

Skyline Announces Record Results for the Third Quarter and First Nine Months of 2018

Toronto, Ontario – November 14, 2018. Skyline Investments (“Skyline” or the “Company”) (TASE: SKLN), is pleased to announce its financial results for its third quarter period ended September 30, 2018 (“3rd Quarter”) and the first nine month period of 2018 from January 1, 2018 to September 30, 2018 (“YTD 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 YTD 2018:

- Total Revenue increased by 40.6% to CAD \$162.8M
- Net operating income (“NOI”) from income-producing assets was CAD \$34.4M, an increase of 96.7%
- NOI margin (“NOI Margin”) expanded by 480 bps
- Adjusted earnings before interest, taxes, depreciation and amortization (“Adjusted EBITDA”) increased by 112% to CAD \$33.2M
- Funds from operations (“FFO”) increased by 116% to \$19M
- In August 2018, Midroog confirmed the current Baa1.il rating and raised the rating outlook from stable to positive, emphasizing that the leverage levels, scope and results of operations, accounting ratios and financial flexibility of the Company are appropriate to a higher rating level.

Highlights for the 3rd Quarter of 2018:

- Same Property NOI increased by 17.6% to CAD \$8.3M
- NOI from income-producing assets increased by 78.3% to CAD \$12.6M
- We sold 40 out of 44 condos at Slopeside Lodge in Horseshoe Valley Resort and provided occupancy to the first group of owners

“Skyline is continuing to present strong growth by nearly doubling NOI from income-producing assets in the first nine months of 2018. This is mostly attributable to the acquisition of 13 Courtyard by Marriott hotels at the end of last year as well as positive growth in Same Property NOI. Deerhurst Resort is on track to present its best year with a \$814K increase in NOI during the first nine months of 2018. In addition, the Hyatt Arcade in Cleveland is realizing increased results after last year’s room renovation. We continue to implement the strategy of reducing our

land bank to less than 10% of the company's total assets. Today, Skyline signed an agreement to sell the last 88 lots the Company owns outside of the Blue Mountain Village for total proceeds of \$20M. In addition, we sold the majority of units at Slopeside Lodge at Horseshoe and have started delivering condos to the buyers, and, with the construction of Lakeside Lodge at Deerhurst nearing final stages, we'll start delivering Lakeside Lodge units over the fourth quarter of 2018. Skyline is expected to realize significant profits and cash flows from these two development projects and, furthermore, will add a significant number of upscale condo units to our rental program. This is expected to enhance the performance of our resorts in Canada." Commented Blake Lyon, Skyline CEO.

In CAD 000's	9M/2018	9M/2017	Q3/2018	Q3/2017	2017
NOI	34,443	17,506	12,636	7,088	22,006
NOI Margin	24%	19.2%	25%	22.2%	18.1%
Same Property NOI	18,861	17,506	8,332	7,088	
Same Property NOI Margin	20.4%	19.2%	24.6%	22.2%	
Adjusted EBITDA	33,247	15,689	10,028	7,838	22,968
Adjusted EBITDA Margin	20.4%	13.5%	18.9%	14.2%	
FFO	19,051	8,830	5,211	5,102	14,237

YTD 2018

- **Total revenue for 9M 2018** was CAD \$162.8M, an increase of 40.6% compared to the corresponding period's CAD \$115.8M. This increase can be mainly attributed to the integration of 13 Courtyard by Marriott hotels acquired at the end of last year which contributed CAD \$51M in revenue, and an improvement in Same Property NOI. Hyatt Cleveland revenue increased by \$2.1M following last year's room renovation, and the Canadian resorts showed an aggregate improvement of \$2.1M. This improvement was offset by the strengthening of the CAD/USD exchange rate which negatively affected revenue by CAD \$1M. The impact of poor weather conditions at the Bear Valley Ski Resort in the first quarter, and a decrease in the number of events at the Renaissance Hotel compared to the same period last year which, combined, impacted revenue by \$3.8M. Revenue from the sale of residential real estate was CAD \$19.4M compared to CAD \$24.4M during the corresponding period last year. Last year's revenue from the sale of residential real estate was positively affected by \$23M from the sale of the Port McNicoll project.
- **NOI from income-producing assets in 9M 2018** amounted to CAD \$34.4M, an increase of 96.7% compared to CAD \$17.5M in the same period last year. This improvement is mainly due to the addition of 13 Courtyard by Marriott hotels and improvement in Same

Property results. Moreover, the Company improved its profitability margin to 20.4% as compared to 19.2% in the corresponding period last year.

- **Same property income-producing assets NOI in 9M 2018** amounted to CAD \$18.9M compared to CAD \$17.5M in the corresponding period last year. Cleveland hotels showed an aggregated improvement in NOI of CAD \$1.75M following the completion of room renovations at the Hyatt Arcade and improved cost controls at the Renaissance Cleveland. The Canadian resorts presented an aggregated improvement of CAD \$0.7M. External events such as changes in the USD/CAD exchange rate, increase in minimum wage in Ontario and lower than average snowfall at the Bear Valley ski resort offset the improvement in same property NOI.
- **Adjusted EBITDA in 9M 2018** increased by 112% to CAD \$33.2M compared to \$15.7M CAD 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 renovation and another record year at the Deerhurst Resort (which serves as the first security for the Series A bonds).
- **Financing expense in 9M 2018** totaled CAD \$15.4M compared to CAD \$6.7M in the corresponding period last year. Most of this increase is derived from the expenses associated with the 13 Courtyard by Marriott hotels mortgage, the Series B bonds issued in the third quarter of 2017, and the expansion of Series A bonds.
- **Net loss for 9M 2018** amounted to CAD \$1.7M compared with net profit of CAD \$3.9M in the same period last year due mainly to non-cash items. In the 2018 YTD period, the Company recorded a non-cash loss upon revaluation of the Blue Mountain lands totaling CAD \$4.8M as a result of a change in the valuation method from an income approach to a sales comparison approach. In the same period last year, the Company recorded a revaluation gain on Blue Mountain lands of \$4.9M. Furthermore, a higher depreciation expense, as a result of the Marriott 13 hotel purchase, contributed to lower net profit.

3rd Quarter Results

- **Total revenue for Q3 2018** was CAD \$53M, compared to CAD \$55M in Q3 2017. The revenue from income producing assets increased by 58.3%, primarily due to the addition of 13 Courtyard by Marriott hotels acquired at the end of last year and a \$1.8M increase in revenue from the Deerhurst and Horseshoe resorts. During the Q3 2018 Skyline recognized only \$2.4M from the sale of a land parcel at Deerhurst and the delivery of 5 condo units at the Slopeside project at Horseshoe, while during Q3 2017 the company recorded revenue of \$23M from the sale of the Port McNicoll project.
- **NOI from income-producing assets in Q3 2018** amounted to CAD \$12.6M, an increase of 78.3% compared to CAD \$7.1M in the same period last year, primarily due to the addition of the Courtyard Hotels and improvement in Same Property NOI.
- **Same property income-producing asset NOI in Q3 2018** amounted to CAD \$8.3M compared to CAD \$7.1M in the corresponding period last year, an increase of 17.6%.

This is mainly attributed to an aggregated improvement of \$0.7M in the performance of the Canadian resorts, and an improvement at the Hyatt Arcade and Bear Valley. This increase was offset by a decline in the performance of the Renaissance Cleveland due to room displacement during renovation.

- **Adjusted EBITDA in Q3 2018** increased by 28% to CAD \$10M compared to CAD \$7.8M in the same period last year.

Real Estate Development

- **Blue Mountain:** Skyline is pleased to announce that yesterday 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 will retain only the commercial space and three land parcels within the Blue Mountain Village.
- **Horseshoe Resort:** Last year Skyline sold half of the Horseshoe golf course 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 out of 44 units at the Slopeside Lodge at Horseshoe Resort, delivering 23 residential units and is expected to deliver the balance of the 44 units over the 4th Quarter of 2018.
- **Lakeside Lodge:** The Lakeside Lodge at Deerhurst Resort is nearing completion. Skyline has sold 137 units out of 150 and will begin delivering units to buyers over the fourth quarter of this year and into the first quarter of 2019. 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 the resort.
- **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 September 30, 2018** increased to CAD \$749M from CAD \$714M at the end of 2017.
- **The Company's shareholders' equity at the end of September 30, 2018** was CAD \$297M (approx. \$257M attributable to the shareholders) representing 39.7% of the total assets. At September 30, 2018 the equity per share attributed to shareholders was NIS \$42.8 (CAD \$15.35) and the closing price on September 30, 2018 was NIS \$31.27 (CAD \$11.22).
- **Cash and cash equivalents as of September 30, 2018** amounted to CAD \$25.6M compared with CAD \$25.9M at the end of last year. In addition, Skyline has an undrawn credit facility of CAD \$17.5M and unencumbered assets of approximately CAD \$91M.
- **Net debt as of September 30, 2018** totaled CAD \$319M, representing 44.1% of total net assets.

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 3,196 hotel rooms under management spread over 18 cities, and development rights for almost 3,000 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.

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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.