

TEMPLE HOTELS INC.
Press Release

TEMPLE HOTELS INC. REPORTS 2017 FIRST QUARTER FINANCIAL RESULTS

Mississauga, Ontario, May 8, 2017 – Temple Hotels Inc. (“Temple” or the “Company”) (TSX: TPH) today reported its financial results for the three months ended March 31, 2017 (“first quarter”). The following comments in regard to the financial position and operating results of Temple should be read in conjunction with Management’s Discussion & Analysis and the financial statements for the three months ended March 31, 2017, which may be obtained from the Temple website at www.templehotels.ca or the SEDAR website at www.sedar.com.

Monetary data in the tables of this press release, unless otherwise indicated, are in thousands of Canadian dollars, except for per common share, average daily rate (“ADR”), and revenue per available room (“RevPar”) amounts.

Q1 2017 KEY POINTS/HIGHLIGHTS

- Hotel operating income increased by \$0.3 million or 4% during the three months ended March 31, 2017 compared to 2016, primarily due to an increase in hotel operating income within the Other Canada and Fort McMurray portfolios of \$0.4 million and \$0.1 million, respectively, partly offset by a decrease in hotel operating income within the Other Alberta portfolio of \$0.2 million.
- The increase in hotel operating income primarily reflects higher ADR and occupancy levels within the Other Canada segment as well as higher occupancy levels within the Fort McMurray segment. In the first quarter of 2017, the occupancy levels of the Other Canada and Fort McMurray segments increased by three and six percentage points to 64% and 38%, respectively, in comparison to the first quarter of 2016. Reduced ADR levels within the Other Alberta and Fort McMurray segments partially offset the increase in NOI as a result of the unfavourable market conditions which continue to affect oil-dependent markets in Alberta.
- FFO increased by \$1.0 million during the three months ended March 31, 2017, compared to the three months ended March 31, 2016. On a basic per common share basis, FFO increased by \$0.02 per common share, compared to the first quarter of 2016.
- During the three months ended March 31, 2017, Temple used a portion of the proceeds of the December 2016 rights offering to repay the Series C convertible debentures and to repay \$10.7 million of mortgage debt on two properties.

OPERATING RESULTS

	Three months ended March 31	
	2017	2016
Total revenue	\$36,239	\$35,766
Hotel operating income	\$7,399	\$7,085
Provision for impairment	\$ -	(\$43,877)
Net loss	(\$5,568)	(\$68,378)
Net loss per common share - basic and diluted	(\$0.04)	(\$0.88)
Cash flow used in operating activities	(\$3,941)	(\$405)
Funds from operations	(\$215)	(\$1,249)
Per common share		
- Funds from operations	\$ -	(\$0.02)
Weighted average number of common shares	152,028,790	77,893,011
Occupancy	54%	52%
ADR	\$132.79	\$136.36
RevPar	\$72.26	\$70.71

Operating Activities

- *Occupancy and ADR* – The increase in hotel operating income primarily reflects higher ADR and occupancy levels within the Other Canada segment as well as higher occupancy levels within the Fort McMurray segment. In the first quarter of 2017, the occupancy levels of the Other Canada and Fort McMurray segments increased by three and six percentage points to 64% and 38%, respectively, in comparison to the first quarter of 2016. Reduced ADR levels within the Fort McMurray and Other Alberta segments partially offset the increase in NOI as a result of the unfavourable market conditions which continue to affect oil-dependent markets in Alberta.
- *Cash Used in Operating Activities* - Cash used in operating activities increased by \$3.5 million during the first quarter of 2017, compared to the first quarter of 2016. Excluding working capital adjustments, cash provided by operating activities increased by \$1.2 million, compared to 2016.
- *Funds from Operations ("FFO")* - During the first quarter of 2017, FFO increased by \$1.0 million compared to the first quarter of 2016. On a basic per common share basis, FFO increased by \$0.02 per common share, compared to the first quarter of 2016. The increase in FFO mainly reflects an increase in operating income and a decrease in interest expense, due to the factors noted above.
- *Net Loss* - Temple completed the first quarter of 2017 with a net loss of \$5.6 million, compared to a net loss of \$68.4 million during the same period in 2016. The decrease in net loss is mainly due to a decrease in provision for impairment of \$43.9 million, a decrease in deferred income tax expense of \$16.8 million, a decrease in depreciation of \$1.2 million, a decrease in interest expense of \$0.6 million, and an increase in hotel operating income of \$0.3 million. On a per common share basis, the net loss was \$0.04 for the first quarter of 2017, compared to \$0.88 during the first quarter of 2016.

Liquidity and Financing Activities

As of March 31, 2017, the unrestricted cash balance of Temple was \$25.5 million and working capital was \$19.2 million.

- During the fourth quarter of 2016, Temple completed a rights offering at \$0.6769 per common share for net proceeds of \$49.6 million, resulting in the issuance of 73,866,155 common shares. The completion of the rights offering enabled Temple to reduce indebtedness and improve its working capital position.
- On January 3, 2017, the Company fully repaid upon maturity the Series C convertible debentures in the amount of \$22.8 million.
- During January 2017, the Company repaid two mortgage loans at two properties in the amount of \$10.7 million.

Investing Activities

As disclosed in the Statement of Cash Flows in the financial statements, the investing activities of Temple resulted in a net cash outflow of \$1.0 million during the first quarter of 2017. Investing activities primarily reflect cash outflows related to capital expenditures on hotel properties.

ANALYSIS OF OPERATING RESULTS

Analysis of Net Loss and Comprehensive Loss

	Three Months Ended March 31		Increase/ (Decrease) in Income
	2017	2016	
Revenue			
Room revenue	\$25,382	\$25,062	\$320
Other hotel revenue	10,857	10,704	153
Total revenue	36,239	35,766	473
Hotel operating costs	28,840	28,681	(159)
Hotel operating income	7,399	7,085	314
Interest expense	7,285	7,879	594
Interest and other income	(118)	(107)	11
Share based compensation	35	88	53
General and administrative expenses	727	808	81
Depreciation and amortization	5,204	6,394	1,190
	(5,734)	(7,977)	2,243
Equity income on investment in hotel properties	131	161	(30)
Provision for impairment	-	(43,877)	43,877
Change in fair value of financial instruments: gain	-	67	(67)
Deferred income tax recovery (expense)	35	(16,752)	16,787
Net loss and comprehensive loss	(\$5,568)	(\$68,378)	\$62,810
Per Common Share Results:			
Basic and diluted	(\$0.04)	(\$0.88)	

Hotel Revenue

Analysis of Total Hotel Revenues

	Three Months Ended March 31		Increase/ (Decrease)
	2017	2016	
Same Property			
Fort McMurray			
Room revenue	\$ 4,519	\$ 4,141	\$ 378
Other hotel revenue	361	593	(232)
	\$ 4,880	\$ 4,734	\$ 146
Other Alberta			
Room revenue	\$ 4,430	\$ 4,822	\$ (392)
Other hotel revenue	4,672	4,813	(141)
	\$ 9,102	\$ 9,635	\$ (533)
Other Canada			
Room revenue	\$ 16,433	\$ 16,099	\$ 334
Other hotel revenue	5,824	5,298	526
	\$ 22,257	\$ 21,397	\$ 860
Total			
Room revenue	\$ 25,382	\$ 25,062	\$ 320
Other hotel revenue	10,857	10,704	153
Total hotel revenue	\$ 36,239	\$ 35,766	\$ 473

During the first quarter of 2017, room revenue increased by \$0.3 million or 1%, compared to the first quarter of 2016. The increase is comprised of a \$0.4 million (9%) increase in the Fort McMurray portfolio and a \$0.3 million (2%) increase in the Other Canada portfolio, partly offset by a \$0.4 million (8%) decrease in the Other Alberta portfolio.

The increase in Same Property room revenue during the first quarter of 2017, compared to the first quarter of 2016, is largely due to an increase in occupancy and RevPar for the Other Canada segment, partially offset by the continued unfavourable market conditions affecting oil-dependent markets in the Other Alberta segment.

Room Revenue Statistics

As disclosed in the following chart, for the three months ended March 31, 2017, RevPar for the overall portfolio was \$72.26, compared to \$70.71 for the three months ended March 31, 2016.

RevPar for Same Property portfolio results generally reflect increased occupancy levels in the Fort McMurray and Other Canada segments, offset by reduced ADR levels in the Other Alberta segment.

Occupancy at the Fort McMurray properties increased during the first quarter of 2017 compared to the first quarter of 2016, but is still impacted by the unfavourable market conditions in Alberta. Over time, it is expected that those involved in the rebuilding will create demand for accommodation, putting upward pressure on occupancy rates.

	Three Months Ended March 31					
	2017			2016		
	Occ	ADR	RevPar	Occ	ADR	RevPar
Same Property						
Fort McMurray	38%	\$ 138.92	\$ 52.63	32%	\$ 151.15	\$ 47.70
Other Alberta	48%	\$ 122.89	\$ 58.32	48%	\$ 130.26	\$ 62.80
Other Canada	64%	\$ 134.29	\$ 85.38	61%	\$ 134.16	\$ 82.90
Overall Portfolio	54%	\$ 132.79	\$ 72.26	52%	\$ 136.36	\$ 70.71

The above chart does not reflect the operating results for the Cortona Residence, which is 100% leased at an annual net rent of \$2.1 million.

Other Hotel Revenue

During the first quarter of 2017, other hotel revenue increased by \$0.2 million or 1%, compared to the first quarter of 2016, comprised of an increase of \$0.5 million from the Other Canada portfolio, partly offset by a \$0.2 million decrease from the Fort McMurray portfolio and a \$0.1 million decrease from the Other Alberta properties.

Notwithstanding the above, the Sheraton Red Deer was the most significant contributor to other hotel revenue in the overall portfolio during the first quarter of 2017, accounting for \$3.6 million or 33% of other hotel revenue.

Operating Income and Profit Margin

	Three Months Ended March 31			
	Operating Income		Operating Profit Margin	
	2017	2016	2017	2016
Same Property				
Fort McMurray	\$ 1,446	\$ 1,315	30%	28%
Other Alberta	1,315	1,531	14%	16%
Other Canada	4,638	4,239	21%	20%
Total portfolio	\$ 7,399	\$ 7,085	20%	20%

After accounting for the increase in total revenues and the increase in hotel operating costs, total operating income increased by \$0.3 million or 4% during the first quarter of 2017, compared to the first quarter of 2016. The increase is comprised of an increase of \$0.4 million or 9% in operating income for the Other Canada segment and a \$0.1 million or 10% increase in operating income for the Fort McMurray segment, partially offset by a decrease of \$0.2 million or 14% for the Other Alberta segment.

As disclosed in the preceding chart, the overall profit margin of the entire hotel portfolio was unchanged at 20% for the first quarter of 2017 and 2016.

ABOUT TEMPLE

Temple is a growth oriented hotel investment company with hotel properties located across Canada. Temple is listed on the Toronto Stock Exchange under the symbols TPH (common shares), TPH.DB.D, TPH.DB.E and TPH.DB.F (convertible debentures). The primary long-term investment objectives of the Company are to yield stable and growing cash flows and to maximize the long-term share value of the Company through the active management of its assets, accretive acquisitions, and the performance of value-added capital improvement programs on selected properties, as deemed appropriate. For further information on Temple, please visit our website at www.templehotels.ca.

FOR FURTHER INFORMATION PLEASE CONTACT:

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This press release contains certain statements that could be considered as forward-looking information. The forward-looking information is subject to certain risks and uncertainties, which could result in actual results differing materially from the forward-looking statements.