Skyline Publishes Results for the Second Quarter and First Half of 2019

First Half 2019 Revenue increased by 19% to CAD $130.6M compared to the same period last year.

First Half 2019 Adjusted EBITDA increased by 13.1% to CAD $23.7M compared to the same period last year.

First Half 2019 Same Property income-producing asset NOI was CAD $21.5M, an increase of 3.2% over last year.

First half FFO increased by 4.8% over the last year to CAD 13M.

Skyline's share of an after-tax non-cash charge to Other Comprehensive Income of $4.5M million was made as a result of an increased estimate for the property improvement plan.

Toronto, Ontario – August 14, 2019. Skyline Investments (the "**Company**") (TASE: SKLN), is a Canadian company that specializes in hospitality real estate investments in the United States and Canada, published its first half and second quarter 2019 results.

Skyline CEO Blake Lyon said: *"During the first half of 2019, Skyline has continued to improve over the 2018 comparable financial results which were the highest ever achieved in the Company's 20 year history. The net profit of the company excluding minority interests in H1 2019 amounted to CAD $2.4M, compared to a net loss of $0.8M in the same period of 2018. Both EBITDA and FFO increased in this first half of 2019. This reflects investments made in our properties and the acquisition of the 13 Courtyard by Marriott hotels in 2017. After enhancing its portfolio from 7 assets in 2016 to 18 assets as of today, Skyline has much more diversification in its earnings and cash flow.*

During the second quarter of 2019 we provided interim occupancy to 63 units at Lakeside Lodge and 83 units joined the rental program, increasing the room count at Deerhurst resort by 27%. Skyline continues its strategy to monetize its land assets and in June 2019 sold the second half of Highlands Golf Course at Horseshoe for CAD 2.9M, approximately $1M above the book value."

	H1/2019	H1/2018	Q2/2019	Q2/2018	2018
	in CAD 000's				
NOI	**22,007**	**21,783**	**9,240**	**10,711**	**41,551**
NOI Margin	22.8%	23.5%	20.2%	23.4%	22.4%
Same Property NOI	**21,516**	**20,839**	**9,240**	**10,217**	
Same Property NOI Margin	22.4%	22.8%	20.2%	22.8%	
Adjusted EBITDA	**23,667**	**20,917**	**11,098**	**11,582**	**36,983**
Adjusted EBITDA Margin	18.1%	19.1%	15.1%	18.5%	15.9%
FFO	**12,994**	**12,404**	**5,885**	**7,039**	**20,330**

First Half 2019 Results

- **Total revenue for H1 2019** was CAD $130.6M, an increase of 19% over corresponding period total revenue of CAD $109.8M. Revenue from income-producing assets has increased by approx. CAD $3.8M, mainly due to a combined improvement at Horseshoe and Bear Valley. Revenue from sale of residential real estate was CAD $33.9M, well above CAD $16.9M last year. During H1 2019, the Company provided occupancy to 77 units at Lakeside Lodge and recognized revenue of $29.7M.
- **Same property NOI in H1 2019** amounted to CAD $21.5, an increase of 3.2%, compared to CAD $20.8M in the previous period. Horseshoe and Bear Valley presented a significant NOI growth due to improved weather conditions, compared to the previous years and the installation of a new high-speed ski lift, which allowed ticket prices to increase. This improvement was offset by the results of Deerhurst resort due to cool wet spring this year and by Courtyard portfolio due to the Renovation of Fort Myers and an increase in property taxes. Management is continuing to work on efficiency and other new revenue initiatives that it believes will contribute positively to increasing the future earnings of the Courtyards. The Courtyard have delivered almost a 10% unlevered return and have contributed significantly to Skyline's record earnings.
- **Adjusted EBITDA in H1 2019** increased by 13.1% to CAD $23.7M, compared to CAD $20.9M in the same period last year. This improvement is mainly attributed to improvement in the Same property NOI, higher profit from sale of residential real estate and lower Marketing, Administrative and General expenses.
- **Gain (Loss) from fair value adjustments** amounted to positive CAD $0.3M, compared with loss of CAD $4.8M in the same period last year when the Company reduced the values of its Blue Mountain development lands.

- **Derecognition of investment costs and other capital losses in H1 2019** of CAD $1.3M was mainly attributed to the expiration of an agreement with an unrelated third party to assume the acquisition of the Bahamas project. The Company determined that the remaining costs that were to be reimbursed by the third party were to be written off in Q1 2019.
- **Loss from early extinguishment of debt in H1 2019** was CAD $2.7M. This amount is attributable to the sale of the Blue Mountain retail in Q1 2019 that had a high interest loan (6.75%) for which the Company had to pay an early loan repayment fee.
- **Financing expense in H1 2019** totaled CAD $10.7M, compared to CAD $9.9M in the corresponding period last year. The increase in financial expense is due to the increase in both the amount of floating rate debt and an increase in interest rates during the comparable period.
- **Net profit in H1 2019** amounted to CAD $1.6M, compared to a net loss of CAD $1.76M in the same period last year. Excluding minority interests the Company had a net profit of CAD $2.4 in the six months ended June 30, 2019, compared to net loss of $0.8M in the same period of 2018.

Second Quarter Results

- **Total revenue for Q2 2019** was CAD $73.7M, compared to CAD $62.5M recorded last year, an increase of 18.0%. The revenue from hotels and resorts were in line with the last year results, while the revenue from sale of residential real estate presented an increase of CAD $11.1M. During Q2 2019, Skyline provided occupancy to 63 units at Lakeside Lodge bringing the total units occupied to 133 units. As a result, the Company has increased the room count at Deerhurst resort from 308 rooms to 391 rooms, an increase of 27%.
- **Same property income-producing asset NOI in Q2 2019** was CAD $9.2M, compared to CAD $10.2M last year. The majority of the decline was due to a cool wet spring in Ontario that effected results of Deerhurst resort.
- **Adjusted EBITDA in Q2 2019** was CAD $11.1M, compared to CAD $11.6M for the comparative period in 2019.
- **Net profit in Q2 2019** was CAD $3.1M, compared to a net loss of CAD $1.9M in the same period last year. Excluding minority interests the Company had a profit of CAD $2.2M in the second quarter compared to loss of CAD $1.4M in the same period of 2018.
- **Other Comprehensive Income.** At the end of the second quarter the Company made the decision to write down the Renaissance Hotel’s fair value by CAD $11.9M (Net of differed tax Skyline’s 50% share is CAD 4.5M). The non-cash write down was a result of an increased estimate for the property improvement plan. The Company is considering proposals to sell all or part of the property.
- **The registration and closing of the Slopeside condominium project** completed during Q2 2019. Slopeside closed with all of the purchasers in June 2019 and the entire construction loan was paid off as part of the closing.

- **The Company sold the back nine holes of the Highlands Golf Course** at Horseshoe Valley for $2.9 million (approximately $1M above the book value) and entered into a 2-year VTB for 50% of the proceeds.

Balance sheet June 30, 2019

- **Total assets as of June 30, 2019** decreased to CAD $715M from CAD $776M at the end of 2018, mainly due to the sale of Blue Mountain retail in Q1 2019, the closing of Slopeside, and a non-cash write-down of the Renaissance Hotel's fair value by CAD $11.9M in Q2 2019.
- **Cash and cash equivalents as of June 30, 2019** amounted to CAD $32.2M, an increase of CAD $4.2M compared to December 31, 2018.
- **Net financial debt as of June 30, 2019** totaled CAD $302M, constituting 44.2% of Total Assets (excluding cash).
- **The Company's shareholders' equity at the end of June 30, 2019** was CAD $283.8M (approx. CAD $252.6M attributable to the shareholders), representing 39.7% of the total assets. At June 30, 2019 the equity per share attributed to shareholders was NIS $41.08 (CAD $15.09) and the share price was NIS $30.57 (CAD $11.23).

About Skyline

Skyline Investments is a Canadian company that specializes in hospitality real estate investments in Canada and the US. The Company owns 18 assets in Canada and the US with 3,302 hotel rooms under management spread over 18 cities, and development lands with 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.

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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 and Adjusted EBITDA 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 and Adjusted EBITDA 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 June 30, 2019 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.