

SIR Royalty Income Fund Reports SIR Corp. Fiscal 2019 Third Quarter Results

BURLINGTON, ON, June 19, 2019 /CNW/ - SIR Royalty Income Fund (TSX: SRV.UN) (the "Fund") today announced that SIR Corp. ("SIR" or the "Company"), the operating entity from which the Fund earns equity income, has filed its financial results for the 12-week and 36-week periods ended May 5, 2019 ("Q3 2019" and "YTD 2019", respectively).

SIR has advised the Fund that food and beverage revenue from corporate restaurant operations for Q3 2019 totaled \$67.6 million, a decline of 6.2% compared to \$72.1 million for the 12-week period ended May 6, 2018 ("Q3 2018"). Food and beverage revenue from corporate restaurant operations for YTD 2019 was \$202.3 million, a decline of 2.1% compared to \$206.7 million for the 36-week period ended May 6, 2018 ("YTD 2018"). The revenue decline in both periods is primarily attributable to lower Same Store Sales ("SSS")⁽¹⁾ and the permanent closure of two restaurants.

Same Store Sales ⁽¹⁾	12-week period ended May 5, 2019 (unaudited)	36-week period ended May 5, 2019 (unaudited)
Jack Astor's®	(3.9%)	(1.9%)
Canyon Creek®	(6.7%)	(4.2%)
Scaddabush Italian Kitchen & Bar®	0.4%	0.6%
Signature Restaurants	(4.1%)	(1.7%)
Overall SSS ⁽¹⁾	(3.5%)	(1.7%)

SIR reported SSS⁽¹⁾ declines of 3.5% for Q3 2019 and 1.7% for YTD 2019. SSS⁽¹⁾ are typically impacted by changes in guest traffic and average cheque amount. SIR believes that recent SSS⁽¹⁾ have been impacted by specific factors impacting consumer behavior related to spending at full-service restaurants, especially in Ontario. These include the rapid growth of delivery services, stricter impaired driving laws, and price increases related to the minimum wage increase that took effect at the start of 2018.

Jack Astor's, SIR's flagship Concept Restaurant brand, which contributed approximately 70% of Q3 2019 Pooled Revenue, had SSS⁽¹⁾ declines of 3.9% and 1.9% in Q3 2019 and YTD 2019, respectively. SIR completed renovations at one Jack Astor's location in Q3 2019 (Don Mills, Ontario), which resulted in the closure of this restaurant for 20 days, compared to a partial renovation at one Jack Astor's location in Q3 2018 (Kingston, Ontario), which resulted in the closure of this restaurant for eight days during the period. Q3 2019 SSS⁽¹⁾ also reflect adverse winter weather conditions relative to the same quarter in the prior year, and a late start to the patio season in Q3 2019 relative to Q3 2018 due to cooler temperatures and higher amounts of precipitation. In addition to the aforementioned factors impacting Q3 2019 SSS⁽¹⁾, YTD 2019 SSS⁽¹⁾ were also impacted by the closure of four additional Jack Astor's locations for renovations (Kanata, Mississauga and Etobicoke, Ontario and Yonge and Bloor in downtown Toronto) for a combined total of 38 days, compared to the closure of four Jack Astor's locations for renovations in YTD 2018 for a combined total of 36 days. YTD 2019 SSS⁽¹⁾ at Jack Astor's were also negatively impacted by a tornado in the Ottawa area in September 2018, which resulted in the closure of all three Ottawa-area Jack Astor's restaurants for up to three days.

Canyon Creek had SSS⁽¹⁾ declines of 6.7% in Q3 2019 and 4.2% in YTD 2019. The sales from the Canyon Creek location in Etobicoke, which permanently closed in Q1 2018, and the Canyon Creek location on Front Street in downtown Toronto, which permanently closed in Q2 2019, have been excluded from the calculation of SSS⁽¹⁾ for Q3 2019 and YTD 2019. A new Scaddabush restaurant was opened in November 2017 on the site of the closed Canyon Creek in Etobicoke.

Scaddabush generated Same Store Sales Growth ("SSSG")⁽¹⁾ of 0.4% in Q3 2019 and 0.6% in YTD 2019, continuing to build upon prior-year periods of strong SSSG⁽¹⁾. SSS⁽¹⁾ performance for Q3 2019 and YTD 2019 includes seven Scaddabush locations (Mississauga, Richmond Hill, Scarborough, Oakville, Vaughan, Ontario, as well as Front Street and Yonge and Gerrard in downtown Toronto). The new Scaddabush restaurant in Etobicoke is excluded from the calculation of Q3 2019 and YTD 2019 SSSG⁽¹⁾ as it was not in operation for the entire comparable periods a year ago. During Q3 2019, SIR closed the Scaddabush location at the Square One shopping centre in Mississauga for six days to complete a renovation.

The downtown Toronto Signature Restaurants had SSS⁽¹⁾ declines of 4.1% and 1.7% in Q3 2019 and YTD 2019, respectively. The Loose Moose continues to be impacted by increased local competition and lower event attendance at sporting and entertainment venues in downtown Toronto. During Q2 2019, SIR started a major renovation at The Loose Moose. The restaurant was closed for four days at the end of Q2 2019, and an additional 10 days in Q3 2019. The Q3 2019 and YTD 2019 SSS⁽¹⁾ for the Signature Restaurants does not include the new Reds Square One in Mississauga, Ontario, which opened in December 2017.

SIR's net loss and comprehensive loss and Adjusted Net Earnings⁽²⁾ for Fiscal 2018 were impacted by the adoption of International Financial Reporting Standard 15. Comparative figures presented in this release have been restated to reflect this impact.

SIR's net loss and comprehensive loss was \$11.2 million in Q3 2019, compared to \$11.6 million in Q3 2018. Net loss and comprehensive loss for YTD 2019 was \$18.0 million, compared to \$7.9 million in YTD 2018. The variances are primarily the result of changes in the amortized cost of the Ordinary LP Units and Class A Units of SIR Royalty Limited Partnership ("the Partnership") that SIR holds. This resulted in expenses of \$12.4 million in Q3 2019 and \$20.2 million in YTD 2019, respectively, compared to expenses of \$14.9 million in Q3 2018 and \$11.9 million in YTD 2018. These variances in Q3 2019 and YTD 2019 are due to increases in the underlying unit price of the Fund compared to the end of Q2 2019 and Q4 2018.

SIR's Adjusted Net Earnings⁽²⁾ for Q3 2019 were \$1.2 million, compared to \$3.3 million in Q3 2018. Adjusted Net Earnings⁽²⁾ for YTD 2019 were \$2.2 million, compared to \$4.1 million in YTD 2018.

SIR Corporate Developments

As part of SIR's focus on further strengthening its flagship Jack Astor's brand and driving SSSG⁽¹⁾, SIR continued with its renovation program by completing one additional Jack Astor's renovation during Q3 2019.

SIR also completed renovations at the Loose Moose restaurant in downtown Toronto and the Scaddabush restaurant at the Square One shopping centre in Mississauga. The Scaddabush location received a décor refresh and a major menu update.

Subsequent to Q3 2018, on June 2, 2019, SIR opened a new Scaddabush restaurant in the Mimico neighbourhood of Etobicoke, Ontario.

Liquidity and Capital Resources

As at May 5, 2019, SIR had cash of \$2.3 million, compared to \$4.8 million as at August 26, 2018, SIR's Fiscal 2018 year-end, and \$3.0 million as at Q3 2018. SIR Management believes that there are sufficient cash resources retained in SIR from its cash generated by operations and from its financing activities to fund its current working capital requirements, scheduled debt repayments, and future construction commitments.

Outlook

Since commencing its comprehensive Jack Astor's renovation program at the end of calendar 2015,

SIR has now completed renovations at 21 Jack Astor's locations. SIR's Management is pleased with the performance at the renovated Jack Astor's locations and plans to continue to implement similar renovations at additional Jack Astor's locations in the future.

SIR is evaluating strategic options for the future use of the site of the closed Jack Astor's restaurant in the St. Lawrence Market area of downtown Toronto. This restaurant was permanently closed effective February 4, 2019.

The new food program recently introduced at the Scaddabush location in Mississauga is expected to be rolled out to the remainder of the Scaddabush locations throughout 2019 to further strengthen the Scaddabush brand and drive SSSG⁽¹⁾.

SIR continues to focus on sustaining and growing existing restaurant sales and profits while effectively managing costs. SIR carefully monitors economic conditions, competitive actions, and consumer confidence, and considers new store developments and renovations to existing restaurants where appropriate. Based on its assessment of these conditions, the timing of new restaurant construction and renovations, as well as related opening schedules, will be reviewed regularly by SIR and adjusted as necessary.

SIR's Q3 2019 filings, which include its unaudited interim consolidated financial statements and management's discussion & analysis, can be accessed via the Fund's profile on the SEDAR website at www.sedar.com under "Other".

About SIR Corp.

SIR is a privately held Canadian corporation that owns a portfolio of 60 restaurants and one seasonal retail outlet in Canada. SIR's Concept brands include: Jack Astor's Bar and Grill®, with 39 locations; Scaddabush Italian Kitchen & Bar® with nine locations; and Canyon Creek®, with six locations. SIR also operates one-of-a-kind "Signature" brands including Reds® Wine Tavern, Reds® Midtown Tavern, Reds® Square One and The Loose Moose®. All trademarks related to the Concept and Signature brands noted above are used by SIR under a License and Royalty Agreement with SIR Royalty Limited Partnership in consideration for a Royalty, payable by SIR to the Partnership, equal to six percent of the revenue of the 58 restaurants (57 operating restaurants and one closed restaurant) currently included in the Royalty Pool. SIR also owns Duke's Refresher® & Bar in downtown Toronto, and one seasonal Signature restaurant, Abbey's Bakehouse®, which are currently not in consideration to be part of the Royalty Pool. For more information on SIR Corp. or the SIR Royalty Income Fund, please visit www.sircorp.com.

About SIR Royalty Income Fund

The Fund is a trust governed by the laws of the province of Ontario that receives distribution income from its investment in the SIR Royalty Limited Partnership and interest income from the SIR Loan. The Fund intends to pay distributions to unitholders on a monthly basis.

(1) Same store sales ("SSS") and same store sales growth ("SSSG") are non-GAAP financial measures and do not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS"). However, SIR believes that SSS and SSSG are useful measures and provide investors with an indication of the change in year-over-year sales. SIR's method of calculating SSS and SSSG may differ from those of other issuers and accordingly, SSS and SSSG may not be comparable to measures used by other issuers. SSSG is the percentage increase in SSS over the prior comparable period. SSS includes revenue from all SIR restaurants except for those restaurants that were not open for the entire comparable period and Abbey's Bakehouse in Muskoka, Ontario as it is not a SIR Restaurant. When a SIR Restaurant is closed, the revenue for the closed restaurant is excluded from the calculation of SSS and SSSG for both the quarter in which the restaurant is closed and the current year-to-date.

(2) Adjusted Net Earnings (Loss) is calculated by removing the change in amortized cost of the

Ordinary LP Units and Class A LP Units of the Partnership from the net earnings (loss) and comprehensive income (loss) for the period. Adjusted Net Earnings (Loss) is a non-GAAP financial measure and does not have a standardized meaning prescribed by IFRS. Management believes that in addition to net earnings (loss) and comprehensive income (loss), Adjusted Net Earnings (Loss) is a useful supplemental measure to evaluate SIR's performance. Changes in the amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership is a non-cash transaction and varies with changes in the market price of the Fund units. The exclusion of the change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership eliminates this non-cash impact. Management cautions investors that Adjusted Net Earnings (Loss) should not replace net earnings or loss or cash flows from operating, investing and financing activities (as determined in accordance with IFRS), as an indicator of SIR's performance. SIR's method of calculating Adjusted Net Earnings (Loss) may differ from the methods used by other issuers. Therefore, SIR's Adjusted Net Earnings (Loss) may not be comparable to similar measures presented by other issuers. For Q3 2019, Adjusted Net Earnings of \$1.2 million (Q3 2018 – \$3.3 million) is equal to the net loss for the period of \$11.2 million (Q3 2018 – \$11.6 million) plus the change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership of \$12.4 million (Q3 2018 – \$14.9 million). For YTD 2019, Adjusted Net Earnings of \$2.2 million (YTD 2018 – \$4.1 million) is equal to the net loss for the period of \$18.0 million (YTD 2018 – \$7.9 million) plus the change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership of \$20.2 million (YTD 2018 – \$11.9 million).

Caution concerning forward-looking statements

Certain statements contained in this report, or incorporated herein by reference, including the information set forth as to the future financial or operating performance of the Fund or SIR, that are not current or historical factual statements may constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Statements concerning the objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates, and the business, operations, financial performance and condition of the Fund, the SIR Holdings Trust (the "Trust"), the Partnership, SIR, the SIR Restaurants or industry results, are forward-looking statements. The words "may", "will", "would", "should", "expect", "believe", "plan", "anticipate", "intend", "estimate" and other similar terminology and the negative of such expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Fund, the Trust, the Partnership, SIR, the SIR Restaurants or industry results, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. These statements reflect Management's current expectations, estimates and projections regarding future events and operating performance and speak only as of the date of this document. Readers should not place undue importance on forward-looking statements and should not rely upon this information as of any other date. Risks related to forward-looking statements include, among other things, challenges presented by a number of factors, including: competition; changes in demographic trends; weather; changing consumer preferences and discretionary spending patterns; changes in consumer confidence; changes in national and local business and economic conditions; changes in foreign exchange; changes in availability of credit; legal proceedings and challenges to intellectual property rights; dependence of the Fund on the financial condition of SIR; legislation and governmental regulation; accounting policies and practices; and the results of operations and financial condition of SIR. The foregoing list of factors is not exhaustive. Many of these issues can affect the Fund's or SIR's actual results and could cause their actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Fund or SIR. Given these uncertainties, readers are cautioned that forward-looking statements are not guarantees of future performance, and should not place undue reliance on them. The Fund and SIR expressly disclaim any obligation or

undertaking to publicly disclose or release any updates or revisions to any forward-looking statements. Forward-looking statements are based on Management's current plans, estimates, projections, beliefs and opinions, and the Fund and SIR do not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change, except as expressly required by applicable securities laws.

In formulating the forward-looking statements contained herein, Management has assumed that business and economic conditions affecting SIR's restaurants and the Fund will continue substantially in the ordinary course, including without limitation with respect to general industry conditions, competition, general levels of economic activity (including in downtown Toronto), regulations (including those regarding employees, food safety, tobacco and alcohol), weather, taxes, foreign exchange rates and interest rates, that there will be no pandemics or other material outbreaks of disease or safety issues affecting humans or animals or food products, and that there will be no unplanned material changes in its facilities, equipment, customer and employee relations, or credit arrangements. These assumptions, although considered reasonable by Management at the time of preparation, may prove to be incorrect. In particular, Management has assumed that the tax effects on distributions will remain consistent with current regulations or pronouncements, and also in estimating the revenue for new restaurants, Management has assumed that they will operate consistent with other similar SIR restaurants. For more information concerning the Fund's risks and uncertainties, please refer to the March 12, 2019 Annual Information Form, for the year ended December 31, 2018, which is available under the Fund's profile at www.sedar.com.

All of the forward-looking statements made in this report are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Fund or SIR.

SOURCE SIR Royalty Income Fund

View original content: <http://www.newswire.ca/en/releases/archive/June2019/19/c2502.html>

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