



HBC Completes Transaction to Merge HBC Europe with SIGNA's Karstadt

November 30, 2018

Terms Consistent with Previously Disclosed Transaction, Including:

- Combines two iconic retailers to create Germany's leading retailer with annual revenue in excess of €5 billion
- HBC to own 49.99% of a stronger, and well-capitalized operator positioned for improved profitability
- Formation of a 50-50 real estate joint venture that values German real estate assets at €3.25 billion
- Net proceeds of total transactions to HBC of CAD\$631 million, generated by partial sale of German real estate assets, to be used for debt repayment
- Net proceeds from transactions and implied value of HBC's remaining interest in German real estate assets worth CAD\$8.77 per share

TORONTO & NEW YORK--(BUSINESS WIRE)--Nov. 30, 2018-- HBC (TSX: HBC) today announced the successful completion of the combination of the retail operations of HBC Europe and SIGNA's Karstadt Warenhaus GmbH and the formation of the companies' real estate joint venture.

Richard Baker, HBC's Governor and Executive Chairman, said, "This transaction generates substantial proceeds for HBC and is a clear example of our ability to execute on our long-term real estate strategy, centered on capitalizing on our world-class portfolio through opportunistic monetizations, strategic partnerships, and enhancing the credit profile of our tenants. As we look ahead, we will continue to take strong actions to strengthen our Company and deliver value for our shareholders."

Helena Foulkes, HBC's CEO, said, "Combining HBC Europe with Karstadt creates a stronger, better capitalized retailer well positioned to succeed in the German market. This transaction creates significant value for our shareholders and continues the bold actions we are taking to strengthen our business. Over the past year, in addition to this transaction, we have sold Gilt, sold the Lord & Taylor flagship to WeWork and rightsized the Lord & Taylor business, and put in place new, experienced leaders in key areas."

Foulkes continued, "Looking ahead, the creation of a stronger operator in Europe allows us to focus our attention on our North American business, ensuring we are making the right strategic decisions to continue to drive profitability and performance and best capitalize on our exceptional real estate assets."

In connection with today's closing, which will be effective at midnight Central European time, HBC has received proceeds of €171 million (exclusive of transaction fees and related expenses), which will be used to permanently repay a portion of HBC's term loan. Further, HBC expects to receive additional proceeds of €250 million following the sale of a 50% interest in 18 additional properties in Germany expected to close in January. The transactions value HBC's German real estate assets at a total of €3.25 billion (C\$4.88 billion) compared to the Company's total Galeria Kaufhof purchase price of €2.51 billion (C\$3.77 billion) in 2015.

Baker continued, "This transaction, demonstrates the significant value of our German real estate portfolio, which exceeds the 2015 purchase price we paid by C\$1.1 billion. The German real estate joint venture will continue to seek out opportunistic ways of unlocking value in the future."

Additional Terms of the Transaction

HBC and SIGNA Retail have combined HBC Europe's retail operations and SIGNA's Karstadt Warenhaus GmbH to create Germany's leading retailer, with 243 locations, 32,000 employees, and pro forma annual revenue in excess of €5 billion. HBC owns 49.99% of the retail joint venture and SIGNA owns 50.01%.

In addition, SIGNA acquired a 50% interest in HBC's German real estate assets from HBC and its partners, forming a 50-50 joint venture to own and manage HBC's German real estate assets, including 41 properties owned by HBC's existing joint venture in Europe.

As previously announced, the follow on transactions of the acquisition by SIGNA of a 50% interest in 18 additional properties, as well as the acquisition by SIGNA of the Kaufhof location in Cologne and the Carsch-Haus in Duesseldorf, are expected to occur in early 2019, subject to customary closing conditions.

The net proceeds of these strategic transactions, together with the implied value of HBC's remaining interest in these real estate assets, net of debt, totals \$8.77 per share.¹

HBC investors should refer to the Company's public filings available at www.sedar.com and at www.hbc.com for additional information and details on the transactions.

Unless otherwise indicated, figures in this news release assume EUR:CAD = 1:1.5.

About HBC

HBC is a diversified retailer focused on driving the performance of high quality stores and their omnichannel offerings and unlocking the value of real estate holdings. Founded in 1670, HBC is the oldest company in North America. HBC's portfolio today includes formats ranging from luxury to premium department stores to off price fashion shopping destinations, with 350 stores and more than 45,000 employees around the world.

HBC's leading businesses across North America include Hudson's Bay, Lord & Taylor, Saks Fifth Avenue, and Saks OFF 5TH.

HBC has significant investments in real estate joint ventures. It has partnered with Simon Property Group Inc. in the HBS Global Properties Joint Venture, which owns properties in the United States. In Canada, it has partnered with RioCan Real Estate Investment Trust in the RioCan-HBC Joint Venture.

Forward-Looking Statements

Certain statements made in this news release are forward-looking statements within the meaning of applicable securities laws, including, but not limited to, statements with respect to the anticipated benefits of the strategic partnership between HBC and SIGNA, the anticipated closing of follow on real estate transactions, the anticipated use of net proceeds of the transaction, HBC's strategies and priorities to benefit from anticipated opportunities in North America, the opportunistic ways of unlocking value through the real estate joint venture and other statements that are not historical facts. Often but not always, forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "believe", "estimate", "plan", "could", "should", "would", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology. Although HBC believes that the forward-looking statements in this news release are based on information and assumptions that are current, reasonable and complete, these statements are by their nature subject to a number of factors that could cause actual results to differ materially from management's expectations and plans as set forth in such forward-looking statements, including many factors which are beyond HBC's control and the effects of which can be difficult to predict. For more information on the risks, uncertainties and assumptions that could cause HBC's actual results to differ from current expectations, please refer to the "Risk Factors" section of HBC's Annual Information Form dated May 4, 2018 as well as HBC's other public filings, available at www.sedar.com and at www.hbc.com. The forward-looking statements contained in this news release describe HBC's expectations at the date of this news release and, accordingly, are subject to change after such date. Except as may be required by applicable Canadian securities laws, HBC does not undertake any obligation to update or revise any forward-looking statements contained in this news release, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on these forward-looking statements.

1 Based on 235.6 million common shares of HBC outstanding, assuming conversion of the HBC's preferred shares.

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