



# Investor Presentation



TSX:HLC HLC.DB

December 18, 2018



# Forward-Looking Statements

This corporate presentation 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 ("AIF"), dated March 7, 2018 which is available at [www.sedar.com](http://www.sedar.com). Holloway does not intend to update or revise any such forward-looking information should its assumptions and estimates change.

All information contained in this presentation is as of September 30, 2018 unless otherwise specified.





# Overview

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# Overview

## 31 hotels with 3,422 rooms\*

- 25 limited service, 5 full service
- 1 leased to a third party on a triple net basis
- Internal management for all hotels

## Development assets

- 2 free standing single tenant properties
- 2 land development parcels

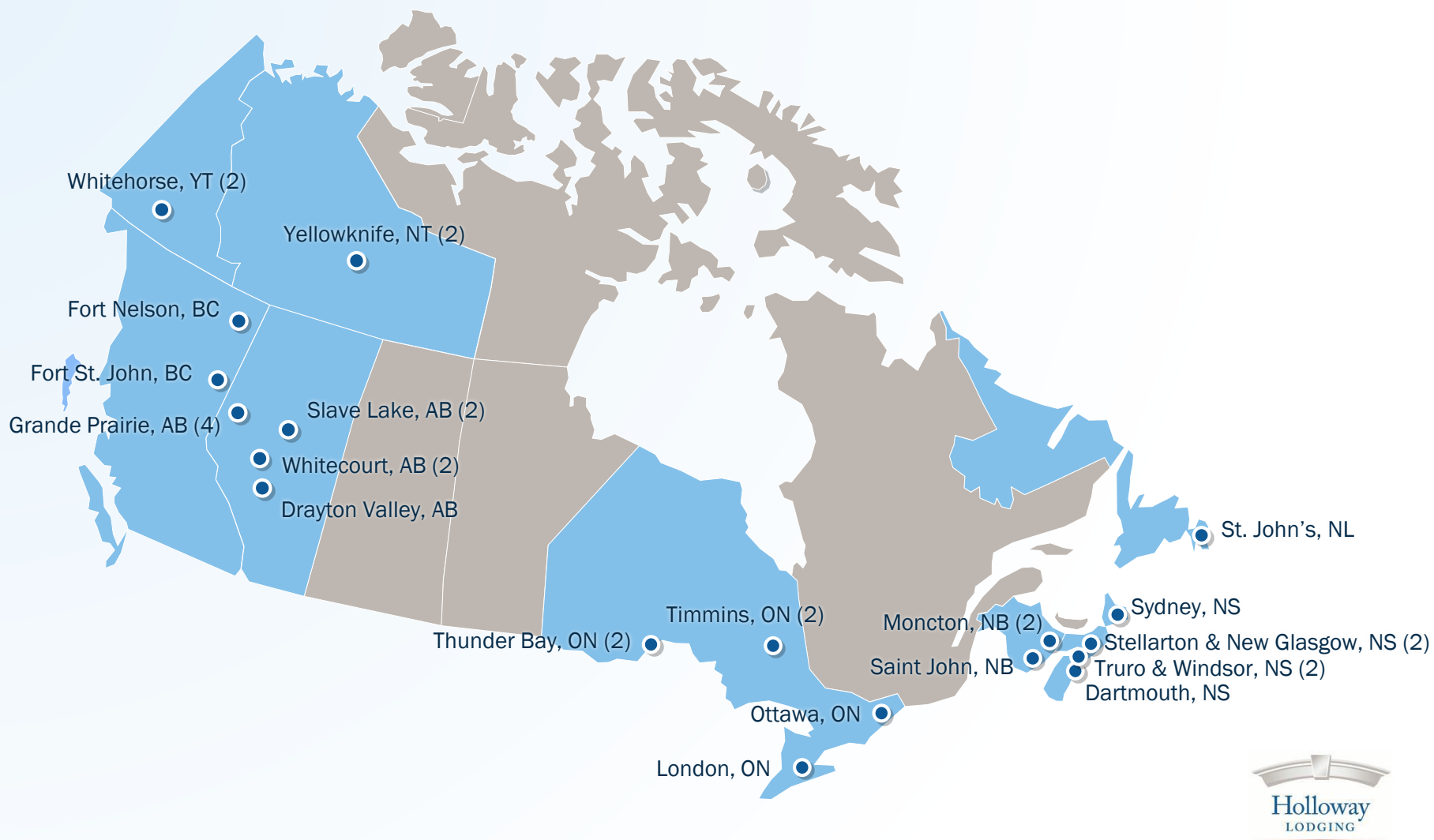
## Enterprise value of \$264mn\*

- \$111mn market capitalization
- \$153mn of net debt

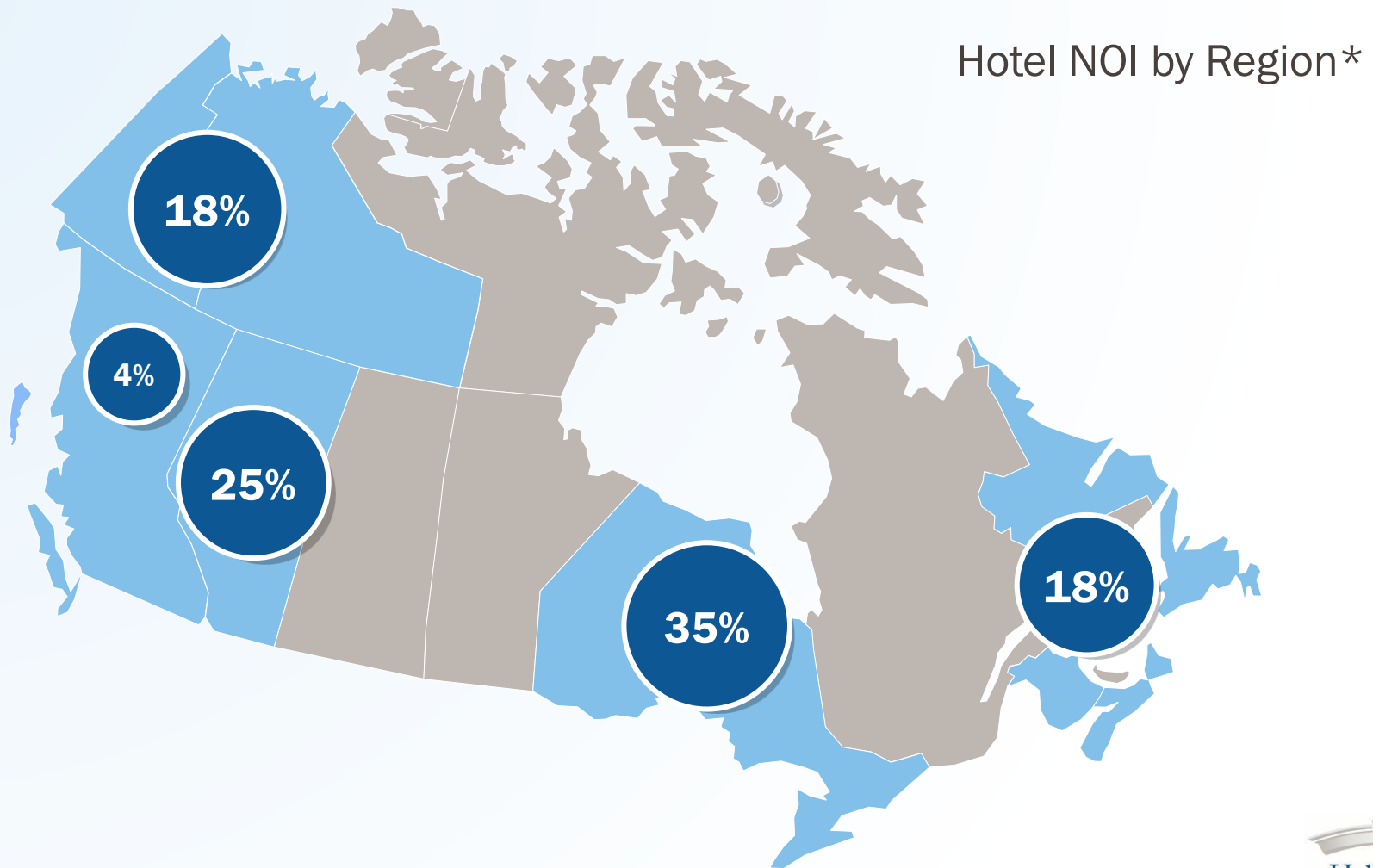
## Annualized dividend of \$0.14 per share



# Hotel Portfolio - Locations

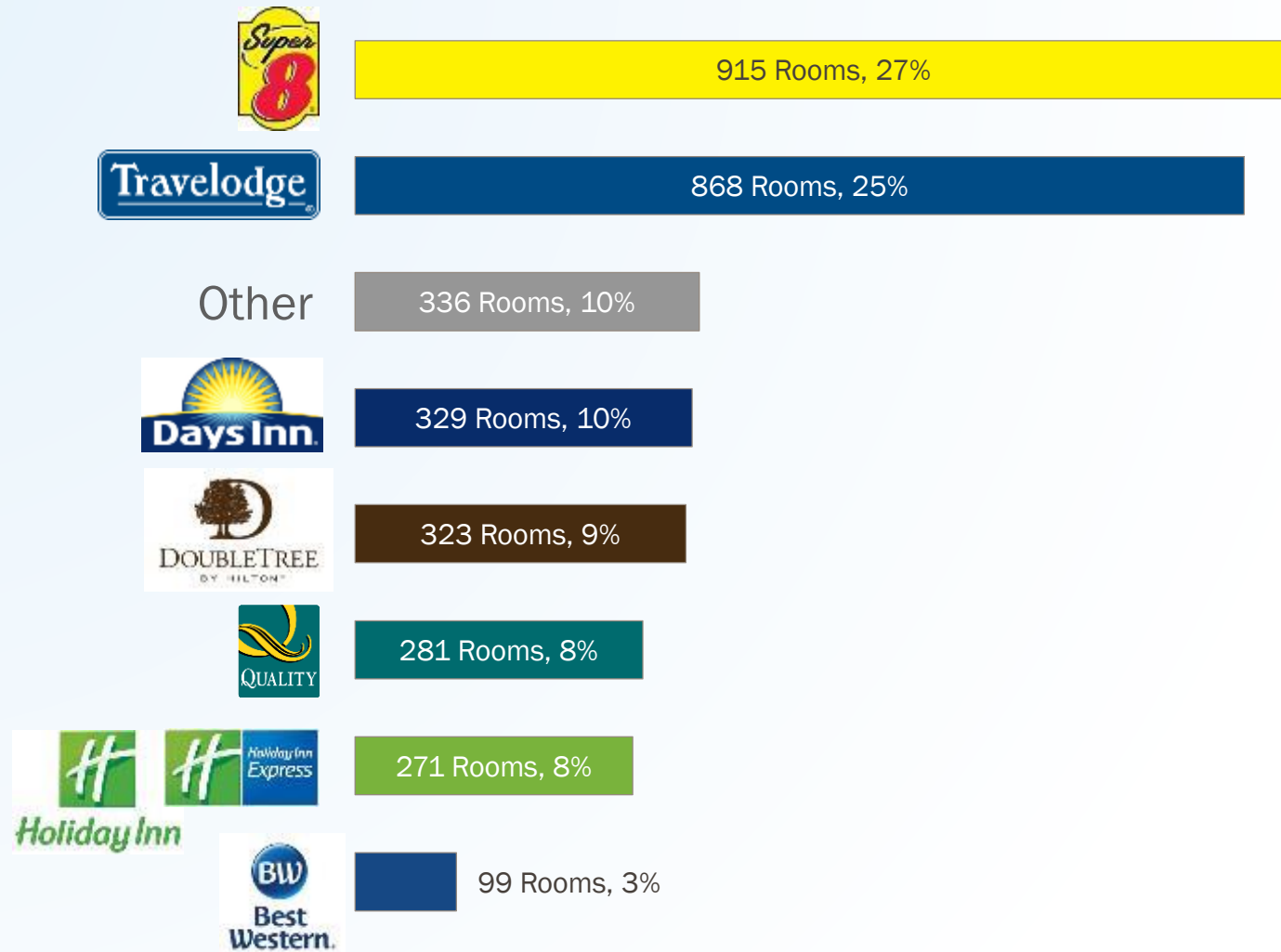


# Hotel Portfolio – Geographic Diversification



\*Based on 2018 Forecast

# Hotel Portfolio – Brand Diversification





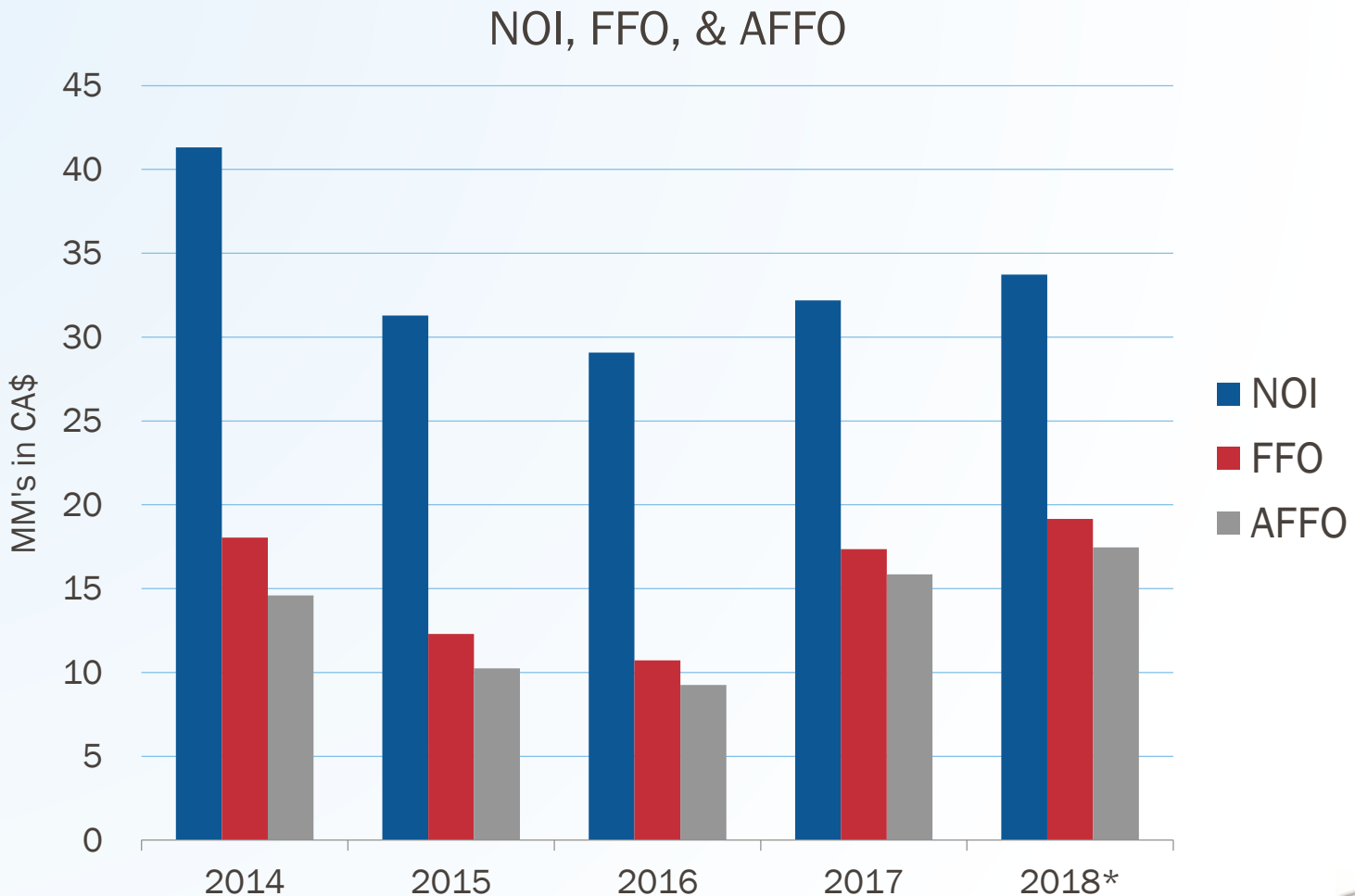
# Financials

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# Focused on Cash Flow

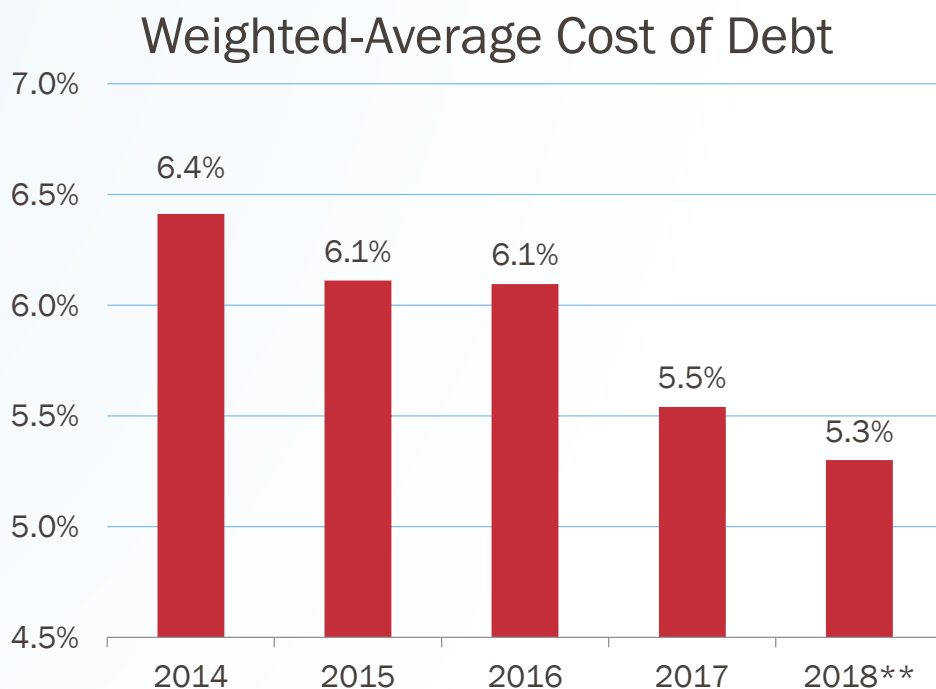
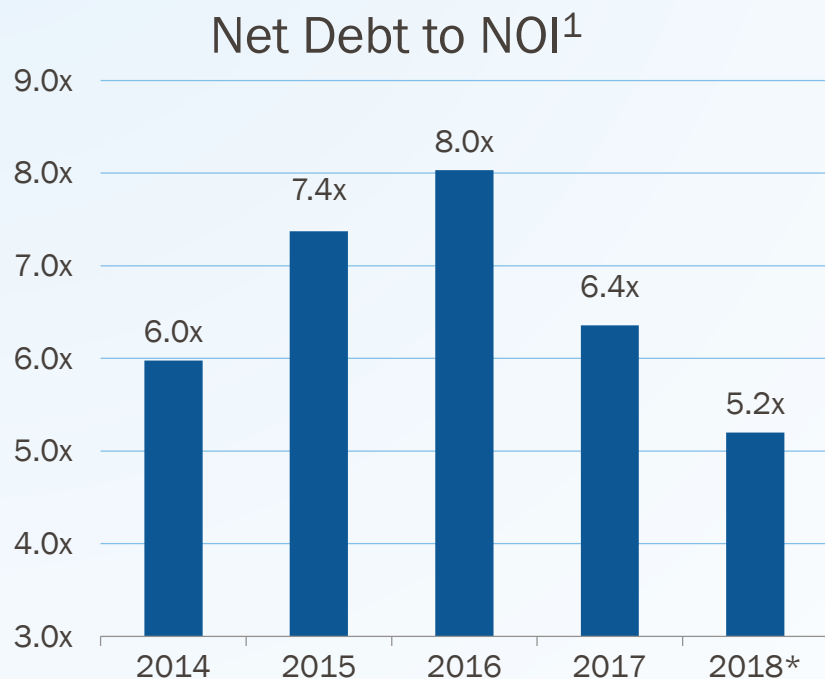


\*Twelve months ended September 30, 2018

# Focused on a Strong Balance Sheet

Debt ratio improvement due to principal repayments and improved NOI

Lower cost of debt due to refinancings, offset by higher prime rate



<sup>1</sup>As of December 18, 2018

\*NOI for twelve months ended September 30, 2018 – excluding Holiday Inn Ottawa East

\*\*Pro-forma value, including impact of January 2019 Debenture Redemption

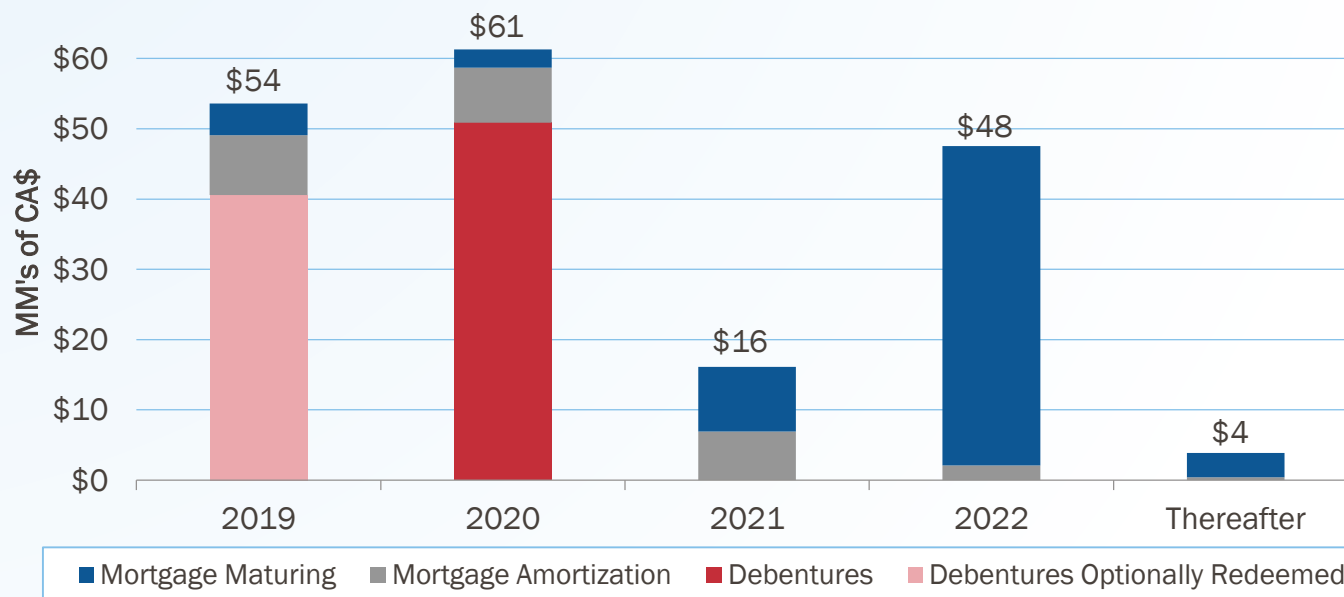
# Flexible Capital Structure

## Flexible capital structure

- 46% of debt is convertible debentures with no covenants, maturing in 2020 and beyond
  - 2021 Debentures are being redeemed at the Company's option in 2019
- Minimal mortgage maturities over the next 3 years

Total liquidity of \$84.5mn\*

Two unencumbered properties which could provide additional financing



\*As of December 18, 2018



# Value Creation

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# Value Creation

Holloway consistently sells assets at prices greater than book value

Hotel	Sale Price	Gain on Sale	% of Book Value
Ramada Trenton	3,950,000	116,000	3%
Travelodge Etobicoke	13,000,000	1,646,000	15%
Holiday Inn Express Myrtle Beach	7,598,000	308,000	6%
Travelodge Barrie	8,725,000	2,942,000	52%
Holiday Inn Oakville	19,438,000	7,832,000	69%
Travelodge Belleville	7,000,000	(144,000)	-2%
Super 8 High Level	4,750,000	(400,000)	-8%
Holiday Inn Ottawa East	50,000,000	26,300,000	118%
<b>Total</b>	<b>114,461,000</b>	<b>38,600,000</b>	<b>54%</b>



# Cap Rates on Hotel Sales

Holloway continues to trade at a discount to the valuations it realizes on hotel sales

Hotel	Date of Sale	Cap Rate
Ramada Trenton	January 2015	-0.4%
Travelodge Etobicoke	February 2015	2.8%
Holiday Inn Express Myrtle Beach	December 2015	6.3%
Travelodge Barrie	September 2016	6.9%
Holiday Inn Oakville	January 2017	7.2%
Travelodge Belleville	March 2017	4.6%
Super 8 High Level	October 2018	10.6%
Holiday Inn Ottawa East	December 2018	8.2%
<b>Weighted-average cap rate<sup>1</sup></b>		<b>6.8%</b>



<sup>1</sup>Cap rates calculated using the last twelve months of operating results prior to the sale, deducting industry-standard 7% of revenue for management fees and capex reserve

# Returning Capital to Shareholders

Three prongs: debt repayment, dividend and share repurchases

Mandatory principal amortization of ~\$4.1mn per year

- Represents ~\$0.24 per share of value or 3.7%<sup>1</sup>

Annual dividend of \$0.14

- Represents a yield of 2.2%<sup>1</sup>

Repurchase shares opportunistically

- \$2.5mn repurchased in 2013 (average price of \$3.56)
- \$0.9mn repurchased in 2014 (average price of \$4.15)
- \$1.7mn repurchased in 2015 (average price of \$4.94)
- \$0.7mn repurchased in 2016 (average price of \$4.58)
- \$2.9mn repurchased in 2017 (average price of \$5.57)
- \$7.4mn repurchased in 2018 (average price of \$6.09)<sup>2</sup>



<sup>1</sup>Based on share price on December 18, 2018

<sup>2</sup>As of December 18, 2018

# Debenture Redemption and Substantial Issuer Bid

Following the sale of the Holiday Inn Ottawa East hotel, Holloway has announced plans to redeem \$40.6 million in Series C debentures, and to commence a substantial issuer bid of common shares.

## Debenture Redemption:

- Holloway will redeem all of its 7.50% Series C Convertible Unsecured Subordinated Debentures due September 30, 2021, on January 3, 2019
- The redemption of the Company's highest-interest debt strengthens its balance sheet while reducing the weighted average cost of borrowing

## Substantial Issuer Bid:

- Holloway has offered to purchase 1,200,000 common shares at \$6.50 per share (10.2% premium to December 17, 2018 price)
- Represents approximately 7% of total shares outstanding







# Strategy

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# Strategy

Actively manage hotel operations to maximize profitability

Acquire additional properties

- Accretive to Holloway
- Newer build select service or value add opportunities

Sell assets at attractive valuations

Capitalize on internal development opportunities

- Reposition select assets to their highest and best use
- Develop excess land within existing portfolio

Return capital to shareholders through dividends, share repurchases and debt repayment

Establish Holloway Lodging Management Services as a national level management contract entity



# Holloway Lodging Management Services

## Comprehensive suite of services

Our turnkey services include sales and revenue management, strategic planning and budgeting, accounting and cost management, human resources, insurance and property taxes, purchasing, and maintenance and capital management.

## Simple and transparent fee structure

We offer a fee structure that includes both a revenue-based and a performance-based fee, so we measure success by maximizing revenue and profit.

## Flexible contract terms

Terms starting from 12 months, with straightforward termination clauses, allowing you to choose an arrangement that best fits your needs.

[www.hlcorpmanagement.ca](http://www.hlcorpmanagement.ca)



# Summary of Investment Opportunities

Undervalued hotel company with presence across Canada

Cash flow growth through hotel upgrades, acquisitions and return of Western Canadian economy

Upside potential associated with redevelopment opportunities

Focused on returning capital to shareholders



# Share Structure

## Holloway Lodging Corporation (TSX:HLC)

Shares Outstanding <sup>1</sup>	17,145,553
Management/Board Ownership <sup>2</sup>	47%
Institutional Ownership <sup>3</sup>	77%
Share Price <sup>1</sup>	\$6.45
52-Week Trading Range	\$5.25-6.47
Market Capitalization	\$111mn
Enterprise Value	\$264mn



<sup>1</sup>Shares outstanding and Share price as of December 18, 2018

<sup>2</sup>Includes shares owned and controlled by Clarke Inc. which has one representative on the Board

<sup>3</sup>Includes shares owned and controlled by Clarke Inc.

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