



**RED LION<sup>®</sup>**  
HOTELS

July 22, 1999

## **Cavanaugh's Hospitality Corporation Posts 42% Increase In 1999 Second Quarter Net Income**

SPOKANE, WA -- Cavanaugh's Hospitality Corporation (NYSE:CVH), a lodging, entertainment and real estate services company, today reported an increase to net income of \$891 thousand, or 42%, from \$2.1 million in the second quarter of 1998 to \$3.0 million in the comparable period of 1999. Excluding a one-time expense in 1998, income before extraordinary items rose \$361 thousand, or 13.6%. Earnings per share rose \$.03, or 12.7%, from \$.21 per share in the second quarter of 1998 to \$.24 for the comparable period in 1999.

The quarter was highlighted by a reorganization of the entertainment division, which now operates under the name TicketsWest.com\*. The launch of real-time ticketing on the Internet and strong advance sales of tickets for the Broadway Millennium season were contributors to the positive outlook of the division. 51% of available tickets have been sold to date, with over half of the performances not taking place until after the New Year. In addition, the Company anticipates closing on new business partnerships and acquisitions in the entertainment division during the third quarter. The largest contributor to Company revenues, the hotel division, increased revenues by \$6.6 million, or 35.8%, from \$18.3 million in 1998 to \$24.9 million in 1999.

"We have taken some big steps this past quarter in our ability to compete in the e-commerce arena," said Donald K. Barbieri, Chairman and CEO. "We've brought a concept to reality and will roll out new, enhanced versions of www.TicketsWest.com over the coming months. We are now venturing into new markets with the presenting and selling of tickets for the Broadway musical CATS in Edmonton and Calgary, Alberta and in Las Vegas, Nevada. While this is exciting, we are equally encouraged by our hotel division's management of expenses during a time that REVPAR growth nationally has slowed. We continue to experience challenges in certain hotel markets, specifically Salt Lake City where extensive freeway and downtown infrastructure construction has severely limited hotel access. The Company has taken this opportunity to schedule the interior and exterior retrofit of the hotel to be completed with the reopening of freeway access in the fall. We have been able to limit the impact to bottom line earnings and during the quarter we have put in place additional systems to increase REVPAR, which we are seeing an impact from already."

During the quarter, the Company announced an agreement with WizCom International, Ltd. to provide Cavanaugh's with Global Distribution System (GDS) connectivity solutions. Cavanaugh's is using WizCom's Wizdom<sup>®</sup> GDS switching technology to broaden the distribution reach of Cavanaugh's by offering confirmations of hotel bookings within seconds as well as online rate updates and availability processing to travel agents, corporations and individual on-line users worldwide. Previously the Company was accessing two GDS's, although travel agent confirmations for bookings usually took more than an hour. Confirmations will now be delivered within seconds. On July 12, the Company went live with Galileo and has seen immediate results. "In the first eight days, for ten Comparable Hotels (Hotels owned for greater than one year), we've had over 1,300 room nights booked through Galileo," said Lori Farnell, Vice President of Sales and Marketing. "During the average eight-day period last year for these hotels in July we received less than 70 room nights booked from the Galileo GDS. We don't expect that sort of jump to continue throughout the year, but we obviously are quite pleased." The Sabre GDS will come online with Wizcom on July 26, and two GDS systems previously unused by Cavanaugh's, Worldspan and Amadeus, will be added to allow seamless transactions starting August 15 and mid November, respectively. "Worldspan, which is a Delta Airlines affiliate, should substantially increase the number of travel agent reservations for our Salt Lake City property," said Farnell.

While the impact will not fully be known for some time, early results show a positive sign for REVPAR growth as the Company's decision to book higher rated business versus contracts begins to take hold. For the second quarter of 1999, REVPAR and room revenue growth for the Company's Comparable Hotels was virtually flat, with REVPAR decreasing \$.06, from \$48.89 in 1998 to \$48.83 in the same period in 1999 and room revenues increasing \$21 thousand. However, for the first twenty days of July, with the addition of the enhanced Galileo GDS connectivity and the impact of contract policy changes discussed in earlier quarters, Comparable Hotel REVPAR has increased 15.3% from \$48.13 in 1998 to \$55.47 in the same period for 1999. Farnell added, "As with the jump in bookings, we don't expect the jump in REVPAR to continue at this rate, but we aren't complaining."

The Company's third operating division, Rental Operations, had a positive quarter and is realizing benefits from added interest from retail tenants in downtown Spokane, where much of the Company's retail and commercial assets are located. With a new Nordstrom store opening August 20, 1999, along with a number of other national retailers, the retail and office environment has been improving. In January the Company's G&B Real Estate Services took over management of two downtown buildings, the Paulsen Center and the Symons Building. Since that time the two projects have increased occupancy by 5.5% and 10%, respectively. Residential property management increased occupancy in third party owned properties by 1% during the quarter.

"We are putting in place the systems and synergies to increase our market share," said Barbieri. "Our TicketsWest.com and Hotel Divisions complement each other quite well. We've packaged the Broadway Millennium series with hotel rooms at Cavanaugh's Hotels and have sold 4,500 room nights as a result. We've captured an additional 1,856 room nights from cast and crew members, for total revenues of \$491 thousand. And there is time to book much more, considering over half of the performances don't take place until after the New Year. The \$491 thousand doesn't account for ticket sales or additional revenue that will be generated through our food and beverage outlets at the hotels. We're very interested to see where we can take the packaging of leisure activities. Chain wide, our occupancy is highest during Friday and Saturday night, which points toward leisure travelers being a growing and very significant market segment. That's who we'll tap into."

Cavanaugh's Hospitality Corporation serves the Northwest with 3,933 full-service hotel rooms in 19 hotels, including 47 restaurants and lounges and 196,900 square feet of meeting space. Cavanaugh's provides entertainment services through TicketsWest.com\*, which encompasses G&B Select-a-Seat, a computerized ticket company, and Cavanaugh's Entertainment, a Broadway and special event presenting company. TicketsWest.com\* services are available through its web site, stand-alone outlets and a 24-hour toll free call center. G&B Real Estate Services is the real estate division of Cavanaugh's Hospitality Corporation and owns 590,000 square feet of Company commercial real estate and manages 3.4 million square feet of Company and third party owned commercial real estate, and 2,000 units of third party owned apartment and condominium properties.

Statements in this release may be construed to be forward looking and are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that all forward looking statements involve risks and uncertainties, including without limitation, risks relating to the operation and acquisition of hotels, the availability of capital to finance growth, and the historical cyclicality of the lodging industry, as well as the other matters disclosed in the documents filed by the Company with the Securities & Exchange Commission. SOURCE Cavanaugh's Hospitality Corporation.

**Cavanaugh's Hospitality Corporation**  
**Summary Statements of Operations**  
*(unaudited)*  
*(in thousands except EPS and hotel statistics)*

	Three months ended June 30,			
	F/Y 99	F/Y 98	\$ Change	% Change
Revenues:				
Hotels & Restaurants				
Rooms	\$ 15,633	\$ 11,668	\$ 3,965	34.0%
Food and Beverage	8,016	5,683	2,333	41.0%
Other	1,223	965	258	26.9%
Total Hotels and Restaurants	24,872	18,316	6,556	35.8%
Entertainment, Management & Services	1,097	1,008	89	8.8%
Rental Operations	2,009	1,738	271	15.6%
<b>Total Revenues</b>	<b>27,978</b>	<b>21,062</b>	<b>6,916</b>	<b>32.8%</b>
Operating Expenses:				
Direct:				
Hotels & Restaurants				
Rooms	4,158	2,954	1,204	40.7%
Food and Beverage	6,179	4,602	1,577	34.3%
Other	543	440	103	23.7%
Total Hotels and Restaurants	10,880	7,996	2,884	36.1%
Entertainment, Management & Services	826	718	108	15.0%
Rental Operations	495	347	148	42.8%
<b>Total Direct Expenses</b>	<b>12,201</b>	<b>9,061</b>	<b>3,140</b>	<b>34.7%</b>
Undistributed Operating Expenses:				
Selling, general & administrative	3,407	2,445	962	39.4%
Property Operating Costs	3,051	2,177	874	40.3%
Corporate Expenses	590	625	(35)	-5.7%
Depreciation and Amortization	1,969	1,417	552	38.9%
<b>Total Undistributed Operating Expenses</b>	<b>9,017</b>	<b>6,664</b>	<b>2,353</b>	<b>35.3%</b>
<b>Total Expenses</b>	<b>21,218</b>	<b>15,725</b>	<b>5,493</b>	<b>34.9%</b>
<b>Operating Income</b>	<b>6,760</b>	<b>5,337</b>	<b>1,423</b>	<b>26.6%</b>
Other Income (Expense):				
Interest Expense	(2,340)	(1,360)	(980)	72.0%
Interest Income	91	126	(35)	-27.8%
Other Income	4	0	4	0.0%
Minority Interest in Partnerships	(105)	(85)	(20)	24.0%
<b>Income (Loss) Before Income Taxes</b>	<b>4,410</b>	<b>4,018</b>	<b>392</b>	<b>9.8%</b>
Income Tax Provision (Benefit)	1,397	1,366	31	2.3%
<b>Income (Loss) Before Extraordinary Item and Cumulative Effect of Change in Accounting Principle</b>	<b>3,013</b>	<b>2,652</b>	<b>361</b>	<b>13.6%</b>
Extraordinary Expense, net of taxes	0	(530)	530	
Cumulative Effect Change in Accounting Principle, net of taxes	0		0	
<b>Net Income (Loss) After Extraordinary Item and Cumulative Effect of Change in Accounting Principle</b>	<b>\$ 3,013</b>	<b>\$ 2,122</b>	<b>\$ 891</b>	<b>42.0%</b>

EBITDA	8,729	6,754	1,975	29.2%
EBITDA %	31.2%	32.1%	-0.9%	-2.7%
Weighted Average Shares of Stock Outstanding - Basic	12,690,287	12,587,944		
Earnings (loss) per Share Before Extraordinary Item and Cumulative Effect of Change in Accounting Principle - Basic	0.24	0.21	0.03	12.7%
Hotel Statistics: Comparable hotels (hotels owned > 1 year)				
Occupancy	60.1%	63.3%		-3.2%
Average Rate	\$81.23	\$77.22	\$4.01	5.2%
RevPAR	\$48.83	\$48.89	(\$0.06)	-0.1%
Room Revenue	10,508,184	10,487,257	20,927	0.2%

**Cavanaugh's Hospitality Corporation**  
**Summary Statements of Operations**  
*(unaudited)*  
*(in thousands except EPS and hotel statistics)*

	Six months ended June 30,			
	FIY 99	FIY 98	\$ Change	% Change
Revenues:				
Hotels & Restaurants				
Rooms	\$ 27,008	\$ 18,552	\$ 8,456	45.6%
Food and Beverage	14,527	9,858	4,669	47.4%
Other	2,317	1,747	570	32.6%
Total Hotels and Restaurants	43,852	30,157	13,695	45.4%
Entertainment, Management & Services	2,426	2,026	400	19.7%
Rental Operations	3,847	3,514	333	9.5%
<b>Total Revenues</b>	<b>50,125</b>	<b>35,697</b>	<b>14,428</b>	<b>40.4%</b>
Operating Expenses:				
Direct:				
Hotels & Restaurants				
Rooms	7,556	5,045	2,511	49.8%
Food and Beverage	11,464	8,160	3,304	40.5%
Other	980	777	203	26.2%
Total Hotels and Restaurants	20,000	13,982	6,018	43.0%
Entertainment, Management & Services	1,603	1,415	188	13.3%
Rental Operations	1,032	732	300	40.9%
<b>Total Direct Expenses</b>	<b>22,635</b>	<b>16,129</b>	<b>6,506</b>	<b>40.3%</b>
Undistributed Operating Expenses:				
Selling, general & administrative	6,714	4,223	2,491	58.9%
Property Operating Costs	6,130	3,977	2,153	54.2%
Corporate Expenses	1,067	842	225	26.7%
Depreciation and Amortization	3,899	2,736	1,163	42.5%
<b>Total Undistributed Operating Expenses</b>	<b>17,810</b>	<b>11,778</b>	<b>6,032</b>	<b>51.2%</b>
<b>Total Expenses</b>	<b>40,445</b>	<b>27,907</b>	<b>12,538</b>	<b>44.9%</b>
<b>Operating Income</b>	<b>9,680</b>	<b>7,790</b>	<b>1,890</b>	<b>24.3%</b>
Other Income (Expense):				
Interest Expense	(4,620)	(4,054)	(566)	14.0%

Interest Income	146	196	(50)	-25.3%
Other Income	10		10	0.0%
Minority Interest in Partnerships	(55)	(45)	(10)	23.7%
Income (Loss) Before Income Taxes	5,161	3,887	1,274	32.8%
Income Tax Provision (Benefit)	1,653	1,322	331	25.1%
<b>Income (Loss) Before Extraordinary Item and Cumulative Effect of Change in Accounting Principle</b>	<b>3,508</b>	<b>2,565</b>	943	36.8%
Extraordinary Expense, net of taxes	(10)	(530)	520	-98.1%
Cumulative Effect Change in Accounting Principle, net of taxes	(133)		(133)	0.0%
<b>Net Income (Loss) After Extraordinary Item and Cumulative Effect of Change in Accounting Principle</b>	<b>\$ 3,365</b>	<b>\$ 2,035</b>	\$ 1,330	65.4%
EBITDA	13,579	10,526	3,053	29.2%
EBITDA %	27.1%	29.5%	-2.4%	-8.1%
Weighted Average Shares of Stock Outstanding - Basic	12,675,648	9,836,098		
Earnings (loss) per Share Before Extraordinary Item and Cumulative Effect of Change in Accounting Principle - Basic	0.28	0.26	0.02	6.1%
Hotel Statistics: Comparable hotels (hotels owned > 1 year)				
Occupancy	52.6%	57.9%		-5.4%
Average Rate	\$80.74	\$75.60	\$5.14	6.8%
RevPAR	\$42.43	\$43.78	(\$1.35)	-3.1%
Room Revenue	15,789,795	15,969,095	(179,300)	-1.1%