FOR IMMEDIATE RELEASE March 7, 2019

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HOLLOWAY LODGING CORPORATION REPORTS 2018 YEAR END RESULTS AND DECLARES QUARTERLY DIVIDEND

Halifax, NS – Holloway Lodging Corporation (TSX: HLC, HLC.DB) ("Holloway") today announced financial results for the year ended December 31, 2018. All amounts are presented in thousands of Canadian dollars, except earnings per share amounts, unless otherwise indicated. Readers should refer to Holloway's audited consolidated financial statements as at December 31, 2018 and its management discussion and analysis which are available on Holloway's website at www.hlcorp.ca and on SEDAR at www.sedar.com.

Fourth Quarter Review 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 months and year ended December 31, 2018.

	Three Months Ended December 31			Years Ended December 31		
	2018	2017	Variance	2018	2017	Variance
Hotel revenue	$ 24,571	$ 24,765	(0.8%)	$ 107,621	$ 105,569	1.9%
Operating income(1)	6,538	6,910	(5.4%)	33,360	32,031	4.1%
Operating income margin	26.6%	27.9%	(1.3 ppt)	31.0%	30.3%	0.7 ppt
Net income attributable to shareholders	19,775	404		21,628	6,478	
per basic share	1.15	0.02		1.21	0.34	
per diluted share	0.95	0.02		1.18	0.34	
Funds from operations(1)	4,189	3,907	7.2%	19,437	17,359	12.0%
per basic share	0.24	0.21		1.09	0.92	
Adjusted funds from operations(1)	3,677	3,426	7.3%	17,313	15,448	12.1%
per basic share	0.21	0.18		0.97	0.82	
Dividends declared per share	0.035	0.035		0.14	0.14	

(1) Refer to "Non-IFRS Financial Measures" section of our MD&A

	Three Months Ended December 31				Years Ended December 31			
	Hotel Revenue		Operating Income[1]		Hotel Revenue		Operating Income[1]	
2017	$ 24,765	100%	$ 6,910	100%	$105,569	100%	$ 32,031	100%
Hotels sold or temporarily closed[2]	(265)		4		1,777		1,823	
Ontario hotels	256		(127)		969		(300)	
Atlantic hotels	(66)		(58)		(270)		(345)	
Western hotels	40		(99)		(566)		(316)	
Northern hotels	(159)		(92)		142		467	
2018	$ 24,571	99%	$ 6,538	95%	$107,621	102%	$ 33,360	104%

(1) Refer to "Non-IFRS Financial Measures" section of our MD&A
(2) Three months ended December 31 represents two hotels (sold - Super 8 in High Level, AB; and leased - former Travelodge in Slave Lake, AB in Q1 2018)
Years ended December 31 represents five hotels (sold - Travelodge in Belleville, ON and Holiday Inn in Oakville, ON in Q1 2017 and Super 8 in High Level, AB in Q4 2018; leased - former Travelodge in Slave Lake, AB in Q1 2018; and closed - Super 8 in Grande Prairie, AB in Q2 2017).

In the fourth quarter of 2018, hotel revenue and operating income decreased 0.8% and 5.4%, respectively, compared to the fourth quarter of 2017. The operating income margin decreased 1.3 percentage points to 26.6%. On a same-hotel basis, hotel revenue increased 0.3% and operating income decreased 5.4%.

The reduction of operating income during the quarter is largely attributed to the sale of certain hotels during the quarter, the impact of higher minimum wages in Alberta and Ontario and general cost inflation, which could not be passed on through higher room rates. Most of our operating regions experienced results in line with the prior year with a few exceptions. In particular, the oversupply of rooms and AirBnB rentals in St. John's, NL, resulted in reduced profitability. Our Grande Prairie, AB, hotels continue to perform significantly better than our other hotels in Western Canada. Our hotels in Northern Canada generated results slightly below the prior year due to large non-recurring projects in 2017 and a slower start to the winter tourism season in 2018.

For the full year 2018, hotel revenue and operating income increased 1.9% and 4.1%, respectively, compared to 2017. The operating income margin increased 0.7 percentage points to 31.0%. On a same-hotel basis, hotel revenue increased 0.3% and operating income decreased 1.5%.

Our Grande Prairie, AB, hotels were the largest contributor to the increase in our annual results as the Super 8® and Holiday Inn® both reopened following their renovations. Revenue increases in Ontario were insufficient to fully offset the cost of higher minimum wages in the province. We are pleased with the new Ontario government's changes to provincial labour legislation which will reduce cost inflation and increase labour flexibility. Our Atlantic hotels generated slightly lower results due to a slower summer tourism season, particularly in Sydney, NS.

Management Business Performance

In 2018, we continued to expand our hotel management business. This is a capital light business that aligns with our core skill of managing hotels. At December 31, 2018, Holloway was providing services to six external hotels and, as of today, we are providing services to ten external hotels.

Capital Allocation

During the fourth quarter, we sold the Super 8 in High Level, AB, for $4,750 and incurred a nominal loss on the sale. While this hotel was a stable performer, it was located in a remote location with limited liquidity. Selling this property allowed us to deploy capital to higher return assets.

We also sold the Holiday Inn in Ottawa, ON, for $50,000. This was the culmination of several years of work acquiring, renovating, rebranding and improving the performance of the property. We generated a gain on sale of $26,309 or $1.69 per current share outstanding.

We used the proceeds from our two hotel sales to redeem our Series C Convertible Debentures ("Series C debentures") and to commence a substantial issuer bid ("SIB") for our shares. The Series C debentures were our highest cost debt at 7.50% and we are quite happy to have repaid this debt in full in January 2019. Our SIB was oversubscribed and we used the opportunity to purchase all of the shares tendered to the SIB.

Over the course of 2018, we repaid a $22,629 of debt (11.0%) and repurchased 1,225,413 shares (6.7%). Looking back a little farther, between our acquisition of Royal Host in July 2014 and end of February 2019, we invested $56,600 in our properties, repaid $104,100 of debt (39.0%) and repurchased 3,989,447 shares (20.4%). At December 31, 2018, we had $151,157 of net debt and today we have $162,461 of net debt.

In connection with the sale of certain assets, we occasionally provide the buyers of such assets with financing in the form of a "vendor take-back mortgage", which is secured by the asset purchased. As of today, we currently have four loans receivable with a total principal balance of $9,958. While these loans pay regular interest, our goal is to collect the principal amount of such loans as quickly as possible following the asset sales and to redeploy the collected amounts to higher-yielding uses, such as debt repayment, acquisitions or additional share repurchases.

Outlook

For 2019, we expect our hotel results to be generally in line with our results in 2018. We anticipate our hotels in Atlantic Canada and Ontario will remain stable. While we also expect similar results in Western and Northern Canada, we have less visibility into these two markets. In particular, our Western Canada hotels depend on oil and gas industry activity, which has been volatile recently.

We are continuing to expand our hotel management business and we expect to sign additional management contracts as the year progresses.

We are focusing intensely on unlocking shareholder value, as evidenced by recent hotel sales, our Series C debenture redemption and our SIB. We believe many of our hotels have market values substantially higher than their respective book values; to the extent we sell any of these hotels, that embedded value will become visible.

Dividend Declaration

On March 6, 2019, 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 April 15, 2019 to shareholders of record on March 29, 2019.

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 28 hotels with 3,121 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, 2017 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.