	3,936	4,561
FFO	28,435	43,496	132,262	165,861
Weighted Average number of units	235,268	218,312	224,351	218,212
FFOPU	0.12	0.20	0.59	0.76

Investor Conference Call

A conference call hosted by Chartwell's senior management team will be held **Friday, February 25, 2022, at 9:00 AM ET**. The telephone numbers for the conference call are: **Local: (416) 340-2217** or **Toll Free: 1-800-898-3989**. **The passcode for the conference call is: 1251063#**. The conference call can also be heard over the Internet by accessing the Chartwell website at 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 8361479#. These numbers will be available for 90 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.

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

For more information, please contact:

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