



HBC and Le Tote Enter Into Agreement for Acquisition of Lord + Taylor

August 28, 2019

Transaction to create new experience with fashion rental subscriptions, e-commerce and stores

Sale concludes HBC's review of strategic alternatives for Lord + Taylor business

TORONTO--(BUSINESS WIRE)--Aug. 28, 2019-- Hudson's Bay Company (TSX:HBC) and Le Tote, Inc., a leading fashion rental subscription service, have entered into an agreement for Le Tote to acquire Lord + Taylor. Le Tote's proprietary technology, data and innovation combined with Lord + Taylor's traditional store footprint, e-commerce presence and merchandise selection will offer customers a new experience in the mid-market segment.

Helena Foulkes, HBC's CEO, said, "We're excited to have reached an agreement with Le Tote that creates a new model for Lord + Taylor, bringing together fashion rental subscriptions with traditional retail. Following an extensive review of strategic alternatives, Le Tote's leadership and innovative approach is the best path forward for Lord + Taylor, its loyal customers and dedicated associates. For HBC, this transaction builds upon our previous bold actions, further enabling us to focus on our greatest opportunities, Saks Fifth Avenue and Hudson's Bay."

Rakesh Tondon, Le Tote's CEO and Founder, said, "Since founding Le Tote, it's been our mission to push the boundaries of retail. We've strived to lead the charge in developing innovative, intuitive, value-driven ways for customers to engage and consume. We're excited to bring Le Tote together with Lord + Taylor, a storied brand that has stood for quality, style and service for nearly two centuries. With this acquisition, we continue our journey in creating the future of retail."

Under the terms of the agreement, Le Tote will acquire the Lord + Taylor brand and related intellectual property while assuming operations of 38 stores, Lord + Taylor's digital channels and the associated inventory.

Le Tote expects to extend employment offers to the vast majority of Lord + Taylor's associates.

HBC will receive \$99.5 million (USD\$75 million) in cash upon the transaction's closing and a secured promissory note for \$33.2 million (USD\$25 million) payable in cash after two years. In addition, HBC will receive an equity stake in Le Tote, two seats on the company's Board of Directors and certain rights as a minority shareholder.

HBC and HBS Global Properties, HBC's real estate joint venture, will retain ownership of all owned and ground-leased real estate assets related to Lord + Taylor. For at least the initial three years, HBC has agreed to maintain economic responsibility for the rent payments owed by Lord + Taylor at the locations operated by Le Tote. Net of HBC's distributions from HBS Global Properties, HBC expects to continue to be liable for approximately \$77 million in Lord + Taylor total cash rent on an annual basis.

In fiscal 2018, Lord + Taylor represented \$1.4 billion of HBC's \$9.4 billion in retail sales. HBC's 2018 Adjusted EBITDA was \$462 million, which reflects a \$119 million loss attributable to Lord + Taylor, inclusive of allocated corporate expenses.

Starting in 2021, HBC and Le Tote will have options to reassess the Lord + Taylor store network. This may include HBC recapturing select locations to determine their highest and best use, including possible redevelopment into mixed-use properties with a variety of services, experiences and retail offerings. HBC has hired a team of seasoned professionals to lead the planning and execution of any redevelopment, which is an inherently complex, capital intensive, long-term project. For any recaptured or returned stores, HBC retains long-term rent responsibility, risk and costs for redevelopment.

Le Tote is in the process of securing financing for the full purchase price. The transaction is expected to close before the start of the 2019 holiday season, subject to satisfaction (or waiver) of closing conditions. If committed financing has not been obtained within forty-five days following signing, HBC has the right to terminate the agreement.

PJ SOLOMON acted as financial advisor to HBC for this transaction and throughout the review of strategic alternatives for Lord + Taylor and Willkie Farr & Gallagher LLP acted as legal advisor to HBC. Le Tote was advised by Citi, as its financial advisor, and Kirkland & Ellis LLP, as its legal advisor, in connection with the transaction.

Deal term figures in this news release assume USD:CAD = 1:1.3272.

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 transaction.

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.

About Le Tote

Le Tote is a fashion subscription service that lets women rent clothing and accessories for a flat monthly fee. Members choose the items they want to wear and can keep them as long as they like. Members also have the option to purchase items at a discount. Le Tote's data-driven model is powered by proprietary algorithms and in-house operational solutions. Le Tote partners with hundreds of brands including French Connection, Vince Camuto, BCBGeneration, Kate Spade, Rebecca Minkoff, Calvin Klein and more. Founded in 2012 by Brett Northart and Rakesh Tondon, the Y Combinator backed company has raised venture funding from Andreessen Horowitz, Google Ventures, Azure Capital Partners, Lerer Hippeau Ventures, Simon Venture Group, Sway Ventures, Epic Ventures, Arsenal Venture Partners, Funders Club and others. For additional information, please visit www.LeTote.com or download the iPhone app.

Non-GAAP Measures

The Company uses certain non-GAAP measures, including Adjusted EBITDA, in this press release.

"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.

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. 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.

Forward-Looking Statements

Certain statements made in this press release are forward-looking statements within the meaning of applicable securities laws, including, but not limited to, statements with respect to: the sale and divestiture of the Company's interest in Lord + Taylor to Le Tote and the assumption of liabilities; the anticipated completion of the proposed transaction and timing thereof; the receipt by Le Tote of commitments for financing, and the funding of all financing commitments at closing; the expectation that the Lord + Taylor sale will allow HBC to focus on other opportunities; in connection with HBC's acquisition of an equity stake in Le Tote, the various agreements setting forth HBC's rights as a minority shareholder and the realization of the anticipated benefits under the respective agreements; Le Tote's future plans with respect to the continued employment of Lord + Taylor associates; HBC's expectation with respect to its continued liability for Lord + Taylor cash rent on an annual basis; HBC's anticipated plans with respect to the redevelopment of any recaptured or returned stores, including the cost and timing thereof; 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 press 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 failure to obtain or satisfy, in a timely manner or otherwise, required approvals and other conditions of closing necessary to complete the proposed transaction; (b) the possibility that the anticipated benefits from the proposed transaction cannot be realized in a timely manner or otherwise; (c) the risk that HBC terminates the agreement as a result of Le Tote's failure to obtain commitments for the financing or the funding of all financing at closing; (d) risks and uncertainties relating to the redevelopment of any recaptured or returned stores by HBC, including rent, cost, timing, operational, real estate, planning and execution risks; (e) risks related to HBC's economic responsibility for the rent payments owed by Lord + Taylor for transferred stores for the applicable period post-closing; (f) failure of the parties to enter into a voting agreement, investor rights agreement or other ancillary agreements related to HBC's equity interest in Le Tote or failure to realize the anticipated benefits under such agreements; (g) credit, market, currency, operational, real estate, liquidity and funding risks generally, including changes in economic conditions, interest rates or tax rates; (h) risks and uncertainties relating to information management, technology, supply chain, product safety, changes in law, competition, seasonality, commodity price and business; and (i) other risks inherent to the Company's business and/or factors beyond its control which could have a material adverse effect on the Company.

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, HBC's first quarter Management's Discussion & Analysis of Financial Condition and Results of Operation dated June 13, 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 press release describe HBC's expectations at the date of this press 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 press 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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