

Management's Discussion and Analysis

(in thousands of Canadian Dollars)

Q1 2020 Report to Shareholders



Sienna
SENIOR LIVING

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Basis of Presentation

The following Management's Discussion and Analysis ("**MD&A**") for Sienna Senior Living Inc. (the "**Company**" or "**Sienna**") provides a summary of the financial results for the three months ended March 31, 2020. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements ("**interim consolidated financial statements**") for the three months ended March 31, 2020. This material is available on the Company's website at www.siennaliving.ca. Additional information about the Company, including its Annual Information Form ("**AIF**") for the year ended December 31, 2019, can be found on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

All references to "**we**", "**our**", "**us**", "**Sienna**", or the "**Company**", unless otherwise indicated or the context otherwise requires, refer to Sienna Senior Living Inc. and its direct and indirect subsidiaries. For ease of reference, the "Company" is used in reference to the ownership and operation of seniors' living residences and its third party management business. Subsidiaries of the Company are the direct owners and operators of such residences.

Financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). In this document, "**Q1**" refers to the three-month period ended March 31; "**Q2**" refers to the three-month period ended June 30; "**Q3**" refers to the three-month period ended September 30; and "**Q4**" refers to the three-month period ended December 31.

Unless otherwise stated, all dollar amounts referred to in this MD&A, including tabular amounts, are expressed in thousands of Canadian dollars.

This MD&A contains forward-looking information based on management's expectations, estimates and projections about the future results, performance, achievements, prospects or opportunities for Sienna and the seniors' living industry as of the date of this MD&A. Please refer to the "Forward-looking Statements" section and the "Risk Factors" section of this MD&A for more information.

Additional Information

Additional information relating to the Company can be found on the Company's website at www.siennaliving.ca, by accessing the Company's public filings on SEDAR, or by contacting Nitin Jain, the Company's Chief Financial Officer and Chief Investment Officer, at 905-489-0787 or nitin.jain@siennaliving.ca.

Review and Approval by the Board of Directors

This MD&A is dated as of May 13, 2020, the date this report was approved by the Board of Directors of the Company, and is based on information available to management of the Company as of that date.

Company Profile

The Company and its predecessors have been operating since 1972. The Company is a seniors' living provider serving the continuum of independent living ("IL"), independent supportive living ("ISL"), assisted living ("AL"), memory care ("MC") and long-term care ("LTC" or "Long-term Care") through the ownership and operation of seniors' living residences in the Provinces of British Columbia and Ontario. The Company owns and operates a total of 70 seniors' living residences: 27 retirement residences ("RRs" or "Retirement Residences"); 35 LTC residences; and eight seniors' living residences providing both private-pay IL/AL and funded LTC (including the Company's joint ownership in two residences in British Columbia). The Company also provides management services to an additional 13 seniors' living residences in the Provinces of British Columbia and Ontario.

The table below represents the number of suites or beds owned and operated by the Company, by business segment.

Business Segment	Residences	Retirement (Suites)	Long-term Care (Beds)		Total ⁽¹⁾
		Private	Private	Funded	Beds / Suites
Retirement	27	3,283	—	—	3,283
Long-term Care ⁽²⁾	43	—	180	6,688	6,868
Total	70	3,283	180	6,688	10,151

Notes:

1. 82.7% and 17.3% of total beds/suites are located in Ontario and British Columbia, respectively.
2. 5.4% of total LTC beds and suites are partially owned, of which the Company owns 40% of Nicola Lodge and 77% of Glenmore Lodge as at March 31, 2020.

The Company was incorporated under the Business Corporations Act (Ontario) on February 10, 2010 and was subsequently continued under the Business Corporations Act (British Columbia) on March 18, 2010. The Company closed the initial public offering of its common shares on March 23, 2010 and is traded on the Toronto Stock Exchange ("TSX") under the symbol "SIA".

The Company's business is carried on through a number of wholly owned limited partnerships and joint ventures formed under the laws of the Province of Ontario.

As at May 13, 2020, the Company had 67,039,123 common shares outstanding.

Non-IFRS Performance Measures

In this MD&A, the Company uses certain supplemental measures of key performance that are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. These performance measures are net operating income ("**NOI**"), funds from operations ("**FFO**"), operating funds from operations ("**OFFO**"), adjusted funds from operations ("**AFFO**"), earnings before interest, taxes, depreciation and amortization ("**EBITDA**") and maintenance capital expenditures ("**maintenance capital expenditures**", and collectively with NOI, FFO, OFFO, AFFO and EBITDA, the "**Non-IFRS Measures**").

"**NOI**" is defined as property revenue net of property operating expenses.

"**FFO**" is defined as NOI less certain adjustments including finance charges and current income taxes. FFO is a recognized earnings measure that is widely used by public real estate entities, particularly by those entities that own and/or operate income-producing properties. The Company presents FFO in accordance with the Real Property Association of Canada White Paper on Funds From Operations for IFRS. The use of FFO, combined with the required IFRS presentations, has been included for the purpose of improving the understanding of the Company's operating results. The IFRS measure most directly comparable to FFO is "net income". Please refer to the "Business Performance" section of this MD&A for a reconciliation of net income to FFO.

"**OFFO**" is FFO adjusted for non-recurring items, and presents finance charges on a cash interest basis. Management of the Company is of the view that OFFO is a relevant measure of the operating performance of the Company.

"**AFFO**" is defined as OFFO plus the principal portion of construction funding received and amounts received for revenue guarantees, less actual maintenance capital expenditures. Management of the Company believes AFFO is a cash flow measure, which is relevant in understanding the Company's ability to earn cash and pay dividends to shareholders. The IFRS measure most directly comparable to AFFO is "cash flow from operating activities." Please refer to the "Business Performance" section of this MD&A for a reconciliation of cash flow from operating activities to AFFO.

"**EBITDA**" is defined as net income excluding interest, taxes, depreciation and amortization. EBITDA is relevant in understanding the Company's ability to service its debt, finance capital expenditures and pay dividends to shareholders.

"**Adjusted EBITDA**" is defined as EBITDA, adjusted for construction funding proceeds and non-recurring items.

"**Maintenance capital expenditures**" are defined as capital investments made to sustain or maintain the Company's residences to meet residents' needs and enhance residents' experience. These expenditures include building improvements, mechanical and electrical spend, suite renovations, common area upgrades, communications and information systems, furniture, fixtures and equipment. Please refer to the "Maintenance Capital Expenditures" section of this MD&A for additional financial information.

NOI, FFO, OFFO, AFFO, EBITDA and Adjusted EBITDA should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS as indicators of the Company's performance. The Company's method of calculating these measures may differ from other issuers' methods

and accordingly, these measures may not be comparable to measures presented by other publicly traded entities.

Key Performance Indicators

Management of the Company uses the following key performance indicators (the "**Key Performance Indicators**") to assess the overall performance of the Company's operations:

- **Occupancy:** Occupancy is a key driver of the Company's revenues.
- **NOI:** This value represents the underlying performance of the operating business segments. Please refer to the "Non-IFRS Performance Measures" section of this MD&A.
- **OFFO and OFFO per Share:** Management of the Company uses OFFO as an operating performance measure. Please refer to the "Non-IFRS Performance Measures" section of this MD&A.
- **AFFO and AFFO per Share:** Management of the Company uses AFFO as a cash flow measure to assess the Company's ability to earn cash and pay dividends. Please refer to the "Non-IFRS Performance Measures" section of this MD&A.
- **Payout Ratio:** Management of the Company monitors the payout ratio, which is calculated using dividends per share divided by basic AFFO per share, to ensure the Company adheres to its dividend policy, in line with the Company's objectives.
- **Debt to Enterprise Value Ratio:** This ratio measures the Company's total debt net of the principal reserve on the Series B Secured Debentures (defined later in this document) against its enterprise value, which is calculated as the Company's market capitalization and total debt net of the Company's cash and cash equivalents.
- **Debt to Gross Book Value:** In conjunction with the debt service coverage ratio, management of the Company monitors this ratio to ensure compliance with certain financial covenants.
- **Weighted Average Cost of Debt:** This is a point in time calculation which is useful in comparing interest rates, either period over period, or to market rates.
- **Debt to Adjusted EBITDA Ratio:** This ratio measures the number of years required for current cash flows to repay all indebtedness.
- **Interest Coverage Ratio:** Interest coverage ratio is a common measure used to assess an entity's ability to service its debt obligations.
- **Debt Service Coverage Ratio:** This ratio is useful for management of the Company to ensure it is in compliance with its financial covenants.
- **Weighted Average Term to Maturity:** This indicator is used by management of the Company to monitor its debt maturities.
- **Same Property:** Measures with "same property" are similar to "same-store" measures used in the retail business and are intended to measure the period over period performance of the same asset base. The same property portfolio excludes acquired properties owned for less than one year and assets undergoing new development, redevelopment or demolition. Properties undergoing new development or redevelopment are considered "same property" once they are operating at stabilized occupancy levels.
- **Development:** The development portfolio includes properties undergoing new development or redevelopment until they are operating at stabilized occupancy levels.

The above Key Performance Indicators used by management of the Company to assess the overall financial performance of the Company's operations should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS as indicators of the Company's performance. The Company's use of these measures and its method of calculation may differ from other issuers' use and methods and accordingly, may not be comparable to the key performance indicators of other publicly traded entities.

The following table represents the Key Performance Indicators for the periods ended March 31:

	Three Months Ended		
	2020	2019	Change
Thousands of Canadian dollars, except occupancy, share and ratio data			
OCCUPANCY			
Retirement - Average same property occupancy ⁽¹⁾⁽²⁾	85.1%	90.4%	(5.3%)
Retirement - As at same property occupancy ⁽¹⁾⁽²⁾	84.5%	89.4%	(4.9%)
Retirement - As at total occupancy ⁽¹⁾⁽²⁾	83.6%	89.4%	(5.8%)
LTC - Average total occupancy	97.9%	98.2%	(0.3%)
LTC - Average private occupancy	97.3%	98.4%	(1.1%)
FINANCIAL			
Revenue	166,437	163,669	2,768
Operating expenses	129,926	124,757	5,169
Same property NOI ⁽³⁾	36,436	38,912	(2,476)
Total NOI ⁽³⁾	36,511	38,912	(2,401)
EBITDA ⁽⁴⁾	33,737	31,999	1,738
Net (loss) income	(2,496)	442	(2,938)
OFFO ⁽⁵⁾	24,418	21,322	3,096
AFFO ⁽⁵⁾	25,584	23,383	2,201
Total assets ⁽⁶⁾	1,718,716	1,738,577	(19,861)
PER SHARE INFORMATION			
OFFO per share ⁽⁵⁾⁽⁷⁾	0.365	0.322	0.043
AFFO per share ⁽⁵⁾⁽⁷⁾	0.382	0.353	0.029
Dividends per share	0.234	0.230	0.004
Payout ratio	61.3%	65.2%	(3.9%)
FINANCIAL RATIOS			
Debt to enterprise value	55.6%	44.0%	11.6%
Debt to gross book value as at period end	46.9%	47.8%	(0.9%)
Weighted average cost of debt as at period end	3.6%	3.8%	(0.2%)
Debt to Adjusted EBITDA as at period end	6.8	7.1	(0.3)
Interest coverage ratio	4.2	3.8	0.4
Debt service coverage ratio	2.1	1.9	(0.2)
Weighted average term to maturity as at period end	4.4	4.4	—
CHANGE IN SAME PROPERTY NOI⁽³⁾			
Retirement			(11.4%)
LTC			(2.0%)
Total			(6.4%)

Notes:

1. Retirement same property occupancy excludes the results from the expansion at Island Park Retirement Residence, which is in a lease-up period since it opened in July 2019. Retirement total average occupancy is 84.2% for the three months ended March 31, 2020 (2019 - 90.4%).
2. The year-over-year decline in Retirement occupancy is primarily related to a slowdown in tours and new residents moving in due to access restrictions during the COVID-19 pandemic, the continuing oversupply in the Ottawa market and new supply in the Kingston and South Surrey markets.
3. NOI for Q1 2020 includes \$104 net expense related to COVID-19 (as discussed in the "Impact of COVID-19 on the Company" section of this MD&A).
4. EBITDA for Q1 2020 increased by \$1,738 to \$33,737 compared to Q1 2019 primarily due to a decrease in share-based compensation expense from mark-to-market adjustments, partially offset by a decrease in NOI.
5. OFFO and AFFO for the three months ended March 31, 2020 include a \$2,541 after-tax recovery in respect of mark-to-market adjustments on share-based compensation (2019 - after-tax expense of \$1,029).
6. Property and equipment and intangible assets included in total assets are measured at cost less accumulated depreciation and amortization.
7. OFFO and AFFO per share for the three months ended March 31, 2020 excluding the after-tax impact of the COVID-19 net expense and the mark-to-market adjustments on share-based compensation would have decreased by \$0.037 to \$0.328 and \$0.345, respectively (2019 - increased by \$0.016 to \$0.338 and \$0.369, respectively).

Impact of COVID-19 on the Company

The COVID-19 global pandemic has evolved quickly worldwide since early 2020. The impact of the pandemic on long-term care has been particularly serious and according to public reports, the majority of COVID-19 related fatalities in Canada have been residents of seniors' living residences across the country. Sienna has always prioritized the health and safety of our residents, team members, families and other community stakeholders, and we have been proactive and diligent in implementing extensive infection prevention and other precautionary measures aimed at limiting the spread of COVID-19. In addition, we have devoted considerable resources in collaborating with sector associations, provincial governments, health authorities and health system partners to identify sector needs and help shape important policies and protocols to manage this situation.

As we are unable to predict with certainty the duration and scope of the COVID-19 pandemic, it is not possible to reliably estimate the length and severity of COVID-19-related impacts on the financial results and operations of the Company. We have already taken and will continue to take actions to mitigate the effects of COVID-19, keeping in mind the needs of our residents, team members and our many stakeholders. The Company's response to the COVID-19 pandemic is guided by public health authorities, and we continue to act according to direction provided by the provincial governments and regulatory authorities to control the spread of COVID-19. We continue to closely monitor business operations and may take further or other actions in response to directives of government and public health authorities. These changes and any additional changes in operations in response to COVID-19 could materially impact the financial results of the Company. Please refer to the "Risk Factors" section of this MD&A for more information.

Below is a list of initiatives surrounding the management of COVID-19 and the impact on our operations, team members and residents.

Management of COVID-19 During and Subsequent to Q1 2020

The management of COVID-19 is currently the foremost priority of the Company and is operationally intensive. Every residence has extensive infection prevention and control measures and protocols in place to protect residents and team members against COVID-19 and to minimize the spread when a positive case is confirmed.

We have an internal expert Incident Management Team which is directing the prompt and comprehensive implementation of all preventive measures and provincially mandated directives across the Company. Some of

the many precautions implemented include limiting access to non-essential visitors, testing of residents and team members, active screening of team members and essential visitors, enhanced cleaning protocols, universal masking, temperature checks for all team members and residents and physical distancing where possible within residences.

There are currently no COVID-19 cases in any of Sienna's residences in British Columbia, and in 3 of our residences in Ontario, all identified cases have now been resolved. Despite the many precautions and safeguards, we currently have 4 Retirement residences and 13 Long-term Care residences out of Sienna's 70 owned residences, and 1 managed residence out of Sienna's 13 managed residences, with active cases of COVID-19.

Each of the residences with one or more positive COVID-19 cases requires extensive management in collaboration with the applicable public health authority. We continue to implement increased testing of residents and staff members to the fullest extent possible, including advocating for universal testing wherever such testing is not yet available. We anticipate that increased testing will demonstrate increased numbers of confirmed COVID-19 cases in our residences.

Staffing Update

The staffing challenges experienced by the seniors' living sector prior to the pandemic have been exacerbated by the COVID-19 pandemic, including limiting the movement of team members in all LTC and retirement residences between multiple work sites as a result of government directives. Staffing shortages also result when team members are unable to work because they have tested, or are suspected, COVID-19 positive, decline shifts, self-isolate due to underlying health conditions or while awaiting testing results, or self-isolate due to having had contact with someone who has tested COVID-19 positive.

Staffing becomes particularly challenging once a residence has a positive COVID-19 case. We anticipate that increased testing at our residences will demonstrate increased numbers of confirmed COVID-19 cases, and will continue to require extensive focus on staffing resources to meet residents' needs. To date, the Company has gone to extensive means to recruit and deploy adequate staffing, including centralized talent acquisition, the creation and implementation of new support roles, and expediting the hiring and onboarding process. Sienna is also working extensively with sector associations, peers, government agencies, hospitals and local health authorities in seeking solutions to meet resident care needs and to address staffing shortages, particularly in COVID-19 positive residences.

On April 25, 2020, the Government of Ontario announced a temporary pandemic pay for front-line workers fighting COVID-19, which includes individuals working in long-term care and retirement residences in Ontario. This additional compensation of \$4/hour and a lump-sum payment of \$250/month for four months for eligible workers recognizes the extraordinary work being done to care for and safeguard residents, whose dedication is nothing less than heroic.

Personal Protective Equipment ("PPE") Procurement and CAPES

A chief concern for Sienna during this pandemic is the health and safety of our team members and we recognize the critical importance of providing and continuing to provide PPE to our residents and team members for use in accordance with provincial directives. Every Sienna residence has had an adequate supply of the required PPE for use to date in accordance with provincial directives. Since the onset of the pandemic, Sienna has sourced nearly 3.7 million pieces of PPE for use at our residences. Sienna also recognizes the importance of having PPE

available throughout the sector and has been working with sector peers to procure PPE.

Sienna is a founding member of the Canadian Alliance to Protect and Equip Seniors Living (“CAPES”) initiative, designed to procure sufficient PPE for the entire sector at times when local supplies of PPE are inadequate or inaccessible. CAPES is comprised of a group of senior housing operators who agreed to combine funds to act as a joint purchasing group to access a network of credible global suppliers and logistics channels. All CAPES members committed to overfund their PPE requirement by 35% to allow for a reserve of supplies to be made available at cost to small and not-for-profit Canadian operators. We are proud to have founded and be participating in this important program, which has procured more than 20 million pieces of PPE to date, and is supplying PPE through an online supply hub to nearly 200 smaller retirement and long-term care home operators across Canada.

CaRES Fund

Inspired by the dedication and extraordinary efforts of staff members in the seniors’ living sector, earlier this week, the Company participated in the launch of the CaRES Fund, an initiative founded by the Company together with Chartwell Retirement Residences, Revera Inc. and Extendicare.

The CaRES Fund aims to provide one-time financial grants of up to \$10 thousand to eligible employees of LTC and retirement operators in Canada facing extraordinary circumstances amid the COVID-19 crisis. The founding members of the CaRES Fund have collectively committed an initial amount of \$2 million to this initiative. The CaRES Fund intends to continue its legacy post-COVID-19 through continued emergency funding as well as support to employees or their family members to pursue higher education. The CaRES Fund is open to all operators, sector partners and the community to join in expanding the legacy and resources that will continue to recognize the dedication of employees in the sector for years to come.

In appreciation of the commitment of sector workers to the extraordinary fight against COVID-19, in addition to Sienna’s \$0.5 million contribution, the Company’s Board of Directors has contributed approximately 20% of their annual cash compensation for the remainder of the year.

Government Funding

To date, the Government of Ontario has announced \$243 million in additional funding for the LTC sector and \$20 million in funding for the retirement sector to fund incremental COVID-19 costs. The Government of British Columbia has also committed funding for LTC and assisted living to support costs in connection with mandating single site work locations. For LTC residences in both Ontario and British Columbia, the Company will receive full funding for vacancies caused by temporary closure of admissions due to an outbreak, including COVID-19. The Company’s LTC portfolio generated over 56% of total Company NOI in Q1 2020.

Outlook

Given the uncertainty surrounding the impact and duration of the COVID-19 pandemic, the Company has withdrawn its guidance for the 2020 fiscal year that was provided in its MD&A for the year ended December 31, 2019.

With current priorities focused on managing the crisis, the Company is not considering new expansion projects or acquisitions at this time. We may also limit capital expenditures to essential maintenance requirements and

restrict access to contractors at our residences, while continuing to dedicate our resources to the health and safety of residents and team members.

While the COVID-19 pandemic is impacting short-term growth plans, we remain optimistic about Sienna's future and potential for growth as a high-quality provider of essential services to a rapidly growing demographic, once a new normal is established. With a balanced portfolio, solid balance sheet and ample liquidity, we are confident in the Company's ability to weather the current situation. Most importantly, our strong foundation with an experienced team and operating platform will help us navigate the current situation and see us through this difficult time.

Although there are many challenges ahead, we also have many reasons to be hopeful. Through this crisis, existing relationships are strengthening and new ones are being created, which we anticipate will last long beyond the pandemic and enable new ways of working with the common purpose of caring for and providing services to seniors.

First Quarter 2020 Summary

Sienna has taken extensive precautions to be prepared for COVID-19. However, as COVID-19 continues to spread throughout areas in which we operate, the extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and scope of the outbreak and impacts on our employees and suppliers, all of which are uncertain and cannot be accurately predicted. Although it is impossible to ascertain the ultimate impacts of COVID-19 at this time, we are confident that with our financial profile and balanced portfolio, we are well positioned to weather this storm.

Occupancy - Average occupancy in the LTC portfolio remained high at 97.9% in Q1 2020. Long-term care residences represent of 56.3% of Sienna's portfolio, based on Q1 2020 net operating income, which are fully funded for vacancies caused by temporary closure of admissions due to an outbreak, including COVID-19.

Average same property occupancy in the Retirement portfolio was 85.1% in Q1 2020. Contributing factors to the occupancy softness in the Retirement portfolio are related to a slowdown in tours and new residents moving in due to access restrictions during the COVID-19 pandemic, the continuing oversupply in the Ottawa market and new supply in the Kingston and South Surrey markets. This was partially offset by fewer move-outs than usual and some conversions from temporary to permanent stays towards the end of the quarter.

Revenue increased by 1.7% in Q1 2020, or \$2,768, to \$166,437, compared to Q1 2019. The increase was mainly a result of same property results driven by inflationary increases in flow-through funding in the LTC segment, funding revenues to support COVID-19 related costs and in-place annual rental rate increases in the Retirement segment, partially offset by occupancy softness in the Retirement segment. Based on the April 2020 rent collection from residents, resident payments since COVID-19 have remained similar to past experience.

Operating Expenses increased by 4.1% in Q1 2020, or \$5,169, to \$129,926, compared to Q1 2019. The increase was mainly a result of inflationary increases associated with flow-through funding in the LTC segment, additional expenses related to COVID-19 and higher labour and other costs from annual inflationary increases in the Retirement segment.

NOI decreased by 6.2% in Q1 2020, or \$2,401, to \$36,511, compared to Q1 2019, mainly related to softness in Retirement occupancy. During Q1 2020, the Company recorded \$914 of expenses related to managing COVID-19 and \$810 of pandemic related government funding revenues, resulting in a net expense of \$104 mainly due to timing. Funding revenue related to COVID-19 is recognized only to the extent that eligible COVID-19 expenses have been incurred and funding allocations are determined.

Net loss was \$2,496 for Q1 2020, representing a decrease of \$2,938 over the comparable prior year period. The decrease was primarily related to fair value adjustments on interest rate swap contracts in Q1 2020 and lower NOI, partially offset by mark-to-market adjustments on share based compensation and lower income taxes.

OFFO increased by 14.5% in Q1 2020, or \$3,096, to \$24,418 over the comparable prior year period. OFFO per share increased by 13.4% in Q1 2020, or \$0.043, to \$0.365 over the comparable prior year period. The increase was primarily due to mark-to-market adjustments on share based compensation, lower current income taxes and lower net interest expense, partially offset by lower NOI.

AFFO increased by 9.4% in Q1 2020, or \$2,201, to \$25,584 over the comparable prior year period. AFFO per share increased by 8.2% in Q1 2020, or \$0.029, to \$0.382 over the comparable prior year period. The increase was primarily related to the increase in OFFO noted above, partially offset by the timing of maintenance capital expenditures.

Debt - The Company further lowered its debt to gross book value ratio to 46.9%, a 90 bps reduction year-over-year from 47.8%, decreased its debt to Adjusted EBITDA ratio to 6.8 years from 7.1 years in Q1 2019, increased its interest coverage ratio to 4.2 times from 3.8 times in Q1 2019, increased its debt service coverage ratio to 2.1 times from 1.9 times in Q1 2019 and lowered its weighted average cost of debt to 3.6% in Q1 2020 from 3.8% in Q1 2019.

The Company has debt repayments and a maturity totaling \$20,954 for the remainder of 2020 and its Series B Secured Debentures in the amount of \$287,000 maturing in Q1 2021. We believe that we will continue to have access to multiple sources of financing and we have a pool of unencumbered assets with an estimated fair value of \$540 million, contributing to our financial flexibility and liquidity. Our debt is well distributed between unsecured and secured debentures, credit facilities, conventional mortgages and CMHC insured mortgages.

Equity - With respect to the Company's equity, we have temporarily suspended our dividend reinvestment plan (see the "Significant Events" section of this MD&A for further details) in order to prevent dilution at the current share price given increased stock market volatility.

Significant Events

Completion of a \$200 Million Unsecured Revolving Credit Facility

On March 19, 2020, the Company entered into a credit agreement for a \$200 million senior unsecured revolving credit facility (the “**Unsecured Revolving Credit Facility**”). The Unsecured Revolving Credit Facility matures on March 19, 2025 and may be extended for additional one-year terms, subject to certain conditions. The capacity of the Unsecured Revolving Credit Facility may be increased by up to \$50 million during the term of the facility, subject to certain conditions. Borrowings under the Unsecured Revolving Credit Facility can take place by way of banker’s acceptances (“**BA**s”) at 145 basis points (“**bps**”) per annum over the floating BA or at the Canadian prime rate plus 45 bps per annum.

Suspension of Dividend Reinvestment Plan

On March 18, 2020, the Company temporarily suspended the Dividend Reinvestment Plan (“**DRIP**”) until further notice. Shareholders enrolled in the DRIP received dividend payments in cash, instead of common shares, starting with the dividend payable to shareholders of record as at March 31, 2020. The DRIP is subject to reinstatement at the discretion of the Board of Directors of the Company.

Normal Course Issuer Bid

On March 9, 2020, the Company received approval from the TSX for its notice of intention to make a normal course issuer bid (“**NCIB**”) for a portion of the Company's common shares. Pursuant to the notice, the Company has the authority to acquire up to a maximum of 3,348,341 of its common shares for cancellation over the next 12 months. Purchases under the NCIB will be made through the facilities of the TSX or through a Canadian alternative trading system and in accordance with applicable regulatory requirements at a price per common share equal to the market price at the time of acquisition. The number of common shares that can be purchased pursuant to the NCIB is subject to a current daily maximum of 45,032 common shares, subject to the Company's ability to make one block purchase of common shares per calendar week that exceeds such limits. All common shares purchased by the Company under the NCIB will be cancelled upon their purchase. The Company intends to fund the purchases out of its available resources. The NCIB will terminate on March 10, 2021, or such earlier time as the Company completes its purchases pursuant to the NCIB or provides notice of intention. As at May 13, 2020, the Company had not purchased any of its common shares under the NCIB.

Our Vision, Mission and Values

Our Vision

To awaken our communities to the positive possibilities of life's next chapters.

Our Mission

To help you live fully, every day.

Our Values

Respect

We value each other. From our clients and residents to our co-workers, we take the time to appreciate each person's story, understand their perspective, and recognize their contribution.

Passion

This job isn't for everybody. We love working with older people. We feel it's a privilege to have them in our lives, and there's nothing more important to us than their safety and well-being.

Teamwork

To honour someone's voice and advocate for their choice, it's up to every one of us to communicate, collaborate, and support one another. We're in this together - co-workers, volunteers, physicians and health care providers, suppliers, communities, families, clients and residents.

Responsibility

Holding ourselves to the highest standards of safety and quality is only the beginning. If we see a problem or an opportunity, we own it. If we say we'll do something, we do it. "Not my job" is not in our vocabulary.

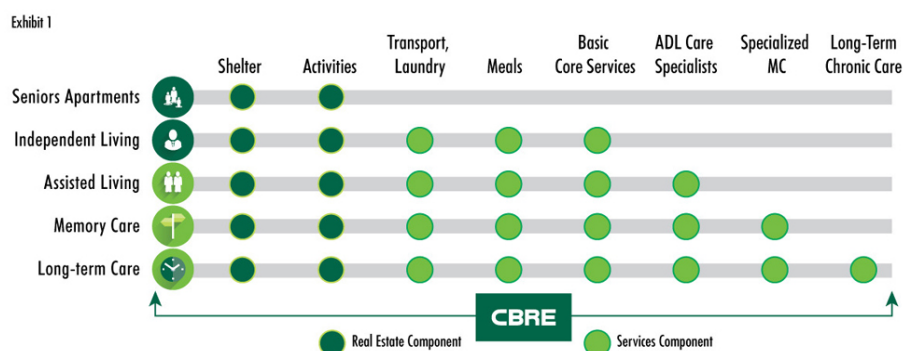
Growth

We are always pushing ourselves - to learn, to develop, to find a better way and we strive to help our clients, residents and staff grow, encouraging them to stretch and do more than they might have thought possible.

The Sienna team is dedicated to helping seniors live fully, every day with an aim to constantly improve the resident experience, and develop a high-performing team and workplace culture built on shared values and a commitment to innovation and quality, while focusing on priorities that translate into long-term accretive growth for the Company's shareholders. A range of services and programs are provided at the seniors' living residences based on an individual's needs and level of independence. A general and broad description of these services is detailed below:

- **Independent Living ("IL"):** IL provides the privacy and freedom of home combined with the convenience and security of on-call assistance and a maintenance-free environment. Residents typically have the option of purchasing à la carte services including meal packages, housekeeping, transportation and laundry. It is typically apartment-style accommodation with a full kitchenette and is private-pay. Tenure may be rental or some form of ownership, such as condominium or life lease.

- **Independent Supportive Living ("ISL"):** ISL is designed for seniors who pay for services such as 24-hour response, housekeeping, laundry, meals, transportation and accommodation as part of a total monthly private-pay fee or rental rate. These residents require little or no assistance with daily living activities but benefit from the social setting and meal preparation. Some residences include a minimum amount of daily care but primarily this level of accommodation is for the senior who can live more independently with the option of additional care and services available on an as needed basis. Accommodation is studio, one or two bedroom units with kitchenettes.
- **Assisted Living ("AL"):** AL is intended for frail seniors who need assistance with daily living activities but do not require skilled nursing care. While most of AL is provided as private-pay, some residences deliver AL services through private-pay or government funded home care services.
- **Memory Care ("MC"):** MC serves seniors with memory impairment, Alzheimer's or other forms of dementia. Mild cases of dementia are typically suitably addressed within secure AL accommodation suites in a dedicated area within the residence, or more broadly throughout the residence. Moderate to severe cases require dedicated accommodation suites and specialized and more intensive care.
- **Long-term Care:** LTC is for those who are not able to live independently and require assistance with the activities of daily living and care, including skilled nursing care on a daily basis. Eligibility for access to a LTC home is based on a person's assessed care requirements and is determined and arranged through government agencies. The resident pays for the accommodation as set by the government and the government typically pays for care, programs and supplies. In most provinces, there is a waiting period for access to LTC accommodations. In certain provinces, there are also LTC homes providing entirely private-pay accommodations and are subject to the same regulatory oversight.



Source: NIC Investment Guide

Source: CBRE Limited, Valuation & Advisory Services. (2017). Seniors Housing & Healthcare.

Company Strategy and Objectives

Sienna's strategic objectives and progress are summarized as follows:

Strong Operating Platform:

- Singularly focused on the health and safety of residents, team members, and families during the COVID-19 pandemic;
- Implementing a centralized people strategy aimed at recruiting, retaining and developing a high performing and engaged team;
- Providing a great resident experience by helping residents to live fully every day.

Progress:

- Implemented extensive infection prevention measures and protocols in compliance with all Chief Medical Officer of Health and provincial directives to protect residents and team members against COVID-19 and to minimize its spread
- Collaborating with all levels of government, sector associations, regulatory authorities and others to help shape and implement policies and protocols to manage COVID-19
- Secured and distributed an adequate supply to date of the required PPE at all residences for use in accordance with provincial directives and continued to actively procure PPE
- Founding member of the CAPES initiative to source, supply and share PPE for the entire sector
- Founding member of the CaRES Fund to provide emergency financial assistance to staff members across the seniors' living sector who are facing extraordinary circumstances due to COVID-19, and build a legacy for future investment in employee education
- Sienna's LTC portfolio in Ontario was awarded the highest level of accreditation by the third-party Commission on Accreditation of Rehabilitation Facilities ("**CARF**") for three years, illustrating our innovative operating platform and exemplary quality performance, achieving a score of 99.5% conformance to CARF standards

Maintaining Solid Balance Sheet and Liquidity:

- Maintaining liquidity (measured as available funds from existing credit facilities plus available cash on hand) to manage cash flow requirements in the foreseeable future;
- Creating a 10-year debt maturity ladder to reduce refinancing risk and enhance the ability to refinance at favourable rates;
- Optimizing leverage (measured as debt to gross book value);
- Maintaining a favourable A (low) credit rating on the 3.474% Series B Senior Secured Debentures, with an aggregate outstanding principal amount of \$287,000 and a maturity date of February 3, 2021 ("**Series B Secured Debentures**");
- Maintaining a stable investment grade "BBB" credit rating for Sienna;
- Maintaining a pool of unencumbered assets;
- Issuing unsecured debt as a source of capital to provide the Company with additional financial flexibility to achieve Sienna's growth objectives.

Progress:

- Entered into a credit agreement for a \$200 million senior unsecured revolving credit facility on March 19, 2020
- Increased the pool of unencumbered assets to a fair value of approximately \$540 million, as at March 31, 2020 from approximately \$300 million as at December 31, 2019
- Decreased year-over-year debt to gross book value by 90 bps to 46.9% as at March 31, 2020
- Decreased year-over-year debt to Adjusted EBITDA to 6.8 years as at March 31, 2020, compared to 7.1 years in the comparable prior year period
- Increased year-over-year interest coverage ratio to 4.2 times as at March 31, 2020, compared to 3.8 times in the comparable prior year period
- Increased year-over-year debt service coverage ratio to 2.1 times as at March 31, 2020, compared to 1.9 times in the comparable prior year period
- Decreased weighted average cost of debt to 3.6% as at March 31, 2020, compared to 3.8% in the comparable prior year period

Growing the Company:

Although the COVID-19 pandemic is expected to impact Sienna's growth plans in the near term with acquisitions and expansion projects on hold, our long-term growth plan remains intact and is based on the following key components:

Organic Growth:

- Growing Sienna's portfolio organically through improving occupancy and expanding services to meet resident needs;
- Maintaining existing assets with preventative maintenance and ongoing capital improvements;
- Continuing to invest in Sienna's team culture and operating platform to deliver a great resident experience and maintain disciplined cost management.

Acquisition and Development:

- Strategic and disciplined acquisitions of high-quality seniors' living residences in key markets in Canada;
- Developing free-standing Retirement Residences with joint venture partners in certain markets with adequate projected demand;
- Expanding seniors' living capacity in existing Retirement Residences with excess land;
- Responding to requests for proposals, where feasible.

Progress:

- In Q1 2020, substantially completed enhancements to buildings and amenity spaces in Retirement Residences, consistent with the Sienna brand, as part of a \$5 million capital expenditure program
- In Q1 2020, the Company formed a joint venture for the purpose of a potential development of a retirement residence in Niagara Falls, Ontario. The Company has a 70% interest in the joint venture, which is in early stage of planning and has acquired land for \$3,350 during Q1 2020

Environmental, Social and Governance (ESG) Responsibility

Sienna's approach to corporate social responsibility is based upon the premise that each of the communities in which we operate is unique. The Company has committed to initiatives aimed at creating positive experiences for its stakeholders and making its operations more sustainable. Sienna's commitment to corporate social responsibility includes the following environmental, social and governance initiatives and results:

Environmental

The Company is continuously looking for ways to make its operations more sustainable and is updating its infrastructure through key initiatives, including:

- Increasing water conservation by pursuing the installation of Flow Management Devices (FMD), a water-saving technology; and
- Decreasing energy consumption over time by replacing lighting systems, older appliances, fixtures and equipment with more energy-efficient alternatives and whenever possible, participating in ENERGY STAR programs.
- Green strategy implementation, which focuses on reducing the consumption of water, energy, plastics and paper, as well as extensive recycling and maceration efforts.

Social

Resident Experience

Sienna's mission is to help residents to live fully, every day. The Company's residences provide seniors with the type of services and care they need, when they need it in a home-like, secure residential setting and offer a range of rich, rewarding experiences during a stage of life many perceive as daunting. Sienna's commitment to a positive resident experience is exhibited through the following:

- **Quality of care:** As leaders in our sector, we leverage technology and best practices to constantly set new benchmarks for quality. Sienna's residences are accredited through a third party, CARF, every three years. Subsequent to Q1 2020, Sienna was awarded a third-party accreditation for three years on quality of care standards for its long-term care portfolio in Ontario.
- **Resident satisfaction:** Sienna maintains an overall high level of resident satisfaction at 81% and exceeds national quality indicator benchmarks as reported by the Canadian Institute for Health Information.

Community Investment

The Company strives to give back in a number of meaningful ways, including the following initiatives:

- **Sienna for Seniors:** Launched in 2017, "Sienna for Seniors" is an integrated, company-wide charitable giving program. The program supports marginalized seniors and those suffering with Alzheimer's or related dementia in the local communities that the Company serves. Funds remain in the community in which they were raised, supporting charities with seniors-focused programs that include the regional Alzheimer Societies, and other local charities.

- **Community leader in Canadian seniors' living communities:** Sienna is a founding member of CAPES, an initiative designed to procure sufficient PPE for the seniors' living sector and CaRES, an initiative that provides emergency financial assistance to staff across the seniors' living sector. Sienna is also an active leader in the Canadian Association of Long Term Care, Ontario Long Term Care Association, Ontario Retirement Communities Association, BC Care Providers Association and BC Seniors Living Association. In each of these associations, Sienna is actively involved in serving on director boards and committees and plays an important role in advocating for sound policy and advancing quality care.
- **Volunteer programs:** The Company is deeply involved in every community in which it operates. Sienna has hundreds of volunteers who give their time and bring the warmth of human connection to residents living in Sienna's long term care communities.

Employee Engagement

The Company creates a positive experience for Sienna employees through the following programs:

- **Learning & development:** Learning and development is a top priority at Sienna. Many learning opportunities are offered internally and include orientation, on-boarding and on-line learning for team members with both mandatory and optional modules that can be accessed at any time. Further, there are numerous leadership development programs to assist leaders in advancing their knowledge and skills to grow and advance within the Company. The Company supports and encourages internal advancement and promotions wherever possible. In addition, the following learning tools are offered:
 - Sienna Academy: a portal that provides a one-stop-shop for users to access curated content developed internally and externally. Its purpose is to help Sienna team members grow their careers through flexible, on demand learning that is relevant and engaging;
 - Take the Lead: monthly virtual micro learning focused on leadership development; and
 - Manager Essentials: a blended online and in-person learning opportunity to develop foundational people skills for effective day to day management of teams.
- **Sienna Impact Awards:** To acknowledge the dedication and outstanding contributions of team members, Sienna introduced the Sienna Impact Award in early 2019. The Impact Award, which is considered the highest honour within Sienna, recognizes individuals who have made a significant positive impact company-wide, sector-wide, or across an entire division in the Company.
- **Award-winning corporate culture:** Sienna is named one of Canada's Most Admired Corporate Cultures by Waterstone Human Capital, a leading executive search and professional recruitment firm. This award highlights the Company's commitment to cultivating and sustaining a great culture and supporting its employees, which ultimately drives growth and performance.

Research & Innovation

The Company's involvement and support of advancing research in seniors' living includes the following projects and research partners:

- a program aimed to reduce emergency room transfers in cooperation with the William Osler Health System;
- the promotion of open communication between families, residents and team members in cooperation with the Alzheimer Society of Canada;
- improving emotional health of older adults through better understanding of the impact of virtual reality in cooperation with the Centre for Elder Research, Sheridan College;
- the promotion of increased participation of older adults in making care decisions in a collaborative environment in cooperation with the Lawrence S. Bloomberg Faculty of Nursing, University of Toronto and Baycrest Health Sciences; and
- a study focused on the impact of nutrition in long-term care communities in cooperation with the University of Waterloo and Schlegel Research Institute for Aging.
- Sienna collaborates with over 60 local educational institutions to innovate and bring best practices in seniors' living and care to its residences. With a focus on diversity, the partnerships with these institutions facilitate student placements, applied research, and continuous professional development. Sienna places a strong emphasis on being part of every community it serves through hiring locally within its communities.

Governance

As one of Canada's leading providers of seniors' residences, Sienna is committed to maintaining the highest ethical standards through a strong governance framework and an experienced Board of Directors.

Diversity and Inclusion

The Company is focused on bringing together a multitude of perspectives, and is committed to being a leader in diversity, which includes, but is not limited to, gender, sexual preference, disability, age, ethnicity, culture and religion.

Sienna is a known leader in gender diversity and has a well-rounded, independent and experienced Board of Directors, which adheres to the highest standards of governance. In 2020, Sienna continues to be one of the most diverse companies listed on the TSX when it comes to gender diversity. Currently, 43% of the Company's Board of Directors and 71% of the Company's senior executive team is comprised of female leaders, a testament to Sienna's commitment to recruiting, promoting and retaining women in leadership roles in the organization.

Industry Overview

Please refer to the Company's MD&A and AIF for the year ended December 31, 2019 for a discussion of the Industry Overview.

Business of the Company

Please refer to the Company's AIF for the year ended December 31, 2019 for a discussion of the Business Overview.

Quarterly Financial Information

	2020		2019		2018			
Thousands of Canadian dollars, except occupancy and per share data	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	166,437	172,160	167,947	165,957	163,669	169,455	165,048	162,124
Operating Expenses	129,926	134,303	127,785	126,028	124,757	130,556	124,529	122,734
Income before net finance charges, transaction costs and provision for (recovery of) income taxes	14,405	11,693	15,495	14,809	12,624	13,970	15,737	15,292
Net (loss) income	(2,496)	1,112	3,763	2,230	442	302	5,000	3,548
Per share basic and diluted	(0.037)	0.017	0.057	0.034	0.007	0.006	0.076	0.055
OFFO	24,418	22,754	24,208	23,602	21,322	23,550	23,973	24,343
Per share basic	0.365	0.340	0.364	0.356	0.322	0.357	0.365	0.380
Per share diluted	0.365	0.340	0.364	0.356	0.322	0.357	0.365	0.374
AFFO ⁽¹⁾	25,584	20,883	24,492	24,428	23,383	21,738	24,414	26,137
Per share basic ⁽¹⁾	0.382	0.313	0.368	0.368	0.353	0.329	0.372	0.405
Per share diluted ⁽¹⁾	0.382	0.313	0.368	0.368	0.353	0.329	0.372	0.400
Dividends declared	15,671	15,626	15,483	15,241	15,196	15,145	14,995	14,620
Per share	0.234	0.234	0.233	0.230	0.230	0.230	0.228	0.225
Occupancy								
Retirement - Average total occupancy	84.2%	85.0%	85.8%	88.4%	90.4%	91.8%	91.4%	91.6%
Retirement - As at total occupancy	83.6%	84.7%	85.1%	87.3%	89.4%	91.6%	91.8%	91.3%
LTC - Average total occupancy	97.9%	98.2%	98.2%	98.3%	98.2%	98.5%	98.7%	98.3%
LTC - Average private occupancy	97.3%	97.9%	98.0%	98.1%	98.3%	98.6%	98.6%	98.0%
Debt to enterprise value as at period end	55.6%	43.7%	43.0%	39.7%	44.0%	48.5%	47.1%	50.1%
Debt to gross book value as at period end	46.9%	46.0%	46.5%	46.6%	47.8%	47.7%	48.3%	49.4%
Debt to Adjusted EBITDA as at period end	6.8	6.7	6.6	6.7	7.1	6.9	6.9	7.5
Interest coverage ratio	4.2	3.7	4.0	4.0	3.8	3.8	4.0	4.1
Total assets ⁽²⁾	1,718,716	1,692,600	1,708,163	1,715,479	1,738,577	1,753,200	1,746,612	1,800,952
Total debt ⁽³⁾	996,126	956,312	965,113	962,742	987,640	984,917	985,694	1,025,857
Weighted average shares outstanding - basic	66,940,538	66,749,273	66,566,747	66,384,395	66,171,723	65,957,631	65,752,737	64,529,917
Weighted average shares outstanding - diluted	66,940,538	66,749,273	66,566,747	66,384,395	66,171,723	65,957,631	65,752,737	66,015,259

Notes:

1. Effective Q3 2018, deferred share unit compensation expense is not added back to calculate AFFO. The prior quarters have been restated to reflect this change.
2. Property and equipment and intangible assets included in total assets are measured at cost less accumulated depreciation and amortization.
3. The total debt is net of amounts paid into the principal reserve fund on the Series B Secured Debentures.

The Company's quarterly financial results are impacted by various factors including, but not limited to, the timing of past acquisitions, occupancy levels, timing of maintenance capital expenditures, seasonality of utility expenses, timing of resident co-payment increases, timing of funding rate increases or additional funding, and capital market and financing activities. For Q1 2020, the Company's results have been impacted by the stock market volatility caused by COVID-19, resulting in changes to the Company's fair value adjustments on interest rate swap contracts and mark-to-market adjustments on its share based compensation.

The Company has strengthened its balance sheet over the past eight quarters. Its debt to gross book value has decreased to 46.9% as at Q1 2020 from 49.4% as at Q2 2018. Debt to adjusted EBITDA has decreased to 6.8 years as at Q1 2020 from 7.5 years as at Q2 2018. Interest coverage ratio has increased to 4.2 times as at Q1 2020 from 4.1 times as at Q2 2018.

A discussion of the operating results for the three months ended March 31, 2020 compared to the same period in the prior year is provided in the section "Operating Results."

Operating Results

Retirement

The Company's Retirement portfolio consists of 27 RRs, five of which are located in British Columbia and 22 of which are located in Ontario. The Company's Retirement portfolio operates in well located markets and generated 22.8% of overall revenues and 43.7% of total NOI in Q1 2020.

Long-term Care

The Company's LTC portfolio contributed 77.2% of the Company's revenues and generated 56.3% of its NOI in Q1 2020. Effective July 1, 2019, the regulated resident co-payment per diem rate for basic accommodation in Class A, B and C homes increased by 2.3% to \$62.18 per bed per day. For new admissions to private and semi-private accommodation in Class A homes, the regulated resident co-payment per diem premiums increased by 2.3% to \$26.64 and \$12.78 per bed per day, with existing residents in such preferred accommodations being grandfathered at historical rates. For Class B and C homes, the regulated resident co-payment per diem premiums have increased by 2.3% to \$19.17 and \$8.52 per bed per day for private and semi-private accommodation, respectively.

The following table represents the operating results for the periods ended March 31:

Thousands of Canadian dollars	Three Months Ended		
	2020	2019	Change
Revenue	166,437	163,669	2,768
Expenses			
Operating	129,926	124,757	5,169
Depreciation and amortization	19,332	19,375	(43)
Administrative	2,730	6,913	(4,183)
Share of net loss in joint venture	44	—	44
	152,032	151,045	987
Income before net finance charges, transaction costs and provision for (recovery of) income taxes	14,405	12,624	1,781
Net finance charges	16,781	11,356	5,425
Transaction costs	1,013	979	34
Total other expenses	17,794	12,335	5,459
(Loss) income before provision for (recovery of) income taxes	(3,389)	289	(3,678)
Provision for (recovery of) income taxes			
Current	1,537	2,050	(513)
Deferred	(2,430)	(2,203)	(227)
	(893)	(153)	(740)
Net (loss) income	(2,496)	442	(2,938)
Total assets	1,718,716	1,738,577	(19,861)
Total debt (net of principal reserve fund)	996,126	987,640	8,486

Net Operating Income Consolidated

The following table represents the Company's consolidated net operating income for the periods ended March 31:

Thousands of Canadian dollars	Three Months Ended		
	2020	2019	Change
Revenue			
Same property ⁽¹⁾	166,189	163,669	2,520
Development ⁽²⁾	248	—	248
Total Revenue	166,437	163,669	2,768
Operating Expenses			
Same property ⁽¹⁾	129,753	124,757	4,996
Development ⁽²⁾	173	—	173
Total Operating Expenses	129,926	124,757	5,169
NOI			
Same property ⁽¹⁾	36,436	38,912	(2,476)
Development ⁽²⁾	75	—	75
Total NOI	36,511	38,912	(2,401)

Notes:

1. Includes the COVID-19 related additional funding revenue of \$810 and incremental operating expenses of \$914, resulting in a net expense of \$104 related to COVID-19 mainly due to timing of expenses and recovery. Government funding revenues related to COVID-19 are recognized to the extent that eligible COVID-19 expenses have been incurred and funding allocations are determined.
2. Includes the financial results of the 57-suite expansion at Island Park Retirement Residence, which is in a lease-up period since it opened in July 2019.

First Quarter 2020 Operating Results

The Company's total same property revenues for Q1 2020 increased by \$2,520 to \$166,189, compared to Q1 2019. LTC's same property revenues for Q1 2020 increased by \$3,519 to \$128,500, compared to Q1 2019, mainly due to inflationary increases in flow-through funding. Retirement's same property revenues for Q1 2020 decreased by \$999 to \$37,689, compared to Q1 2019, primarily due to occupancy softness, partially offset by in-place annual rental rate increases in line with market conditions. Revenues from development were \$248 (2019 - \$nil) for Q1 2020, representing the revenues from the 57-suite expansion at Island Park Retirement Residence completed during Q3 2019.

The Company's total same property operating expenses for Q1 2020 increased by \$4,996 to \$129,753, compared to Q1 2019. LTC's same property operating expenses for Q1 2020 increased by \$3,948 to \$107,928, compared to Q1 2019, mainly due to annual inflationary increases. Retirement same property operating expenses for Q1 2020 increased by \$1,048 to \$21,825, compared to Q1 2019, primarily due to higher labour costs and other annual inflationary increases. Development operating expenses were \$173 (2019 - \$nil) for Q1 2020.

The Company's total same property NOI for Q1 2020 decreased by \$2,476 to \$36,436, compared to Q1 2019. LTC's same property NOI for Q1 2020 decreased by \$429 to \$20,572 compared to Q1 2019, primarily due to

timing of expenses. Retirement's same property NOI for Q1 2020 decreased by \$2,047 to \$15,864, compared to Q1 2019. Development NOI was \$75 (2019 - \$nil) for Q1 2020.

Due to the seasonality of certain operating expenses such as utilities and maintenance, occupancy levels and annual adjustments to government funding, trends which may appear in operating margins may be merely coincidental, and readers should not rely on net operating margin calculations herein.

Net Operating Income by Segment

The Company's consolidated net operating income consists of its Retirement and LTC business segments.

Retirement

The following table represents the results of the Retirement segment for the periods ended March 31:

Thousands of Canadian dollars	Three Months Ended		
	2020	2019	Change
Retirement Revenue			
Same property ⁽¹⁾	37,689	38,688	(999)
Development ⁽²⁾	248	—	248
Total Retirement Revenue	37,937	38,688	(751)
Retirement Expenses			
Same property ⁽¹⁾	21,825	20,777	1,048
Development ⁽²⁾	173	—	173
Total Retirement Expenses	21,998	20,777	1,221
Retirement NOI			
Same property ⁽¹⁾	15,864	17,911	(2,047)
Development ⁽²⁾	75	—	75
Total Retirement NOI	15,939	17,911	(1,972)

Notes:

1. Includes the COVID-19 related additional funding revenue of \$75 and incremental operating expenses of \$100, resulting in a net expense of \$25 related to COVID-19. Government funding revenues related to COVID-19 are recognized to the extent that eligible COVID-19 expenses have been incurred and funding allocations are determined.
2. Includes the financial results of the 57-suite expansion at Island Park Retirement Residence, which is in a lease-up period since it opened in July 2019.

First Quarter 2020 Retirement Results

Retirement's same property revenues for Q1 2020 decreased by \$999 to \$37,689, compared to Q1 2019, primarily attributable to lower occupancy, partially offset by in-place annual rental rate increases in line with market conditions.

Retirement's same property operating expenses for Q1 2020 increased by \$1,048 to \$21,825, compared to Q1 2019, primarily due to higher labour costs and other annual inflationary increases.

Retirement's same property NOI for Q1 2020 decreased by \$2,047 to \$15,864, compared to Q1 2019.

Long-term Care

The following table represents the results of the LTC segment for the periods ended March 31:

Thousands of Canadian dollars	Three Months Ended		
	2020	2019	Change
Long-term Care Revenue			
Same property ⁽¹⁾	128,500	124,981	3,519
Total Long-term Care Revenue	128,500	124,981	3,519
Long-term Care Expenses			
Same property ⁽¹⁾	107,928	103,980	3,948
Total Long-term Care Expenses	107,928	103,980	3,948
Long-term Care NOI			
Same property ⁽¹⁾	20,572	21,001	(429)
Total Long-term Care NOI	20,572	21,001	(429)

Notes:

1. Includes the COVID-19 related additional funding revenue of \$735 and incremental operating expenses of \$814, resulting in a net expense of \$79 related to COVID-19. Government funding revenues related to COVID-19 are recognized to the extent that eligible COVID-19 expenses have been incurred and funding allocations are determined.

First Quarter 2020 Long-term Care Results

LTC's same property revenues for Q1 2020 increased by \$3,519 to \$128,500, compared to Q1 2019, primarily attributable to inflationary increases in flow-through funding.

LTC's same property operating expenses for Q1 2020 increased by \$3,948 to \$107,928, compared to Q1 2019, mainly due to annual inflationary increases.

LTC's same property NOI for Q1 2020 decreased by \$429 to \$20,572, compared to Q1 2019, mainly due to timing of expenses.

Depreciation and Amortization

First Quarter 2020

Depreciation and amortization for Q1 2020 decreased by \$43 to \$19,332, compared to Q1 2019, due to the completion of the amortization of resident relationships, partially offset by higher amortization from property and equipment additions.

Administrative Expenses

	Three months ended		
	March 31,		
	2020	2019	Change
Administrative expenses, excluding share-based compensation	5,731	5,006	725
Share-based compensation	(3,001)	1,907	(4,908)
Total administrative expenses	2,730	6,913	(4,183)

First Quarter 2020

Administrative expenses for Q1 2020 decreased by \$4,183 to \$2,730, compared to Q1 2019, primarily due to a decrease of \$4,861 in share-based compensation expense from mark-to-market adjustments. This was partially offset by higher employee costs primarily due to inflationary increases.

Share of Net Loss in Joint Venture

First Quarter 2020

For the three months ended March 31, 2020, the Company's share of net loss in a joint venture of \$44 is related to the potential development of a retirement residence in Niagara Falls, Ontario.

Net Finance Charges

	Three months ended March 31,		
	2020	2019	Change
Finance costs			
Interest expense on long-term debt	8,509	9,207	(698)
Fees on revolving credit facilities	101	100	1
Amortization of financing charges and fair value adjustments on acquired debt	524	448	76
Amortization of loss on bond forward contract	217	232	(15)
Fair value loss on interest rate swap contracts	8,400	3,412	4,988
	17,751	13,399	4,352
Finance income			
Interest income on construction funding receivable	468	570	(102)
Other interest income ⁽¹⁾	502	1,473	(971)
	970	2,043	(1,073)
Net finance charges	16,781	11,356	5,425

Notes:

1. For the three months ended March 31, 2019, interest income of \$1,346 recorded on a GST rebate for a prior year is included.

First Quarter 2020

Net finance charges for Q1 2020 increased by \$5,425 to \$16,781, compared to Q1 2019, primarily attributable to fair value adjustments on interest rate swap contracts in Q1 2020. As a result of the COVID-19 pandemic, the Bank of Canada decreased the overnight rate in March 2020 to support the Canadian economy. The resulting decrease in interest rates had a negative fair value impact on the valuation of the Company's interest rate swap contracts.

Transaction Costs

First Quarter 2020

Transaction costs for Q1 2020 increased by \$34 to \$1,013 compared to Q1 2019.

Income Taxes

First Quarter 2020

Income tax recovery for Q1 2020 decreased by \$740 to \$893, compared to Q1 2019. The current income tax expense for Q1 2020 decreased by \$513 to \$1,537 compared to Q1 2019, primarily attributable to a decrease in NOI, partially offset by costs not currently deductible for tax purposes. The current income tax expense has been calculated at the weighted average combined corporate tax rate of 26.57% (2019 - 26.57%). The deferred income tax recovery for Q1 2020 increased by \$227 to \$2,430 compared to Q1 2019, primarily attributable to fair value adjustments on interest rate swap contracts and accounting depreciation in excess of tax depreciation, partially offset by an increase in mark-to-market adjustments on share-based compensation.

Business Performance

Adjusted Funds from Operations

The IFRS measure most directly comparable to FFO and OFFO is "net income". The following table represents the reconciliation of "net income" to FFO and OFFO for the periods ended March 31. The reconciliation from FFO to AFFO is provided as supplementary information.

Thousands of Canadian dollars, except share and per share data	Three Months Ended		
	2020	2019	Change
Net (loss) income	(2,496)	442	(2,938)
Deferred income tax recovery	(2,430)	(2,203)	(227)
Depreciation and amortization	18,399	18,634	(235)
Transaction costs	1,013	979	34
Fair value loss on interest rate swap contracts	8,400	3,412	4,988
Funds from operations (FFO)	22,886	21,264	1,622
Depreciation and amortization - corporate	933	741	192
Amortization of financing charges and fair value adjustments on acquired debt	524	448	76
Amortization of loss on bond forward contract	217	232	(15)
Net settlement payment on interest rate swap contracts	(83)	(78)	(5)
Tax shield due to the settlement of the bond-lock hedge	(59)	61	(120)
Other interest income	—	(1,346)	1,346
Operating funds from operations (OFFO)	24,418	21,322	3,096
Construction funding	2,690	2,752	(62)
Maintenance capital expenditures	(1,524)	(691)	(833)
Adjusted funds from operations (AFFO)	25,584	23,383	2,201
Adjusted funds from operations (AFFO)	25,584	23,383	2,201
Dividends declared	(15,671)	(15,196)	(475)
AFFO retained	9,913	8,187	1,726
FFO per share	0.342	0.321	0.021
OFFO per share	0.365	0.322	0.043
AFFO per share	0.382	0.353	0.029
Weighted average common shares outstanding	66,940,538	66,171,723	

First Quarter 2020 Performance

For Q1 2020, FFO increased by \$1,622 to \$22,886, compared to Q1 2019. The increase was primarily due to mark-to-market adjustments on share based compensation and lower current income taxes, partially offset by a decrease in same property NOI.

For Q1 2020, OFFO increased by \$3,096 to \$24,418, compared to Q1 2019. The increase was primarily attributable to the increase in basic FFO noted above, excluding the \$1,346 interest income recorded in Q1 2019 on a GST rebate for a prior year.

For Q1 2020, AFFO increased by \$2,201 to \$25,584, compared to Q1 2019. The increase in AFFO was principally related to the increase in basic OFFO noted above, partially offset by the timing of maintenance capital expenditures.

Construction Funding

The Company receives construction funding subsidies from the Government of Ontario on a per bed per diem basis to support the costs of developing or redeveloping an eligible LTC home. There are several eligibility requirements, including receiving approval from the Ministry of Health and Long-Term Care ("**MOHLTC**") on the development or redevelopment and completing the construction in accordance with a development agreement signed with the MOHLTC. This funding is non-interest bearing, and is received subject to the condition that the residences continue to operate as long-term care residences for the period for which they are entitled to the construction funding. As at March 31, 2020, the condition for funding has been met.

The construction funding amount to reconcile from OFFO to AFFO represents the change in the construction funding receivable balance, which consists of the cash to be received, offset by the interest income on the construction funding receivable recognized in "net income". For the years ending December 31, 2020 through 2024, and thereafter, the Company estimates that the construction funding amount will be as follows:

Thousands of Canadian dollars	Construction funding interest income ⁽¹⁾	Construction funding principal ⁽²⁾	Total construction funding to be received
2020	1,709	10,890	12,599
2021	1,271	9,778	11,049
2022	877	9,102	9,979
2023	552	6,237	6,789
2024	356	3,085	3,441
Thereafter	1,118	7,795	8,913
	5,883	46,887	52,770

Notes:

1. The interest income relates to interest accretion resulting from the construction funding receivable that was initially measured at fair value and subsequently measured at amortized cost using the effective interest method.
2. The construction funding principal received is an adjustment to reconcile from OFFO to AFFO.

For the three months ended March 31, 2020, \$468 (2019 - \$570) of interest income on construction funding receivable was recognized, and an adjustment of \$2,690 (2019 - \$2,752) was made to AFFO for construction funding principal received.

Maintenance Capital Expenditures

The Company monitors all of its properties for ongoing maintenance requirements. As part of the capital investments' monitoring process, items are assessed and prioritized based on the urgency and necessity of the expenditure to sustain or maintain the condition of buildings, or to meet residents' needs and enhance residents' experience. The following table summarizes the Company's maintenance capital expenditures for the periods ended March 31:

Thousands of Canadian dollars	Three Months Ended	
	2020	2019
Building improvements	490	178
Mechanical and electrical	97	166
Suite renovations and common area upgrades	578	70
Communications and information systems	25	56
Furniture, fixtures and equipment	334	221
Total maintenance capital expenditures	1,524	691

Building Improvements

Building improvements include the costs for structures, roofing, exterior grounds, fire safety and sprinklers.

Mechanical and Electrical

Mechanical and electrical expenditures include the costs for heating, air conditioning and ventilation systems, generators, boilers and pumps. These investments are made to extend the life of or improve the Company's capital assets and can also result in energy savings and lower maintenance costs over time.

Suite Renovations and Common Area Upgrades

Suite renovations and common area upgrades are expenditures to maintain or improve the marketability of the Company's properties, to enhance the residents' experience and can contribute to higher rental rates on suite turnover. Flooring and carpeting replacements and upgrades are often done in conjunction with suite renovations.

Communication and Information Systems

Communication and information systems' expenditures include the costs for purchasing and installing computer equipment, software applications, telecommunication systems and wireless solutions.

Furniture, Fixtures and Equipment

Furniture, fixtures and equipment expenditures include the costs for replacing, upgrading, or improving residences' furnishings and equipment, including those in residents' rooms, as well as kitchen facilities, laundry facilities and dining furnishings.

Reconciliation of Cash Flow from Operations to Adjusted Funds from Operations

The IFRS measure most directly comparable to AFFO is "cash flow from operating activities." The following table represents the reconciliation of cash provided by operating activities to AFFO for the periods ended March 31:

Thousands of Canadian dollars	Three Months Ended		Change
	2020	2019	
Cash provided by operating activities	13,818	9,840	3,978
Construction funding principal	2,690	2,752	(62)
Transaction costs	1,013	979	34
Tax shield due to settlement of the bond-lock hedge	(59)	61	(120)
Maintenance capital expenditures	(1,524)	(691)	(833)
Net change in working capital, interest and taxes	9,599	11,967	(2,368)
Restricted share units recovery (expense)	47	(179)	226
Other interest income	—	(1,346)	1,346
Adjusted funds from operations (AFFO)	25,584	23,383	2,201
Adjusted funds from operations (AFFO)	25,584	23,383	2,201
Dividends declared	(15,671)	(15,196)	(475)
AFFO retained	9,913	8,187	1,726
Dividend reinvestment	3,393	3,529	(136)
AFFO retained after dividend reinvestment	13,306	11,716	1,590

Financial Position Analysis

Balance Sheet Analysis

The following table summarizes the significant changes in assets, liabilities and equity for March 31, 2020 compared to December 31, 2019.

Thousands of Canadian dollars	2020	2019	Change
Total assets	1,718,716	1,692,600	26,116
Total liabilities	1,202,834	1,162,115	40,719
Total equity	515,882	530,485	(14,603)

Total assets increased by \$26,116 to \$1,718,716 primarily due to an increase in cash and cash equivalents and purchase of property and equipment, partially offset by the amortization of resident relationships and depreciation of property and equipment.

Total liabilities increased by \$40,719 to \$1,202,834 primarily due an increase in long-term debt and an increase in the interest rate swap liabilities due to fair value adjustments, partially offset by the timing of accounts payable and accrued liabilities.

Total equity decreased by \$14,603 to \$515,882 primarily due to the payment of dividends and the Company's net loss during the three months ended March 31, 2020, partially offset by dividend reinvestments.

Cash Flow Analysis

The following table represents the summary of cash flows for the periods ended March 31, 2020:

Thousands of Canadian dollars	Three Months Ended		
	2020	2019	Change
Cash provided by (used in):			
Operating activities	13,818	9,840	3,978
Investing activities	(640)	1,652	(2,292)
Financing activities	27,028	(9,373)	36,401
Increase in cash and cash equivalents during the period	40,206	2,119	38,087
Cash and cash equivalents, end of period	60,982	24,987	35,995

First Quarter 2020

Cash flows provided by operating activities for the three months ended March 31, 2020 increased by \$3,978 to \$13,818 primarily due to an increase in non-cash changes in working capital and lower interest paid on long-term debt.

Cash flows used in investing activities for the three months ended March 31, 2020 increased by \$2,292 to \$640 primarily due to the Company's investment in a joint venture.

Cash flows provided by financing activities for the three months ended March 31, 2020 increased by \$36,401 to \$27,028 primarily due to an increase in net proceeds from long-term debt.

Liquidity and Capital Resources

Liquidity

The Company's primary source of liquidity is cash flow generated from operating activities. The Company expects to meet its operating cash requirements through fiscal 2020 and beyond, including required working capital, capital expenditures, and currently scheduled interest payments on debt through fiscal 2020 and beyond, from cash on hand, cash flow from operations and its committed, but unutilized borrowing capacity.

As at March 31, 2020, the Company's liquidity was \$222,370, as follows:

Thousands of Canadian dollars	March 31, 2020	December 31, 2019
Available funds from credit facilities	161,388	123,273
Cash and cash equivalents	60,982	20,776
Total	222,370	144,049

As at March 31, 2020, the Company had a working capital deficiency (current liabilities less current assets) of \$312,565, primarily attributable to the current portion of long-term debt of \$310,960, which includes the Series B Secured Debentures in the amount of \$287,000 and mortgages due within the next 12 months. To support the Company's working capital deficiency, the Company plans to use its operating cash flows, proceeds from refinancing its debt and, if necessary, will pursue debt or equity financing to provide the Company with additional financial flexibility, all of which management of the Company believes to be sufficient to address this working capital deficiency. In addition, the Company has an unencumbered asset pool with a fair value of approximately \$540,000 as at March 31, 2020, which has increased from approximately \$300,000 as at December 31, 2019.

Debt

The Company's objectives are to access and maintain the lowest cost of debt with the most flexible terms available. The Company's debt strategy involves primarily unsecured and secured debentures, conventional and CMHC insured mortgages, and unsecured and secured credit facilities.

The Company's goal is to continue to optimize its debt maturity schedule over a 10-year period in order to manage interest rate and financial risks. The Company's strategy is to build a 10-year debt maturity ladder by refinancing approximately 10% of its debt annually, which is equivalent to \$99,613 as at March 31, 2020. The Company plans to finance/refinance mortgages and utilize its Unsecured Revolving Credit Facility to build its debt maturity ladder around the Series B Secured Debentures to reduce risk when these debentures mature in 2021. In October 2019, DBRS confirmed the A (low) rating for the Series B Secured Debentures. In November 2019, the Company received a "BBB" investment grade credit rating with a "Stable" trend from DBRS.

The Company's total debt is comprised as follows:

Thousands of Canadian dollars	March 31, 2020	December 31, 2019
Series A Unsecured Debentures	150,000	150,000
Series B Secured Debentures	287,000	287,000
Credit facilities	67,112	—
Mortgages	536,789	561,938
Lease liability	2,294	2,448
	1,043,195	1,001,386
Fair value adjustments on acquired debt	3,560	3,689
Less: Deferred financing costs	(13,461)	(13,311)
Less: Series B Secured Debentures principal reserve fund	(37,168)	(35,452)
Total debt	996,126	956,312

The Company's total debt as at March 31, 2020 was \$996,126 (December 31, 2019 - \$956,312), which is net of the Series B Secured Debentures' principal reserve fund of \$37,168 (December 31, 2019 - \$35,452). The increase of \$39,814 was primarily related to the proceeds from the Unsecured Revolving Credit Facility (defined in the "Credit facilities" section of this MD&A below), partially offset by the repayments on the Company's property-level mortgages.

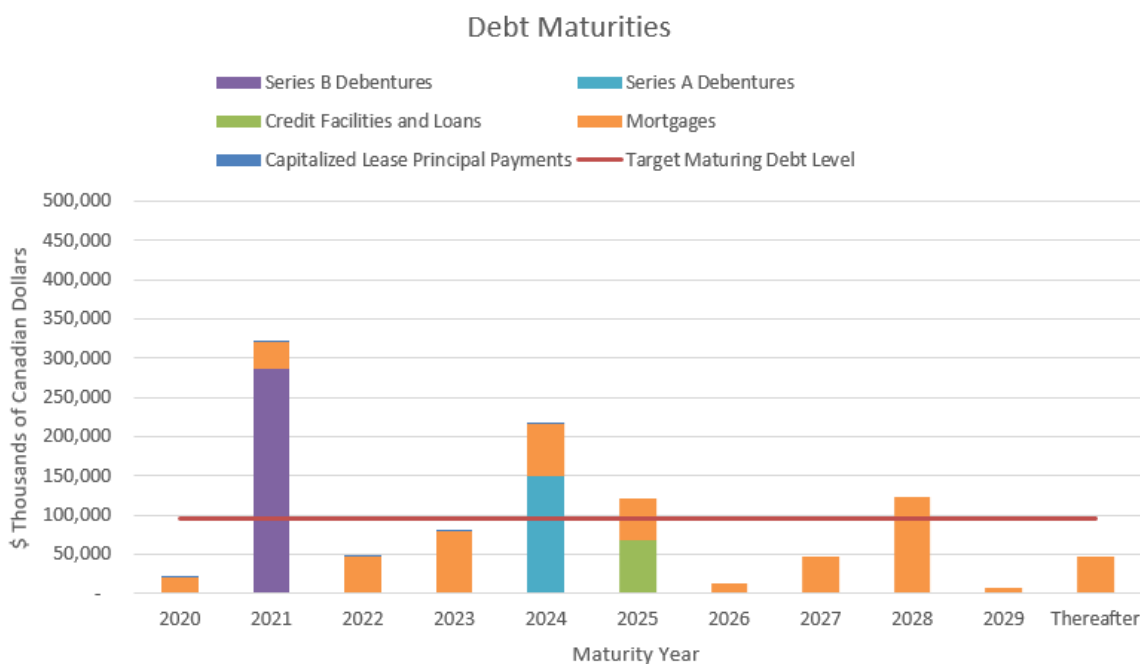
The following table summarizes the scheduled principal maturities of the Company's long-term debt commitments as at March 31, 2020:

Year	Series A Unsecured Debentures ⁽¹⁾	Series B Secured Debentures ⁽²⁾	Credit Facilities ⁽³⁾	Capitalized Lease Principal Payments ⁽⁴⁾	Mortgages		Weighted Average Interest Rate on Maturing Mortgages	Total	Consolidated Weighted Average Interest Rate on Maturing Debt
					Regular Principal Repayments	Principal Due at Maturity			
2020		—	—	476	15,679	4,799	2.52%	20,954	2.52%
2021		287,000	—	525	20,773	13,426	3.36%	321,724	3.47%
2022		—	—	494	19,396	28,169	4.22%	48,059	4.22%
2023		—	—	435	17,632	60,824	4.14%	78,891	4.14%
2024	150,000	—	—	364	15,846	50,104	4.10%	216,314	3.41%
2025		—	67,112	—	12,311	41,065	4.81%	120,488	3.46%
2026		—	—	—	12,347	—	—%	12,347	—%
2027		—	—	—	11,650	35,115	3.29%	46,765	3.29%
2028		—	—	—	6,619	115,703	3.36%	122,322	3.36%
2029		—	—	—	2,193	5,477	3.65%	7,670	3.65%
Thereafter		—	—	—	14,171	33,490	5.00%	47,661	5.00%
	150,000	287,000	67,112	2,294	148,617	388,172	3.87%	1,043,195	3.56%
Fair value adjustments on acquired debt								3,560	
Less: Deferred financing costs								(13,461)	
Total Debt								1,033,294	
Less: Principal reserve fund								(37,168)	
Total debt net of principal reserve fund on Series B Secured Debentures								996,126	

Notes:

1. The interest rate for the Series A Unsecured Debentures is 3.109%.
2. The interest rate for the Series B Secured Debentures is 3.474%.
3. The interest rate for the Unsecured Revolving Credit Facility is the floating BA rate plus 145bps per annum.
4. The weighted average interest rate for capitalized lease principal payments is 3.87% for each year.

The following graph provides a breakdown of the Company's debt maturities:



Series A Senior Unsecured Debentures

The Series A senior unsecured debentures were issued on November 4, 2019, and bear interest at a rate of 3.109% per annum, payable semi-annually in May and November of each year and mature on November 4, 2024 (the "**Series A Unsecured Debentures**").

The balances related to the Series A Unsecured Debentures are as follows:

Thousands of Canadian dollars	March 31, 2020	December 31, 2019
Series A Unsecured Debentures	150,000	150,000
Less: Deferred financing costs	(1,272)	(1,334)
	148,728	148,666

Series B Senior Secured Debentures

The Series B Secured Debentures mature on February 3, 2021, and are collateralized by the assets of Leisureworld Senior Care LP, a subsidiary of the Company and its subsidiary partnerships and guaranteed by the subsidiary partnerships. The Series B Secured Debentures bear interest at a rate of 3.474%, payable semi-annually in February and August of each year.

As part of the issuance of the Series B Secured Debentures, a principal reserve fund was established by the Company and is controlled by an external third party trustee for the benefit and security of the holders of the Series B Secured Debentures. The Company is required to fund the principal reserve fund in accordance with

a defined schedule over the term of the Series B Secured Debentures. The Company can only use the fund to redeem, purchase or repay principal of the Series B Secured Debentures. The Company, in conjunction with the issuance of the Series B Secured Debentures, entered into an interest rate swap contract, to effectively fix the interest rate earned on the principal reserve fund at 2.82%.

The balances related to the Series B Secured Debentures are as follows:

Thousands of Canadian dollars	March 31, 2020	December 31, 2019
Series B Secured Debentures	287,000	287,000
Less: Series B principal reserve fund	(37,168)	(35,452)
Less: Deferred financing costs	(438)	(565)
	249,394	250,983

Credit Facilities

The Company has a combined total borrowing capacity of \$228,500 pursuant to its credit facilities and, as at March 31, 2020, has drawn \$67,112 from the facilities.

On March 19, 2020, the Company entered into a credit agreement for a \$200 million senior unsecured revolving credit facility (the “**Unsecured Revolving Credit Facility**”). The Unsecured Revolving Credit Facility matures on March 19, 2025 and may be extended for additional one-year terms, subject to certain conditions. The capacity of the Unsecured Revolving Credit Facility may be increased by up to \$50 million during the term of the facility, subject to certain conditions. Borrowings under the Unsecured Revolving Credit Facility can take place by way of banker’s acceptances (“**BA**s”) at 145 basis points (“**bps**”) per annum over the floating BA rate, or at the Canadian prime rate plus 45 bps per annum. The Unsecured Revolving Credit Facility is subject to certain customary financial and non-financial covenants. As at March 31, 2020, the Company had drawn \$67,112 under the Unsecured Revolving Credit Facility (2019 - \$nil).

The balances related to the Company's credit facilities are as follows:

Thousands of Canadian dollars	March 31, 2020	December 31, 2019
Credit facilities drawn	67,112	—
Less: Deferred financing costs	(739)	(20)
	66,373	(20)

Mortgages

The Company has both fixed and variable rate mortgages with various financial institutions. The Company is subject to interest rate risk on mortgages at variable rates associated with certain residences, which is partially offset by interest rate swap contracts. Property-level mortgages are secured by each of the underlying properties' assets, guaranteed by the Company and subject to certain customary financial and non-financial covenants.

The Company has low-cost mortgage financing with Canada Mortgage and Housing Corporation ("CMHC"). As at March 31, 2020, 26.4% of the Company's total property-level mortgages were insured by CMHC, which is a year-over-year increase of 3.4%.

The balances related to property-level mortgages are as follows:

Thousands of Canadian dollars	March 31, 2020	December 31, 2019
Mortgages at fixed rates	377,419	401,185
Mortgages at variable rates	159,370	160,753
Fair value adjustments on acquired debt	3,560	3,689
Less: Deferred financing costs	(11,012)	(11,392)
	529,337	554,235

The following table summarizes some metrics on the Company's property-level mortgages:

	March 31, 2020			December 31, 2019
	Fixed Rate ⁽¹⁾	Variable Rate	Total	Total
Weighted average interest rate	3.88%	2.52%	3.87%	3.86%
Weighted average term to maturity (years)	6.2	0.2	6.1	6.1

Note:

1. Includes floating rate mortgages that have been fixed through interest rate swaps.

Lease Liability

The lease liability as at March 31, 2020 of \$2,294 represents the Company's lease on its office equipment and Markham corporate office space.

Credit Ratings

The Company's credit ratings for its debentures are summarized below:

Debt	Rating Agency	Credit Rating	Outlook
Series A Unsecured Debentures	DBRS	BBB	Stable
Series B Secured Debentures	DBRS	A (low)	Stable

Financial Covenants

The Company is in compliance with all financial covenants on its borrowings as at March 31, 2020. However, there can be no assurance that covenant requirements will be met at all times. If the Company does not remain in compliance, its ability to amend the covenants or refinance its debt could be adversely affected.

The Company has adopted interest coverage guidelines which are consistent with the coverage covenants contained in its bank credit facility agreements. Interest coverage ratios are used to assess the Company's ability to service its debt obligations. The interest coverage ratio calculations may differ depending on the lender.

Interest Coverage Ratio

The Interest Coverage Ratio is a common measure used to assess an entity's ability to service its debt obligations. In general, higher ratios indicate a lower risk of default. The interest coverage ratio is calculated as follows for the periods ended March 31:

Thousands of Canadian dollars, except ratio	Three Months Ended	
	2020	2019
Net finance charges	16,781	11,356
Add (deduct):		
Amortization of financing charges and fair value adjustments on acquired debt	(524)	(448)
Amortization of loss on bond forward contract	(217)	(232)
Interest income on construction funding receivable	468	570
Other interest income	502	1,473
Loss on interest rate swap contracts	(8,317)	(3,334)
Net finance charges, adjusted	8,693	9,385
Adjusted EBITDA	36,895	35,321
Interest coverage ratio	4.2	3.8

The following table represents the reconciliation of net income to Adjusted EBITDA for the periods ended March 31:

Thousands of Canadian dollars	Three Months Ended	
	2020	2019
Net (loss) income	(2,496)	442
Net finance charges	16,781	11,356
Recovery for income taxes	(893)	(153)
Depreciation and amortization	19,332	19,375
Transaction costs	1,013	979
Proceeds from construction funding	3,158	3,322
Adjusted EBITDA	36,895	35,321

Debt Service Coverage Ratio

The Debt Service Coverage Ratio is a common measure used to assess an entity's ability to service its debt obligations. Maintaining the debt service coverage ratio forms part of the Company's debt covenant requirements. In general, higher ratios indicate a lower risk of default. The following calculation includes the payments to the Series B Secured Debentures' principal reserve fund as part of the debt service costs. Adjusted EBITDA as referenced below, is presented in accordance with defined terms in certain covenant calculations. The following is the calculation for the periods ended March 31:

Thousands of Canadian dollars, except ratio	Three Months Ended	
	2020	2019
Net finance charges, adjusted	8,693	9,385
Principal repayments ⁽¹⁾	5,476	6,025
Principal reserve fund	1,716	1,782
Total debt service	15,885	17,192
 Adjusted EBITDA	 36,895	 35,321
Deduct:		
Maintenance capital expenditures	(1,524)	(691)
Cash income taxes	(1,800)	(1,800)
Adjusted EBITDA (for covenant calculations)	33,571	32,830
Debt service coverage ratio	2.1	1.9

Note:

1. During the three months ended March 31, 2020, the Company made voluntary payments of \$37,000 (2019 - \$15,000) towards its credit facilities, which have been excluded from the debt service coverage ratio calculation. Debt repayments on maturity have also been excluded from the debt service coverage ratio calculation.

Debt to Adjusted EBITDA Ratio

The Debt to Adjusted EBITDA ratio is an indicator of the approximate number of years required for current cash flows to repay all indebtedness. The Adjusted EBITDA below is annualized using the Adjusted EBITDA for the three months ended March 31, 2020.

Thousands of Canadian dollars, except ratio	March 31	
	2020	2019
Total indebtedness		
Series A Unsecured Debentures	150,000	—
Series B Secured Debentures	287,000	322,000
Series B Secured Debentures - Principal reserve fund	(37,168)	(32,991)
Credit facilities	67,112	61,500
Mortgages	536,789	644,123
Lease liability	2,294	2,900
	1,006,027	997,532
Adjusted EBITDA	147,580	141,284
Debt to Adjusted EBITDA	6.8	7.1

Debt to Gross Book Value

Debt to gross book value indicates the leverage applied against the total gross book value (original costs) of the entity.

Thousands of Canadian dollars, except ratio	March 31	
	2020	2019
Total indebtedness	1,006,027	997,532
Total assets	1,718,716	1,738,577
Accumulated depreciation on property and equipment	269,764	226,570
Accumulated amortization on intangible assets	157,609	123,428
Gross book value	2,146,089	2,088,575
Debt to gross book value	46.9%	47.8%

Equity

Share Capital

The Company is authorized to issue an unlimited number of common shares or preferred shares, without nominal or par value. The following table summarizes the common shares issued and outstanding:

	Common shares	Amount
Balance, January 1, 2019	66,058,149	859,005
Dividend reinvestment plan	757,284	13,674
Issued common shares, net of issuance costs	23,580	2,302
Long-term incentive plan, net of loans receivable	—	45
Share-based compensation	—	25
Balance, December 31, 2019	66,839,013	875,051
Dividend reinvestment plan	200,110	3,393
Long-term incentive plan, net of loans receivable	—	12
Share-based compensation	—	7
Balance, March 31, 2020	67,039,123	878,463

Dividends

The Board of Directors of the Company determines the appropriate dividend levels based on its assessment of cash provided by operations normalized for unusual items, expected working capital requirements and actual and projected capital expenditures.

The following table summarizes the dividends declared in relation to cash flows from operating activities and AFFO for the periods ended March 31:

Thousands of Canadian dollars	Three Months Ended		
	2020	2019	Change
Cash flows from operating activities	13,818	9,840	3,978
AFFO	25,584	23,383	2,201
Dividends declared	(15,671)	(15,196)	(475)
Deficit of cash flows from operating activities over dividends declared	(1,853)	(5,356)	3,503
AFFO over dividends declared	9,913	8,187	1,726

The excess of dividends declared over cash flows from operating activities in Q1 2020 and Q1 2019 is primarily attributable to seasonality in the Company's operating results and changes in working capital balances, which are expected to normalize during the course of the year. This excess was financed utilizing the Company's available cash on hand. The Company believes that its current dividend level is sustainable.

Capital Disclosure

The Company defines its capital as the total of its long-term debt and shareholders' equity less cash and cash equivalents.

The Company's objectives when managing capital are to:

- (i) maintain a capital structure that provides options to the Company for accessing capital on commercially reasonable terms, without exceeding its debt capacity, or the limitations in its credit facilities, or taking on undue risks;
- (ii) maintain financial flexibility in order to meet financial obligations, including debt service payments and regular dividend payments; and
- (iii) deploy capital to provide an appropriate investment return to its shareholders.

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue additional shares, additional long-term debt, or long-term debt to replace existing long-term debt with similar or different characteristics, or adjust the amount of dividends paid to the Company's shareholders. The Company's financing and refinancing decisions are made on a specific transaction basis and depend on factors such as the Company's financial needs and the market and economic conditions at the time of the transaction.

The Board of Directors of the Company determines and approves monthly dividends in advance on a quarterly basis.

There were no changes in the Company's approach to capital management during the period.

Contractual Obligations and Other Commitments

Leases

The Company has a 10-year lease with respect to its Markham corporate office, which expires on October 31, 2024. As well, the Company has various leases for office and other equipment that expire over the next four years.

Critical Accounting Estimates and Accounting Policies

The accounting policies and estimates that are critical to the understanding of the Company's business operations and results of operations are identified in Note 3 of the Company's annual audited consolidated financial statements for the year ended December 31, 2019. New or changes in accounting policies are identified in Note 3 of the Company's interim consolidated financial statements for the three months ended March 31, 2020. Please refer to those interim consolidated financial statements for further details.

Significant Judgments and Estimates

The critical accounting estimates used by management in applying the Company's accounting policies and the key sources of estimation uncertainty are identified in Note 3 of the Company's annual audited consolidated financial statements for the year ended December 31, 2019. Changes in significant judgments and estimates are identified in Note 4 of the Company's interim consolidated financial statements for the three months ended March 31, 2020. Please refer to those interim consolidated financial statements for further details.

Risk Factors

Please refer to the AIF for a discussion of the Company's risk factors.

Sienna and its consolidated subsidiaries are defendants in various actions and proceedings that are brought from time to time in connection with their operations. On May 13, 2020, the Company was served with a statement of claim in respect of a proposed class action alleging negligence (for breach of duty of care and breach of fiduciary duties) and breach of contract in respect of all residents at Sienna residences who have been or could have been exposed to the COVID-19 virus, as well as the families of those individuals. The claim against the Company (and against another large senior living operator) seeks damages in the aggregate amount of \$120 million. The claim has not been certified as a class action. The Company is currently reviewing the proposed class action and will respond in due course through the appropriate court process.

In addition, the Company has summarized risk factors related to COVID-19, which are further discussed below.

General Business Risks

The Company is subject to general business risks, including those inherent in the seniors' living sector. These risks include changes in government regulation and oversight, changes in consumer preferences, fluctuations in occupancy levels and business volumes, changes in government funding and reimbursement programs, competition from other seniors care providers, changes in neighbourhood or location conditions and general

economic conditions, natural disasters, health related risks (including disease outbreaks such as COVID-19 and influenza) and control risks, negative media reports or publicity, critical third party supply failures, imposition of new or increased taxes, capital expenditure requirements, and increased operating costs. Additional risks include possible future changes in labour relations, reduction of personnel below acceptable levels (including due to events such as pandemic illness or quarantine), increases in labour and other personnel costs. Any one or a combination of these factors may adversely affect the business, operating results or financial condition of the Company.

While the Company has traditionally maintained positive labour relations, there can be no assurance the Company will not at any time, whether in connection with a renegotiation process or otherwise, experience strikes, labour stoppages or any other type of conflict with unions or employees, which may have a material adverse impact on the business, operating results and financial condition of the Company.

The business of the Company is labour intensive, with labour-related costs comprising a substantial portion of the Company's direct operating expenses. The Company's businesses compete with other providers with respect to attracting and retaining qualified personnel. Any shortage of qualified personnel and general inflationary pressures may require the Company to enhance its pay and benefits package to compete effectively for such personnel. An increase in labour-related costs or a failure to attract, train and retain qualified and skilled personnel may have a material adverse impact on the business, operating results and financial condition of the Company.

COVID-19 and Other Outbreaks

The occurrence of a pandemic, epidemic, or other outbreak of an infectious illness or other public health crisis in areas in which we operate could have a material adverse effect on the business, operating results and financial condition of the Company. Federal, provincial or local regulatory authorities may, or we may choose to, ban, limit or suspend admissions to our LTC and Retirement Residences as a precautionary measure in a crisis to avoid the spread of a contagious illness or other public health crisis, resulting in reduced occupancy and service volumes. Even in the absence of any such ban, limit or suspension, our residents may postpone or refuse services or prospective residents may delay residency in an attempt to avoid possible exposure. Also, enhanced procedures, protocols and care put in place to assist in reducing the likelihood of exposure or address actual illness in our LTC and Retirement Residences (for example, testing of residents and team members, enhanced screening and use of PPE) would result in increased costs. In addition, a pandemic, epidemic or other outbreak might adversely impact our operations by causing staffing and supply shortages. Resident satisfaction and team member engagement may also be adversely impacted during this period.

Although continued or enhanced government funding or assistance may mitigate some of these impacts, there is no certainty of the extent to which that will be the case. In addition, outbreaks, such as COVID-19, cause our residences and our management to spend considerable time planning for and addressing such events, which diverts their attention from other business concerns.

The spread of COVID-19 has caused an economic slowdown and increased volatility in financial markets, which could have a material adverse effect on our business, results of operations and financial condition with the potential to impact, among others: (i) the valuation of our properties and assets; (ii) the availability or the terms of financing that we have or may anticipate utilizing; (iii) our ability to make principal and interest payments on, or refinance, any outstanding debt when due; (iv) the occupancy rates in our properties; (v) the ability of

our residents to satisfy their payment obligations to us, including the payment of rent; and (vi) the market price for the equity securities of the Company. Further, as we continue to operate in the face of the COVID-19 pandemic, we may be exposed to claims related to COVID-19, including class actions and other lawsuits, labour proceedings, union complaints, inquiries, investigations and otherwise.

The impact of COVID-19 on the overall economy may adversely affect credit markets, which may make it more difficult for the Company to access credit or, if able to do so, it may be at a higher cost or on less favourable terms, potentially impacting, among other things, re-financings and our development plans and timelines. Governments and central banks have attempted to stabilize economic conditions through monetary and fiscal interventions, but it is not currently known how these interventions will impact the financial markets, interest rate volatility or the economy in general.

To the extent that interest rates increase as a result of the Bank of Canada's actions or otherwise, the availability of refinancing alternatives for credit facilities and other loans may be reduced.

We are continuing to evaluate and consider the potential impact of the COVID-19 outbreak, which could result in some or all of these negative outcomes and adversely impact our business, operating results and financial condition. There can be no assurances that a pandemic, epidemic or outbreak of a contagious illness, such as COVID-19, would not have a material adverse effect on the business, operating results and financial condition of the Company.

Controls and Procedures

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company, inclusive of its subsidiaries, is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is necessarily required to use judgment in evaluating controls and procedures.

There were no material changes in the Company's disclosure controls and procedures and internal controls over financial reporting since year-end that have a material effect, or are reasonably likely to have a material effect, on the Company's control environment.

Forward-Looking Statements

This MD&A, and the documents incorporated by reference herein, contain forward-looking information that reflects management's current expectations, estimates and projections about the future results, performance, achievements, prospects or opportunities for the Company, the seniors' living sector and government funding as of the date of this MD&A. Forward-looking statements are based upon a number of assumptions and involve significant known and unknown risks and uncertainties, many of which are beyond our control, including the effect of the COVID-19 pandemic on Sienna's financial condition, the seniors' living sector, and society as a whole, that could cause actual results to differ from those that are disclosed in or implied by such forward-looking statements. The words "plans", "expects", "scheduled", "estimates", "intends", "budgets", "anticipates", "projects", "forecasts", "believes", "continues", or variations of such words and phrases or statements to the effect that certain actions, events or results "may", "will", "could", "should", "would", "might" occur and other similar expressions, identify forward-looking statements. While we anticipate that subsequent events and developments may cause our views to change, we do not intend to update this forward-looking information, except as required by applicable securities laws. This forward-looking information represents our views as of the date of this MD&A and such information should not be relied upon as representing our views as of any date subsequent to the date of this document. We have based the forward-looking statements in this MD&A on information currently available to us and that we currently believe are based on reasonable assumptions. However, there may be factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. There can be no assurance that forward-looking information will prove to be accurate. Accordingly, readers should not place undue reliance on forward-looking information. These factors are not intended to represent a complete list of the factors that could affect the Company. See risk factors highlighted in materials filed with the securities regulators in Canada from time to time, including the Company's current AIF.