



Special Committee of the Board of Hudson's Bay Provides Additional Information Regarding Background to Proposed Privatization Transaction

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TORONTO & NEW YORK--([BUSINESS WIRE](#))--The Special Committee of the Board of Directors of Hudson's Bay Company (TSX:HBC) ("HBC" or the "Company") today provided additional information regarding the background to the European real estate transactions (the "SIGNA Transactions") that led to the development of the privatization transaction contemplated by the Arrangement Agreement between HBC and Rupert Acquisition LLC dated October 20, 2019 (the "Arrangement Agreement").

Contrary to the baseless allegations being made by The Catalyst Capital Group Inc. ("Catalyst"), the Special Committee of the Company's Board of Directors conducted a rigorous and thorough process.

- The Special Committee, comprised entirely of independent directors, supervised the negotiation of the SIGNA Transactions, and recommended their approval to the full Board.
- Mr. Baker received permission to explore the possibility of developing a take-private proposal with other large, long-term shareholders of the Company, and to share information on a confidential basis as required in order to do so. The Special Committee believed that, in the context of HBC's shareholder composition, declining stock price and the ongoing challenges and risks facing the Company, a proposal that would provide liquidity to minority shareholders could be in the best interests of the Company, and that the Special Committee should have the ability to consider and, if thought advisable, recommend such a proposal to shareholders. The Special Committee knew that any such transaction it might recommend would be subject to minority shareholder approval and other protections under applicable corporate and securities laws, affording minority shareholders the ultimate choice as to whether to accept or reject such a proposal.
- The Special Committee, with the assistance of its independent financial and legal advisors, conducted an extensive review of the Company's operations and real estate assets, and of alternatives available to the Company. The Special Committee retained TD Securities Inc. to prepare an independent valuation of the Company's common shares, and engaged independent real estate appraisal and planning firms to appraise HBC's entire real estate portfolio of 79 properties and complete a planning assessment of 59 properties to identify redevelopment opportunities in the portfolio.
- The Special Committee obtained three fairness opinions in respect of the proposed transaction.

The attached appendix provides additional details regarding the events leading up to the announcement of the Initial Proposal. The Special Committee is providing this information to provide shareholders with additional context, and to counter the misinformation and misleading statements being put forward by Catalyst. Shareholders can access additional information about the Arrangement, including the Management Information Circular, by visiting www.HBCGoPrivate.com.

The Special Committee and the Board (excluding conflicted directors) recommend that Minority Shareholders vote in favour of the transaction in advance of the proxy voting deadline of 10:00 a.m. ET on Friday, December 13, 2019 or at the special meeting of shareholders on Tuesday, December 17, 2019 at 10:00 a.m. ET. Shareholders who have questions or need assistance voting their proxy should contact Kingsdale Advisors, HBC's proxy solicitation agent, by telephone toll-free at 1-866-581-0512, collect at 1-416-867-2272 or via email at contactus@kingsdaleadvisors.com.

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 nearly 250 stores and approximately 30,000 employees around the world. HBC's leading businesses across North America include Saks Fifth Avenue, Hudson's Bay, and Saks OFF 5TH. HBC also has significant investments in real estate 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.

Forward-Looking Statements

Certain statements made in this news release are forward-looking statements within the meaning of applicable securities laws. 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 transaction will not be completed on the

terms and conditions, or on the timing, proposed, and that it may not be completed at all, due to a failure to obtain or satisfy, in a timely manner or otherwise, required shareholder and regulatory approvals and other conditions of closing necessary to complete the transaction or for other reasons; (b) risks related to tax matters; (c) the possibility of adverse reactions or changes in business relationships resulting from the announcement or completion of the transaction; (d) risks relating to HBC's ability to retain and attract key personnel during the interim period; (e) the possibility of litigation relating to the transaction; (f) credit, market, currency, operational, real estate, liquidity and funding risks generally and relating specifically to the transaction, including changes in economic conditions, interest rates or tax rates; (g) risks and uncertainties relating to information management, technology, supply chain, product safety, changes in law, competition, seasonality, commodity price and business; and (h) 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 the 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" sections of HBC's Annual Information Form dated May 3, 2019 and Management Information Circular dated November 14, 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.

APPENDIX

The section in the Company's management information circular dated November 14, 2019 (the "Circular") entitled "The Arrangement – Background to the Arrangement – The SIGNA Transaction and the Initial Going Private Transaction" is restated below to include additional information regarding the period preceding the announcement by the Continuing Shareholders of the Initial Proposal. Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in the Circular.

The SIGNA Transaction and the Initial Going Private Proposal

In connection with the Company's strategic objective to simplify its retail strategy and unlock the value of its real estate, the Company completed the merger of the retail operations of HBC Europe and SIGNA's Karstadt Warenhaus GmbH in the fourth quarter of 2018. After completing the transaction, given the deteriorating state of the European retail business, the need for significant incremental capital contributions to fund material operating losses in the European business, and the continued need to focus on core operations and strengthen the Company's balance sheet, the Company concluded it was important to pursue a complete exit from the European retail market and fully monetize its European real estate.

In and around late February 2019, representatives of HBC, including Mr. Baker and Mr. Putnam, commenced exploratory discussions with representatives of SIGNA about a potential sale to SIGNA of HBC's remaining 50% interest in its European real estate joint venture and 49.99% interest in its European retail joint venture (the "SIGNA Transactions").

Shortly after the commencement of exploratory discussions with SIGNA, Mr. Baker considered the viability of HBC using proceeds of the potential SIGNA Transactions to complete a buyback of HBC shares or fund other liquidity opportunities for shareholders. Mr. Baker also commenced exploratory discussions with the other Continuing Shareholders as to whether proceeds from the potential SIGNA Transactions could provide a portion of the financing for a potential privatization transaction involving HBC and thereby a liquidity opportunity for other HBC shareholders. Such exploratory discussions included, among other things, what levels of debt financing and leverage would be appropriate, and what other sources of financing could be available on acceptable terms. It was determined that without proceeds from the potential SIGNA Transactions, it was highly unlikely that the debt capital markets would be independently available to support a privatization transaction on terms that would be sustainable for the Company. Mr. Baker commenced such discussions with representatives of each of Fabric Luxembourg Holdings S.a.r.l. ("Fabric"), Hanover Investments (Luxembourg) S.A. ("Hanover") and Abrams Capital Management L.P. ("Abrams") on or about March 5, 2019.

Mr. Baker, together with certain individuals and entities affiliated or acting jointly with him and L&T B (Cayman) Inc., and Hanover have been shareholders of HBC since prior to its initial public offering in 2012. Abrams has been a shareholder of HBC since the end of 2015 and Fabric has been a shareholder since December 2017. Given their large respective investments in HBC, their respective long investment horizons, and the continuing challenges HBC faces, the Continuing Shareholders engaged from time to time in discussions regarding the business.

On or about March 25, 2019 (prior to a regularly scheduled Board meeting on March 27, 2019), and with discussions of the potential SIGNA Transactions still fluid, Mr. Baker and Mr. Putnam informed Mr. Leith, HBC's lead independent director, about Mr. Baker's desire to evaluate a potential privatization transaction together with the other Continuing Shareholders, all of which was contingent on proceeding with the SIGNA Transactions which, as of such date, were still being negotiated without any certainty of outcome. Mr. Leith consented to Mr. Baker exploring such a transaction and sharing certain limited financial information with the Continuing Shareholders on a confidential basis. Mr. Leith also provided consent to the use by Mr. Baker of the Company's historical transaction counsel in connection with that initial evaluation, and was advised that RBC and BofA Securities would be financial advisors to Mr. Baker.

On March 27, 2019, the Board established the Special Committee, at that time consisting of Messrs. Leith (Chair), Pommen, Rotman and Rubel, each an independent director, to supervise the review and evaluation of the Company's strategies and options with respect to (i) the Company's Lord + Taylor business unit and (ii) its European real estate joint venture and European retail joint venture and real estate assets, which were the subject of the potential SIGNA Transactions. The Special Committee's mandate included oversight and supervision of the review and evaluation of the various possible strategic alternatives that were available to the Company and oversight of the Company's activities in furtherance thereof. In fulfilling its mandate, the Special Committee evaluated such transactions independently from any potential privatization proposal. While the Special Committee was aware that any privatization proposal, if received, would be conditional on the SIGNA Transactions, the SIGNA Transactions were not conditional on a privatization transaction proceeding.

On April 10, 2019, the Special Committee met to review the background of the original transaction establishing the European real estate joint venture and the European retail joint venture and to consider the *pro forma* scenarios of divestiture of the European real estate joint venture and the European retail joint venture. The Special Committee received details of the proposed SIGNA Transactions. The Special Committee was advised of the proposed aggregate purchase price for the Company's 50% stake in the European real estate joint venture.

On April 23, 2019, the Special Committee met to receive an overview of options regarding Lord + Taylor and an update on ongoing preliminary discussions between the Company and SIGNA regarding the proposed SIGNA Transactions.

On April 26, 2019, HBC and SIGNA reached alignment with respect to high level principal terms of the proposed SIGNA Transactions subject to, among other things, respective internal approvals.

On April 27, 2019, Mr. Baker re-iterated his interest to the Board in evaluating the possibility of a privatization transaction with the other Continuing Shareholders; however, no details of pricing or structuring of the proposed transaction were provided at that time, other than that any proposal would be contingent on the completion of the SIGNA Transactions. Also on April 27, 2019, Blakes was retained to act for the Special Committee in connection with a privatization proposal should one be received. J.P. Morgan was also contacted to potentially act for the Special Committee in connection with a privatization proposal should one be received.

On April 30, 2019, the Special Committee and Stephanie Coyles, an independent director who had joined the Board on March 27, 2019, met with Blakes to discuss, among other things, potential modifications to the Special Committee's mandate to address a potential privatization proposal as well as the potential appointment of financial advisors and an independent valuator in connection with any such proposal. The Special Committee reviewed a number of criteria it considered to be important in selecting financial advisors and the extent to which potential financial advisors satisfied such criteria. The Special Committee then discussed the Company's experience with J.P. Morgan since 2017, in particular in connection with the Company's review of its European joint venture and real estate assets. In light of J.P. Morgan's knowledge of the sector and the Company, the Special Committee determined to appoint J.P. Morgan as financial advisor to the Special Committee. The Special Committee discussed the possible appointment of Centerview as a special advisor, but deferred a determination as to whether to engage Centerview at that time. The Special Committee also considered the criteria it considered to be important in selecting an independent valuator and discussed the possibility of appointing TD Securities as independent valuator, in particular having regard to TD Securities' experience with MI 61-101 valuations and strong real estate expertise. The Special Committee also discussed the potential timing of the announcement of a privatization proposal in relation to the announcement of the SIGNA Transactions, including the advantages and disadvantages of the privatization proposal being announced at the same time as the announcement of the SIGNA Transactions or at a different time.

Also on April 30, 2019, the Special Committee separately met to receive an update on the Company's discussions with SIGNA regarding the proposed SIGNA Transactions.

On May 6, 2019, the Company announced it was pursuing strategic alternatives for its Lord + Taylor operating business, including a possible sale or merger, as part of its strategy to focus on its core businesses, Saks Fifth Avenue and Hudson's Bay.

On May 10, 2019, the Special Committee met to receive an update on the status of negotiations on the SIGNA Transactions and on the actual and forecasted performance of the European retail joint venture.

On May 13, 2019, the Special Committee met to receive an update on the status of the Lord + Taylor strategic review. The Special Committee also received information with regard to residual liabilities that were expected to remain after the consummation of the proposed SIGNA Transactions.

On May 24, 2019, the Special Committee met to review additional analysis on the projections and valuations of the European assets and to receive an update on the status of the proposed SIGNA Transactions.

On May 31, 2019, in response to an indication from Mr. Baker that he was continuing to consider making a privatization proposal with other large shareholders, including Fabric, the Special Committee and Ms. Coyles met with Blakes and J.P. Morgan. It was noted that Mr. Baker had advised that any privatization proposal would be subject to the closing of the SIGNA Transactions, and the expected timing of the announcements of the SIGNA Transactions and any privatization proposal was discussed. There was also a discussion of the duties of directors and the requirements of MI 61-101 applicable to a potential privatization transaction, and the establishment of guidelines for directors, officers and management in view of the potential involvement of certain directors and officers of the Company in a privatization proposal. The Special Committee considered further the potential engagement of TD Securities as valuator and discussed TD Securities' expertise and experience and the rationale for having selected TD Securities as valuator in 2017. The Special Committee also discussed the potential engagement of Centerview as a special advisor. After further consideration by the Special Committee and having regard to Centerview's experience in advising on M&A transactions in the retail sector, Centerview was subsequently appointed as a special advisor to the Special Committee on June 11, 2019.

On June 4, 2019, the Special Committee met to receive an update on the status of the proposed SIGNA Transactions. On the same day, Mr. Putnam shared with members of the Special Committee a draft of the Continuing Shareholders' proposal letter and proposed press release (to follow the Company's announcement of the SIGNA Transactions), in each case without pricing of the Initial Proposal.

On June 9, 2019, in view of the possibility of a privatization proposal, the Board approved a revised mandate for the Special Committee that authorized the Special Committee to, among other things, (i) review and evaluate any proposal made to effect a going private transaction, including whether any such transaction would be in the best interests of the Company, (ii) consider any alternative transactions available to the Company, including whether any such alternative transactions would be in the best interests of the Company, (iii) consider whether maintaining the status quo would be preferable to implementing a transaction and in the best interests of the Company, (iv) supervise or engage in related negotiations or discussions on behalf of the Company with respect to any potential transaction, and (v) make recommendations to the Board respecting any potential transaction. The Board also appointed Ms. Coyles as a member of the Special Committee and, following consideration by the Special Committee, the Board waived the standstill provisions in Fabric's governance agreement to allow it to be part of the Continuing Shareholders making the Initial Proposal on the basis that receiving a proposal for a take-private transaction was in the best interests of the Company in the circumstances.

Also on June 9, 2019, the Board approved the entry by the Company into the SIGNA Transactions. The Special Committee received financial advice from J.P. Morgan regarding, among other things, indicative values of the European retail and real estate joint ventures, potential ongoing liabilities related to retaining the Netherlands operations and the impact of the SIGNA Transactions on the pro forma HBC business and financial position. The Special Committee considered the benefits, risks and opportunities of the SIGNA Transactions for HBC on a stand-alone basis.

Messrs. Baker, Robert Baker, Mack, Gross, Langman and Neibart recused themselves from each of the approvals made on June 9, 2019 on the basis that a potential privatization proposal would be conditional on the closing of the SIGNA Transactions.

On June 10, 2019, the Company entered into definitive agreements to (i) sell the Company's remaining stake in its European real estate joint venture

and divest its related retail joint venture to its partner, SIGNA, along with assumption of certain obligations for a total consideration of \$1.5 billion (€1 billion) and (ii) assume ownership of the Company's Netherlands retail business and release SIGNA from its guarantee of certain obligations of Hudson's Bay Netherlands.

Also on June 10, 2019, the Continuing Shareholders submitted to the Special Committee and publicly announced their unsolicited proposal to privatize the Company pursuant to a transaction in which the Company would purchase the Common Shares not owned by the Continuing Shareholders at a price of \$9.45 per Common Share (the "**Initial Proposal**"). The Continuing Shareholders also informed the Special Committee that none of the Continuing Shareholders were, in their capacity as Shareholders, interested at the time in an alternative transaction which would result in the sale of their interest in HBC or the acquisition by a third party of HBC or any of its material assets, and that they were not supportive of any alternative distribution to shareholders of the proceeds from the SIGNA Transactions.

Following receipt of the Initial Proposal on June 10, 2019, the Company announced that the Board had established a Special Committee that would review the Initial Proposal and that the Special Committee had appointed J.P. Morgan as financial advisor and Blakes as legal counsel.

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