Sienna Senior Living Inc. Reports Strong First Quarter 2024 Financial Results and Moves Forward with Redevelopment of Long-Term Care Home in Keswick, Ontario

MARKHAM, ONTARIO--(GLOBE NEWSWIRE – May 9, 2024) - Sienna Senior Living Inc. ("**Sienna**" or the "**Company**") (TSX: SIA) today announced its financial results for the three months ended March 31, 2024. The Consolidated Financial Statements and accompanying Management's Discussion and Analysis ("**MD&A**") are available on the Company's website at www.siennaliving.ca and on SEDAR+ at www.sedarplus.ca.

Sienna continued its trend of year over year same property net operating income **("NOI")** growth in the Company's long-term care and retirement segments, its fifth consecutive quarter of same property NOI growth in both business segments. The Company's strong first quarter also includes significant one-time and retroactive government funding for long-term care, alleviating the exceptional cost pressures the Company experienced in recent years.

"Building on last year's achievements, we are off to a great start in 2024, with our first quarter results highlighting that we have transitioned into a period defined by stability and growth," said Nitin Jain, President and Chief Executive Officer. "We are grateful to the Governments of Ontario and British Columbia, who continue to prioritize seniors and their growing need for long-term care. The recent funding announcements will further stabilize and strengthen this essential sector, and help close the gap left by the pandemic and inflation over the past four years."

Operating Highlights

- **Same-property NOI** increased by 75.9% to $63.9 million, compared to Q1 2023, including
  - a $18.1 million contribution from the Retirement segment, and
  - a $45.7 million contribution from the long-term care **("LTC")** segment;
- **Significant long-term-care government funding** – the Company recognized $27.0 million in funding to reimburse Sienna for pandemic-related expenses to ensure residents' comfort and safety, and inflationary cost pressures faced in prior years **("One-Time & Retroactive Funding")**, including
  - approximately $13.4 million in Ontario, including $10.1 million relating to 2023 and $3.3 million relating to 2024, and
  - approximately $13.6 million in British Columbia;
- **Retirement Same Property Occupancy** – Average same property occupancy increased by 30 bps to 88.1% in Q1 2024 compared to Q1 2023:

- intensified focus on homes with below average occupancy levels combined with the strong leasing across the remainder of the portfolio supporting occupancy;
- average monthly same property occupancy reached 88.9% in April 2024, increasing by 110 bps since January 2024.

Significant Funding Announcements from the Governments of Ontario and British Columbia

- **Ontario** – Funding announcements include:
  - up to $1.8 billion to help connect residents to more hours of direct care per day, a $571 million increase over last year;
  - a $353 million increase to the level of care funding to help homes continue to connect residents to specialized care, programs and meals, representing
    - an approximate 4.5% increase in its flow-through funding, and
    - an approximate 11.5% increase in Other Accommodations funding, which covers the increased costs of resident accommodation, comfort and safety in recent years;
  - an extension of the Construction Funding Subsidy (CFS) top-up until November 30, 2024 of up to $35 per bed, per day, for 25 years; and
  - a one-time payment of $2,543 per eligible long-term care bed as of March 1, 2024 to be applied against eligible expenditures to address key priorities such as building compliance, deferred maintenance and proceeding with development and redevelopment projects:
    - Sienna's share is approximately $13.4 million, of which approximately $10.1 million relates to 2023, with the balance of approximately $3.3 million relating to Q1 2024.
- **British Columbia** – Funding announcements include retroactive funding for pandemic-related expenses and cost pressures previously not funded:
    - Sienna's share of approximately $13.6 million relates to the period between 2021 and 2023.

Redevelopment of Long-Term Care Home in Keswick, Ontario

As a result of recent funding improvements, Sienna is moving forward with the redevelopment of its long-term care home in Keswick, Ontario, and expects to start construction in Q4 2024. Located on a campus comprising a 130-suite retirement residence and a 60-bed older Class B long-term care home, Sienna will redevelop the current long-term care home into a new, state-of-the-art 160-bed home, redeveloping the current beds and adding 100 new beds. This project, combined with Sienna's two other redevelopments in North Bay and Brantford, which are currently under construction, will support the government's important goal of rebuilding Ontario's older long-term care homes and benefit the fast growing seniors' population. The Company expects to achieve an estimated development yield of approximately 8.0%.

Addition to Leadership Team

On May 8, 2024, Geoff McIlmoyle joined Sienna as the Executive Vice President of Aspira Retirement Living. Geoff is a seasoned executive with a strong background in retail, commercial sales, leadership, strategy, and mergers and acquisitions.

Prior to joining Sienna, Geoff held senior leadership roles at Mark's Commercial, the B2B business unit at Mark's and a division of Canadian Tire, where he was responsible for maintaining the company's strategic growth agenda, and at Ernst & Young, were he focused on providing advice on strategic transactions, including acquisitions, divestitures and capital raising.

Geoff's broad experience will be invaluable as he assumes his new role at Sienna, where he will drive the mission to establish Aspira as Canada's most trusted and loved senior living provider.

Financial performance - Q1 2024

- **Total Adjusted Revenue** increased by 19.9% in Q1 2024 to $239.4 million, compared to Q1 2023. In the Retirement segment, the increase is mainly driven by annual rental rate increases, occupancy increases and care and ancillary revenue. In the LTC segment, revenues increased primarily due to one-time funding from the Government of Ontario of $13.4 million, of which $10.1 million relates to 2023 and $3.3 million relates to Q1 2024, retroactive funding from the Government of British Columbia of $13.6 million, increased flow-through funding for direct care, annual inflationary funding increases, and higher preferred accommodation revenue.

- **Total NOI** increased by 74.9% to $63.5 million, compared to Q1 2023, resulting from a $0.1 million increase in the Retirement segment driven by an increase in same property NOI. NOI in the LTC segment increased by $27.0 million due to the One-Time & Retroactive Funding of $23.7 million relating to prior years and annual inflationary funding increases, offset by inflationary increases in expenses.

- **Same Property NOI** increased by 75.9% to $63.9 million, compared to Q1 2023, including a $18.1 million contribution from the Retirement segment, and a $45.7 million contribution from the LTC segment.
- **OFFO per share** increased by 98.8% in Q1 2024, or $0.250, to $0.503. The increase was primarily attributable to higher NOI including $17,365 of One-Time & Retroactive Funding of $23,655 relating to prior years, net of $6,290 in taxes.
- **AFFO per share** increased by 94.8% in Q1 2024 to $0.485. The increase was primarily related to the increase in OFFO, offset by a decrease in construction funding income.
- **AFFO payout ratio** was 48.2% in Q1 2024.

Financial position

The Company maintained a strong financial position during Q1 2024:

- Improved Interest Coverage Ratio to 5.4 for the three months ended March 31, 2024, compared to 3.2 for the three months ended March 31, 2023;
- Improved Debt Service Coverage Ratio to 3.4 for the three months ended March 31, 2024, compared to 1.8 for the three months ended March 31, 2023;
- Improved Weighted Average Term to Maturity of its debt to 5.7 years as at March 31, 2024, from 5.0 years as at March 31, 2023;
- Improved Debt to Adjusted EBITDA for the trailing 12 months to 7.1 years as at March 31, 2024, from 8.8 years as at March 31, 2023; and
- Maintained high liquidity at $303 million as at March 31, 2024, compared to $307 million as at March 31, 2023;

Financial and Operating Results

	Three Months Ended	
$000s except occupancy, per share and ratio data	**March 31, 2024**	**March 31, 2023**
Retirement - Average same property (1)	**88.1 %**	87.8 %
Retirement - Acquisition, development and others - Average occupancy (2)	**13.1 %**	n/a
Retirement - Average total occupancy	**86.6 %**	87.8 %
LTC - Average private occupancy	**91.6 %**	85.4 %
LTC - Average total occupancy (3)	**97.5 %**	96.8 %
Total Adjusted Revenue (4)(9)	**239,384**	199,611
Same property NOI (5)(9)	**63,880**	36,309
Total NOI (6)(9)	**63,489**	36,309
OFFO per share (7)(9)	**0.503**	0.253
AFFO per share (7)(9)	**0.485**	0.249
AFFO Payout ratio(8)(9)	**48.2 %**	94.0 %

1. Effective January 1, 2024, the results of Woods Park were reclassified from "acquisitions" to "same property".
2. Includes recently completed retirement residence in Niagara Falls, effective January 24, 2024, which is currently in the process of being leased.
3. Excludes the 3rd and 4th beds in multi-bed rooms in Ontario that will not be reopened.
4. Effective January 1, 2024, the Company began classifying all active funding that started during the pandemic as revenue ("pandemic funding"), instead of presenting them as net pandemic and incremental agency expenses. The corresponding expenses are presented as part of operating expenses.
5. Same property NOI for the three months ended March 31, 2024 includes, $27,010 of One-Time & Retroactive Funding comprising one-time funding in Ontario of $13,419 ($10,064 relates to 2023 and $3,355 relates to 2024) and retroactive funding from British Columbia of $13,591, both recognized by the Company's LTC segment. Excluding One-Time & Retroactive Funding of $23,655 related to prior years, same property NOI would be $40,225.
6. Total NOI for the three months ended March 31, 2024 includes $27,010 of One-Time & Retroactive Funding recognized by the Company's LTC segment. Excluding One-Time & Retroactive Funding of $23,655 related to prior years, total NOI would be $39,834.
7. OFFO and AFFO for the three months ended March 31, 2024 includes $17,365 consisting of One-Time & Retroactive Funding of $23,655 less $6,290 of taxes, relating to prior years. Excluding the One-Time & Retroactive Funding relating to prior years, OFFO and AFFO would be $19,364 and $17,994, respectively. OFFO and AFFO per share would be $0.265 and $0.247, respectively.
8. AFFO payout ratio for the three months ended March 31, 2024 includes $17,365 consisting of One-Time & Retroactive Funding of $23,655 relating to prior years, net of $6,290 in taxes. Excluding the One-Time & Retroactive Funding relating to prior years, the AFFO payout ratio would be 94.7%.
9. Total Adjusted Revenue, Same property NOI, Total NOI, OFFO per share, AFFO per share, AFFO payout ratio are non-IFRS measures. These measures do not have standardized meanings prescribed by IFRS 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-IFRS Performance Measures" in the MD&A.

Outlook

Long-term fundamentals in Canadian senior living are stronger than ever, driven by the rising needs of seniors, who make up the fastest-growing demographic in Canada. The return to a stable operating environment across Sienna's long-term care operations, coupled with a number of significant funding announcements by the Governments of Ontario and British Columbia, resulted in strong year over year NOI growth. Looking ahead, Sienna expects the recent funding updates to support its long-term care redevelopment initiatives in Ontario, and provide capital to continually make improvements to its homes in order to elevate residents' experience, comfort and safety.

These positive factors, in particular with respect the governments' significant funding announcements, coupled with the Company's continued initiatives to support occupancy growth in the retirement segment, give Sienna reason for an optimistic outlook for 2024 and beyond.

At the same time, the current higher interest environment may increase the Company's interest expenses in the coming years. However, with ample sources of attractive financing options, Sienna is well positioned to execute on its strategic initiatives.

Retirement Operations – Average occupancy in the Company's same property portfolio was 88.1% in Q1 2024. The Company's community outreach efforts, combined with a robust sales platform and an intensified focus on homes with below average occupancy levels, continued to support occupancy, which grew by 30 bps year over year in Q1 2024, from 87.8% in Q1 2023. Subsequent to the end of Q1, average same property occupancy reached 88.9% in April 2024, and lead indicators, including qualified leads and tours, continue to strengthen.

Going forward, Sienna will continue with its focused marketing and sales initiatives, working towards the Company's target for stabilized average occupancy of 95% in its same-property portfolio, and expects year over year same property NOI growth in the high single-digit percentage range as a result of occupancy growth and rate increases.

Long-Term Care Operations – A number of significant funding announcements from the Governments of Ontario and British Columbia played a major role in the significant increase in Sienna's Q1 2024 NOI. Further contributing to our strong year over year results were annual funding increases and higher preferred accommodation revenues.

For the balance of 2024, Sienna expects to benefit from the significant funding improvements, in particular with respect to OA funding, which covers the costs of resident accommodation, comfort and safety. This catch-up funding from the Ontario government is of particular importance, as it addresses the funding shortfalls as a result of inflationary pressures over the past four years. The Company also expects to benefit from a stable operating environment, as well as continued improvements with respect to staffing and cost management.

As a result, Sienna has updated its 2024 guidance and expects the Company's 2024 LTC NOI for the full year, excluding one-time and retroactive funding amounts of $23.7 million related to prior years, to grow in the high single-digit percentage range compared to 2023.

Developments – The Government of Ontario's recent commitment to significant new investments in the Ontario long-term care sector affirms Sienna's strategy to enhance and expand the Company's long-term care platform and maintain a diversified portfolio of long-term care communities and retirement residences. Sienna currently has two projects under construction in Brantford and North Bay, and is moving forward with a third project, the redevelopment of its long-term care community in Keswick, Ontario, where it expects to start construction in Q4 2024. The Company will redevelop the current 60-bed Class-B long-term care home into a new, state-of-the-art 160-bed home, redeveloping the current beds and adding 100 new beds. The project has an estimated development yield of approximately 8.0%.

As for Elgin Falls, construction costs for the 150 suite retirement residence in Niagara Falls, which was completed in Q4 2023 and is currently in lease-up, were in line with Sienna's estimates. To date, leasing progress is aligned with expectations, with 23% of the suites occupied and deposits for another 18% of the suites received from residents who will be moving in over the coming months.

Once fully stabilized, the projects in Niagara Falls, Brantford, North Bay and Keswick are expected to lead to a high single digit percentage reduction in Sienna's AFFO payout ratio.

Significant Potential for Growth in NOI - Sienna sees significant growth potential in its business over the next several years and is actively working on a number initiatives which may contribute to the Company's NOI expansion including:

- **Occupancy growth in the Company's retirement segment**, including incremental NOI should the Company reach its target for stabilized average occupancy of 95.0% in its same-property portfolio, which would represent a 690 bps increase from the average occupancy of 88.1% in Q1 2024;

- **Contributions from acquisitions and new developments**, including incremental NOI from:

    1. The Company's 50% joint venture interest in 12 retirement properties, acquired in 2022 for $189.8 million;

    2. The recently completed development of Elgin Falls Retirement Residence for $38.5 million with respect to the Company's 70% joint venture interest, which has an expected stabilized unlevered yield of approximately 7.5%; in addition, the Company has the ability to acquire the remaining 30% ownership interest, once the property is fully stabilized;

    3. The Company's acquisition of its remaining interest in Nicola Lodge, expected to generate an unlevered yield of 6.75%; and

    4. The Company's development projects in North Bay, Brantford, and Keswick, once completed and operational.

These initiatives, individually and collectively, could have a significant positive impact on the value of Sienna's business, enhancing its financial performance with growth in NOI and OFFO, and supporting the Company's AFFO payout ratio.

Conference Call

Sienna will host a conference call on May 10, 2024 at 9:00 a.m. (ET). The toll-free dial-in number for participants is 1-800-715-9871, conference ID: 4247152. A webcast of the call will be accessible via Sienna's website at www.siennaliving.ca/investors/events-presentations. It will be available for replay until May 9, 2025 and archived on Sienna's website.

Notice of 2024 Annual and Special Meeting of Shareholders

The Company will be holding its Annual and Special Meeting of Shareholders ("**Meeting**") on Wednesday, May 29, 2024 at 11:00 am (ET) in a virtual format, by way of audio webcast.

Shareholders will be able to listen and participate in the Meeting in real time through a web-based platform at www.virtualshareholdermeeting.com/sia2024. Shareholders are encouraged to vote on the matters before the Meeting by proxy and to attend the live audio webcast of the Meeting to submit questions.

About Sienna Senior Living

Sienna Senior Living Inc. (TSX:SIA) offers a full range of seniors' living options, including independent living, assisted living and memory care under its Aspira retirement brand, long-term care, and specialized programs and services. Sienna's approximately 12,000 employees are passionate about cultivating happiness in daily life. For more information, please visit www.siennaliving.ca.

Risk Factors

Refer to the risk factors disclosed in the Company's MD&A for the year ended December 31, 2023, and its most recent Annual Information Form for more information.

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 are based on the Company's expectations, estimates, forecasts and projections. 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. 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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