



HBC Board of Directors Receives Updated Valuation and Reaffirms Recommendation that Shareholders Vote FOR Privatization Transaction

Jan 27, 2020

TORONTO & NEW YORK--(BUSINESS WIRE)--Jan. 27, 2020-- Hudson's Bay Company (TSX: HBC) ("HBC" or the "Company") today announced that it has received the updated valuation it had requested from its independent valuator, TD Securities Inc. ("TD Securities"), as well as new fairness opinions provided by J.P. Morgan, Centerview Partners LLC ("Centerview Partners") and TD Securities. Accordingly, the Special Committee (the "Special Committee") of the HBC Board of Directors (the "Board") has reaffirmed its unanimous recommendation to the Board that the privatization transaction with a group of existing shareholders (the "Continuing Shareholders") is in the best interests of the Company and fair to the Company's other shareholders (the "Minority Shareholders"). The Board (excluding conflicted directors) recommends that Minority Shareholders vote in favour of the transaction at the special meeting of shareholders to be held on February 27, 2020 to approve the transaction.

On January 3, 2020, the Company announced that it had entered into an amending agreement to its Arrangement Agreement dated October 20, 2019 with Rupert Acquisition LLC pursuant to which, subject to certain conditions, the Company will be taken private by the Continuing Shareholders and the Minority Shareholders will receive increased consideration of \$11.00 in cash per common share. It also announced on that date that HBC and the Continuing Shareholders had entered into a voting and support agreement with The Catalyst Capital Group Inc. ("Catalyst") under which Catalyst agreed to vote the 32,236,878 common shares it controls in favour of the transaction.

In view of the increased consideration payable to Minority Shareholders, the Company's operating results since October 20, 2019 (during which period revenues have been lower than anticipated) and the period of time since the issuance of the independent valuation originally provided by TD Securities in connection with the transaction, the Special Committee requested that TD Securities prepare an updated independent valuation and fairness opinion. The Special Committee also requested new fairness opinions from its financial advisors, J.P. Morgan and Centerview Partners, in respect of the increased consideration payable to Minority Shareholders.

The updated formal valuation provided by TD Securities to the Special Committee determined that, as of January 27, 2020, and subject to the assumptions, limitations and qualifications to be set out in TD Securities' written valuation report, the fair market value of the common shares of HBC ranged between \$9.75 and \$12.00 per common share. TD Securities has also provided an opinion to the Special Committee that, as of January 27, 2020, and subject to the assumptions, limitations and qualifications to be set out in TD Securities' written fairness opinion, the consideration to be received by the common shareholders of HBC other than the Continuing Shareholders is fair, from a financial point of view, to such shareholders.

The TD Securities valuation and fairness opinion, as well as new fairness opinions that have been provided to the Special Committee and the Board by J.P. Morgan and Centerview Partners, will be included in the amended and restated management information circular that will be mailed to shareholders in advance of the special meeting of shareholders and filed at www.sedar.com.

The transaction requires the approval at the special meeting of (i) at least 75% of the votes cast by shareholders, and (ii) a simple majority of the votes cast by common shareholders, excluding for this purpose votes attached to common shares required to be excluded pursuant to Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions. Votes cast by Catalyst will be included in determining whether approval of the transaction has been obtained under both tests.

The record date for the February 27, 2020 shareholders meeting is January 27, 2020, with the result that all shareholders as of the close of business on January 27, 2020 are entitled to vote at the meeting. In order for shareholders' votes to be counted at the meeting, shareholders must recast any votes they may have cast in connection with the meeting of shareholders that had been scheduled for December 17, 2019.

The transaction is structured as a purchase for cancellation of common shares by HBC. As a result, a shareholder will be deemed to receive a dividend to the extent that the repurchase price exceeds the "paid-up capital" ("PUC") of the shareholder's common shares. The amount of this deemed dividend may differ significantly from the shareholder's economic gain. HBC's current estimate is that PUC is approximately \$7.26 per common share. A shareholder who holds their shares as capital property for Canadian income tax purposes may also realize a capital gain (or a capital loss) to the extent that the purchase price received, net of any deemed dividend, exceeds (or is exceeded by) the aggregate of the adjusted cost base of the shareholder's common shares and any reasonable costs of disposition.

The Canadian federal income tax rate applicable to the receipt of a deemed dividend by a shareholder resident in Canada may be higher than the rate that would apply to a capital gain. Shareholders who are not residents of Canada generally will not be subject to Canadian federal income tax on capital gains realized on disposition of their common shares, but will be subject to Canadian withholding tax at a rate of 25% (subject to reduction under an applicable treaty) on any deemed dividend arising from the purchase for cancellation. As a result, shareholders may prefer to sell their common shares in the public markets with a settlement date that is prior to the completion of the transaction. It is strongly suggested that shareholders consult their own tax advisors and read carefully the tax disclosure section of the information circular relating to the transaction when it is available.

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 Amended and Restated Management Information Circular to be filed in connection with the transaction, 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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