HBC Reports First Quarter 2019 Financial Results

June 13, 2019

- ***Revenues totaled $2.1 billion, with comparable sales up 0.3%, excluding Home Outfitters and Lord + Taylor currently undergoing a review of strategic alternatives***
- ***Saks Fifth Avenue comparable sales up 2.4%, continuing to deliver industry-leading results with a two-year stacked comp of 8.4%***
- ***Saks OFF 5TH returned to growth, with a 4.4% comp in the first quarter***
- ***Net income of $275 million in the first quarter, reflecting the $817 million gain on Lord + Taylor New York City flagship building sale***
- ***Adjusted EBITDA was $44 million in the first quarter***
- ***HBC solidifies strategic focus on North America with agreement to sell remaining stakes in German real estate and retail operations for $1.5 billion***

TORONTO & NEW YORK--(BUSINESS WIRE)--Jun. 13, 2019-- HBC (TSX: HBC) reported first quarter 2019 results, including continued industry-leading comparable sales from Saks Fifth Avenue, a return to comparable sales growth at Saks OFF 5TH, and a $817 million gain from the sale of the Lord + Taylor flagship building in New York City.

"We are seeing progress on a number of crucial fronts from our continued work to fix the fundamentals and reposition HBC for the future," said Helena Foulkes, HBC CEO. "Strategically, we have simplified the organization and placed a greater emphasis on our North American retail operations. We are exercising financial discipline while making the necessary investments to capitalize on our greatest opportunities - Hudson's Bay and Saks Fifth Avenue. Once the European transactions are complete, we will have finished two real estate transactions at near or better than our estimated equity values. The real estate transactions and our pursuit of strategic alternatives for Lord + Taylor, further demonstrate the bold actions we've taken to move the company forward and we are optimistic about our prospects."

On June 10th, HBC agreed to sell the company's remaining stake in its German real estate joint venture, divest its related retail joint venture, and assume certain obligations for a total consideration of $1.5 billion.

Operating Results

HBC's financial results and comparable sales are for the thirteen week period ended May 4, 2019, as compared to the thirteen weeks ended May 5, 2018. In the first quarter of fiscal 2019, the company adopted U.S. Generally Accepted Accounting Principles ("U.S. GAAP") for its consolidated financial statements in place of International Financial Reporting Standards.Download updated, unaudited historical financial results: http://investor.hbc.com/gaapconversion.Certain metrics, including those expressed on an adjusted, normalized, comparable and/or constant currency basis, are non-GAAP financial measures.For more information please refer to the "Supplemental Information" section of this press release and the reconciliation tables provided.

First quarter revenues totaled $2.1 billion, a decrease of $72 million or 3.3 percent primarily due to operating fewer stores than a year ago and the comparable sales decline at Lord + Taylor. As disclosed in May 2019, HBC is pursuing strategic alternatives for the Lord + Taylor operating business, including a possible sale or merger, and is closing Home Outfitters by the end of the second quarter. HBC's first quarter comparable sales decreased 2.1 percent and increased 0.3 percent, excluding Lord + Taylor and Home Outfitters.

- **Saks Fifth Avenue's** first quarter comparable sales grew 2.4 percent delivering an industry-leading two-year stacked comp of 8.4 percent. Each major merchandise category grew year-over-year, with notable strength in men's and women's designer and ready-to-wear.
- **Hudson's Bay's** comparable sales decreased 4.3 percent in the first quarter. Its two-year stacked comp was down 1.1 percent, an improvement from the prior quarter's two-year stacked comp due to sequential improvements at our flagship locations.
- **Saks OFF 5TH** returned to comparable sales growth for the first time since the second quarter of fiscal 2017. First quarter comparable sales increased 4.4 percent propelling the business unit to a two-year stacked comp of up 0.9 percent. Saks OFF 5TH expanded its marketing tactics, which allowed it to reach a broader audience resulting in strong new customer growth.

Foulkes continued, "Saks Fifth Avenue's commitment to the luxury customer continues to payoff with widespread sales increases across key merchandise categories and locations, as well as among our top customers. Our New York City clients have embraced the flagship's new main floor, which redefines the luxury shopping experience with a one-of-a-kind handbag assortment featuring exclusive products and brands only available through Saks. For Hudson's Bay, we had some quick wins in service and marketing which led to sequential improvements in our comps during each month of the quarter. We are incrementally more confident that our post-holiday diagnosis was correct and our fall assortment will better match our customers' expectations of Hudson's Bay. While we have more work to do fixing the fundamentals and strengthening operations, we will continue to create experiences that customers love."

First quarter gross profit declined year-over-year by $48 million, which was offset by a $54 million decrease in selling, general and administrative expenses (SG&A).

Gross profit margin was 39.0 percent in the first quarter, down 90 basis points year-over-year. Approximately half of the decline is due to store closures, with the balance driven by a higher proportion of clearance sales in this year's first quarter. SG&A margin improved by 120 basis points to 38.8 percent, which includes the savings from a lower store count, including rent.

Net income was $275 million in the first quarter, driven by the $817 million gain from the sale of the Lord + Taylor flagship building in New York City. In February, HBC sold the flagship for a transaction value of $1.1 billion, while retaining a preferred equity interest in the building which is expected to be transformed into a higher use by our partners. The loss from the EDS Group totaled $133 million in the first quarter. Excluding one time items, HBC's normalized net loss[1] was $209 million.

Adjusted EBITDA[1] totaled $44 million for the first quarter, with North American department stores contributing $6 million and real estate joint ventures adding $38 million. As expected, Adjusted EBITDA[1] was lower by comparison to the previous year due to a late start to spring selling, in part driven by the later Easter holiday, and the timing of the expected benefits from our strategic initiatives.

Adjusted EBITDAR[1] was $124 million in the first quarter, reflecting lower rent adjustments and lower Adjusted EBITDA, as compared to the same quarter a year ago.

Balance Sheet & Capital Spending

The company ended the quarter with approximately $2.9 billion of debt, which declined nearly $1 billion from the end of the first quarter in 2018. The company retired the Lord + Taylor mortgage, permanently reduced its term loan and had lower outstanding borrowings on its Global ABL.

At May 4, 2019, HBC had the following outstanding loans and borrowings on its balance sheet:

(in millions)	**May 4, 2019**	**May 5, 2018**
Global ABL	$709	$1,012
U.S. Term Loan B	$436	$642
Lord & Taylor Mortgage	$0	$504
Saks Mortgage	$1,678	$1,606
Other loans	$27	$36
Total Outstanding Loans and Borrowings	**$2,850**	**$3,800**

HBC anticipates a portion of the European transactions' net proceeds will be used to strengthen HBC's balance sheet by fully repaying its outstanding $436 million term loan at closing, which is expected in the fall of 2019.

The company has targeted inventory efficiency as a component of strengthening operations and improving free cash flow. At the end of the first quarter, inventory declined by 7 percent year-over-year to $2.7 billion.

Capital investments were $68 million during the first quarter of 2019, a decline from $119 million from the same quarter a year ago. In fiscal 2019, the company expects its capital expenditures, net of landlord incentives, to moderate year-over-year, spending between $300 and $325 million.[2]

Dividend

The Board of Directors of HBC declared the company's regular quarterly dividend to be paid on July 15, 2019, to shareholders of record at the close of business on June 28, 2019. The dividend is in the amount of $0.0125 per HBC common share and is designated as an "eligible dividend" for Canadian tax purposes. The declaration of dividends is at the discretion of HBC's board.

Conference Call to Discuss Results

Management will discuss the first quarter financial results and other matters during a conference call on June 13, 2019 at 8:30 am EST.

The conference call will be accessible by calling the participant operator assisted toll-free dial-in number (800) 535-7056 or international dial-in number (253) 237-1145. A live webcast of the conference call will be accessible on HBC's website at: http://investor.hbc.com/events.cfm. The audio replay also will be available via this link.

About HBC

HBC is a diversified retailer focused on driving the performance of high quality stores and their omnichannel platforms 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 over 300 stores and about 40,000 employees. HBC's leading businesses across North America include Saks Fifth Avenue, Hudson's Bay, Lord + Taylor, and Saks OFF 5TH.

HBC also has significant investments in joint ventures. It has partnered with Simon Property Group Inc. in the HBS 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. HBC has partnered with SIGNA Retail Holdings for real estate and retail joint ventures in Europe.

Consolidated Financial Statements and Management's Discussion and Analysis

The company’s unaudited interim condensed consolidated financial statements for the 13-weeks ended May 4, 2019 and Management’s Discussion and Analysis (“MD&A”) thereon are available under the company’s profile on SEDAR at www.sedar.com.

Consolidated Financial Information

The following tables set out summary consolidated financial information and supplemental information for the periods indicated. The summary financial information set out below for the quarters ended May 4, 2019 and May 5, 2018 has been prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”) as issued by the Financial Accounting Standards Board (“FASB”) beginning on February 3, 2019 on a retrospective basis. In the opinion of the company’s management, this unaudited financial data reflects all adjustments, consisting of normal and recurring adjustments, necessary for a fair presentation of the results for those periods. The results of operations for interim periods are not necessarily indicative of the results to be expected for a full year or any future period. The information presented herein does not contain disclosures required by GAAP for consolidated financial statements and should be read in conjunction with the company’s unaudited interim condensed consolidated financial statements for the thirteen weeks ended May 4, 2019.

INTERIM CONSOLIDATED STATEMENTS OF LOSS

(millions of Canadian dollars, except per share amounts)

	Thirteen week period ended	
	May 4, 2019	May 5, 2018
Retail sales	**2,082**	2,154
Credit revenue and other, net	**34**	34
Total revenue	**2,116**	2,188
Cost of goods sold (exclusive of depreciation shown separately below)	**(1,291)**	(1,315)
Gross profit	**825**	873
Selling, general and administrative expenses (“SG&A”)	**(822)**	(876)
Depreciation and amortization	**(110)**	(119)
Gain on sale of property, net	**817**	—
Transaction, restructuring and other costs	**(36)**	14
Impairment	**—**	(7)
Operating income (loss)	**674**	(115)
Interest expense, net	**(43)**	(42)
Loss from equity-method investments - real estate	**(5)**	(19)
Loss from investment in the EDS Group	**(133)**	—
Dilution gain from equity method investments - real estate	**—**	1
Income (loss) before income tax	**493**	(175)
Income tax (expense) benefit	**(218)**	43
Net income (loss) - continuing operations	**275**	(132)
Net loss - discontinued operations, net of taxes	**—**	(266)
Net income (loss) for the period	**275**	(398)
Earnings (loss) per share - basic and diluted		
Continuing operations	**1.15**	(0.72)
Discontinued operations	**—**	(1.45)

INTERIM CONSOLIDATED BALANCE SHEETS

(millions of Canadian dollars)

	May 4, 2019	Feb 2, 2019
Assets		
Cash and cash equivalents	**22**	21
Trade and other receivables	**160**	157
Inventories	**2,704**	2,513
Asset held for sale	**—**	279
Other current assets	**126**	171
Total current assets	**3,012**	3,141
Property, plant and equipment	**3,776**	4,153
Operating lease assets	**3,447**	—
Finance lease assets	**410**	—
Goodwill	**213**	207
Other intangible assets	**546**	617
Pensions and employee benefits	**172**	170
Deferred tax assets	**353**	318
Equity-method investments - real estate	**753**	554

Investment in the EDS Group	**152**	284
Other assets	**88**	73
Total assets	**12,922**	9,517
Liabilities		
Current portion of loans and borrowings	**703**	471
Current portion of operating lease liabilities	**216**	—
Current portion of finance lease liabilities	**29**	29
Trade payables	**936**	988
Other payables and accrued liabilities	**792**	781
Deferred revenue	**97**	112
Other current liabilities	**82**	246
Total current liabilities	**2,855**	2,627
Loans and borrowings	**2,091**	2,538
Operating lease liabilities	**4,297**	—
Finance lease liabilities	**322**	318
Pensions and employee benefits	**178**	177
Deferred tax liabilities	**406**	143
Equity-method investment - real estate	**234**	239
Other liabilities	**538**	1,791
Total liabilities	**10,921**	7,833
Shareholders' equity		
Common shares - 184 and 183 million shares issued and outstanding	**1,435**	1,434
Convertible preferred shares	**618**	618
Accumulated deficit	**(638)**	(931)
Additional paid-in capital	**174**	170
Accumulated other comprehensive income	**412**	393
Total shareholders' equity	**2,001**	1,684
Total liabilities and shareholders' equity	**12,922**	9,517

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of Canadian dollars)

	Thirteen week period ended	
	May 4, 2019	May 5, 2018
Operating activities		
Net income (loss)	**275**	(398)
Net loss - discontinued operations, net of taxes	**—**	266
Net income (loss) - continuing operations	**275**	(132)
Adjustments to reconcile net income (loss) to cash generated by operating activities:		
Loss from investment in the EDS Group	**133**	—
Depreciation and amortization	**110**	119
Impairment	**—**	7
Loss on disposal of assets	**8**	—
Net defined benefit pension and employee benefits expense	**5**	5
Distributions of earnings from equity-method investments - real estate	**32**	52
Dilution gains from equity method investment - real estate	**—**	(1)
Loss from equity-method investments - real estate	**5**	19
Gain on sale of property, net	**(817)**	—
Share of rent expense to equity-method investments - real estate	**(49)**	(47)
Share based compensation	**7**	16
Other operating activities	**(13)**	(9)
Net change in working capital	**(41)**	(158)
Cash inflow (outflow) for operating activities from continuing operations	**(345)**	(129)
Cash outflow for operating activities from discontinued operations	**—**	(279)
Net cash used in operating activities	**(345)**	(408)
Investing activities		
Capital investments	**(68)**	(119)
Proceeds on sale of property, net of transaction costs	**770**	—

Loans to the EDS group	**(19)**	—
Investment in equity-method investments - real estate	**(13)**	—
Other investing activities	**(13)**	1
Cash inflow for investing activities from continuing operations	**657**	(118)
Cash outflow for investing activities from discontinued operations	**—**	(69)
Net cash provided by (used in) investing activities	**657**	(187)
Financing activities		
Repayments	**(515)**	(2)
Borrowing costs	**(10)**	—
Long-term loans and borrowings	**(525)**	(2)
Net borrowings from asset-based credit facilities	**228**	452
Borrowing costs	**—**	(1)
Short-term loans and borrowings	**228**	451
Settlement of share based compensation	**(2)**	(2)
Payments on finance leases	**(10)**	(8)
Dividends paid	**(2)**	(2)
Cash (used in) provided by financing activities - continuing operations	**(311)**	437
Cash provided by financing activities - discontinued operations	**—**	172
Net cash (used in) provided by financing activities	**(311)**	609
Foreign exchange gain on cash	**—**	2
Increase (decrease) in cash and cash equivalents	**1**	16
Cash and cash equivalents at beginning of year	**21**	70
Cash and cash equivalents at end of period	**22**	86

Supplemental Information

On the pages that follow, the company has provided certain supplemental information that we believe will assist the reader in assessing our business operations and performance, including certain non-GAAP financial information and required reconciliations to the most comparable GAAP measure.

Supplemental schedules provided include:

Quarterly Adjusted EBITDA & Adjusted EBITDAR Reconciliations

A reconciliation of Adjusted EBITDA and Adjusted EBITDAR are provided. The information provides the reader with information we believe is necessary to analyze the company.

Quarterly Combined Adjusted EBITDA & Adjusted EBITDAR Reconciliations

A reconciliation of Combined Adjusted EBITDA and Combined Adjusted EBITDAR are provided.

Normalized Net Earnings (Loss)

A reconciliation of Normalized Net Earnings (Loss) is provided. The information provides the reader with information we believe is necessary to analyze the company.

Non-GAAP and Quarterly Supplemental Data

On this schedule, the company provides certain non-GAAP business unit information that we believe is useful to understanding the business operations of the company.

HBC QUARTERLY ADJUSTED EBITDA AND ADJUSTED EBITDAR RECONCILIATIONS

	Thirteen week period ended	
(millions of Canadian dollars)	**May 4, 2019**	May 5, 2018
	$	$
Net income (loss) – continuing operations	**275**	**(132)**
Interest expense, net	43	42
Income tax expense (benefit)	218	(43)
Depreciation and amortization	110	119
EBITDA [(1)]	**646**	**(14)**
Transaction, restructuring and other costs	36	(14)
Impairment	—	7
Loss from equity-method investments - real estate	5	19
Loss from investment in the EDS Group[(3)]	133	—
Dilution gains from equity-method investment - real estate[(4)]	—	(1)

Gain on sale of property, net	(817)	—
Non-cash share based compensation	4	13
Non-cash pension expense	5	5
Adjustment for store closures	(5)	20
Other	(1)	8
Adjusted EBITDA [1] - North American Department Stores	**6**	**43**
Share of net loss in real estate equity method investments	(5)	(19)
Interest expense, net	26	22
Income tax benefit	4	4
Depreciation and amortization	13	17
Foreign exchange adjustment	—	18
Adjusted EBITDA [1] - Real estate equity method investments	**38**	**42**
Adjusted EBITDA [1]	**44**	**85**
Rent adjustments	80	96
Adjusted EBITDAR [1]	**124**	**181**
Share of net loss in the EDS Group	**(133)**	—
Interest expense, net	**6**	—
Income tax benefit	**(31)**	—
Depreciation and amortization	**33**	—
Inventory purchase price adjustment included in cost of sales	**31**	—
Restructuring	**12**	—
Adjusted EBITDA [1] - EDS Group	**(82)**	—
Third party rent expense - EDS Group	91	—
Adjusted EBITDAR [1] - EDS Group	**9**	—
Combined Adjusted EBITDA [1]	**(38)**	**85**
Combined Adjusted EBITDAR [1]	**133**	**181**

NORMALIZED NET EARNINGS (LOSS) RECONCILIATION

	Thirteen week period ended	
(millions of Canadian dollars)	**May 4, 2019**	**May 5, 2018**
	$	$
Net income (loss) – continuing operations	**275**	(132)
Gain on sale of property, net	(533)	—
Dilution gains from equity-method investment - real estate	—	(1)
Transaction, restructuring and other costs[5]	25	25
Adjustments to loss on equity method investments - real estate[6]	—	13
Adjustments to loss from investment in the EDS Group	30	—
Adjustment for store closure	(4)	(20)
Other	(2)	1
Total adjustments[7]	(484)	18
Normalized net loss [1]	**(209)**	(114)

HBC QUARTERLY SUPPLEMENTAL DATA

	May 4, 2019	**Feb 2, 2019**	**Nov 3, 2018**	**Aug 4, 2018**	**May 5, 2018**	**Feb 3, 2018**	**Oct 28, 2017**	**Jul 29, 2017**
Retail sales (in millions)								
Hudson’s Bay	$599	$938	$683	$641	$631	$1,028	$658	$647
Lord + Taylor	$251	$441	$334	$337	$334	$489	$335	$376
Saks Fifth Avenue	$879	$1,087	$832	$855	$862	$1,083	$739	$821
Saks OFF 5TH	$311	$388	$312	$297	$292	$403	$304	$319
Home Outfitters	$42	$35	$31	$36	$35	$56	$45	$52

Total retail sales	**$2,040**	**$2,854**	**$2,161**	**$2,130**	**$2,119**	**$3,003**	**$2,036**	**$2,163**
Comparable sales								
Hudson's Bay	(4.3%)	(2.9%)	4.3%	(0.6%)	3.2%	1.4%	0.1%	2.4%
Lord + Taylor	(17.1%)	(9.0%)	(5.0%)	(8.4%)	(6.2%)	(8.7%)	(9.7%)	(7.8%)
Saks Fifth Avenue	2.4%	3.9%	7.3%	6.7%	6.0%	3.1%	1.0%	1.9%
Saks OFF 5TH	4.4%	(2.1)%	(2.3)%	(7.6)%	(3.5)%	(2.0)%	(4.1)%	0.2%
Total HBC	**(2.1)%**	**(1.2)%**	**3.1%**	**(0.2)%**	**1.8%**	**(0.5)%**	**(2.0)%**	**(0.2)%**
Change in comparable digital sales	9.8%	8.7%	8.0%	10.8%	7.4%	9.1%	10.7%	9.0%
Store count(8)								
Hudson's Bay	89	89	89	89	89	89	89	90
Lord + Taylor	45	45	48	48	48	50	50	50
Saks Fifth Avenue	42	42	42	42	42	41	41	41
Saks OFF 5TH	129	129	133	132	132	129	129	124
Home Outfitters	37	37	38	39	41	44	50	51
	342	342	350	350	352	353	359	356
Gross leasable area/square footage(8) (in thousands)								
Hudson's Bay	15,771	15,771	15,739	15,720	15,720	15,731	15,731	15,837
Lord + Taylor	5,768	5,768	6,705	6,705	6,705	6,930	6,930	6,895
Saks Fifth Avenue	5,217	5,216	5,303	5,303	5,303	5,187	5,188	5,188
Saks OFF 5TH	3,871	3,868	3,998	3,966	3,939	3,879	3,879	3,727
Home Outfitters	1,280	1,280	1,328	1,363	1,427	1,529	1,753	1,793
	31,907	31,903	33,073	33,057	33,094	33,256	33,481	33,440
Cash rent to joint ventures (in millions)	$ 60	$ 62	$ 61	$ 60	$ 59	$ 59	$ 58	$ 61

End Notes

1 These performance metrics have been identified by the company as Non-GAAP measures. For the relevant definitions and reconciliations, please refer to the "Non-GAAP Measures" and "Supplemental Information" sections, respectively, of this release.

2 The capital investment expectations reflect exchange rate assumptions of USD:CAD = 1:1.31 for the year. Any variation in the foreign exchange rate assumptions and/or other material assumptions and factors described in the "Forward-Looking Statements" section of this press release could impact the above outlook.

3 Includes the company's 49.99 percent share of net loss of the EDS Group for the period ended January 1, 2019 to March 31, 2019 - See also 'Investment in the European Department Store Group' in the company's Management Discussion and Analysis.

4 Represents gains realized as a result of the changes in ownership related to the company's equity method investments in real estate.

5 Relates primarily to one time costs associated with acquisition and divestitures current restructuring program.

6 Relates to the Company's share of net non-recurring items incurred by the equity-method investment entities, which primarily includes unrealized foreign exchange losses (gains) of the HBS Joint Venture arising from the translation of certain intra-group monetary assets and liabilities related to the overall tax and legal structure of the joint venture.

7 All adjustments are tax-effected as appropriate.

8 The company operates one Hudson's Bay outlet, two Zellers clearance centres and three Lord + Taylor outlets that are excluded from the store count and gross leasable area.

Non-GAAP Measures

"EBITDA" is defined as net income (loss) before net interest expense, income tax expense (benefit) and depreciation and amortization expense.

"Adjusted EBITDA - North American Department Stores" is defined as EBITDA adjusted to exclude: (A) transaction, restructuring and other costs, (B) impairment, (C) loss from equity method investments - real estate, (D) loss from investment in the EDS Group, (E) dilution gains from equity method investments - real estate, (F) gain on sale of property, net, (G) non-cash share based compensation expense, (H) non-cash pension expense (I) adjustments for store closures and (J) other adjustments not associated with day to day operations.

"Adjusted EBITDA - Real estate equity method investments" is defined as share of net loss in real estate equity method investments adjusted for interest expenses, net, income tax expense, depreciation and amortization and foreign exchange adjustment.

"Adjusted EBITDA" is defined as Adjusted EBITDA - North American Department Stores plus Adjusted EBITDA - Real estate equity method investments.

"Adjusted EBITDAR" is defined as Adjusted EBITDA before rent expense.

“Adjusted EBITDA of the EDS Group” is defined as share of net loss in EDS Group adjusted for interest expense, net, income tax benefit, depreciation and amortization, inventory purchase price adjustment included in cost of sales and restructuring charges.

“Adjusted EBITDAR of the EDS Group” is defined as Adjusted EBITDA of the EDS Group before third party rent expense.

“Combined Adjusted EBITDA” equals Adjusted EBITDA plus Adjusted EBITDA of the EDS Group.

“Combined Adjusted EBITDAR” equals Adjusted EBITDAR plus Adjusted EBITDAR of the EDS Group.

“Normalized net loss” is defined as net income (loss) adjusted to exclude: (A) gain on sale of property, net, (B) dilution gains from equity method investments - real estate, (C) transaction, restructuring and other costs or income, (D) adjustment to share of loss from equity method investments - real estate, (E) adjustment to share of loss from investment in the EDS Group, (F) adjustment for store closures cost, (G) other adjustments not associated with day to day operations, and (H) tax related adjustments.

The company uses these non-GAAP measures to provide investors and others with supplemental measures of its operating performance. The company believes these non-GAAP measures are important supplemental measures of operating performance because they eliminate items that have less bearing on the company’s operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on GAAP financial measures. The company also believes that securities analysts, investors, rating agencies and other interested parties frequently use these non-GAAP measures in the evaluation of issuers, many of which present similar metrics when reporting their results. The company’s management also uses Adjusted EBITDAR in order to facilitate retail business operating performance comparisons from period to period, prepare annual operating budgets and assess the company’s ability to meet its future debt service, capital expenditure and working capital requirements and the company’s ability to pay dividends on its Common Shares. As other companies may calculate these non-GAAP measures differently than the company, these metrics may not be comparable to similarly titled measures reported by other companies.

This press release makes reference to certain comparable financial results expressed on a constant currency basis, including comparable sales, comparable digital sales and comparable inventory. In calculating the sales change, including digital sales, on a constant currency basis where applicable, prior year foreign exchange rates are applied to both current year and prior year comparable sales. This enhances the ability to compare underlying sales trends by excluding the impact of foreign currency exchange rate fluctuations. The company calculates comparable inventory levels on a year-over-year constant currency basis and does not include new store openings after the end of the same comparable quarter of the prior fiscal year. Definitions and calculations of comparable financial results differ among companies in the retail industry. All comparative sales figures are for the thirteen week period ended May 4, 2019, compared to the thirteen week period ended May 5, 2018.

For further discussion of the company’s financial and operating results, please refer to the MD&A of Financial Condition and Results of Operations for thirteen week period ended May 4, 2019.

Forward-Looking Statements

Certain statements made in this news release, including, but not limited to, the anticipated closing of the European transaction, the expected transformation of the Lord & Taylor Fifth Avenue building into a higher use, the strategic review of the Lord + Taylor business, the expected closure of Saks OFF 5th stores, the closing of Home Outfitters stores, including the timing of any store closures, the company’s prospects for fixing the fundamentals, strengthening operations and future growth opportunities and other statements that are not historical facts, are forward-looking. 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.

Implicit in forward-looking statements in respect of capital investments, including, among others, the company’s anticipated Fiscal 2019 total North American capital investments, net of landlord incentives, to be between $300 million and $325 million, are certain assumptions regarding, among others, the overall retail environment and currency exchange rates for Fiscal 2019. Specifically, the company has assumed the following exchange rates for Fiscal 2019: EUR:CAD = 1:1.5 and USD:CAD = 1:1.31. These current assumptions, although considered reasonable by the company at the time of preparation, may prove to be incorrect. Readers are cautioned that actual capital investments could differ materially from what is currently expected and are subject to a number of risks and uncertainties, including, among others described below, general economic, geo-political, market and business conditions, changes in foreign currency rates from those assumed, the risk of unseasonal weather patterns and the risk that the company may not achieve overall anticipated financial performance.

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 the company’s actual results, level of activity, performance, achievements, future events or developments to differ materially from management’s expectations and plans as set forth in such forward-looking statements, including, without limitation, the following factors, many of which are beyond HBC’s control and the effects of which can be difficult to predict: ability to execute our retail strategies, changing consumer preferences, demand and fashion trends, marketing and advertising program success, damage to brands and dependence on vendors, ability to make successful acquisitions, investments, expansions and divestitures, ability to successfully manage inventory levels, loss of or disruption in centralized distribution centers, ability to upgrade, maintain and secure the company’s information systems to support the needs of the company and protect against cyber security threats, risks related to privacy issues and cyber and other security breaches, ability to attract and retain quality employees, risks related to labor costs and other challenges from a large workforce, deterioration in labor relations, ability to maintain pension plan surplus, funding requirements of Saks’ pension plan, limits on insurance policies, loss of intellectual property rights, insolvency risk of parties with whom we do business or their unwillingness to perform their obligations, exposure to changes in the real estate market, loss of flexibility with respect to properties in the real estate joint ventures, ability to realize the expected benefits from the real estate joint ventures or to effect a future monetization transaction with each of the real estate joint ventures, exposure to potential environmental liabilities relating to owned and leased real property, liabilities associated with lease guarantees and with third parties who have assumed leases from the company, ability to successfully complete the European transaction, the risks related to not running day-to-day management and operations of the European retail business, the ability to obtain the required consents, approvals, and/or regulatory clearances, or otherwise successfully complete the European transaction, ability to realize the expected benefits from the European transaction or benefit from the review of strategic options related to the Netherlands retail business, ability of the combined European retail business to successfully maintain certain key relationships following the closing of the strategic partnership transactions with SIGNA, risks related to accounting for the combined European retail business using the equity method of accounting, increased or new competition, change in spending of consumers and lower demand, extreme or unseasonable weather conditions or natural disasters, international operational risks, fluctuations in the U.S. dollar, Canadian dollar, Euro and other foreign currencies, increase in raw material costs, seasonality of business, ability to manage indebtedness and cash flow, risks related to increasing indebtedness, restrictions of existing credit facilities reducing flexibility, loss of flexibility due to restrictive debt covenants, future availability of financing, limitations related to changes in the company's credit ratings, ability to maintain adequate financial and management processes and controls, ability to maintain dividends, ability of a small number of shareholders to influence the business, future sales of the company's Common Shares by significant shareholders could affect share price, constating documents could delay and discourage favorable takeover attempts, effect of existence and creation of Convertible Preferred Shares on holders of Common Shares, effect of actions by activist shareholders, risks related to regulatory liability, risks of product liability claims and product recalls, inability to comply with laws and regulations that impact the company's business could lead to litigation or regulatory actions against the company, non-compliance with changing privacy regulatory environment, exposure to significant additional costs and expenses relating to losing foreign private issuer status in the future, risks related to tax matters, changes in accounting standards and other risks inherent to the company's business and/or factors beyond the company's control which could have a material adverse effect on us. Additional risks and uncertainties are discussed in the company's materials filed with the Canadian regulatory authorities from time to time. These factors are not intended to represent a complete list of the factors that could affect us; however, these factors should be considered carefully.

HBC cautions that the foregoing list of important factors and assumptions is not exhaustive and other factors could also adversely affect its results. 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 3, 2019 and HBC's Management's Discussion and Analysis of Financial Condition and Results of Operations for the Thirteen Weeks Ended May 4, 2019, 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.

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