



4800 Montgomery Lane
Suite 220
Bethesda, MD 20814
(301) 861-3305 T
(402) 371-4229 F
www.condorhospitality.com

Reconciliation of Non-GAAP Financial Measures (Unaudited)

Non-GAAP financial measures are measures of our historical financial performance that are different from measures calculated and presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”). We report Funds from Operations (“FFO”), Adjusted FFO (“AFFO”), Earnings Before Interest, Taxes, Depreciation, and Amortization (“EBITDA”), EBITDA for real estate (“EBITDA_{re}”), Adjusted EBITDA_{re}, and Hotel EBITDA as non-GAAP measures that we believe are useful to investors as key measures of our operating results and which management uses to facilitate a periodic evaluation of our operating results relative to those of our peers. Our non-GAAP measures should not be considered as an alternative to U.S. GAAP net earnings as an indication of financial performance or to U.S. GAAP cash flows from operating activities as a measure of liquidity. Additionally, these measures are not indicative of funds available to fund cash needs or our ability to make cash distributions as they have not been adjusted to consider cash requirements for capital expenditures, property acquisitions, debt service obligations, or other commitments.

FFO and AFFO

The following table reconciles net earnings (loss) to FFO and AFFO for the three months ended March 31, 2018 and 2017 (in thousands). All amounts presented include our portion of the results of our unconsolidated Atlanta JV.

	Three months ended March 31,	
	2018	2017
Reconciliation of Net earnings (loss) to FFO and AFFO		
Net earnings (loss)	\$ 792	\$ (2,400)
Depreciation and amortization expense	2,259	1,051
Depreciation and amortization expense from JV	285	354
Net loss on disposition of assets	24	3
Net loss on disposition of assets from JV	7	1
Impairment loss (recovery), net	(93)	271
FFO	3,274	(720)
Dividends declared and in kind dividends deemed on preferred stock	(144)	(11,603)
FFO attributable to common shares and common units	3,130	(12,323)
Net gain on derivatives and convertible debt	(447)	(175)
Acquisition and terminated transactions expense	19	502
Equity transactions expense	-	343
Loss on debt extinguishment	-	800
Stock-based compensation and LTIP expense	402	77
Amortization of deferred financing fees	353	136
Amortization of deferred financing fees from JV	45	57
Non-recurring dividends above stated rates declared and in kind dividends deemed on preferred stock	-	10,903
AFFO attributable to common shares and common units	\$ 3,502	\$ 320
FFO attributable to common shares and common units - Basic Shares	\$ 3,130	\$ (12,323)
Preferred dividends and fair value adjustments	111	-
FFO attributable to common shares and common units - Diluted Shares	\$ 3,241	\$ (12,323)
FFO per common share and common unit - Basic	\$ 0.26	\$ (4.19)
FFO per common share and common unit - Diluted	\$ 0.26	\$ (4.19)
Weighted average common shares and common units - Basic FFO	11,835,279	3,089,987
Weighted average common shares and common units - Diluted FFO	12,536,203	3,089,987
AFFO attributable to common shares and common units - Basic Shares	\$ 3,502	\$ 320
Convertible note interest	16	-

Preferred dividends at stated rates		144	-
AFFO attributable to common shares and common units - Diluted Shares	\$	3,662	\$ 320
AFFO per common share and common unit - Basic	\$	0.30	\$ 0.10
AFFO per common share and common unit - Diluted	\$	0.29	\$ 0.10
Weighted average common shares and common units - Basic		11,835,279	3,089,987
Weighted average common shares and common units - Diluted		12,633,472	3,106,961

We calculate FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts (“NAREIT”), which defines FFO as net earnings or loss computed in accordance with GAAP, excluding gains or losses from sales of real estate assets, impairment, and the depreciation and amortization of real estate assets. FFO is calculated both for the Company in total and as FFO attributable to common shares and common units, which is FFO reduced by preferred stock dividends. AFFO is FFO attributable to common shares and common units adjusted to exclude items we do not believe are representative of the results from our core operations, including non-cash gains or losses on derivatives and convertible debt, stock-based compensation expense, amortization of certain fees, losses on debt extinguishment, and in-kind dividends above stated rates, and cash charges for acquisition and equity transaction costs. All REITs do not calculate FFO and AFFO in the same manner; therefore, our calculation may not be the same as the calculation of FFO and AFFO for similar REITs.

We consider FFO to be a useful additional measure of performance for an equity REIT because it facilitates an understanding of the operating performance of our properties without giving effect to real estate depreciation and amortization, which assumes that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, we believe that FFO provides a meaningful indication of our performance. We believe that AFFO provides useful supplemental information to investors regarding our ongoing operating performance that, when considered with net income and FFO, is beneficial to an investor’s understanding of our operating performance. We present FFO and AFFO per common share and common unit because our common units are redeemable for common shares. We believe it is meaningful for the investor to understand FFO and AFFO applicable to common shares and common units.

EBITDA, EBITDAre, Adjusted EBITDAre, and Hotel EBITDA

The following table reconciles net earnings (loss) to EBITDA, EBITDAre, Adjusted EBITDAre, and Hotel EBITDA for the three months ended March 31, 2018 and 2017 (in thousands). All amounts presented our portion of the results of our unconsolidated Atlanta JV.

Reconciliation of Net earnings (loss) to EBITDA, EBITDAre, Adjusted EBITDAre, and Hotel EBITDA	Three months ended March 31,	
	2018	2017
Net earnings (loss)	\$ 792	\$ (2,400)
Interest expense	1,928	971
Interest expense from JV	492	662
Loss on debt extinguishment	-	800
Income tax expense	129	-
Depreciation and amortization expense	2,259	1,051
Depreciation and amortization expense from JV	285	354
EBITDA	5,885	1,438
Net loss on disposition of assets	24	3
Net loss on disposition of assets from JV	7	1
Impairment loss (recovery), net	(93)	271
EBITDAre	5,823	1,713
Net gain on derivatives and convertible debt	(447)	(175)
Stock-based compensation and LTIP expense	402	77
Acquisition and terminated transactions expense	19	502
Equity transactions expense	-	343
Adjusted EBITDAre	5,797	2,460
General and administrative expense, excluding stock compensation and LTIP expense	1,467	1,415
Other expense, net	14	1
Unallocated hotel and property operations expense	89	132
Hotel EBITDA	\$ 7,367	\$ 4,008
Revenue	\$ 16,679	\$ 10,361
JV revenue	2,618	2,989
Condor and JV revenue	\$ 19,297	\$ 13,350
Hotel EBITDA as a percentage of revenue	38.2%	30.0%

We calculate EBITDA, EBITDAre, and Adjusted EBITDAre by adding back to net earnings or loss certain non-operating expenses and certain non-cash charges which are based on historical cost accounting that we believe may be of limited significance in evaluating current performance. We believe these adjustments can help eliminate the accounting effects of depreciation and amortization and financing decisions and facilitate comparisons of core operating profitability between periods. In calculating EBITDA, we add back to net earnings or loss interest expense, loss on debt extinguishment, income tax expense, and depreciation and amortization expense. NAREIT adopted EBITDAre in order to promote an industry-wide measure of REIT operating performance. We adjust EBITDA by adding back net gain/loss on disposition of assets and impairment charges to calculate EBITDAre. To calculate Adjusted EBITDAre, we adjust EBITDAre to add back acquisition and terminated transactions expense and equity transactions expense, which are cash charges. We also add back stock-based compensation expense and gain/loss on derivatives and convertible debt, which are non-cash charges. EBITDA, EBITDAre, and Adjusted EBITDAre, as presented, may not be comparable to similarly titled measures of other companies.

We believe EBITDA, EBITDAre, and Adjusted EBITDAre to be useful additional measures of our operating performance, excluding the impact of our capital structure (primarily interest expense), our asset base (primarily depreciation and amortization expense), and other items we do not believe are representative of the results from our core operations.

The Company further excludes general and administrative expenses, other non-operating income or expense, and certain hotel and property operations expenses that are not allocated to individual properties in assessing hotel performance (primarily certain general liability and other insurance costs, land lease costs, and office and banking fees) from Adjusted EBITDAre to calculate Hotel EBITDA. Hotel EBITDA, as presented, may not be comparable to similarly titled measures of other companies.

Hotel EBITDA is intended to isolate property level operational performance over which the Company's hotel operators have direct control. We believe Hotel EBITDA is helpful to investors as it better communicates the comparability of our hotels' operating results for all of the Company's hotel properties and is used by management to measure the performance of the Company's hotels and the effectiveness of the operators of the hotels.

Same-Store Revenue and Hotel EBITDA

The following tables present our same-store revenue, Hotel EBITDA, and Hotel EBITDA margin broken down by property type for the three months ended March 31, 2018 and 2017 (in thousands) and reconcile these same-store measures to total revenue and Hotel EBITDA as presented above. Same-store results include all our hotels owned at March 31, 2018, with the exception of the Austin TownePlace Suites, opened on January 3, 2017, and the Summerville Home2 Suites, opened on July 18, 2017 (no prior period results available) and reflect the performance of these hotels during the entire period, regardless of our ownership during the period presented. Results for the hotels for periods prior to our ownership were provided to us by prior owners and have not been adjusted by us or audited or reviewed by our independent auditors. All amounts presented operations as well as our portion of the results of our unconsolidated Atlanta Aloft JV. Results for periods prior to the Company's ownership have not been included in the Company's actual consolidated financial statements and are included here only for comparison purposes.

	Revenue - Reconciliation of Same-Store to Actual	
	Three months ended March 31,	
	2018	2017
Condor and JV Revenue – Actual*	\$ 19,297	\$ 13,350
Revenue earned on properties owned at March 31, 2018 prior to the Company's ownership, excluding the Austin TownePlace Suites and the Summerville Home2 Suites	-	7,094
Revenue earned on properties disposed of prior to March 31, 2018 during the period of ownership	(397)	(2,818)
Revenue earned on Austin TownePlace Suites and Summerville Home2 Suites subsequent to ownership	(1,413)	-
Total Revenue – Same-Store*	\$ 17,487	\$ 17,626

	Revenue – Same-Store by Type	
	Three months ended March 31,	
	2018	2017
New investment platform*	\$ 16,015	\$ 16,119
Legacy held for use	265	379
Legacy held for sale	1,207	1,128
Total Revenue – Same-Store*	\$ 17,487	\$ 17,626

	Hotel EBITDA – Reconciliation of Same-Store to Actual	
	Three months ended March 31,	
	2018	2017
Condor and JV Hotel EBITDA – Actual*	\$ 7,367	\$ 4,008
Hotel EBITDA earned on properties owned at March 31, 2018 prior to the Company's ownership, excluding the Austin TownePlace Suites and the Summerville Home2 Suites	-	2,993
Hotel EBITDA earned on properties disposed of prior to March 31, 2018 during the period of ownership	(42)	(436)
Hotel EBITDA earned on Austin TownePlace Suites and Summerville Home2 Suites subsequent to ownership	(707)	-
Total Hotel EBITDA – Same-Store*	\$ 6,618	\$ 6,565

	Hotel EBITDA – Same-Store by Type	
	Three months ended March 31,	
	2018	2017
New investment platform*	\$ 6,237	\$ 6,177
Legacy held for use	43	77
Legacy held for sale	338	311
Total Hotel EBITDA – Same-Store*	\$ 6,618	\$ 6,565

	Hotel EBITDA Margin by Property Type	
	Three months ended March 31,	
	2018	2017
New investment platform	38.9%	38.3%
Legacy held for use	16.2%	20.3%
Legacy held for sale	28.0%	27.6%
Total Portfolio – Same-Store	37.8%	37.2%

*Due to differences in the allocation of JV preferred returns, JV activity was 100% attributed to Condor in the first quarter of 2017 and 80% attributed to Condor in the first quarter of 2018

Non-GAAP Measures Included in 2018 Guidance and Outlook

The following tables reconcile forecast net earnings to forecast FFO and AFFO and forecast EBITDA, EBITDA_{re}, Adjusted EBITDA_{re}, and Hotel EBITDA for the year ending December 31, 2018 (in millions, except per share amounts) using the definitions of these non-GAAP measures as discussed above.

2018 Outlook (\$ in millions except per share amounts)	Low	High
RevPAR growth (13 new investment platform hotels owned as of December 31, 2017)	3.0%	4.5%

2018 Outlook for 17-Hotel Portfolio

Forecast hotel revenue	\$ 74.0	\$ 75.4
Forecast net earnings	\$ 1.7	\$ 2.5
Forecast earnings per share - Diluted	\$ 0.09	\$ 0.16
Forecast Hotel EBITDA*	\$ 28.8	\$ 29.7
Forecast AFFO per common share and common unit - Diluted*	\$ 1.13	\$ 1.19

	Low	High
Forecast net earnings	\$ 1.7	\$ 2.5
Interest expense	8.5	8.5
Depreciation and amortization expense	11.4	11.4
Forecast EBITDA	21.5	22.4
Net gain on disposition of assets	-	-
Forecast EBITDA_{re}	21.5	22.4
Acquisitions and terminated transactions expense	-	-
Stock-based compensation and LTIP expense	1.0	1.0
Forecast Adjusted EBITDA_{re}	22.5	23.4
Cash general and administrative expense and other expenses	6.3	6.3
Forecast Hotel EBITDA (17 Hotels)	\$ 28.8	\$ 29.7

	Low	High
Forecast net earnings	\$ 1.7	\$ 2.5
Depreciation and amortization expense	11.4	11.4
Net gain on disposition of assets	-	-
Forecast FFO	13.1	13.9
Preferred dividends	(0.6)	(0.6)
Forecast FFO attributable to common shares and common units	12.5	13.3
Acquisitions and terminated transactions expense	-	-
Stock-based compensation and LTIP expense	1.0	1.0
Amortization of deferred financing fees	0.2	0.2
Forecast AFFO attributable to common shares and common units - Basic	\$ 13.7	\$ 14.5
Forecast AFFO attributable to common shares and common units - Diluted	\$ 14.3	\$ 15.1
Forecast AFFO per common share and common unit - Diluted	\$ 1.13	\$ 1.19
Diluted common shares and common units	12.7	12.7