



CHARTWELL ANNOUNCES FIRST QUARTER 2022 RESULTS

MISSISSAUGA, ONTARIO – May 5, 2022 – Chartwell Retirement Residences (“Chartwell”) (TSX: CSH.UN) announced today its results for the first quarter ended March 31, 2022.

Highlights

- Occupancy recovery is forecast to resume in May 2022.
- Executing on portfolio optimization strategy with the acquisition of three new retirement residences and agreements to transition Ontario long term care operations.
- In Q1 2022, net loss was \$3.3 million compared to \$4.9 million in Q1 2021 primarily due to higher net income from discontinued operations offset by higher pandemic related expenses and lower retirement occupancy.

“Following continuing improvements in our leading sales indicators, and strong recent leasing activity we expect our same property portfolio occupancy to begin to increase in May with a further 0.2 percentage points increase in June.” commented Vlad Volodarski, CEO. “I am confident with the strength and ingenuity of our Chartwell people, driven by our vision of Making People’s Lives Better, our innovative marketing and sales programs, combined with the accelerated growth of the seniors population and slow-down of new construction starts in our markets for the last two years, we will recover our occupancies and continue to create sustainable value for all our stakeholders over time.”

Operating Performance Trends

- For Q1 2022 compared to Q1 2021, same property adjusted NOI decreased \$13.2 million or 22.0% primarily due to lower same property adjusted NOI from our retirement operations as a result of higher net pandemic expense of \$8.8 million, lower occupancy of \$3.2 million, higher agency staffing costs, and higher utilities partially offset by higher revenue from regular annual and market-based rental and service rate increases.
- Same property retirement leasing activity and permanent move-ins exceeded Q1 2021 by over 45%.
- Same property occupancy is forecasted to decline 0.2 percentage points in April, increase 0.1 percentage points in May with a further 0.2 percentage points increase in June 2022, based on known leases and notices as at April 28, 2022.
- Our leading sales indicators continued to be strong in April 2022.
- Pandemic related restrictions have significantly eased, and assuming this continues, we expect our occupancy to continue to recover in 2022.

Financial Results

In Q1 2022, net loss was \$3.3 million compared to \$4.9 million in Q1 2021 primarily due to the following:

- higher net income from discontinued operations driven by recovery of prior period pandemic related costs
- positive changes in fair values of financial instruments, as a result of changes in interest rates and in trading prices of Chartwell units and
- lower net loss from joint ventures

partially offset by:

- lower revenue as a result of lower occupancy
- higher expenses driven by higher pandemic related staffing and higher utilities expenses and,
- higher deferred income tax expense in Q1 2022.

FFO from continuing operations for Q1 2022 was \$20.3 million or \$0.09 per unit, or \$14.2 million lower compared to Q1 2021 FFO from continuing operations of \$34.5 million or \$0.16 per unit primarily due to:

- lower retirement operations adjusted NOI of \$13.6 million as a result of lower same property adjusted NOI of \$13.2 million, as described above, and lower contributions from our acquisition, development and other portfolio, partially offset by regular annual and market-based rental and service rate increases
- higher G&A expenses of \$1.0 million primarily due to lower government subsidies and increased cloud-based information technology system implementations costs
- lower management fee revenue of \$0.4 million
- additional units outstanding net of related interest savings, primarily as a result of the issuance of 15.5 million Trust Units in Q3 2021, and
- other items combined of \$0.3 million.

FFO from continuing operations for Q1 2022 was impacted by \$1.0 million of Lease-up-Losses and Imputed Cost of Debt related to our development projects (Q1 2021 – \$1.0 million).

Total FFO for Q1 2022 was \$31.3 million or \$0.13 per unit, compared to \$35.1 million or \$0.16 per unit in Q1 2021. Effective March 31, 2022, our Long Term Care Operations segment was reclassified as discontinued operations as described below. Total FFO per unit for Q1 2022 includes \$0.04 per unit from discontinued operations compared to \$nil per unit in Q1 2021 due to higher Adjusted NOI from Long Term Care Operations primarily as a result of government reimbursements for prior years direct operating expenses and higher ancillary, preferred and retirement accommodation revenues.

For Q1 2022, resident revenue increased \$0.7 million or 0.5%, primarily due to acquisitions and developments and revenue growth in our existing portfolio, partially offset by the disposition of properties.

For Q1 2022, direct operating expense increased \$12.6 million or 12.4%, primarily due to higher expenses in our existing property portfolio, partially offset by the disposition of properties.

In Q1 2022, weighted average occupancy in our retirement same property portfolio was 76.5%, compared to 78.9% in Q1 2021 a decrease of 2.4 percentage points due to lower move-in activity as a result of the pandemic. Move-in activity improved significantly in Q1 2022 increasing 47% compared to Q1 2021.

The following table summarizes select financial and operating performance measures:

(\$000s, except per unit amounts, number of units, and occupancy)	Three Months Ended March 31		
	2022	2021	Change
Resident revenue	157,668	156,927	741
Direct property operating expense	113,787	101,211	12,576
Net income/(loss)	(3,316)	(4,933)	1,617
FFO ⁽¹⁾			
Continuing operations	20,259	34,461	(14,202)
Total	31,324	35,134	(3,810)
FFO per unit ⁽¹⁾			
Continuing operations	0.09	0.16	(0.07)
Total	0.13	0.16	(0.03)
Weighted average number of units outstanding (000s) ⁽²⁾	236,048	218,331	17,717
Same property occupancy ⁽³⁾	76.4%	78.7%	(2.3pp)
Same property adjusted NOI ⁽¹⁾	46,754	59,930	(13,176)
G&A expenses	13,828	12,792	1,036

Financial Position

At March 31, 2022, liquidity ⁽¹⁾ amounted to \$374.8 million, which included \$160.0 million of cash and cash equivalents and \$214.9 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 \$3.8 million.

The interest coverage ratio ⁽¹⁾ on a rolling 12-month basis was 2.6 at March 31, 2022 compared to 2.8 at March 31, 2021. The net debt to adjusted EBITDA ratio ⁽¹⁾ at March 31, 2022 was 10.4 compared to 9.9 at March 31, 2021.

Additionally, our unencumbered asset pool value was \$1.0 billion at March 31, 2022, and our unencumbered asset value to unsecured indebtedness ratio was 2.1 at March 31, 2022.

On April 11, 2022, DBRS confirmed the BBB(low) rating of our Issuer Rating and the Senior Unsecured Debentures Rating with a negative trend as described in their report. (Details are available on their website at www.dbrsmorningstar.com.)

Strategic Acquisitions and Dispositions

On March 31, 2022, we entered into definitive agreements to substantially exit our Long Term Care Operations in Ontario, including all operations for owned and managed Ontario Long Term Care properties. These agreements, together, the “LTC Transactions” include:

- the sale of fifteen long-term care homes in Ontario and one retirement residence connected to an adjacent long-term care home, which have been reclassified as discontinued operations (“LTC Discontinued Operations”)
- the transition of management of three long term care homes that we currently own, two of which we will retain ownership of and one of which is subject to the forward sale contract described below
- the transition of management of four third party owned long term care homes to which we currently provide management services, and
- a forward sale contract related to one long term care home that we own and are currently redeveloping which will have 224 beds once completed.

The combined value of the LTC Transactions, before closing costs and customary adjustments, is \$446.5 million.

The sale price for the LTC Discontinued Operations is \$382.0 million, subject to customary adjustments in accordance with the terms of the purchase and sale agreement. The transition of our LTC Discontinued Operations and the transition of management of our three long term care homes that we currently own as well as the four third-party owned long term care homes that we currently manage, subject to regulatory and other required approvals, is expected to occur within one year from the announcement of the sale. The purchase price for the LTC Discontinued Operations will be paid through the assumption of mortgage debt by the purchaser related to certain of these properties, which, assuming a December 31, 2022, closing, would carry an estimated balance of \$126.2 million bearing a weighted average interest rate of 5.43%, with the remainder to be paid in cash. A portion of the cash proceeds will be used to repay the remaining mortgage debt which is not being assumed by the purchaser for the LTC Discontinued Operations which assuming, a December 31, 2022 closing, would carry an estimated balance of \$15.8 million bearing a weighted average interest rate of 6.13%. Net proceeds estimated based on a December 31, 2022 closing date, after deductions for repayment of property-specific debt, transaction costs, and specified investment flow-through (“SIFT”) cash taxes are estimated to be approximately \$214.4 million.

Concurrently with the sale of the LTC Discontinued Operations, we entered into a forward purchase agreement to sell our Ballycliffe long-term care home with an existing operating capacity of 100 beds that we are currently expanding and redeveloping to a 224-bed state of the art long term care home. The sale price for Ballycliffe is \$64.5 million and net proceeds after deductions for repayment of property-specific debt, transaction costs, and specified investment flow-through (“SIFT”) cash taxes are estimated to be approximately \$62.9 million. The forward sale contract will close when the redevelopment of Ballycliffe is completed which is estimated to occur in early Q3 2023.

On April 1, 2022, we acquired three recently developed retirement residences in Ontario with 467 suites for a purchase price of \$228.0 million which includes a deferred payment of \$3.0 million to be paid on the earlier of the completion of a 132-suite condominium development at one of the locations currently in construction, or June 30, 2024. The owners of these condominium units will enjoy access to the amenities of the retirement residence for a monthly fee. In addition, \$3.0 million of the purchase price has been allocated to 1.8 acres of excess land at one of the locations where approximately 112 suites could be developed over time. The purchase price for these properties was settled by the assumption of in place mortgages on two of the acquired properties with an estimated principal balance of \$85.6 million, bearing a weighted average interest rate of 3.7% and maturing in November 2023. The remainder of the purchase price was settled with cash on hand and borrowings on our secured credit facility.

Chartwell expects, subject to market conditions, to use the net proceeds of the LTC Transactions, estimated at \$277.3 million in total, to continue to grow our retirement business through acquisition and development

activity, with a portion being used to pay down our credit facilities which have been used to fund such investments in advance of closing the LTC Transactions.

Environmental, Social and Governance (“ESG”) Update

Chartwell is privileged to be a leader in a sector that generates tremendous positive societal impact by serving and caring for Canada’s growing seniors population. As the leading provider in the retirement living sector in Canada, Chartwell imbeds sound ESG practices throughout our organization and activities to fulfill our duty to continuously evolve, improve and grow our contribution to society and our residents, employees, stakeholders, and local communities.

On March 29, 2022, we issued our second ESG Report, in which we highlight our progress and targets in enriching the lives of our residents and their loved ones; attracting, engaging and developing our employees; creating positive societal impact through community building and charitable activities; environmental stewardship; and corporate governance.

Find our **2022 ESG Report** at: investors.chartwell.com/company-profile.

Outlook

Same property retirement operations occupancy decreased to 76.0% or 0.2 percentage points in April 2022, is forecasted to increase 0.1 percentage points in May with a further 0.2 percentage points increase in June 2022, achieving growth in our Quebec and Western platforms, and stabilizing in our Ontario platform, based on known leases and notices as at April 28, 2022. April 2022 same property retirement leasing activity and permanent move-ins exceeded April 2021 by 27% and 35%, respectively. Our Western platform is forecast to deliver strong occupancy growth of 0.5 percentage points starting in June, consistent with the recovery experienced in 2021 in this platform. Our Ontario platform is forecast to stabilize occupancy starting in June. Our Quebec platform is forecast to deliver strong occupancy growth of 0.5 percentage points in May with growth continuing in June.

We believe that there is a pent-up demand for retirement accommodation and services, driven by the increased ageing population, disruptions of community-based support services for seniors during the pandemic and a persistent shortage of long-term care beds. Accelerated growth in the population of seniors over the age of 75 over the next 20 plus years, as well as the slowdown of construction activity in the last two years should support occupancy recovery in the short term and growth from pre-pandemic levels over the long term. In addition, our retirement operations acquisition and development portfolio has shown continued lease up progress. Pandemic related restrictions have significantly eased, and assuming this continues, we expect our occupancy to continue to recover in 2022 across all platforms.

We expect the temporary elevation in direct operating expenses in our retirement residences through the COVID-19 Omicron variant of concern driven waves of the pandemic to continue to be higher due to higher-than-normal staffing costs as a result of increased agency staffing and overtime used to augment vacancies resulting from more staff being required to self-isolate due to the high transmissibility of the Omicron variants. As the first Omicron wave receded, costs began to decline. However, with the resurgence in April, we anticipate that incremental net pandemic related expenses could range from \$4.0 to \$6.0 million in Q2 2022. In addition, in 2021 and to date in 2022, excluding pandemic related agency staffing utilization, we experienced an increase in agency staffing costs. In Q1 2022, agency staffing costs increased \$2.9 million or 4.7% of compensation costs compared to Q1 2021 in our same property retirement operations. As the pandemic wanes, labour markets normalize and our staffing levels are optimized, we expect to bring these costs down gradually through the latter half of 2022.

Liquidity Update

As at May 5, 2022 liquidity amounted to \$264.1 million, which included \$68.2 million of cash and cash equivalents and \$195.9 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 \$13.1 million.

Additionally, our unencumbered asset pool value was \$1.1 billion at May 5, 2022, and our unencumbered property asset value to unsecured indebtedness ratio increased to 2.2 at May 5, 2022.

Quarterly Investor Materials and Conference Call

We invite you to review our Q1 2022 investor materials on our website at investors.chartwell.com

Q1 2022 Financial Statements

Q1 2022 Management's Discussion and Analysis

First Quarter 2022 Investor Presentation

A conference call hosted by Chartwell's senior management team will be held **Friday, May 6, 2022, at 10:00 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: 5558906#**. 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 1236621#. 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.

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 5 of this press release. Full definitions of FFO & FFO per unit can be found on page 16, same property adjusted NOI on page 17, adjusted NOI on page 18, liquidity on page 26, interest coverage ratio on page 33 and net debt to adjusted EBITDA ratio on page 50 of the Q1 2022 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 April 28, 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 2021 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. For a full definition of these measures, please refer to the 2021 MD&A available on Chartwell's website and at 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 identifies contributions from our same property portfolio and our acquisition, development and other portfolio:

(\$000s, except occupancy rates)	Q1 2022	Q1 2021	Change
Resident revenue	157,668	156,927	741
<i>Add:</i>			
Share of resident revenue from joint ventures ⁽¹⁾	28,080	27,743	337
Resident revenue from discontinued operations ⁽²⁾	67,955	60,748	7,207
Adjusted resident revenue ⁽³⁾	253,703	245,418	8,285
<i>Comprised of:</i>			
Same property ⁽³⁾	170,707	169,071	1,636
Acquisitions, development, and other ⁽³⁾	82,996	76,347	6,649
<i>Adjusted resident revenue ⁽³⁾</i>	<i>253,703</i>	<i>245,418</i>	<i>8,285</i>
Direct property operating expense	113,787	101,211	12,576
<i>Add:</i>			
Share of direct property operating expenses from joint ventures ⁽⁴⁾	20,743	18,581	2,162
Direct property operating expense from discontinued operations ⁽⁵⁾	55,200	58,294	(3,094)
Adjusted direct property operating expense ⁽³⁾	189,730	178,086	11,644
<i>Comprised of:</i>			
Same property ⁽³⁾	123,953	109,141	14,812
Acquisitions, development, and other ⁽³⁾	65,777	68,945	(3,168)
<i>Adjusted direct property operating expense ⁽³⁾</i>	<i>189,730</i>	<i>178,086</i>	<i>11,644</i>
Adjusted NOI ⁽³⁾	63,973	67,332	(3,359)
<i>Comprised of:</i>			
Same property ⁽³⁾	46,754	59,930	(13,176)
Acquisitions, development, and other ⁽³⁾	17,219	7,402	9,817
<i>Adjusted NOI ⁽³⁾</i>	<i>63,973</i>	<i>67,332</i>	<i>(3,359)</i>
Weighted average occupancy rate - same property portfolio	76.4%	78.7%	(2.3pp)
Weighted average occupancy rate - total portfolio	77.1%	77.9%	(0.8pp)

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

(\$000s, except per unit amounts)	Continuing Operations		Total Operations	
	Q1 2022	Q1 2021	Q1 2022	Q1 2021
Net income/(loss)	(11,862)	(2,675)	(3,316)	(4,933)
<i>Add (Subtract):</i>				
B Depreciation of PP&E	36,621	37,679	38,437	40,401
D Amortization of limited life intangible assets	744	786	946	995
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	(1,222)	(1,264)	(1,222)	(1,264)
E Loss/(gain) on disposal of assets	(545)	(361)	(545)	(361)
J Transaction costs arising on dispositions	55	64	556	64
G Deferred income tax	641	(1,188)	641	(1,188)
O Distributions on Class B Units recorded as interest expense	234	233	234	233
M Changes in fair value of financial instruments and foreign exchange loss/(gain)	(2,641)	435	(2,641)	435
Q FFO adjustments for Equity-Accounted JVs ⁽¹⁾	(1,766)	752	(1,766)	752
FFO ⁽²⁾	20,259	34,461	31,324	35,134
Weighted average number of units	236,048	218,331	236,048	218,331
FFOPU	0.09	0.16	0.13	0.16

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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