Special Committee of the Board of HBC Comments on Offer by Catalyst Capital Group

August 2, 2019

Advises Shareholders to Exercise Caution with Respect to Offer

TORONTO & NEW YORK--(BUSINESS WIRE)--Aug. 2, 2019-- The Special Committee of the Board of Directors of Hudson's Bay Company (TSX: HBC) ("HBC" or the “Company”) today issued a response to the unsolicited offer made to shareholders by the Catalyst Capital Group Inc., ("Catalyst") to acquire up to 14,836,795 common shares of the Company at a price of $10.11 per common share in cash (the “Catalyst Offer”). The Special Committee also wishes to provide an update on its ongoing review of the June 10, 2019 proposal for the privatization of the Company from a group of HBC shareholders, including HBC’s Governor and Executive Chairman, (the “Shareholder Group”) at a price of $9.45 per common share in cash (the “Shareholder Group Proposal”).

Catalyst Offer

The Catalyst Offer is an offer to acquire up to 14,836,795 HBC common shares, or approximately 8% of the Company’s 184,076,650 outstanding common shares. Accordingly, the Catalyst Offer is not a true alternative to the Shareholder Group Proposal which, if acceptable terms are reached, will involve the acquisition by the Company of 100% of the common shares held by minority shareholders.

If more than 14,836,795 common shares are tendered to the Catalyst Offer at the time Catalyst takes up shares under the Catalyst Offer, the number of common shares purchased from each tendering shareholder will be determined on a pro rata basis, such that only 14,836,795 common shares will be acquired by Catalyst.

As the Catalyst Offer is not a formal take-over bid for purposes of Canadian provincial securities laws, it does not provide shareholders with certain of the protections that such laws require be provided to shareholders in a formal take-over bid. In particular, the Catalyst Offer:

- Does not subject Catalyst to securities laws that subject offerors to potential liability for misrepresentations made in formal take-over bid documents
- Does not provide shareholders with the right to withdraw shares tendered under the offer in certain circumstances at any time within 10 days after a variation in the terms of the offer, or in the event that Catalyst has not paid for shares within three business after taking them up under the offer
- Allows Catalyst to extend its offer beyond the initial expiry date without taking up shares tendered to the offer, even if the conditions of the offer have been satisfied or waived
- Is not subject to a requirement that shares may not be acquired by Catalyst under the offer unless more than 50% of the outstanding common shares, excluding those owned or controlled by Catalyst or its joint actors, have been deposited under the offer and not withdrawn
- Is not required to be extended for a 10-day period after Catalyst is required to take up shares under the offer
- Is not subject to a requirement that Catalyst shall have made adequate arrangements before making its offer to ensure that the required funds are available to make full payment for the common shares Catalyst has offered to acquire

The current expiry date Catalyst has indicated for the Catalyst Offer is August 16, 2019, which is earlier than the anticipated September completion of the formal valuation being prepared under the supervision of the Special Committee.

If an agreement with respect to a privatization transaction is reached with the Shareholder Group, completion of the transaction will be subject to approval of a majority of minority shareholders of the Company (being shareholders not participating in or affiliated with the Shareholder Group). If all common shares subject to the Catalyst Offer are taken up and paid for, Catalyst will control a meaningful portion of the common shares held by the minority shareholders.

As the Special Committee’s work is ongoing, it is not in a position to make a recommendation with respect to the Catalyst Offer. In view of the foregoing, however, the Special Committee advises shareholders to exercise caution regarding a decision to tender to the Catalyst Offer.

Shareholder Group Proposal

As previously disclosed, in connection with the Shareholder Group Proposal, the Special Committee has retained TD Securities Inc. to prepare an independent, formal valuation of the Company’s common shares in compliance with Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*. Work on the valuation is currently expected to be completed in September 2019.

The Special Committee has also retained J.P. Morgan Securities as financial advisor, Centerview Partners LLC as special advisor, and Blake, Cassels & Graydon LLP as legal counsel to assist the Special Committee in its process of evaluating the Shareholder Group Proposal along with other strategic alternatives. It has also engaged real estate appraisal firms and planning consultants to assist the Special Committee, its advisors and TD Securities Inc. with valuing HBC's real estate assets.

Based on initial analysis completed to date by its financial advisor and other factors, the Special Committee has communicated to the Shareholder Group that the price of $9.45 per common share offered in the Shareholder Group Proposal is inadequate.

The Special Committee and its financial advisors anticipate meeting with representatives of various shareholders next week and look forward to hearing their perspectives on the Catalyst Offer and the Shareholder Group Proposal.

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 privatization proposal received by the company, including the terms and conditions of the proposal; the review and evaluation of the privatization proposal by the Special Committee, and other statements that are not material 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, without limitation, the following factors, many of which are beyond HBC’s control and the effects of which can be difficult to predict: (a) the possibility that the Company, its Board of Directors, the Special Committee and the Shareholder Group cannot come to an agreement on the terms and conditions of a privatization transaction or will not proceed with giving shareholders an opportunity to accept or vote in favour of a privatization transaction; (b) the possibility that the terms and conditions of any definitive agreement in respect of a privatization transaction will differ from those that are currently contemplated; (c) if a definitive agreement is reached, the failure to obtain or satisfy, in a timely manner or otherwise, required shareholder and regulatory approvals and other conditions of closing necessary to complete any privatization transaction; (d) credit, market, currency, operational, real estate, liquidity and funding risks generally, including changes in economic conditions, interest rates or tax rates; (e) risks and uncertainties relating to information management, technology, supply chain, product safety, changes in law, competition, seasonality, commodity price and business and (f) other risks inherent to the Company’s business and/or factors beyond its control which could have a material adverse effect on the Company or the ability to consummate a privatization transaction.

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 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.

About HBC

HBC is a diversified retailer focused on driving the performance of high-quality stores and their omni-channel 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 more than 300 stores and about 40,000 employees around the world. 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.

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