

Sienna Senior Living Inc. Reports 2018 Fourth Quarter Financial Results

MARKHAM, Ontario, Feb. 19, 2019 -- Sienna Senior Living Inc. (“**Sienna**” or the “**Company**”) (TSX: SIA) today announced its financial results for the three months and year ended December 31, 2018. The Audited Consolidated Financial Statements and accompanying Management’s Discussion and Analysis are available on the Company’s website at www.siennaliving.ca and on SEDAR at www.sedar.com.

“In 2018, we made significant strides in executing our strategy by increasing the percentage of Sienna’s net operating income from the Retirement segment to 44% in Q4,” said Lois Cormack, President and Chief Executive Officer of Sienna. “With a more balanced portfolio of high-quality, well-located retirement residences and stable long-term care residences, and a strong operating platform, we are well positioned for continued expansion of our Retirement portfolio.”

Financial and Operating Highlights

Strong financial performance

- Revenue increased by 15.8% to \$169.5 million in Q4 2018, and 15.1% to \$642 million in 2018;
- Net Operating Income (“NOI”) increased by 27.5% to \$38.9 million in Q4 2018, and 28.0% to \$151.2 million in 2018;
- Retirement Same Property NOI increased by 5.6% to \$9.5 million in Q4 2018, and 5.4% to \$34.5 million in 2018;
- Long-term care (“LTC”) Same Property NOI increased by 1.3% to \$21.8 million in Q4 2018, and 1.6% to \$86.7 million in 2018;
- Diluted Operating Funds from Operations (“OFFO”) increased by 3.5% to \$0.355 per share in Q4 2018, and 6.0% to \$1.397 per share in 2018.

Improved balance sheet

- Debt to gross book value lowered by 190 bps to 47.7% year-over-year;
- Interest coverage ratio improved 0.1x to 3.8x in Q4 2018, and 0.2x to 3.9x in 2018;
- Financed or renewed \$409 million of property-level mortgages and credit facilities in 2018.

Continued growth of the Company

- Integration on target for the 10 high-quality retirement residences acquired in 2018, with over 1,000 new team members added to Sienna’s operating platform;
- Retirement as a percentage of total NOI increased by 15% to 44% in Q4 2018 from 29% in Q4 2017.

Financial and Operating Results:

\$000s except occupancy, per share and ratio data	Three months ended December 31, 2018	Three months ended December 31, 2017	Year ended December 31, 2018	Year ended December 31, 2017
Retirement Same Property – Average occupancy ⁽¹⁾	93.2%	93.2%	92.9%	93.9%
Retirement Acquisitions – Average occupancy	90.3%	N/A	90.3%	N/A
Retirement – Average total occupancy ⁽²⁾	91.8%	93.2%	91.7%	93.8%
LTC – Average total occupancy	98.5%	98.5%	98.4%	98.5%
LTC – Average private occupancy	98.6%	98.5%	98.3%	98.7%
Revenue	\$169,455	\$146,330	\$641,984	\$557,690

Operating expenses	\$130,556	\$115,831	\$490,772	\$439,562
NOI ⁽³⁾	\$38,899	\$30,499	\$151,212	\$118,128
Net income	\$302	\$4,196	\$9,883	\$21,815
Operating Funds from Operations (OFFO) ⁽³⁾	\$23,402	\$17,834	\$89,897	\$64,343
Adjusted Funds from Operations (AFFO) ⁽³⁾	\$21,590	\$16,948	\$92,485	\$68,487
Net income per share, diluted	\$0.006	\$0.078	\$0.155	\$0.452
OFFO per share, diluted	\$0.355	\$0.343	\$1.397	\$1.318
AFFO per share, diluted	\$0.326	\$0.326	\$1.436	\$1.401
Dividends declared per share	\$0.230	\$0.225	\$0.908	\$0.900
Payout Ratio ⁽⁴⁾	70.6%	67.2%	62.6%	62.2%

Notes:

1. Year-over-year decrease in Retirement same property average occupancy is due to increased resident turnover.
2. Quarter-over-quarter and year-over-year decreases in total Retirement occupancy are due to acquisitions with lower levels of occupancy and higher levels of short-term stays, and increased resident turnover.
3. NOI, OFFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. NOI, OFFO and AFFO are supplemental measures of a company's performance, and management of the Company believes that NOI and OFFO are relevant measures of the Company's earnings performance, and AFFO is a relevant measure of the Company's ability to earn cash and pay dividends. The IFRS measurement most directly comparable to OFFO and AFFO is net income and cash flow from operating activities, respectively.
4. Payout Ratio is calculated using dividends declared per share divided by the basic AFFO per share for the respective periods.

2018 Fourth Quarter Summary

Average occupancy in our LTC portfolio remained high at 98.5% in Q4 2018, consistent with Q4 2017. Average occupancy in our Retirement portfolio decreased by 1.4% to 91.8% in Q4 2018, compared to Q4 2017. The decline was largely a result of higher resident turnover in the Company's acquisition properties due to an above-average number of high acuity residents. Average occupancy in Retirement same property remained at 93.2% in Q4 2018, consistent with Q4 2017.

Revenue increased by 15.8% (or \$23.1 million) to \$169.5 million in Q4 2018, compared to Q4 2017. The increase is mainly due to revenues generated from the properties acquired subsequent to Q4 2017, as well as strong same property results.

Operating expenses increased by 12.7% (or \$14.7 million) to \$130.6 million in Q4 2018, compared to Q4 2017. The increase is mainly due to expenses incurred by the properties acquired in 2018.

NOI increased by 27.5% (or \$8.4 million) to \$38.9 million in Q4 2018, compared to Q4 2017. The increase is due to strong same property NOI growth and contributions from accretive acquisitions.

The Company generated net income of \$0.3 million in Q4 2018, representing a decrease of \$3.9 million compared to Q4 2017. The decrease is primarily attributable to incremental interest expense and depreciation and amortization incurred from the properties acquired in 2018 and a fair value loss on interest rate swap contracts in Q4 2018, partially offset by income generated from these acquisitions and lower transaction costs in the quarter.

OFFO increased by 31.2% (or \$5.6 million) to \$23.4 million in Q4 2018, compared to Q4 2017. The increase is mainly due to income generated from the properties acquired in 2018, as well as strong organic growth, partially offset by incremental interest expense on these acquired properties.

AFFO increased by 27.4% (or \$4.6 million) to \$21.6 million in Q4 2018, compared to Q4 2017. The increase is mainly related to the increase in OFFO noted above, partially offset by higher maintenance capital expenditures due to the Company's growth from acquisitions and the timing of these expenditures.

2018 Year End Results Summary

Revenue increased by 15.1% (or \$84.3 million) to \$642.0 million, compared to 2017. The increase is mainly due to revenues generated from the properties acquired in 2018, in addition to strong same property results.

Operating expenses increased by 11.7% (or \$51.2 million) to \$490.8 million, compared to 2017. The increase is mainly due to expenses incurred by the properties acquired in 2018, partially offset by a prior year tax adjustment of \$1.3 million recorded in Q1 2018.

NOI increased by 28.0% (or \$33.1 million) to \$151.2 million, compared to 2017. The increase is mainly due to strong same property NOI growth and contributions from accretive acquisitions.

The Company generated net income of \$9.9 million for the year ended December 31, 2018, representing a decrease of \$11.9 million compared to 2017. The decrease is mainly attributable to incremental interest expense and depreciation and amortization incurred from the properties acquired in 2018, and higher transaction costs incurred for these acquisitions, partially offset by income generated from the acquired properties and lower income taxes.

OFFO increased by 39.7% (or \$25.6 million) to \$89.9 million, compared to 2017. The increase is mainly due to income generated from the properties acquired in 2018 and a prior year tax adjustment of \$1.3 million, partially offset by the dilution of earnings from the public offering of 9,066,000 common shares related to the acquisition completed in Q1 2018, and incremental interest expense on the acquisitions completed in 2018.

AFFO increased by 35.0% (or \$24.0 million) to \$92.5 million, compared to 2017. The increase is mainly due to the increase in OFFO noted above and income support received, partially offset by higher maintenance capital expenditures reflective of the Company's growth.

Conference Call

The conference call will be on Wednesday February 20, 2019 at 9:30 a.m. (ET). The toll-free dial-in number for participants is 1-844-543-5234, conference ID: 2358369. A webcast of the call will be accessible via Sienna's website at: www.siennaliving.ca/Investors/Events-Presentations.aspx. The webcast of the call will be available for replay until February 20, 2020 and archived on Sienna's website.

About Sienna Senior Living

Sienna Senior Living Inc. (TSX:SIA) is a leading seniors' living provider with 87 seniors' living residences in key markets in Canada. Sienna offers a full range of seniors' living options, including independent living, assisted living, long-term care, and specialized programs and services. Sienna also provides expert management services. Sienna is committed to national growth, while driving long-term value for shareholders. The Company's approximately 12,000 employees are passionate about helping residents live fully every day, and were the driving force behind Sienna being named one of Canada's Most Admired Corporate Cultures in 2017. For more information, please visit www.siennaliving.ca.

Forward-Looking Statements

Certain of the statements contained in this news release are forward-looking statements and are provided for the purpose of presenting information about management's current expectations and plans relating to the future. Readers are cautioned that such statements may not be appropriate for other purposes. These statements generally use forward-looking words, such as "anticipate," "continue," "could," "expect," "may," "will," "estimate," "believe," "goals" or other similar words and include, among other things, statements related to the Company's financial results or strategic plans. These statements are subject to significant known and unknown risks and uncertainties that may cause actual results or events to differ materially from those expressed or implied by such statements and, accordingly, should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not such results will be achieved. The forward-looking statements in this news release are based on information currently available and what management currently believes are reasonable assumptions, including the funding of long-term care/residential care facilities by government entities. Other material factors or assumptions that were applied in formulating the forward-looking statements contained herein include the assumption that the business and economic conditions affecting the Company's operations will continue substantially in their current state, including, with respect to industry conditions, general levels of economic activity and government regulations.

Although management believes that it has a reasonable basis for the expectations reflected in these forward-

looking statements, actual results may differ from those suggested by the forward-looking statements for various reasons. The assumptions, risks and uncertainties described above are not exhaustive and other events and risk factors could cause actual results to differ materially from the results and events discussed in the forward-looking statements. These forward-looking statements reflect current expectations of the Company as at the date of this news release and speak only as at the date of this news release. The Company does not undertake any obligation to publicly update or revise any forward-looking statements except as may be required by applicable law.

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