# Skyline Announces Record Results for the Year 2018

**Toronto, Ontario – April 1, 2019. Skyline Investments** ("Skyline" or the "Company") (TASE: SKLN), is pleased to announce its financial results for the twelve month period ended December 31, 2018 and accordingly that it has filed the financial statements and related Management Discussion and Analysis ("MD&A") for these periods. The financial statements and the MD&A or the Board of Directors Report, as applicable, can be found under the corporate profile on www.magna.isa.gov.il and www.sedar.com. Skyline is a Canadian company that specializes in hospitality real estate investments in the United States and Canada.

## ***Highlights for Full Year 2018:***

- **Total Revenue increased by 52.3% to CAD $232.3M**
- **Net operating income ("NOI") from income-producing assets was CAD $41.6M, an increase of 89.1% and the highest amount ever achieved by the Company in its 20 year history.**
- **NOI margin ("NOI Margin") expanded by 440 basis points to 22.4%**
- **Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") increased by 83.0% to CAD $37M**
- **Funds from operations ("FFO") increased by 57.7% to CAD $23.9M**
- **Development profit was $4.2M**
- **In August, Midroog (Israeli subsidiary of Moody's) approved Skyline's Baa1.il bond rating and changed the rating outlook from Stable to Positive. Due to a dispute by the Company's shareholders, this rating was put on Credit Watch.**
- **In March 2019, the Company closed the sale of its Blue Mountain retail asset for CAD $31.7M, and will receive approx. $6M in net cash before taxes.**

*"In 2018 Skyline presented a record year with over $232M in revenue and nearly doubled its NOI. The increase in revenue from income producing assets was due to acquisition of 13* ***Courtyard by Marriott*** *hotels at the end of 2017, and positive revenue growth in all of our assets besides the Renaissance Cleveland that was under major renovation over the year.*

*Skyline's ongoing strategy to diversify its asset base has allowed the Company to decrease the reliance on weather conditions and on certain large assets. Today, none of our income producing assets represents more than 20% of the total EBITDA. Furthermore, we continue to upgrade our assets including completing significant HVAC replacement in the guest rooms at the Renaissance and renovations of the Fort Myers Courtyard, which are expected to improve the performance of these assets in the coming years. This is indicated by the Hyatt Arcade in*

*Cleveland which realized a $953K improvement in NOI after the completion of room renovation in the previous year.*

*2018 was also a successful year for Skyline's development segment with an increase in revenue of over 50% compared to last year. According to our strategy, we are working on the plans for the next selective development projects to continue to decrease our land bank, realize cash-flows and add new rooms to our rental programs at the Canadian resorts.*

*Lastly, the Company continues to sell its lands assets and assets that are close to their potential realization. During 2018, we sold the last 88 lots outside of Blue Mountain for CAD $20M (close to their book value) (Skyline's share is 60%)and in the beginning of 2019 Skyline closed the sale of the Blue Mountain retail for CAD $31.7M (Skyline's share is 60%), approx. CAD $700K above the book value and significantly above the original purchase price.*

*In reference to a disagreement between major shareholders of the Parent company, I want to reaffirm that Skyline continues to work as usual, following its investment strategy and showing record results to match. Our Adjusted EBITDA in 2018 is three times what it was in 2016"*

*-Blake Lyon, Skyline CEO.*

| **In CAD 000's** | **2018** | **2017** | **2016** |
|---|---|---|---|
| **NOI** | **41,620** | **22,006** | **20,821** |
| NOI Margin | 22.4% | 18.1% | 17% |
| Same Property NOI* | 23,751 | 21,593 | |
| Same Property NOI Margin | 19.8% | 18.6% | |
| **Adjusted EBITDA*** | **36,983** | **20,207** | **12,184** |
| Adjusted EBITDA Margin* | 15.9% | 13.2% | 8.2% |
| **FFO*** | **23,918** | **15,167** | **6,277** |

***Adjusted EBITDA was restated as a result of a change in definition by the Company. The new definition reconciles to the financial statements and reflects the operations of the Company. FFO was restated as a result of a change in definition to coincide with REAPAC's definition for Canadian real estate companies. Same property NOI was restated as a result of an error at the time of publishing.**

**Full Year 2018**

- **Total revenue for 2018** was CAD $232.3M, an increase of 52.2% compared to the corresponding period's CAD $152.6M. This increase can be mainly attributed to the integration of 13 Courtyard by Marriott hotels acquired at the end of 2017 which contributed CAD $65.8M in revenue, and positive revenue growth in all of our assets besides the Renaissance Cleveland which is undergoing major renovation. Hyatt

Cleveland achieved the highest revenue improvement of CAD $2.6M following last year's room renovations at the Hyatt property, and the Canadian resorts showed an aggregate improvement of CAD $2.4M. This improvement was offset by the strengthening of the CAD/USD exchange rate which negatively affected revenue by CAD $790K and a decrease in the number of events mainly due to renovation at the Renaissance Hotel impacted its revenue by CAD $2.3M. Revenue from the sale of residential real estate was CAD $46.7M compared to CAD $30.7M last year, an increase of 52%. During 2018, we provided occupancy to 96 units at Lakeside and Slopeside Lodges and recognized revenue of $21M and $15M respectively.

- **NOI from income-producing assets in 2018** amounted to CAD $41.6M, an increase of 89.1% compared to CAD $22M in the same period last year. This improvement is mainly due to the integration of the 13 Courtyard by Marriott hotels and improvements at the Hyatt and Deerhurst Resort. At the same time, the increase in NOI was offset by major renovations at the Renaissance, inclement weather at Bear Valley in the first quarter of 2018, and the strengthening of the USD/CAD exchange rate. Moreover, the Company improved its NOI margin to 22.4% as compared to 18.1% last year.
- **Same property income-producing assets NOI in 2018** amounted to CAD $23.8M compared to CAD $21.6M in the corresponding period last year. Hyatt Arcade and Deerhurst presented the largest NOI improvements. External events such as changes in the USD/CAD exchange rate and an increase in minimum wage in Ontario offset the improvement in same property NOI.*
- **Adjusted EBITDA in 2018** increased by 83% to CAD $37.0M compared to CAD $20.2M in the same period last year. Most of this increase can be attributed to the acquisition of the 13 Courtyard by Marriott hotels at the end of last year, improvement at the Hyatt Arcade following room and meeting space renovations and another record year at the Deerhurst Resort (Deerhurst serves as the first security for the Series A bonds).
- **Financing expense in 2018** totaled CAD $19.7M compared to CAD $11.1M in the corresponding period last year. The increase in financial expense is mainly due to the issuance of Bonds (series B) as well as a mortgage of $89,505 USD backed by the 13 Marriott Courtyard Hotels and an increase in variable interest rates.
- **Net loss for 2018** amounted to CAD $7.7M compared with net profit of CAD $8.6M in the same period last year due mainly to non-cash items**.** The Company recorded a revaluation loss on Blue Mountain lands of $4.8M. Furthermore, the Company had higher depreciation expense, as a result of the purchase of 13 Courtyard by Marriot hotels, contributing to lower net profit. The depreciation was reversed by fair value adjustments in the Comprehensive Income.

## Real Estate Development

- **Blue Mountain:** Skyline is pleased to announce that in Q4 it signed an agreement to sell 88 lots next to the Blue Mountain Village for total proceeds of $20M. The closing is anticipated to take place in Q2-2019 and, following this sale, Skyline's remaining assets at Blue Mountain will be Boathouse 3, the land for Boathouse 4 as well as 4 large parcels of land for future development. Furthermore, At the Second Nature phase 1 development, several homes have been built and turned over to the home owner and the VTB has been repaid on these lots.
- **Horseshoe Resort:** Last year Skyline sold half of one of the Horseshoe golf courses for $6.3M and provided to the buyer a VTB in the amount of $3.3M, to be paid in 2019. During November 2018, the buyer paid off the $3.3M VTB balance in full plus accrued interest, earlier than previously anticipated.
- **Slopeside Lodge:** Skyline sold 40 of 44 units and delivered 40 of them. The condominium registration process is underway. This is expected to take place in Q2 2019 and will allow the company to receive the balance of the cash from the purchasers, eliminating the construction debt.
- **Lakeside Lodge:** The Lakeside Lodge at Deerhurst Resort is nearing completion. Skyline has sold 137 units out of 150 and has delivered 56 in Q4 2018. This project, along with the sale and delivery of Slopeside Lodge, is expected to add a significant inventory of higher quality rooms that will upgrade our resorts.
- **Port McNicoll**: Skyline continues to receive regular monthly payments from a vendor take-back mortgage as a result of the sale of Port McNicoll in 2017.

## Balance Sheet

- **Total assets as of December 31, 2018** increased to CAD $784M from CAD $714M at the end of 2017.
- **The Company's shareholders' equity at the end of December 31, 2018** was CAD $300.8M (approx. $260.7M attributable to the shareholders) representing 38.4% of total assets. At December 31, 2018 the equity per share attributed to shareholders was NIS $42.9 (CAD $15.6) and the closing price on December 31, 2018 was NIS $26.7 (CAD $9.7).
- **Cash and cash equivalents as of December 31, 2018** amounted to CAD $28.0M compared with CAD $25.9M at the end of last year. In addition, Skyline has an undrawn credit facility of CAD $12.7M and unencumbered assets of approximately CAD $95.2M.
- **Net debt as of December 31, 2018** totaled CAD $339.3M, representing 44.9% of total net assets.
- **The Company recorded a net change in fair value** of its various assets of $3M during 2018 as follows:

| Asset Classification | Change in CAD Millions | Included in Statement of Income | Included in Other Comprehensive Income |
|---|---|---|---|
| **Fair Value Changes of Hotels and Resorts:** | | | |
| Courtyard 13 Marriott | 25.6 | | |
| Horseshoe Valley | (10.5) | | |
| Hyatt Arcade | (4.9) | | |
| Renaissance | (4.2) | | |
| Deerhurst | 2.9 | | |
| Bear Valley | (2.7) | | |
| **Subtotal** | **6.2** | | **6.2** |
| | | | |
| **Fair Value Changes to Investment Properties:** | | | |
| Blue Mountain Village Lands | (4.8) | | |
| Horseshoe Lands | 0.8 | | |
| Blue Mountain Retail | 0.7 | | |
| Other | 0.1 | | |
| **Subtotal** | **(3.2)** | **(3.2)** | |
| | | | |
| **Net Change** | **3.0** | **(3.2)** | **6.2** |

- The 13 Courtyard hotels value increase reflects improved relative market conditions and the recent renovation of Courtyard Fort Myers.
- The Horseshoe Valley decrease reflects the impact of labor rates, managerial operating decisions, and more conservative forecast assumptions by the independent appraisers.
- The Renaissance, and Hyatt decrease also reflect more conservative forecasting and future capital renovation assumptions by the Company's management and independent appraisers.
- The Blue Mountain Village Lands reduction reflects change in the valuation method from an income approach to a sales comparison approach.

**About Skyline**

Skyline Investments is a Canadian company that specializes in hospitality real estate investments in Canada and the US. The Company owns 19 assets in Canada and the US with 3,219 hotel rooms under management spread over 18 cities, and development rights for almost 2,315 residential units in three main areas north of Toronto, Canada.

The company is traded on the Tel Aviv Stock Exchange (ticker: SKLN) under the SME60 index.

**For more information:**

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*Non-IFRS Measures*

*The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). However, the following measures: NOI, NOI Margin, FFO, FFO per share, Adjusted EBITDA and Adjusted EBITDA Margin are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS, and should not be compared to or construed as alternatives to profit/loss, cash flow from operating activities or other measures of financial performance determined in accordance with IFRS. NOI, NOI Margin, FFO, FFO per share, Adjusted EBITDA and Adjusted EBITDA Margin as computed by the Company, may differ from similar measures as reported by other companies in similar or different industries. However, these non-IFRS measures are recognized supplemental measures of performance for real estate issuers widely used by the real estate industry, particularly by those publicly traded entities that own and operate income-producing properties, and the Company believes they provide useful supplemental information to both management and readers in measuring the financial performance of the Company. Further details on non-IFRS measures are set out in the Company's Management's Discussion and Analysis for the period ended September 30, 2018 and available on the Company's profile on SEDAR at www.sedar.com or MAGNA at www.magna.isa.gov.il*

*Forward Looking Statements*

*This release may contain forward-looking statements (within the meaning of applicable securities laws) relating to the business of the Company. In some cases, forward-looking statements can be identified by terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or other similar expressions concerning matters that are not historical facts. Such statements involve a number of known and unknown risks and uncertainties, many of which are outside our control that could cause our future results, performance or achievements to differ significantly from the results, performance or achievements expressed or implied by such forward-looking statements. Important factors that could cause or contribute to such differences include risks detailed in our public filings with the Canadian Securities Administrators. There can be no assurance that forward-looking statements will prove to be accurate as actual outcomes and results may differ materially from those expressed in these forward-looking statements. Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, these forward-looking statements are made as of the date of this news release and, except as expressly required by applicable law, we undertake no obligation to update any forward-looking or other statements herein whether as a result of new information, future events or otherwise.*