NEWS RELEASE

# Chartwell Announces Second Quarter 2019 Results

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MISSISSAUGA, ON, Aug. 8, 2019 /CNW/ - Chartwell Retirement Residences ("Chartwell") (TSX: CSH.UN) announced today its results for the second quarter ended June 30, 2019.

## Highlights

- Same property adjusted net operating income ("NOI") (1) declined 0.9% in Q2 2019, primarily due to timing of expenses as well as occupancy pressures in certain markets. For 2019 YTD, same property adjusted NOI up 1.8%
- Funds from operations ("FFO") (1) per unit declined by $0.01 in Q2 2019. For 2019 YTD, FFO per unit up by $0.01
- Strong development pipeline of nine projects (1,170 suites). Lease-up of the recently-completed developments progressing well

"Our results in the second quarter of 2019 have been impacted by the timing of the Good Friday statutory holiday and certain other expenses as well as lower occupancies due to competitive pressures in some of our markets," commented Brent Binions, President and CEO. "We are well on our way to executing on our five-year strategy with the scheduled roll out of our newly-developed customer experience training program to our front-line staff in 2019 and early 2020. In accordance with our strategy, in 2019 we completed dispositions of two non-core retirement residences and announced an agreement to sell four non-core long term care properties. We continue our successful development program in 2019, opening three newly-developed retirement residences to date. All of these and other initiatives effectively position Chartwell to take advantage of the upcoming demand growth and to continue to create long-term sustainable value for all our stakeholders."

## Financial Highlights

| ($000s, except per unit amounts and number of units) | Three Months Ended June 30 2019 | 2018 | Six Months Ended June 30 2019 | 2018 |
|---|---|---|---|---|
| Resident revenue | $ 213,848 | $ 201,675 | $ 423,732 | $ 395,280 |
| Direct property operating expense | $ 146,555 | $ 135,901 | $ 290,719 | $ 271,248 |
| Net income/(loss) | $ (1,583) | $ 6,968 | $ 13,368 | $ 22,482 |
| FFO (1) | $ 47,106 | $ 48,919 | $ 94,189 | $ 91,739 |
| FFO per unit (1) | $ 0.22 | $ 0.23 | $ 0.44 | $ 0.43 |
| Weighted average number of units outstanding (000s) (2) | 215,926 | 214,134 | 215,637 | 213,905 |

In Q2 2019, resident revenue and direct property operating expenses increased 6.0% and 7.8%, respectively, due to the growing contribution from developments and acquisitions, rental rate increases in line with competitive market conditions, ancillary revenue growth and higher staffing costs in our same property portfolio, partially related to timing of the statutory holiday.

In Q2 2019, net loss was $1.6 million compared to net income of $7.0 million in Q2 2018. The decrease in net income was primarily due to higher depreciation expenses and negative changes in fair value of financial instruments, partially offset by higher contributions from property operations.

In Q2 2019, FFO decreased by $1.8 million as higher finance and general administrative and Trust ("G&A") expenses were only partially offset by higher adjusted NOI (1)

For 2019 YTD, resident revenue and direct property operating expenses increased 7.2% and 7.2%, respectively, due to the growing contribution from developments and acquisitions, rental rate increases in line with competitive market conditions, ancillary revenue growth and higher staffing costs in our same property portfolio.

In 2019 YTD, net income was $13.4 million compared to $22.5 million in 2018 YTD. The decrease in net income was primarily due to higher deferred taxes, depreciation, finance costs and negative changes in fair value of financial instruments, partially offset by higher contributions from property operations and a remeasurement gain on step acquisition of the remaining ownership interest in two properties.

For 2019 YTD, FFO increased $2.5 million primarily due to higher adjusted NOI (1) and higher interest income, partially offset by lower management fees and higher finance costs and G&A expenses.

## Operating Performance

| ($000s, except occupancy) | Three Months Ended June 30 2019 | 2018 | Change | Six Months Ended June 30 2019 | 2018 | Change |
|---|---|---|---|---|---|---|
| Same property occupancy (3) | 89.8% | 90.7% | (0.9pp) | 90.2% | 91.2% | (1.0pp) |
| Same property adjusted NOI | $ 70,560 | $ 71,206 | $ (646) | $ 140,934 | $ 138,505 | $ 2,429 |
| G&A expenses | $ 12,459 | $ 12,052 | $ 407 | $ 25,208 | $ 24,582 | $ 626 |

In Q2 2019 and 2019 YTD, same property occupancy declined by 0.9 and 1.0 percentage points, respectively, primarily due to competitive pressures from new developments in certain markets.

In Q2 2019, same property adjusted NOI decreased by $0.6 million or 0.9%, primarily due to timing of certain expenses as well as lower occupancies as a result of competitive pressures in some of our markets, partially offset by regular annual rental rate increases in line with competitive market conditions.

In 2019 YTD, same property adjusted NOI increased by $2.4 million or 1.8%, primarily due to regular annual rental rate increases in line with competitive market conditions, partially offset by lower occupancies and higher staffing costs.

In Q2 2019 and 2019 YTD, G&A expenses increased by 3.4% and 2.5%, respectively, primarily due to higher staffing costs incurred to support the growing property portfolio and development activities and higher non-cash compensation costs as a result of changes in fair value of our Trust Units.

## Financial Position

At June 30, 2019, liquidity (1) amounted to $327.7 million, which included $14.5 million of cash and cash equivalents and $313.2 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 $5.5 million.

The interest coverage ratio (1) on a rolling 12-month basis remained strong at 3.2 at June 30, 2019 consistent with

December 31, 2018. The net debt to adjusted EBITDA ratio (1) at June 30, 2019 was 8.2 compared to 7.8 at December 31, 2018, primarily due to financing of development projects which have not yet achieved their expected EBITDA contribution.

## Other Recent Developments

On July 12, 2019, Chartwell completed the sale of one non-core retirement residence in Quebec for $10.5 million.

## Investor Conference Call

A conference call hosted by Chartwell's senior management team will be held Friday, August 9, 2019 at 10:00 AM ET. The telephone numbers for the conference call are: Local: (416) 849-3996 or Toll Free: (866) 323-9095. The passcode for the conference call is: 633886#. 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: (800) 408-3053. The Passcode for the Instant Replay is 6885354#. 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**.

## Footnotes

(1) FFO, FFO per unit, same property adjusted NOI, adjusted NOI, liquidity, interest coverage ratio and net debt to adjusted EBITDA ratio are measures 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.
(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.

## About Chartwell

Chartwell is an unincorporated, open-ended 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. 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**

Chartwell's Distribution Reinvestment Plan ("DRIP") allows unitholders to have their monthly cash distributions used to purchase units without incurring commission or brokerage fees, and receive bonus units equal to 3% of their monthly cash distributions. More information can be obtained at **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 2018 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, 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 2019 MD&A available on Chartwell's website and at **www.sedar.com**.

SOURCE Chartwell Retirement Residences

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