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HOLLOWAY LODGING CORPORATION REPORTS Q3 2017 RESULTS, DECLARES QUARTERLY DIVIDEND AND FINALIZES DEBENTURE AMENDMENTS

Halifax, NS – Holloway Lodging Corporation (TSX: HLC, HLC.DB, HLC.DB.A) ("Holloway") today announced financial results for the three and nine months ended September 30, 2017. All amounts are in thousands of Canadian dollars unless otherwise indicated. Readers should refer to Holloway's unaudited interim condensed consolidated financial statements as at September 30, 2017 and its management discussion and analysis which are available on Holloway's website at www.hlcorp.ca and on SEDAR at www.sedar.com.

Third Quarter Review and Outlook

Hotel Performance

In the third quarter of 2017, hotel operating income increased 5.3% despite revenues declining by 0.7%, compared to the third quarter of 2016. The changes in revenue, hotel operating income and certain other financial metrics are shown in the tables below for the three and nine months ended September 30, 2017.

	Three Months Ended September 30			Nine Months Ended September 30		
	2017	2016	Variance	2017	2016	Variance
Revenue	$ 31,986	$ 32,214	(0.7%)	$ 80,804	$ 81,817	(1.2%)
Operating income(1)	12,687	12,047	5.3%	25,121	23,740	5.8%
Operating income margin	39.7%	37.4%	2.3 ppt	31.1%	29.0%	2.1 ppt
Net income attributable to shareholders	3,658	4,834		6,075	1,258	
per basic share	0.19	0.26		0.32	0.07	
per diluted share	0.19	0.25		0.32	0.07	
Funds from operations	9,879	7,584	30.3%	13,453	9,353	43.8%
per basic share	0.52	0.40		0.71	0.49	
Adjusted funds from operations	9,263	7,185	28.9%	12,358	8,103	52.5%
per basic share	0.49	0.38		0.66	0.43	
Dividends declared per share	0.035	0.035		0.105	0.105	

(1) Before depreciation and amortization.

	Three Months Ended September 30				Nine Months Ended September 30			
	Revenue		Operating Income(1)		Revenue		Operating Income(1)	
2016	$ 32,214	100%	$ 12,047	100%	$ 81,817	100%	$ 23,740	100%
Hotels acquired or reopened(2)	-		-		2,111		665	
Hotels sold or temporarily closed(3)	(3,930)		(1,380)		(9,091)		(2,591)	
Ontario hotels	1,709		817		4,221		2,616	
Atlantic hotels	946		500		1,020		560	
Western hotels	750		372		945		224	
Northern hotels	297		331		(219)		(93)	
2017	$ 31,986	99%	$ 12,687	105%	$ 80,804	99%	$ 25,121	106%

(1) Before depreciation and amortization.
(2) Nine months ended September 30 (acquired - Westmark in Whitehorse, YT and reopened - Travelodge in Sydney, NS).
(3) Represents five hotels (sold - Travelodge in Barrie, ON, Travelodge in Belleville, ON and Holiday Inn in Oakville, ON; closed - Travelodge in Slave Lake, AB and Super 8 in Grande Prairie, AB).

Holloway enjoyed a very good third quarter. While total revenue decreased marginally during the third quarter compared to the prior year, due primarily to the sale of three hotels, operating income increased 5.3% and our operating income margin increased 2.3 percentage points to 39.7%. Funds from operations and adjusted funds from operations (both of which measures exclude non-cash items) increased 30.3% and 28.9%, respectively.

The improved performance was broad based with each region experiencing higher revenue and hotel operating income. All but one hotel in Ontario generated higher revenue and operating income during the third quarter. We are particularly pleased with the performance of the Holiday Inn® in Ottawa, ON since its renovation and branding.

We are also pleased with the continued improvements we are seeing in Western Canada. While the performance of our hotels in smaller Alberta and BC markets are rebounding only gradually, we are seeing more meaningful improvements in the larger Alberta and BC markets, namely Grande Prairie, AB and Fort St. John, BC. Our results in this region would have been even better if our Holiday Inn and Super 8® hotels in Grande Prairie were fully open during the quarter. The Holiday Inn was partially closed for a full-property renovation and the Super 8 was closed due to renovations required as a result of water damage.

The performance of our Atlantic Canada and Northern Canada hotels was also good with each hotel in Atlantic Canada generating better results than in the prior year period.

Balance Sheet and Capital Allocation

Holloway's financial position remains strong. At September 30, 2017, the Company had $206,538 of debt compared to $234,741 at December 31, 2016, a decrease of $28,203 or 12%. Our convertible debentures comprise 43.7% of the debt and have no financial covenants. On August 9, 2017, we extended the maturity date of the 7.50% convertible debentures by three years to September 30, 2021. Our weighted average cost of debt at the end of the third quarter was 5.57%.

During the third quarter, we drew $6,866 on a new mortgage secured by two hotels. This mortgage bears interest at 4.45%, has a 15 year amortization and a 5 year term. Subsequent to September 30, 2017 and following the re-opening of the Super 8 hotel in Grande Prairie, AB, the Company drew an additional $5,634 on this mortgage. Holloway may draw up to an additional $5,000 on this mortgage subject to meeting certain conditions.

Subsequent to September 30, 2017, the Company extended a mortgage that was to mature in April 2018 to October 2022. The interest rate on this mortgage was reduced from 4.81% to 4.29%.

During the third quarter, Holloway repurchased $208 principal amount of our 6.25% convertible debentures at an average price of $95.51 per $100 face value and $7 principal amount of our 7.50% convertible debentures at an average price of $98.99 per $100 face value. Holloway also repurchased 181,700 (not in thousands) common shares at an average price of $5.37 per share.

Outlook

We expect results in Atlantic and Northern Canada to remain stable for the remainder of the year and to improve modestly in Ontario. Our Holiday Inn in Grande Prairie, AB fully reopened on August 15, 2017 and our Super 8 in Grande Prairie, AB partially reopened on October 1, 2017. With three of our four Grande Prairie, AB hotels having been renovated within the past two years and signs of recovery in this market, we expect growth in this market. We expect our smaller Western Canada hotels to continue to experience volatility in their results and generally more modest rebounds. As we look towards 2018, we believe that our operating results will continue to improve. Much of this improvement will depend on energy commodity prices remaining stable or improving, thereby allowing our Western Canada hotels to benefit from higher demand. We are also working diligently on various initiatives intended to offset the cost pressures that will result from much higher than usual minimum wage increases in Alberta and Ontario and other business-unfriendly policies introduced by the Government of Ontario.

In the fourth quarter, we will complete previously budgeted upgrades at the Days Inn® in Whitehorse, YT and the Quality Inn® in Yellowknife, NT as well as finish repair work at the Super 8 in Grande Prairie, AB. As we approach the end of 2017 and two years of significant capital expenditures focused on major property renovations, we are looking forward to a much reduced capital budget in 2018.

We continue to advance the entitlement process for the redevelopment of the Travelodge® in Ottawa, ON. After a pause in the demolition work due to the busy summer season, we expect demolition to resume on the non-operated structures in November 2017.

With stable to improving operating results, lower debt service costs and a smaller capital budget, we anticipate our free cash flow will increase in 2018. This free cash flow can be used for debt reduction, share repurchases and to take advantage of growth opportunities as they arise.

Dividend Declaration

On November 9, 2017, the Board of Directors declared a quarterly dividend of $0.035 per share, representing an annual dividend of $0.14 per share. The dividend is payable on December 15, 2017 to shareholders of record on November 30, 2017.

Debenture Amendments

At a meeting of the holders of the Series C Debentures held on August 9th, 2017, Holloway obtained approval to amend the Series C Debentures as follows: (1) extend the maturity date of the Series C Debentures by three years to September 30, 2021; (2) amend the conversion price to $12.50 per common share; and (3) provide holders with the option to exchange their Series C Debentures for a new series of debentures upon receiving an exchange notice from Holloway. At a separate meeting of the holders of the Series B Debentures held on August 9th, 2017, Holloway obtained approval to amend the Series B Debentures to provide holders with the option to exchange their Series B Debentures for a new series of debentures upon receiving an exchange notice from Holloway.

The amendments referred to above became effective today with the signing of the first supplement to the second amended and restated trust indenture dated July 31, 2014, by the Company and Computershare Trust Company of Canada. A full description of the amendments is set out in the joint management information circular dated July 12, 2017 and available at www.sedar.com.

ABOUT HOLLOWAY LODGING CORPORATION

Holloway is a real estate corporation focused on acquiring, owning and operating select and limited service lodging properties and a small complement of full service hotels primarily in secondary, tertiary and suburban markets. Holloway owns 33 hotels with 3,764 rooms. Holloway's shares and debentures trade on the TSX under the symbols HLC, HLC.DB and HLC.DB.A.

For further information please contact Michael Rapps, Chairman, at (416) 855-1925 or Jane Rafuse, Chief Financial Officer, at (902) 443-5101.

This press release contains forward-looking information within the meaning of applicable securities laws. Forward-looking information may relate to Holloway's future outlook and anticipated events or results and may include statements regarding Holloway's future financial position, business strategy, financial results, plans and objectives. In some cases, forward-looking information 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. Forward-looking information is subject to certain factors, including risks and uncertainties, that could cause actual results to differ materially from what Holloway currently expects and there can be no assurance that such statements will prove to be accurate. Some of these risks and uncertainties are described under "Risk Factors" in Holloway's annual information form for the year ended December 31, 2016 which is available on Holloway's profile on the SEDAR website at www.sedar.com. Holloway does not intend to update or revise any such forward-looking information should its assumptions and estimates change.