SKYLINE Announces Q1 2024 Financial Results

Toronto, Ontario – May 27, 2024. Skyline Investments Inc. (the "Company" or "Skyline") (TASE: SKLN), a Canadian company that specializes in hotel real estate investments in the United States and Canada, published its results for the three months ended March 31, 2024.

SUMMARY OF FINANCIAL RESULTS

C$000's	**Q1 2024**	**Q1 2023**
NOI[1] from Hotels & Resorts	**57**	**5,829**
Same Asset Revenue	21,120	23,920
Same Asset NOI[1]	7	2,772
Adjusted EBITDA[2]	**(1,897)**	**3,819**
Net Income (loss)	**(10,059)**	**(7,034)**
FFO[1]	**(5,705)**	**2,085**
Shareholders' Equity	**221,784**	**275,525**

Q1 2024 Highlights

- *Q1 2024 same asset revenue has decreased by 11.71% to $21.12 million compared to $23.9 million in Q1 2023, overall decrease was primarily driven by the decline in US full-service hotels from the effect of extensive renovations at the Renaissance hotel where Skyline has reduced available rooms. Select service hotels declined over prior year, driven by lower occupancy due to the ongoing renovations at two of its Courtyard hotels. Total revenue from hotels and resorts was $21.9 million compared to $34.5 million in Q1 2023;*
- *Q1 2024 same asset NOI[1] decreased to $7 thousand compared to $2.77 million in Q1 2023. The decrease over prior year is primarily driven by the effect of the extensive renovations at the Renaissance hotel where Skyline has reduced available rooms. In March 2024, only 251 rooms out of 491 were available; this also significantly impacted the same asset NOI margin, which declined from 12% in the prior year to 0.03% in Q1 2024.*
- *Q1 2024 Adjusted EBITDA[2] was ($1.9) million compared to $3.8 million in Q1 2023.*
- *Q1 2024 Funds from Operations ("FFO")[1] was negative $5.7 million (or negative $0.35) per share, compared to a positive Q1 2023 FFO of $2.1 million (or positive $0.13) per share.*
- *The book value per share of the shareholder equity is 36.02 NIS ($13.28), per share, which is 36.37% above the closing price of its shares at March 31, 2024.*

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[1] A supplementary financial measure. Refer to the *Non-IFRS Measures* section of this news release.
[2] A non-IFRS measure. For definitions, reconciliations and the basis of presentation of Skyline's non-IFRS measures, refer to the *Non-IFRS Measures* section in this news release.

Blake Lyon, Skyline's Chief Executive Officer commented "The *Renaissance hotel renovation, along with two other Courtyard hotel renovations, have affected our financial results in the short-term, impacting same asset revenue We reinvested some of the proceeds received during Q4 2021 from the sale of our Canadian resorts, in the acquisition of the Courtyard Ithaca, on July 11, 2022 and also in the significant renovation of the Renaissance and our Courtyard Dayton hotels. In Q4 2023, we sold Bear Valley ski resort, and the Company's interest in RCLP. We have agreements in place for the sale of 8 of our Courtyard hotels at a 6.5% discount compared March 31, 2024 values, and have announced the early repayment of our outstanding Debentures (Series B). These actions will help reduce overall Company leverage. We continue to carefully manage our business in this environment of global volatility and rapid rise in interest rates."*

INCOME STATEMENT HIGHLIGHTS

All amounts in millions of Canadian dollars unless otherwise stated

- **Total revenue for Q1 2024** was $21.9, compared to $34.5 in Q1 2023. Revenue from hotels and resorts decreased by 36.5% to $21.9 driven by the decrease in occupancy rate due to the impact of a significant renovation of the Renaissance hotel and two of the Courtyard hotels, as well as the sale of Bear Valley ski resort. Same asset revenue decreased by 11.7% relative to Q1 2023.
- **Same asset NOI for Q1 2024** was $7 thousand, compared to $2.8 in Q1 2023. The decrease over prior year is mainly due to hotel renovations.
- **Adjusted EBITDA for Q1 2024** was ($1.9), compared to $3.8 in Q1 2023.
- **Net financial expense for Q1 2024** totalled $6.9, compared to $4.9 in Q1 2023, driven primarily by higher interest rates and more loans compared to prior year, and the foreign exchange revaluation of bonds – the non-cash foreign exchange impact of the Company's bonds was a loss of ($1.3), compared to a gain of 0.01 in Q1 2023. This was partially offset by an increase in interest income from Freed Notes Receivable and GIC.
- **FFO for Q1 2024** was ($5.7) compared to $2.1 in Q1 2023. There is a decrease in FFO due to the hotel renovations, as discussed above, which negatively impacted earnings.
- **Net income (loss) for Q1 2024** was ($10.06), compared to ($7.03) in Q1 2023. Excluding minority interests, the Company had net income (loss) of ($7.7) in Q1 2024, compared to net income (loss) of ($5.5) in Q1 2023.
- **Total comprehensive income (loss) for Q1 2024** was ($14.9) compared to total comprehensive loss of ($5.5) in Q1 2023.

BALANCE SHEET HIGHLIGHTS

- **Total assets** as at March 31, 2024 were $626.9 compared to $640.9 as at December 31, 2023. The decrease was primarily driven by debt payments and capital expenditure payments, partially offset by the additions to PP&E as a result of renovations at the Renaissance.
- **Cash and cash equivalents** were $38.9 as at March 31, 2024 compared to $57.1 as at December 31, 2023. The decrease was driven mainly from capital expenditures, and net debt payments.

- **Net debt** as at March 31, 2024 totalled $288.7, an increase of $35.03 (or 13.8%) compared to net debt of $253.7 as at December 31, 2023. The increase was primarily driven by additional bank construction loan draw (US $5.1), OWDA loan (US$1.7), and the Cuyahoga County loan (US$2) for the renovation of the Renaissance hotel, as well as an impact of CAD $7.8 from FX translation of US loan balances. This was partially offset by the loan payments made during the quarter.
- **Total equity attributable to shareholders** was $221.8 ($253.1 including non-controlling interest), representing 40.4% of total assets. Equity per share attributable to shareholders was 36.02 NIS ($13.28), compared to the closing share price on March 31, 2024 of 22.92 NIS ($8.45), a discount of 36.37%.

About Skyline

Skyline is a Canadian company that specializes in hospitality real estate investments in the United States and Canada. The Company currently owns 16 income-producing assets with 2,804 hotel rooms and 85,238 square feet of commercial space.

The Company is traded on the Tel Aviv Stock Exchange (ticker: SKLN) and is a reporting issuer in Canada.

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Additional Information :

Non-IFRS Measures

The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). However, the following measures: NOI, 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, 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. Skyline also uses certain supplementary financial measures as key performance indicators. Supplementary financial measures are financial measures that are intended to be disclosed on a periodic basis to depict the historical or expected future financial performance, financial position, or cash flow, that are not disclosed directly in the financial statements and are not non-IFRS measures. Same Asset NOI is a financial measure that is calculated using the same methodology as NOI, but only including NOI from properties owned for 2 full years prior to March 31, 2024.*

Further details on non-IFRS measures and Supplementary Financial Measures are set out in the Company's Management's Discussion and Analysis for the period ended March 31, 2024 and available on the Company's profile on SEDAR+ at www.sedarplus.com or MAGNA at www.magna.isa.gov.il and are incorporated by reference in this news release.

The reconciliations for each non-IFRS measure included in this news release are outlined as follows:

NOI

Skyline defines NOI as property revenues less property operating expenses. Management believes that NOI is a useful key indicator of performance on an unlevered basis as it represents a measure over which Management of property operations has control. NOI is also a key input used by management in determining the value of the Properties. NOI is used by industry analysts, investors and Management to measure operating performance of Canadian companies. NOI represents revenue from cash generating properties less property operating expenses excluding depreciation as presented in the consolidated statements of income and comprehensive income prepared in accordance with IFRS.

Given the seasonality of its hospitality operations, NOI for a fiscal year (or trailing four quarters) is considered by Management as a more accurate measure of the Company's performance.

Skyline calculates NOI as operating income before depreciation, valuation adjustments and other income, adjusted for:

i) Segmented results from Development Segment

ii) Selling and Marketing expenses

iii) Administrative and General expenses

Alternatively, the same result is arrived at by adding segmented results (per note 12 in the consolidated financial statements) of the Company's hotels and resorts. The following table sets out a reconciliation of NOI from hotels and resorts to operating income before depreciation, valuation adjustments and other income:

NOI from hotels and resorts		
C$000's	**For the Three Months Ended March 31,**	
	2024	**2023**
Operating income before depreciation, valuation adjustments and other income	(1,897)	3,819
Segmented results from Development Segment	10	8
Administrative and General Expenses	1,944	2,002
NOI from hotels and resorts	**57**	**5,829**
Income from hotels and resorts	21,882	34,477
Operating expenses of hotels and resorts	(21,825)	(28,648)
NOI from hotels and resorts	**57**	**5,829**

FFO

FFO is a non-IFRS financial measure of operating performance widely used by the real estate industry, particularly by those publicly traded entities that own and operate income-producing properties. FFO is not an alternative to net income determined in accordance with IFRS. Skyline calculates the financial measure in accordance with the Real Property Association of Canada White Paper issued in January 2022, except for (i) changes in the fair value of financial instruments which are economically effective hedges but do not qualify for hedge accounting, (ii) non-controlling interest, and (iii) operational revenue and expenses from right-of-use assets. The use of FFO, combined with the data required under IFRS, has been included for the purpose of improving the understanding of the operating results of Skyline.

Management believes that FFO provides an operating performance measure that, when compared period-over- period, reflects the impact on operations of trends in occupancy, room rates, operating costs and realty taxes and interest costs, and provides a perspective of the Company's financial performance that is not immediately apparent from net income determined in accordance with IFRS. FFO excludes from net income items that do not arise from operating activities, such as fair value adjustments, purchase transaction costs, and deferred income taxes, if any. FFO, however, still includes non-cash revenues related to accounting for straight-line rent and makes no deduction for recurring capital expenditures necessary to sustain the Company's existing earnings stream. It should be emphasized that the method of calculation of this indicator by the Company may differ from the method of calculation applied by other companies. The following table sets out a reconciliation of FFO to net income:

Funds from Operations (FFO)		
C$000's	**For the Three Months Ended March 31,**	
	2024	**2023**
Net income (loss) attributable to shareholders of the Company	(7,658)	(5,456)
(Gain) loss from fair value adjustments	1,068	391
Depreciation and impairment	3,048	4,298
Deferred tax	(2,419)	(1,368)
Derecognition of investment costs and other capital losses (gains)	-	3,964
Revaluation component included in cost of sale, that was previously recognized in gain on fair value adjustments of investment property prior to its transfer to inventory	256	256
FFO	**(5,705)**	**2,085**

Adjusted EBITDA

The Company's operations include income producing assets and revenue from the sale of developed real estate. As such, Management believes Adjusted EBITDA (as defined below) is a useful supplemental measure of its operating performance for investors and debt holders.

EBITDA is defined as Earnings Before Interest, Taxes, Depreciation, and Amortization. The Company calculates Adjusted EBITDA as follows:

- Income from hotels and resorts;
- Sale of residential real estate;

Less:

- Operating expenses from hotels and resorts;
- Cost of sales of residential real estate;
- Selling and marketing expenses;
- Administration and general expenses

Adjusted EBITDA does not include fair value gains, gains on sale or other expenses, and is presented in the Company's consolidated statement of profit and loss for year ended March 31, 2024 as operating income before depreciation, valuation adjustments and other income.

Adjusted EBITDA from Operations ***Adjusted EBITDA from Operations combines performance of income producing and development activities***		
C$000's	**For the Three Months Ended March 31,**	
	2024	**2023**
ADJUSTED EBITDA from operations	(1,897)	3,819

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 as well as other risks detailed in our public filings with the Canadian and Israeli 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.