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HOLLOWAY LODGING CORPORATION REPORTS Q2 2019 RESULTS AND CEASES DIVIDEND IN CONNECTION WITH PROPOSED ACQUISITION OF HOLLOWAY BY CLARKE INC.

Halifax, NS – Holloway Lodging Corporation (TSX: HLC, HLC.DB) ("Holloway") today announced financial results for the three and six months ended June 30, 2019. All amounts are presented in thousands of Canadian dollars, except per share amounts, unless otherwise indicated. Readers should refer to Holloway's unaudited condensed consolidated financial statements as at June 30, 2019 and its management's discussion and analysis which are available on Holloway's website at www.hlcorp.ca and on SEDAR at www.sedar.com.

Second Quarter Overview and Outlook

Hotel Performance

The changes in hotel revenue, operating income and certain other financial metrics are shown in the tables below for the three and six months ended June 30, 2019.

	Three Months Ended June 30			Six Months Ended June 30		
	2019	2018	Variance	2019	2018	Variance
Hotel revenue	$ 20,830	$ 26,635	(21.8%)	$ 40,918	$ 50,071	(18.3%)
Operating income[1]	5,674	8,272	(31.4%)	9,515	13,572	(29.9%)
Operating income margin	27.2%	31.1%	(3.9 ppt)	23.3%	27.1%	(3.8 ppt)
Net income (loss) attributable to shareholders[2]	3,993	429	830.8%	(820)	(1,004)	(18.3%)
per basic share[2]	0.26	0.02		(0.05)	(0.05)	
Funds from operations[1]	5,173	4,824	7.2%	5,766	5,907	(2.4%)
per basic share	0.33	0.26		0.37	0.32	
Adjusted funds from operations[1]	3,222	4,199	(23.3%)	3,974	5,079	(21.8%)
per basic share	0.21	0.23		0.25	0.28	
Dividends declared per share	0.035	0.035		0.07	0.07	

	Three Months Ended June 30				Six Months Ended June 30			
	Hotel Revenue		Operating Income(1)		Hotel Revenue		Operating Income(1)	
2018	$ 26,635	100%	$ 8,272	100%	$ 50,071	100%	$ 13,572	100%
Hotels sold(3)	(5,677)		(1,956)		(8,897)		(2,957)	
Ontario hotels	(344)		(396)		70		(221)	
Atlantic hotels	(133)		(143)		(20)		(12)	
Western hotels	336		(15)		70		(425)	
Northern hotels	13		(88)		(376)		(442)	
2019	$ 20,830	78%	$ 5,674	69%	$ 40,918	82%	$ 9,515	70%

(1) Refer to "Non-IFRS Financial Measures" section of our MD&A
(2) Holloway adopted the fair value model for investment property effective January 1, 2019 with a restatement of 2018 amounts.
(3) Represents eight hotels - Super 8 in High Level, AB, and Holiday Inn in Ottawa, ON, sold in Q4 2018; Travelodge in Dartmouth, NS, Travelodge in Moncton, NB, Days Inn in Moncton, NB, and Super 8 in Windsor, NS, sold in Q1 2019; and Super 8 in Timmins, ON, and Travelodge in Timmins, ON, sold in Q2 2019.

Revenue, operating income and operating margins declined in the second quarter of 2019 due to the sale of hotels and several weak markets. Our overhead costs have not fallen commensurately with the sale of hotels due in part to certain corporate costs which are less sensitive to the number of hotels we own and in part due to the start-up of our third party management business. Our net income benefitted from lower interest expense and an increase in the valuation of certain hotels.

Second quarter revenue in the Ontario region declined by 5% while operating income declined by 21%. These declines were driven by weaker performance from the DoubleTree® hotel in London, ON, which eclipsed otherwise positive performance in our Ottawa and Thunder Bay hotels.

The Atlantic region generally experienced sluggish performance. The St. John's, NL market continues to struggle as it has not yet absorbed the significant hotel room supply that entered the market in recent years.

The Western region saw a 5.2% increase in revenue over the second quarter of 2018, but higher costs resulted in a marginal decline in operating income. Higher costs were primarily driven by an increase in the minimum wage in Alberta and British Columbia.

The Northern region saw steady revenue and slightly lower operating income. This was driven by a decline in crew business at one of our hotels as several infrastructure projects in the area were completed. Work to repair damage caused by a sprinkler break at the Super 8® hotel in Yellowknife is wrapping up this month. During the quarter, we recorded $107 in business interruption insurance proceeds.

Management Business Performance

We continued to expand our hotel management business, with four contracts commencing during the quarter. At June 30, 2019, Holloway was providing services to 15 third party owned hotels. Negotiations are ongoing for additional contracts.

Capital Allocation

Holloway remained active in the second quarter reshaping its portfolio of assets and its balance sheet.

In April, we sold US$3,450 principal amount of the loan retained as part of the sale of the Travelodge® franchise business in 2015. We received net proceeds of US$3,364. We currently own six subordinated loans with an aggregate principal amount of $6,920 related to previous asset sales.

In May, we completed the purchase of two vacant office buildings in Houston, TX. One property consists of a 147,135 square foot, 6-story Class A office building formerly occupied by a large energy company and a 483-space multi-story parking garage. The second property consists of an 87,611 square foot, 3-story Class B office building with 257 surface parking spaces. We currently own three vacant office buildings in the Greenspoint area of Houston with a total of approximately 435,000 square feet. During the second quarter, we incurred $431 in expenses related to these properties.

We are currently evaluating options for our office properties, including converting one of the properties to a hotel or other use. While these acquisitions are not of a hotel nor in Canada, they are nonetheless consistent with our approach to business, namely buying assets at an attractive valuation where there is opportunity to add value.

In June, Holloway sold its two hotels in Timmins, ON for $11,400 and used the net sales proceeds of $10,013 to reduce amounts drawn under its credit line.

Subsequent to the end of the second quarter, Holloway sold its Travelodge hotel in Sydney, NS and its leasehold interest in the Super 8 hotel in Truro, NS for $8,050. Holloway applied the net sales proceeds of $7,720 to reduce amounts drawn under its term loan and credit line.

The net effect of all our transactions during the second quarter was a reduction in our net debt from $144,604 at March 31, 2019 to $141,037 at June 30, 2019. We further reduced our debt since the end of the quarter to $135,225 as of August 7, 2019.

Outlook

For the balance of the year, we anticipate the performance of our hotels to remain in line with recent periods. We anticipate continued expansion of our management services business. We also expect lower interest expense and debt service as a result of applying the proceeds of asset sales to reduce our debt. Offsetting these positive cash flow drivers will be continued investment in our Houston office buildings to secure tenants and potentially convert one property to an alternative use.

Agreement to Sell Company to Clarke Inc. and Ceases Dividend

As separately announced today, on August 8, 2019, Holloway entered into an agreement pursuant to which Clarke Inc. (“Clarke”), its 51% shareholder, agreed to acquire all of the Holloway shares it does not already own on the basis of 0.65 of a Clarke share for every Holloway share acquired. Based on the closing market prices of each of Clarke and Holloway on August 8, 2019, the acquisition price is $8.46 per share, representing a premium to Holloway’s shareholders of 14%.

The acquisition is valued at approximately $132 million on an equity value basis and $265 million on an enterprise value basis. The implies a price per hotel room of approximately $88,200 (after excluding the value of Holloway’s vendor takeback mortgages and office properties) and a cap rate of 6.4% (after taking into account the interest income on the vendor takeback mortgages, the annualized negative cash flow on the office properties and our corporate overhead).

The acquisition, which is subject to the approval of both Holloway and Clarke shareholders and other customary conditions and approvals, is expected to close in the third quarter of 2019. Upon closing, Holloway will become a wholly-owned subsidiary of Clarke. Please refer to a joint Holloway and Clarke press release for further information on the acquisition.

In connection with Clarke’s proposed acquisition, the Board of Directors has agreed to cease Holloway’s regular quarterly dividend.

ABOUT HOLLOWAY LODGING CORPORATION

Holloway is a real estate corporation focused on acquiring, adding value to and operating select service hotels and managing hotels for third parties. Holloway owns 23 hotels with 2,723 rooms. Holloway's shares and debentures trade on the TSX under the symbols HLC and HLC.DB.

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, 2018, 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.