# AMERICAN HOTEL INCOME PROPERTIES REIT LP Reports 2022 Results with 16.6% Annual Revenue Growth

**Vancouver, British Columbia, February 28, 2023** - American Hotel Income Properties REIT LP ("**AHIP**", or the "**Company**") (TSX: HOT.UN, TSX: HOT.U, TSX: HOT.DB. V), today announced its financial results for the three months and year ended December 31, 2022.

All amounts presented in this news release are in United States dollars (**"U.S. dollars"**) unless otherwise indicated.

"We continued to achieve strong revenue performance from our select service hotel portfolio in Q4." commented Jonathan Korol, CEO. "Despite macroeconomic challenges, we have not seen any weakness in corporate, group or leisure demand channels. Consistent with prior periods of high inflation, we are experiencing rate growth that exceeds inflation with an annual increase in average daily rate (**"ADR"**) (1) of 12.7%. However, broad cost pressures remain, particularly in labor, which continues to put pressure on operating margins."

## 2022 HIGHLIGHTS

- Normalized diluted FFO per unit (1) was $0.38 for the year ended December 31, 2022, compared to $0.32 for the year ended December 31, 2021.
- Revenue increased 16.6% to $281.4 million for the year ended December 31, 2022, compared to $241.3 million for the year ended December 31, 2021.
- RevPAR (1) increased 18.1% to $85 for the year ended December 31, 2022, compared to $72 for the year ended December 31, 2021.
- ADR increased 12.7% to $124 for the year ended December 31, 2022, compared to $110 for the year ended December 31, 2021.
- Occupancy (1) was 68.9% for year ended December 31, 2022, an increase of 290 basis points (**"bps"**) compared to 66.0% for the year ended December 31, 2021.
- Debt to gross book value (1) decreased to 52.6% as at December 31, 2022, compared to 54.0% as at December 31, 2021.
- Successfully completed the strategic dispositions of seven non-core hotel properties, recycling proceeds into higher return assets in more attractive markets and reducing debt.
- 2022 capital plan included approximately $18.0 million in property improvement plans **("PIPs"**) and $10.6 million in furniture, fixtures and equipment (**"FF&E"**) improvements.
- Weighted average interest rate for all term loans and credit facility, was 4.46% as at December 31, 2022, a decrease of 6 bps compared to 4.52% as at December 31, 2021.
- Paid monthly distributions of $0.015 U.S. dollar per unit in each month since March 2022.
- Loss and comprehensive loss was $35.6 million for the year ended December 31, 2022, compared to a loss of $11.9 million for the year ended December 31, 2021, primarily due to an increase in impairment of $31.7 million in 2022.

"Continuing the trend of improving RevPAR, we reached 100% of our 2019 level in the fourth quarter." Mr. Korol added: "This was driven by sustained demand from our leisure guests as well as the gradual return of business and group travellers, as demonstrated by the strong recovery in our Embassy Suites portfolio during the quarter."

(1) Non-IFRS and other financial measures. See "NON-IFRS AND OTHER FINANCIAL MEASURES" section of this news release and management's discussion and analysis for the years ended December 31, 2022 and 2021

"The last three quarters of 2022 were negatively impacted by inflation, labor shortages and supply chain disruptions. To address these issues, we are continuing to focus on hiring more in-house labor, reducing turnover and improving housekeeping productivity. Top line results for January 2023 suggest continued strong revenue performance with occupancy of 57%, ADR of $123 and RevPAR of $70, which is 113% of January 2022 RevPAR on the same property basis. While we are making some progress on managing operating expenses, cost pressure and labour issues are expected to remain a challenge for most of 2023. We made steady progress on our leverage reduction goals over the last two years, achieving a decrease in each year and a two-year reduction in leverage by 570 basis point to 52.6% as measured by debt to gross book value. Our financial position allows us to be patient, with no debt maturities until late 2023 and 92.8% fixed rate debt."

## 2022 REVIEW

### 16.6% GROWTH IN REVENUE

Improving demand levels resulted in enhanced pricing power and greater opportunity to manage revenue for various hotel segments. As a result, AHIP's revenue continued to improve in 2022. Revenue increased by 16.6% to $281.4 million for the year ended December 31, 2022 compared to $241.3 million in the same period of 2021. This improvement was due to higher ADR and increased occupancy. Same property occupancy (1) increased by 240 bps to 70.3% in 2022 from 67.9% in 2021, which is a 91% recovery compared to the pre-COVID occupancy level in the same period of 2019. Same property ADR (1) increased by 12.6% to $125 in 2022 compared to $111 in 2021, which is 5% higher than the pre-COVID ADR in the same period of 2019.

AHIP's five Embassy Suites properties represent 16% of the portfolio by room count. The performance of Embassy Suites is a key indicator of the recovery level in business and group travel. For the year ended December 31, 2022, RevPAR for these properties was $95, an increase of 38% compared to the year ended December 31, 2021 and a 92% recovery compared to the pre-COVID pandemic RevPAR in the same period of 2019. The Embassy Suites experienced continued recovery in business and group travel in the fourth quarter of 2022, supplemented by leisure-oriented groups. AHIP's five Embassy Suites were renovated in 2018 and 2019 and are well positioned to capture improving business and corporate group demand.

During the final week of December 2022, cold weather, particularly in the Northeast U.S. and Texas, caused weather related damage at several hotel properties. Of the hotel properties damaged, two had a meaningful number of rooms out of order. At the Residence Inn Neptune in New Jersey, all 105 rooms have been out of order since December 25, 2022 and are expected to remain so until the third quarter of 2023. At the Courtyard Wall in New Jersey, approximately 50% of the 113 rooms were out of order in January 2023, with a return to service estimated in the third quarter of 2023. Based on current information, estimated damage to buildings and equipment is approximately $4.8 million. All properties are insured, and costs associated with remediation and business interruption are expected to be recovered.

### NOI MARGIN AND FFO

Same property Net Operating Income ("**NOI**") margin (1) decreased by 550 bps to 32.5% for the year ended December 31, 2022, compared to the same period of 2021, which is 91% of the pre-COVID NOI margin in the same period of 2019. The decrease in NOI margin was due to higher operating expenses as a result of inflation, labor shortages and increased hotel operating standards. In 2022, housekeeping frequency, and complimentary food and beverage all increased compared to 2021, to a level closer to pre-COVID standards. General inflation resulted in higher costs of operating supplies and higher utilities expenses. Shortages in the overall U.S. labor market resulted in increased room labor expenses due to overtime, higher wages for employees and contract labor.

Normalized diluted FFO per unit was $0.38 for the year ended December 31, 2022, excluding a non-recurring gain of $5.6 million, and other income of $2.2 million that included a $1.7 million government grant for the loss of revenue as a result of the COVID-19 pandemic. For the year ended December 31, 2021, normalized diluted FFO per unit was $0.32, excluding a non-recurring gain of $14.7 million and $1.0 million inventory adjustment expense. The increase in normalized FFO per unit for the year ended December 31, 2022 was due to higher NOI (1) and lower financing costs compared to the same period of 2021.

### LEVERAGE AND LIQUIDITY

Debt to gross book value as at December 31, 2022 decreased by 140 bps to 52.6% compared to 54.0% as at December 31, 2021. AHIP is making steady progress on this measure and intends to bring its leverage to a level closer to its peer group over time which would be in the range of 40-50% debt to gross book value. This is expected to be achieved through a combination of improving operating results, a sustainable distribution policy and selective equity issuance in

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support of growth transactions. AHIP also improved leverage as measured by Debt to EBITDA, reducing this measure to 9.8x for the year ended December 31, 2022 from 10.7x for the year ended December 31, 2021. AHIP's has 92.8% of debt at fixed interest rates or effectively fixed by interest rate swaps until November 2023. AHIP does not have any maturities of debt or interest rate swaps until the fourth quarter of 2023. The debt maturities in the fourth quarter of 2023 are approximately $16.0 million for two hotels in Pennsylvania. The notional value of the interest rate swaps is $130.0 million which will expire on November 30, 2023.

On November 3, 2022, AHIP entered into an amendment to the revolving credit facility and certain term loans (the **"Fifth Amendment"**) to, among other things, modify the calculation of the borrowing base availability amount and certain financial covenants. The modifications significantly improve the expected borrowing base availability and reduce the required fixed charge covenant ratio. The revolving credit facility will mature on December 3, 2023, and can be extended to December 3, 2024 at AHIP's option, subject to conditions of (i) a written notice within 30 to 90 days prior to Dec 3, 2023 (ii) no event of default (iii) all representations and warranties be true and correct (iv) and pro forma borrowing base certificate. The term loan will mature on December 3, 2024. For further details, see a copy of the Fifth Amendment, which has been filed under AHIP's profile on SEDAR at www.sedar.com.

As at December 31, 2022, AHIP had $24.1 million in available liquidity, compared to $35.7 million as at September 30, 2022. The available liquidity of $24.1 million was comprised of an unrestricted cash balance of $12.9 million and borrowing availability of $11.2 million under the revolving credit facility. AHIP has an additional restricted cash balance of $40.0 million as at December 31, 2022. The decrease in unrestricted cash is primarily due to cash generated by the three Embassy Suites properties located in Ohio and Kentucky in the third and fourth quarter of 2022 being held in restricted cash accounts by the lender, as a result of these properties not meeting the minimum debt service coverage ratio prior to the third quarter of 2022. The operating performance of these properties steadily improved and exceeded the minimum debt service coverage ratio of 1.25 in the third and fourth quarter of 2022. On February 23, 2023, these properties were no longer in cash management, and $12.0 million was transferred from restricted to unrestricted cash.

## NON-CASH IMPAIRMENT CHARGES

During the fourth quarter of 2022, the Company recognized non-cash impairment charges of approximately $39.4 million related to fifteen hotel properties. The hotels are primarily located in New Jersey, Maryland and Texas. The impairment is primarily due to revised expectations on the timeframe for the properties to return to stabilized income level after the impact of the COVID-19 pandemic, and local competition factors in select markets.

## GROWTH AND STRATEGIC CAPITAL DEPLOYMENT

AHIP is evaluating growth opportunities that would expand the hotel portfolio and geographic footprint. As a result of the investment by BentallGreenOak and Highgate, AHIP is aligned with two well-capitalized strategic partners who support the pursuit of attractive acquisition opportunities. AHIP is also reviewing strategies for divesting assets to recycle proceeds into higher return assets in more attractive markets.

In January and June 2022, AHIP completed the strategic dispositions of two hotel properties in Florida and Pennsylvania for gross proceeds of $10.3 million and $5.7 million, respectively.

In the fourth quarter of 2022, AHIP completed the disposition of five non-core hotel properties; one located in Pennsylvania and four located in Oklahoma, for gross proceeds of $5.3 million and $26.3 million, respectively. These dispositions i) allowed AHIP to avoid future PIP investments that would not have met returns available elsewhere in the portfolio; ii) increased portfolio RevPAR by approximately $3, and iii) improved AHIP's Debt to EBITDA ratio by approximately 0.4x. In addition, the Oklahoma portfolio sale resulted in the return of $3.2 million of restricted cash.

## CAPITAL IMPROVEMENTS

AHIP's capital projects include hotel brand mandated PIPs and FF&E improvements. The 2022 capital plan included approximately $18.0 million in PIPs and $10.6 million in FF&E improvements, of which $5.4 million has been funded through restricted cash in 2022 and approximately $5.0 million is expected to be funded through restricted cash in 2023. The PIPs include seven hotel renovations and 16 smaller projects.

Three of the seven hotel renovations were completed or substantially completed, and the remaining four hotel renovations were in progress as at December 31, 2022. The seven renovations are for hotels located in Florida and the Northeast Corridor with an expected increase to the hotels' market share and RevPAR post-renovation. As at

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December 31, 2022, AHIP has also completed 14 of the 16 smaller projects, and the cost of the completed projects were in-line with budget.

Assuming stable or improving financial results, the 2023 capital plan is expected to include approximately $21.1 million in PIPs and $12.8 million in FF&E improvements.

**U.S. DOLLAR DISTRIBUTION**

AHIP has adopted a distribution policy providing for the payment of regular monthly U.S. dollar distributions at an annual rate of $0.18 per unit (monthly rate of $0.015 per unit). Monthly distributions have been paid each month since March 2022. The distribution reintroduced in February 2022 was at a level which is intended to allow AHIP to increase it over time, assuming stable or improving financial results.

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## 2022 RESULTS

The following table summarizes key performance indicators ("**KPIs**") for the portfolio for the five most recent quarters with a comparison represented as a multiple of the same period in 2019 and 2021. January to December 2019 KPIs are based on prior ownership's financial information for the 12 premium branded hotels acquired in December 2019, and all data in the Same Property KPIs table below excludes the seven hotels sold in 2022.

**SAME PROPERTI KPIs (71 hotels)**

| KPIs | 2022 | 2021 | Q4 2022 | Q3 2022 | Q2 2022 | Q1 2022 | Q4 2021 |
|---|---|---|---|---|---|---|---|
| Occupancy | **70.3%** | 67.9% | 67.2% | 73.8% | 74.5% | 65.6% | 66.7% |
| Recovery (vs. 2019) | **0.91x** | 0.88x | 0.91x | 0.92x | 0.91x | 0.88x | 0.91x |
| Recovery (vs. 2021) | **1.04x** | n/a | 1.01x | 1.04x | 1.03x | 1.06x | n/a |
| ADR | **$125** | $111 | $126 | $129 | $126 | $119 | $115 |
| Recovery (vs. 2019) | **1.05x** | 0.93x | 1.09x | 1.06x | 1.05x | 1.00x | 1.00x |
| Recovery (vs. 2021) | **1.13x** | n/a | 1.10x | 1.07x | 1.14x | 1.23x | n/a |
| RevPAR | **$88** | $75 | $85 | $95 | $94 | $78 | $77 |
| Recovery (vs. 2019) | **0.95x** | 0.82x | 1.00x | 0.98x | 0.95x | 0.88x | 0.90x |
| Recovery (vs. 2021) | **1.17x** | n/a | 1.10x | 1.12x | 1.18x | 1.31x | n/a |
| NOI Margin | **32.5%** | 38.0% | 30.8% | 33.3% | 35.5% | 29.6% | 34.9% |
| Recovery (vs. 2019) | **0.91x** | 1.06x | 0.93x | 0.91x | 0.94x | 0.84x | 1.05x |
| Recovery (vs. 2021) | **0.86x** | n/a | 0.88x | 0.84x | 0.84x | 0.89x | n/a |

**SELECTED ANNUAL INFORMATION**

| (thousands of dollars, except per Unit amounts) | 2022 | 2021 | 2020 |
|---|---|---|---|
| Revenue | 281,367 | 241,307 | 174,855 |
| NOI (1) | 89,154 | 88,917 | 46,586 |
| NOI Margin (1) | 31.7% | 36.8% | 26.6% |
| Hotel EBITDA (1) | 79,941 | 81,635 | 41,299 |
| Hotel EBITDA Margin (1) | 28.4% | 33.8% | 23.6% |
| EBITDA (1) | 71,293 | 70,803 | 31,857 |
| EBITDA Margin (1) | 25.3% | 29.3% | 18.2% |
| Cashflow from operating activities | 44,910 | 17,954 | 3,553 |
| Distributions declared per unit - basic and diluted | 0.165 | - | 0.15 |
| Distributions declared to unitholders - basic | 12,996 | - | 11,405 |
| Distributions declared to unitholders - diluted | 14,453 | - | 11,495 |
| Dividends declared to Series C holders | 4,055 | 3,744 | - |
| Loss and comprehensive loss | (35,582) | (11,866) | (66,428) |
| Loss and comprehensive loss per unit - basic | (0.46) | (0.15) | (0.85) |
| Loss and comprehensive loss per unit - diluted | (0.46) | (0.15) | (0.85) |
| FFO diluted (1) | 42,020 | 42,313 | (9,507) |
| FFO per unit - diluted (1) | 0.47 | 0.48 | (0.12) |
| FFO payout ratio - diluted, trailing twelve months (1) | 35.2% | - | -199.9% |
| AFFO diluted (1) | 31,471 | 37,064 | (8,951) |
| AFFO per unit - diluted (1) | 0.35 | 0.42 | (0.11) |
| AFFO payout ratio - diluted, trailing twelve months (1) | 47.4% | - | -127.3% |

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**SELECTED ANNUAL INFORMATION**

| (thousands of dollars) | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| Total assets | 1,052,795 | 1,152,388 | 1,193,906 |
| Total liabilities | 730,689 | 777,784 | 852,192 |
| Total non-current liabilities | 667,807 | 674,339 | 772,300 |
| Term loans and revolving credit facility | 643,929 | 695,796 | 724,271 |
| Debt to gross book value (1) | 52.6% | 54.0% | 58.3% |
| Debt to EBITDA (times) (1) | 9.8 | 10.7 | 25.4 |
| Interest coverage ratio (times) (1) | 2.1 | 1.9 | 0.8 |
| Term loans and revolving credit facility: | | | |
| Weighted average interest rate | 4.46% | 4.52% | 4.55% |
| Weighted average term to maturity (years) | 3.0 | 3.9 | 4.5 |
| Number of rooms | 8,024 | 8,801 | 8,801 |
| Number of properties | 71 | 78 | 78 |
| Number of restaurants | 14 | 16 | 16 |

## FINANCIAL INFORMATION

This news release should be read in conjunction with AHIP's audited consolidated financial statements, and management's discussion and analysis for the years ended December 31, 2022 and 2021, that are available on AHIP's website at www.ahipreit.com, and under AHIP's profile on SEDAR at www.sedar.com.

## Q4 2022 CONFERENCE CALL

Management will host a webcast and conference call at 1:00 p.m. Eastern time / 10:00 a.m. Pacific time on Wednesday, March 1, 2023, to discuss the financial and operational results for the years ended December 31, 2022 and 2021.

To participate in the conference call, participants should register online with the link below:

https://register.vevent.com/register/BIb9fcd73bb6f74a17b0f21994c31d9758. A dial-in and unique PIN will be provided after registering online to join the call. Participants are requested to register a minimum of 15 minutes before the start of the call. An audio webcast of the conference call is also available, both live and archived, on the Events & Presentations page of AHIP's website: www.ahipreit.com.

## ABOUT AMERICAN HOTEL INCOME PROPERTIES REIT LP

American Hotel Income Properties REIT LP (TSX: HOT.UN, TSX: HOT.U, TSX: HOT.DB.V), or AHIP, is a limited partnership formed to invest in hotel real estate properties across the United States. AHIP's portfolio of premium branded, select-service hotels are located in secondary metropolitan markets that benefit from diverse and stable demand. AHIP hotels operate under brands affiliated with Marriott, Hilton, IHG and Choice Hotels through license agreements. AHIP's long-term objectives are to build on its proven track record of successful investment, deliver monthly U.S. dollar denominated distributions to unitholders, and generate value through the continued growth of its diversified hotel portfolio. More information is available at www.ahipreit.com.

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## NON-IFRS AND OTHER FINANCIAL MEASURES

Management believes the following non-IFRS financial measures, non-IFRS ratios, capital management measures and supplementary financial measures are relevant measures to monitor and evaluate AHIP's financial and operating performance. These measures and ratios do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures and ratios are included to provide investors and management additional information and alternative methods for assessing AHIP's financial and operating results and should not be considered in isolation or as a substitute for performance measures prepared in accordance with IFRS.

### NON-IFRS FINANCIAL MEASURES:

**FFO:** FFO measures operating performance and is calculated in accordance with Real Property Association of Canada's ("**REALPAC**") definition. FFO – basic is calculated by adjusting net and comprehensive income (loss) for depreciation and amortization, gain or loss on disposal of property, IFRIC 21 property taxes, fair value gain or loss, impairment of property, deferred income tax, and other applicable items. FFO – diluted is calculated as FFO – basic plus the interest, accretion, and amortization on convertible debentures if convertible debentures are dilutive. The most comparable IFRS measure to FFO is net and comprehensive income (loss).

**AFFO:** AFFO is defined as a recurring economic earnings measure and calculated in accordance with REALPAC's definition. AFFO – basic is calculated as FFO – basic less maintenance capital expenditures. AFFO – diluted is calculated as FFO – diluted less maintenance capital expenditures. The most comparable IFRS measure to AFFO is net and comprehensive income (loss).

**Normalized FFO:** calculated as FFO excluding a non-recurring gain of $5.6 million, and other income of $2.2 million that included a $1.7 million government grant for the loss of revenue as a result of the COVID-19 pandemic, for the year ended December 31, 2022; and excluding the non-recurring gain of $14.7 million and $1.0 million inventory adjustment expense for the year ended December 31, 2021.

**NOI:** calculated by adjusting income from operating activities for depreciation and amortization, and IFRIC 21 property taxes. The most comparable IFRS measure to NOI is income from operating activities.

**Hotel EBITDA:** calculated by adjusting income from operating activities for depreciation and amortization, IFRIC 21 property taxes and management fees for hotel. The most comparable IFRS measure to hotel EBITDA is income from operating activities.

**EBITDA:** calculated by adjusting income from operating activities for depreciation and amortization, IFRIC 21 property taxes, management fees for hotel and general administrative expenses. The sum of management fees for hotel and general administrative expenses is equal to corporate and administrative expenses in the Financial Statements. The most comparable IFRS measure to EBITDA is income from operating activities.

**Debt**: calculated as the sum of term loans and revolving credit facility, the face value of convertible debentures, unamortized portion of debt financing costs, government guaranteed loan, lease liabilities and unamortized portion of mark-to-market adjustments. The most comparable IFRS measure to debt is total liabilities.

**Gross book value:** calculated as the sum of total assets, accumulated depreciation and impairment on property, buildings and equipment, and accumulated amortization on intangible assets. The most comparable IFRS measure to gross book value is total assets.

**Interest expense:** calculated by adjusting finance costs for gain/loss on debt settlement, amortization of debt financing costs, accretion of debenture liability, amortization of debenture costs, dividends on series B preferred shares and amortization of mark-to-market adjustments because interest expense excludes certain non-cash accounting items and dividends on preferred shares. The most comparable IFRS measure to interest expense is finance costs.

### NON-IFRS RATIOS:

**FFO per unit – basic/diluted:** calculated as FFO – basic/diluted divided by weighted average number of units outstanding - basic/diluted respectively for the reporting periods.

**Normalized FFO per unit – basic/diluted:** calculated as normalized FFO – basic/diluted divided by weighted average number of units outstanding - basic/diluted respectively for the reporting periods.

**AFFO per unit – basic/diluted:** calculated as AFFO – basic/diluted divided by weighted average number of units outstanding - basic/diluted respectively for the reporting periods.

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**FFO payout ratio – basic, trailing twelve months:** calculated as total distributions declared to unitholders – basic, divided by total basic FFO, for the twelve months ended December 31, 2022 and 2021.

**FFO payout ratio – diluted, trailing twelve months:** calculated as total distributions declared to unitholders – diluted, divided by total diluted FFO, for the twelve months ended December 31, 2022 and 2021.

**AFFO payout ratio – basic, trailing twelve months:** calculated as total distributions declared to unitholders – basic, divided by total basic AFFO, for the twelve months ended December 31, 2022 and 2021.

**AFFO payout ratio – diluted, trailing twelve months:** calculated as total distributions declared to unitholders – diluted, divided by total diluted AFFO, for the twelve months ended December 31, 2022 and 2021.

**NOI margin:** calculated as NOI divided by total revenue.

**Hotel EBITDA margin:** calculated as hotel EBITDA divided by total revenue.

**EBITDA margin:** calculated as EBITDA divided by total revenue.

**Distribution payout ratio:** calculated as distributions declared to unitholders – basis divided by cashflow from operating activities.

## CAPITAL MANAGEMENT MEASURES:

**Debt to gross book value:** calculated as debt divided by gross book value. Debt to gross book value is a primary measure of capital management and leverage.

**Debt to EBITDA:** calculated as debt divided by the trailing twelve months of EBITDA. Debt to EBITDA measures the amount of income generated and available to pay down debt before covering interest, taxes, depreciation, and amortization expenses.

**Interest coverage ratio:** calculated as EBITDA for the trailing twelve months divided by interest expense for the trailing twelve months period. The interest coverage ratio measures AHIP's ability to meet required interest payments related to its outstanding debt.

## SUPPLEMENTARY FINANCIAL MEASURES:

Occupancy is a major driver of room revenue as well as food and beverage revenues. Fluctuations in occupancy are accompanied by fluctuations in most categories of variable hotel operating expenses, including housekeeping and other labor costs. ADR also helps to drive room revenue with limited impact on other revenues. Fluctuations in ADR are accompanied by fluctuations in limited categories of hotel operating expenses, such as franchise fees and credit card commissions, since variable hotel operating expenses, such as labor costs, generally do not increase or decrease correspondingly. Thus, increases in RevPAR attributable to increases in occupancy typically reduce EBITDA and EBITDA Margins, while increases in RevPAR attributable to increases in ADR typically result in increases in EBITDA and EBITDA Margins.

**Occupancy***:* calculated as total number of hotel rooms sold divided by total number of rooms available for the reporting periods. Occupancy is a metric commonly used in the hotel industry to measure the utilization of hotels' available capacity.

**Average daily rate ("ADR")***:* calculated as total room revenue divided by total number of rooms sold for the reporting periods. ADR is a metric commonly used in the hotel industry to indicate the average revenue earned per occupied room in a given time period.

**Revenue per available room ("RevPAR"):** calculated as occupancy multiplied by ADR for the reporting periods.

**Same property occupancy, ADR, RevPAR, revenue, expense, NOI and NOI margin:** measured for properties owned by AHIP for both the current reporting periods and the same periods in 2021 and pre-COVID in 2019. For the year ended December 31, 2022, same property occupancy, ADR, RevPAR, revenue, expense, NOI and NOI margin include 71 hotels (excluding the seven hotels sold in 2022).

(1) Non-IFRS and other financial measures. See "NON-IFRS AND OTHER FINANCIAL MEASURES" section of this news release and management's discussion and analysis for the years ended December 31, 2022 and 2021

## NON-IFRS RECONCILIATION

The following table reconciles FFO and AFFO from income (loss) and comprehensive income (loss), the most comparable IFRS measure as presented in the financial statements:

| | Three months ended December 31 | | Twelve months ended December 31 | |
|---|---|---|---|---|
| (thousands of dollars, except per Unit amounts) | **2022** | **2021** | **2022** | **2021** |
| Loss and comprehensive loss | **(45,707)** | (14,107) | **(35,582)** | (11,866) |
| Adjustments: | | | | |
| Loss attributable to non-controlling interest | **(1,022)** | (1,022) | **(4,055)** | (3,744) |
| Depreciation and amortization | **8,722** | 10,660 | **37,952** | 43,087 |
| Loss (gain) on sale of property | **4,922** | (1,468) | **3,864** | (181) |
| IFRIC 21 property taxes | **937** | 1,122 | **-** | - |
| Change in fair value of interest rate swaps contracts | **148** | (1,467) | **(5,730)** | (3,271) |
| Change in fair value of warrants | **1,897** | (101) | **(2,580)** | 3,905 |
| Impairment of cash-generating units | **39,407** | 12,403 | **44,081** | 12,403 |
| Warrant issuance costs | **-** | - | **-** | 325 |
| Deferred income tax (recovery) expense | **(1,192)** | (50) | **(577)** | 1,193 |
| Loss on disposal of discontinued operations | **469** | 6 | **469** | 18 |
| FFO basic [1] | **8,581** | 5,976 | **37,842** | 41,869 |
| Interest, accretion and amortization on convertible debentures | **1,075** | 444 | **4,178** | 444 |
| FFO diluted [1] | **9,656** | 6,420 | **42,020** | 42,313 |
| FFO per unit – basic [1] | **0.11** | 0.08 | **0.48** | 0.53 |
| FFO per unit – diluted [1] | **0.11** | 0.07 | **0.47** | 0.48 |
| FFO payout ratio – basic – trailing twelve months [1] | **34.3%** | - | **34.3%** | - |
| FFO payout ratio – diluted – trailing twelve months [1] | **35.2%** | - | **35.2%** | - |
| Non-recurring items: | | | | |
| Gain on debt settlement | **(3,281)** | - | **(5,625)** | - |
| Other income | **-** | - | **(2,192)** | (13,658) |
| Measurements excluding non-recurring items: | | | | |
| FFO diluted | **6,375** | 6,420 | **34,203** | 28,655 |
| FFO per unit – diluted | **0.07** | 0.07 | **0.38** | 0.32 |
| Weighted average number of units outstanding: | | | | |
| Basic (000's) | **78,779** | 78,651 | **78,755** | 78,590 |
| Diluted (000's) [2] | **89,487** | 89,266 | **89,299** | 89,020 |

(2) The calculation of weighted average number of units outstanding for FFO per unit - diluted and AFFO per unit diluted included the convertible debentures for the three and twelve months ended December 31, 2022 and 2021 because they were dilutive.

### RECONCILIATION OF FFO TO AFFO

| | Three months ended December 31 | | Twelve months ended December 31 | |
|---|---|---|---|---|
| (thousands of dollars, except per Unit amounts) | **2022** | **2021** | **2022** | **2021** |
| FFO basic [1] | **8,581** | 5,976 | **37,842** | 41,869 |
| FFO diluted [1] | **9,656** | 6,420 | **42,020** | 42,313 |
| Maintenance capital expenditures | **(2,720)** | (1,819) | **(10,549)** | (5,249) |
| AFFO basic [1] | **5,861** | 4,157 | **27,293** | 36,620 |
| AFFO diluted [1] | **6,936** | 4,601 | **31,471** | 37,064 |
| AFFO per unit – basic [1] | **0.07** | 0.05 | **0.35** | 0.47 |
| AFFO per unit – diluted [1] | **0.08** | 0.05 | **0.35** | 0.42 |
| AFFO payout ratio – basic – trailing twelve months [1] | **47.6%** | - | **47.6%** | - |
| AFFO payout ratio – diluted – trailing twelve months [1] | **47.4%** | - | **47.4%** | - |

(1) Non-IFRS and other financial measures. See "NON-IFRS AND OTHER FINANCIAL MEASURES" section of this news release and management's discussion and analysis for the years ended December 31, 2022 and 2021

| (thousands of dollars) | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Term loans and revolving credit facility | **643,929** | 695,796 |
| 2026 Debentures (at face value) | **50,000** | 50,000 |
| Unamortized portion of debt financing costs | **4,437** | 6,402 |
| Government guaranteed loans | **-** | 345 |
| Lease liabilities | **1,591** | 1,986 |
| Unamortized portion of mark-to-market adjustments | **(76)** | (131) |
| **Debt** | **699,881** | 754,398 |

| (thousands of dollars) | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Total assets | **1,052,795** | 1,152,388 |
| Accumulated depreciation and impairment on property, buildings and equipment | **272,540** | 241,338 |
| Accumulated amortization on intangible assets | **4,530** | 3,675 |
| **Gross book value** | **1,329,865** | 1,397,401 |

The reconciliation of income from operating activities to NOI, hotel EBITDA and EBITDA is shown below:

| | Three months ended December 31 | | Twelve months ended December 31 | |
|---|---|---|---|---|
| (thousands of dollars) | 2022 | 2021 | 2022 | 2021 |
| Income from operating activities | **10,665** | 9,353 | **51,202** | 45,830 |
| Depreciation and amortization | **8,722** | 10,660 | **37,952** | 43,087 |
| IFRIC 21 property taxes | **937** | 1,122 | **-** | - |
| **NOI** | **20,324** | 21,135 | **89,154** | 88,917 |
| Management fees | **(2,124)** | (2,160) | **(9,213)** | (7,282) |
| **Hotel EBITDA** | **18,200** | 18,975 | **79,941** | 81,635 |
| General administrative expenses | **(2,496)** | (2,480) | **(8,648)** | (10,832) |
| **EBITDA** | **15,704** | 16,495 | **71,293** | 70,803 |

The reconciliation of finance costs to interest expense is shown below:

| | Three months ended December 31 | | Twelve months ended December 31 | |
|---|---|---|---|---|
| (thousands of dollars) | 2022 | 2021 | 2022 | 2021 |
| Finance costs | **6,187** | 10,084 | **31,615** | 40,452 |
| Gain on debt settlement | **3,281** | - | **5,625** | - |
| Amortization of debt financing costs | **(783)** | (507) | **(2,382)** | (1,950) |
| Accretion of Debenture liability | **(232)** | (194) | **(828)** | (533) |
| Amortization of Debenture costs | **(94)** | (135) | **(335)** | (437) |
| **Interest expense** | **8,359** | 9,248 | **33,695** | 37,532 |

For information on the most directly comparable IFRS measures, composition of the measures, a description of how AHIP uses these measures, and an explanation of how these measures provide useful information to investors, please refer to AHIP's management discussion and analysis for the years ended December 31, 2022 and 2021, available on AHIP's website at www.ahipreit.com, and under AHIP's profile on SEDAR at www.sedar.com, which is incorporated by reference into this news release.

(1) Non-IFRS and other financial measures. See "NON-IFRS AND OTHER FINANCIAL MEASURES" section of this news release and management's discussion and analysis for the years ended December 31, 2022 and 2021

## FORWARD-LOOKING INFORMATION

Certain statements in this news release may constitute "forward-looking information" or "financial outlook" within the meaning of applicable securities laws. Forward-looking information and financial outlook generally can be identified by words such as "anticipate", "believe", "continue", "expect", "estimates", "intend", "may", "outlook", "objective", "plans", "should", "will" and similar expressions suggesting future outcomes or events. Forward-looking information and financial outlook includes, but is not limited to, statements made or implied relating to the objectives of AHIP, AHIP's strategies to achieve those objectives and AHIP's beliefs, plans, estimates, projections and intentions and similar statements concerning anticipated future events, results, circumstances, performance, or expectations that are not historical facts. Forward-looking information and financial outlook in this news release includes, but is not limited to, statements with respect to: AHIP's expectations with respect to its future performance, including specific expectations in respect to certain categories of its properties, including the Embassy Suites properties; AHIP's leverage and liquidity strategies and goals, including its target debt to gross book value ratio; AHIP's expectations with respect to, and the estimated amount of, weather-related damage to buildings and equipment of four hotel properties; AHIP's expectations that all costs associated with remediation and business interruption at its weather damaged properties will be recovered from insurance; AHIP's planned capital expenditures, including the relevant properties subject to the capital plan and the estimated amount and timing of such expenditures; AHIP's expectations as to the labour market and cost pressures and its strategies for managing same; AHIP's evaluation and review of growth and divesture opportunities; AHIP's expectations with respect to brand service standards, PIPs (as defined below), FF&E (as defined below) improvements and relations with its brand partners and the impacts thereof on AHIP; AHIP's outlook on the U.S. travel market; the expected timing for the declaration, record date and payment of monthly distributions, and any increase thereof; and AHIP's stated long-term objectives.

Although the forward-looking information and financial outlook contained in this news release is based on what AHIP's management believes to be reasonable assumptions, AHIP cannot assure investors that actual results will be consistent with such information. Forward-looking information and financial outlook is based on a number of key expectations and assumptions made by AHIP, including, without limitation: inflation, labor shortages, and supply chain disruptions will negatively impact the U.S. economy, U.S. hotel industry and AHIP's business; the COVID-19 pandemic will continue to negatively impact (although to a lesser extent than previously) the U.S. economy, U.S. hotel industry and AHIP's business; the impacts of COVID-19 on AHIP's portfolio will continue to diminish; AHIP will continue to have sufficient funds to meet its financial obligations; AHIP's strategies with respect to margin enhancement, completion of capital projects, liquidity and divestiture of non-core assets and acquisitions will be successful; capital projects will be completed on time and on budget; AHIP will continue to have good relationships with its hotel brand partners; ADR and Occupancy will be higher in 2023 than in 2022; the costs associated with remediation and business interruption at AHIP's weather-damaged properties will be fully recovered from insurance AHIP's distribution policy will be sustainable and AHIP will not be prohibited from paying distributions under the terms of its term loans, revolving credit facility and investor rights agreement; AHIP's ability to increase distribution level in future periods assuming stable or improving operating results; capital markets will provide AHIP with readily available access to equity and/or debt financing on terms acceptable to AHIP, including the ability to refinance maturing debt as it becomes due; AHIP's future level of indebtedness and its future growth potential will remain consistent with AHIP's current expectations; and AHIP will achieve its long term objectives.

Forward-looking information and financial outlook involve significant risks and uncertainties and should not be read as a guarantee of future performance or results as actual results may differ materially from those expressed or implied in such forward-looking information and financial outlook, accordingly undue reliance should not be placed on such forward-looking information and financial outlook. Those risks and uncertainties include, among other things, risks related to: inflation, labor shortages, wage increases, short and long-term interest rate increase; supply chain disruptions, the COVID-19 pandemic and related government measures and their impact on the U.S. economy, the U.S. hotel industry, and AHIP's business; AHIP may not achieve its expected performance levels in 2023 and beyond; AHIP's brand partners may impose revised service standards and capital requirements which are adverse to AHIP; property improvement plan renovations may not commence or complete in accordance with currently expected timing and may suffer from increased material and labor costs; recovery trends at AHIP's properties may not continue and may regress; AHIP's strategies with respect to margin enhancement, completion of accretive capital projects, liquidity, divestiture of non-core assets and acquisitions may not be successful; AHIP may not be successful in reducing its leverage; monthly cash distributions are not guaranteed and remain subject to the approval of the Board of Directors, compliance with the terms of its credit facility and investor rights agreement and may be reduced or suspended at any time at the discretion of the Board; AHIP may not be able to refinance debt obligations as they become due; general economic conditions and consumer confidence; the growth in the U.S. hotel and lodging industry; prices for AHIP's units and its debentures; liquidity; tax risks; ability to access debt and capital markets; financing risks; changes in interest rates; the financial condition of, and AHIP's relationships with, its external hotel manager and franchisors; real property risks, including environmental risks; the degree and nature of competition; ability to acquire accretive hotel investments; ability to integrate new hotels; environmental matters; increased geopolitical instability; and changes in

(1) Non-IFRS and other financial measures. See "NON-IFRS AND OTHER FINANCIAL MEASURES" section of this news release and management's discussion and analysis for the years ended December 31, 2022 and 2021

legislation and AHIP may not achieve its long term objectives. Management believes that the expectations reflected in the forward-looking information and financial outlook are based upon reasonable assumptions and information currently available; however, management can give no assurance that actual results will be consistent with the forward-looking information and financial outlook contained herein. Additional information about risks and uncertainties is contained in AHIP's management's discussion and analysis for the years ended December 31, 2022 and 2021, and AHIP's annual information form for the year ended December 31, 2021, copies of which are available on SEDAR at www.sedar.com.

To the extent any forward‑looking information in this news release constitutes a "financial outlook" within the meaning of applicable securities laws, such information is being provided to investors to assist in their understanding of AHIP's 2023 capital plan.

The forward-looking information and financial outlook contained herein are expressly qualified in their entirety by this cautionary statement. Forward-looking information and financial outlook reflect management's current beliefs and is based on information currently available to AHIP. The forward-looking information and financial outlook are made as of the date of this news release and AHIP assumes no obligation to update or revise such information to reflect new events or circumstances, except as may be required by applicable law.

## THIRD PARTY INFORMATION

This news release includes market information and industry data from independent industry publications, market research and analyst reports, surveys and other publicly available sources. Although AHIP management believes these sources to be generally reliable, market and industry data is subject to interpretation and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. Accordingly, the accuracy and completeness of this data are not guaranteed. AHIP has not independently verified any of the data from third party sources referred to in this news release nor ascertained the underlying assumptions relied upon by such sources.

**For additional information, please contact:**

Investor Relations
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(1) Non-IFRS and other financial measures. See "NON-IFRS AND OTHER FINANCIAL MEASURES" section of this news release and management's discussion and analysis for the years ended December 31, 2022 and 2021