June 5, 2018

HBC Reports First Quarter 2018 Financial Results

- ***Total sales increased 1.0% to $3.1 billion; comparable sales declined 0.7%***
- ***Saks Fifth Avenue comparable sales increased 6.0%; Hudson's Bay extends streak of positive comparable sales for 31st consecutive quarter***
- ***Strategic decision to divest Gilt enables focus on businesses with the greatest potential to impact results***
- ***Leadership changes address key areas of opportunity and reflect heightened customer centric approach***

TORONTO & NEW YORK & COLOGNE, Germany--(BUSINESS WIRE)-- HBC (TSX: HBC) today announced its financial results for the thirteen week period ended May 5, 2018. In addition, the Company provided an update on strategic actions it intends to take to improve profitability, including the decision to divest Gilt and right-sizing Lord & Taylor's store footprint. Unless otherwise indicated, all amounts are expressed in Canadian dollars. Certain metrics, including those expressed on an adjusted, normalized, comparable and/or constant currency basis, are non-IFRS financial measures. For more information please refer to the "Supplemental Information" section of this press release and the reconciliation tables below.

"Results in North America were encouraging, highlighted by better performance across the group and comparable sales growth of 6% at Saks. We have significant opportunity to build on this trend, and are taking action to strengthen the foundation of the Company and position HBC for profitable growth. Our decision to divest Gilt will allow us to focus our time and resources on the businesses with the greatest potential to drive operating performance, and I am confident that the retail operations are moving in the right direction under Helena's leadership. In addition to making the right strategic decisions to improve our business, we will continue to explore all opportunities to leverage the strength of our real estate portfolio to create value for our shareholders," stated Richard Baker, HBC's Governor and Executive Chairman.

Helena Foulkes, HBC's Chief Executive Officer, added, "Over the last month, we have worked rapidly to put in place a leadership team focused on driving business results, streamlining our processes and fostering a culture of accountability. We need to improve across all areas of the business, and this begins with rededicating ourselves to putting the customer first in everything we do. This customer-focused mindset will dictate how we think about key functions of the business, and I see opportunity to dramatically improve our marketing and digital operations while also refining company wide processes that impact our end to end customer experience. In Europe, we have de-layered management, allowing me to be closer to that business as we take actions that are expected to stabilize the topline and improve our cost structure in this important market. Accountability begins with our leadership team, and I am confident that we now have the right people in place across HBC to drive actions that will result in profitable growth."

"We are also taking action to reposition Lord & Taylor for improved results and increased profitability. With a new leader dedicated to evolving our experience and merchandise assortment to best meet customer expectations and shopping preferences, we will take advantage of having a smaller footprint to rethink the model and focus on our digital opportunities," continued Foulkes. "The Lord & Taylor flagship on Walmart.com, which launched last week, is a great example of this and represents how we are thinking about the entire business."

Gilt Divestment

HBC has entered into agreements to sell Gilt, and the sale of this business is expected to close during the second quarter of 2018. Gilt generated less than 4% of the Company's total sales in Fiscal 2017, and the disposition is expected to improve Adjusted EBITDA[1] by $10 to $15 million on an annualized basis.

Optimizing Lord & Taylor

An increased focus on driving Lord & Taylor's digital business, combined with new leadership and an optimized store footprint, is expected to reduce costs and improve the overall performance of this business. To better balance the brand's brick and mortar presence with its online channels and increase profitability, the Company expects to close up to 10 Lord & Taylor stores through 2019. This reduced store network will allow new leadership to re-think the model and better position Lord & Taylor for future success.

After evaluating best use scenarios for its New York City Fifth Avenue location, the Company has decided not to maintain a presence at this location following turnover of the building to WeWork. Exiting this iconic space reflects Lord & Taylor's increasing focus on its digital opportunity and HBC's commitment to improving profitability.

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

First Quarter Summary

All comparative figures below are for the thirteen week period ended May 5, 2018 compared to the thirteen week period ended April 29, 2017. All references to "comparable sales" are made on a constant currency basis. See "Non-IFRS Measures"

Following the Company's decision to divest Gilt, this business has been classified as a discontinued operation. Accordingly, the results from this business are excluded from the discussion below.

Revenue was $3,088 million, an increase of $30 million, or 1.0%, from the prior year. Overall comparable sales declined 0.7%, with total comparable digital sales increasing 7.7%. Comparable sales performance at the Company's banners are highlighted below:

- Saks Fifth Avenue comparable sales increase of 6.0%
- DSG (Hudson's Bay, Lord & Taylor and Home Outfitters) comparable sales decrease of 0.6%
- Saks OFF 5TH comparable sales decrease of 3.5%
- HBC Europe (Galeria Kaufhof and Galeria INNO) comparable sales decrease of 6.6%

For HBC overall, gross profit[1] as a percentage of revenue was 42.1%, an improvement of 20 basis points compared to the prior year. During the quarter, the Company recorded a $16 million inventory reserve related to the planned store closures at Lord & Taylor, and a $4 million markdown charge related to the closure of two Lord & Taylor stores during the quarter. Absent these charges, gross profit as a percentage of sales would have improved 90 basis points.

SG&A expenses were $1,367 million compared to $1,323 million in the prior year. The increase was primarily driven by additional expenses related to new stores opened during the prior 12 months, totaling $68 million, and a $21 million negative foreign exchange impact. Prior year results also included a positive $42 million impact related to a favorable legal verdict. These increases were partially offset by $46 million in additional savings from the Company's restructuring programs, $32 million of lease termination related to the closure of two Lord & Taylor stores, and a reduction in other non-recurring and one-time charges.

Adjusted SG&A[1] expenses, which exclude certain non-cash items and normalizing adjustments consistent with the Company's other non-IFRS metrics, were $1,333 million or 43.2% of revenue, compared to $1,292 million or 42.2% in the prior year. The increase in Adjusted SG&A dollars was driven primarily by an increase in rent expense and other costs related to new store openings, and a negative $21 million foreign exchange impact, partially offset by savings from the Company's restructuring programs. The increase in Adjusted SG&A[1] dollars combined with the impacts associated with lower comparable sales resulted in an increased Adjusted SG&A[1] expense rate.

Adjusted EBITDAR[1] was $173 million, an increase of $11 million compared to the prior year. The increase in Adjusted EBITDAR[1] can primarily be attributed to an increase in gross profit dollars, partially offset by higher non-rent Adjusted SG&A[1] expenses.

Net loss from continuing operations was $314 million compared to a net loss $214 million in the prior year. The increase was driven by higher SG&A expenses and depreciation and amortization expenses. A higher increase in the reported loss from the Company's joint ventures, largely driven by the impact of foreign exchange, and a decrease in the income tax benefit also contributed to the larger loss. Normalized net loss[1] was $286 million compared to $209 million in the prior year, primarily a result of higher Adjusted SG&A expenses, increased depreciation and amortization expense, and lower income tax benefits.

Note:

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

Inventory

Inventory at the end of the first quarter declined by $117 million compared to the prior year. This lower balance at the end of the quarter was driven primarily by foreign exchange rate impacts, the reclassification of inventory related to Gilt to *assets of discontinued operations held for sale,* and comparable inventory reductions at Hudson's Bay and HBC Europe. These impacts were partially offset by higher inventory in North America and the opening of new stores.

Store Network

During the first quarter, HBC opened one Saks Fifth Avenue store and one Saks OFF 5TH store in Canada which are located in Calgary, Alberta and Markham, Ontario, respectively. In the United States, the Company opened two Saks OFF 5TH stores located in West Hartford, Connecticut and Bridgewater, New Jersey. In Europe the Company opened one Saks OFF 5TH Europe store in Bonn, Germany and three Hudson's Bay stores in the cities of Amersfoort, Enschede and Haarlem in the Netherlands. The Company closed two Lord & Taylor stores located in Annapolis, Maryland and Skokie, Illinois and two Home Outfitters stores in Toronto, Ontario and Richmond, British Columbia.

Store information as at May 5, 2018	Store Count(1)	Gross Leasable Area (1) / Square Footage (000s)
Hudson's Bay	**89**	**15,720**
Lord & Taylor	**48**	**6,705**
Saks Fifth Avenue	**42**	**5,303**
Saks OFF 5TH	**132**	**3,939**
Home Outfitters	**41**	**1,427**
HBC Europe (2)	**136**	**30,160**
Total	**488**	**63,254**

(1) HBC 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.
(2) Includes 13 Hudson's Bay Netherlands stores and eight Saks OFF 5TH Europe stores opened in Germany and the Netherlands.

Capital Investments

Capital investments, net of landlord incentives, during the first quarter totaled $130 million, $21 million less than the prior year. In addition to its European expansion, HBC also continued work on its major renovation at the Saks Fifth Avenue flagship store on Fifth Avenue in New York, and performed smaller renovations at various Galeria Kaufhof, Hudson's Bay, Lord & Taylor and Saks Fifth Avenue stores. Technology investments included the build out of the Company's automated distribution center in Pottsville, as well as other digital related initiatives.

Management continues to expect total capital investments in Fiscal 2018, net of landlord incentives, to be between $450 million and $500 million, compared to $599 million in Fiscal 2017. These capital investment expectations reflect exchange rate assumptions of USD:CAD = 1:1.27 and EUR:CAD = 1:1.48 for the remainder of the year. Any variation in these 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.

Debt Summary

As at May 5, 2018, HBC had the following outstanding loans and borrowings on its balance sheet (refer to note 13 of the unaudited interim condensed consolidated financial statements for thirteen week period ended May 5, 2018):

(millions of Canadian dollars)	May 5, 2018	Apr 29, 2017
Global ABL	**1,012**	1,213
U.S. Term Loan B	**642**	683
Lord & Taylor Mortgage	**504**	542
Saks Mortgage	**1,606**	1,706

Other loans	**36**	7
Total Outstanding Loans and Borrowings	**3,800**	4,151

At the end of the first quarter, HBC had $1,490 million in availability under its Global ABL facility, an increase of $67 million compared to the prior year.

Dividend

HBC also announced today that its board of directors has approved HBC's regular quarterly dividend to be paid on July 13, 2018, to shareholders of record at the close of business on June 29, 2018. 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 5, 2018 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.

Consolidated Financial Statements and Management's Discussion and Analysis

The Company's unaudited interim condensed consolidated financial statements for the thirteen weeks ended May 5, 2018 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 5, 2018 and April 29, 2017 has been prepared on a basis consistent with our audited annual consolidated financial statements for Fiscal 2017, respectively. In the opinion of the Company's management, such 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 IFRS and should be read in conjunction with the Company's audited annual consolidated financial statements for Fiscal 2017.

CONDENSED CONSOLIDATED STATEMENTS OF LOSS

(millions of Canadian dollars, except per share amounts)

	Thirteen weeks ended	
	May 5, 2018	Apr 29, 2017 *restated* (1)
Revenue	**3,088**	3,058
Cost of sales	**(1,787)**	(1,776)
Selling, general and administrative expenses ("SG&A")	**(1,367)**	(1,323)
Depreciation and amortization	**(172)**	(160)
Operating loss	**(238)**	(201)
Finance costs, net	**(59)**	(57)
Share of net loss in joint ventures	**(62)**	(27)
Dilution gains from investments in joint ventures	**1**	3
Loss before income tax	**(358)**	(282)
Income tax benefit	**44**	68
Net loss for the period - continuing operations	**(314)**	(214)
Net loss for the period - discontinued operations, net of taxes	**(86)**	(7)
Net loss for the period	**(400)**	(221)

Loss per share - basic and diluted		
Continuing operations	**(1.33)**	(1.17)
Discontinued operations	**(0.37)**	(0.04)
Total operations	**(1.70)**	(1.21)

The following table shows additional summary supplemental information - continuing operations for the periods indicated [(1)]:

	Thirteen week period ended	
	May 5, 2018	April 29, 2017 *restated* [(1)]
Adjusted EBITDA [(2)]	(35)	(25)
Adjusted EBITDAR [(2)]	173	162
Adjusted SG&A [(2)]	1,333	1,292
Normalized net loss for the period [(2)]	(286)	(209)
Normalized net loss per Common Share — basic and diluted [(2)]	(1.22)	(1.15)
Declared dividend per Common Share	0.01	0.05

(1) Certain previously reported figures have been restated to exclude the results related to discontinued operations.
(2) See below for relevant definitions and tables for reconciliations of net loss to EBITDA, Adjusted EBITDA and Adjusted EBITDAR, SG&A to Adjusted SG&A and net loss to Normalized net loss. These performance metrics have been identified by the Company as Non-IFRS measures. For the relevant definitions, please refer to the "Non-IFRS Measures" section of this release and for the relevant reconciliations of the nearest IFRS measures, please refer to the "Supplemental Information" section of this release.

CONDENSED CONSOLIDATED BALANCE SHEETS

As at May 5, 2018 and April 29, 2017

(millions of Canadian dollars)

	May 5, 2018	Apr 29, 2017
Assets		
Cash	**86**	99
Trade and other receivables	**402**	326
Inventories	**3,571**	3,688
Asset held for sale	**273**	—
Assets of discontinued operations held for sale	**74**	—
Other current assets	**230**	248
Total current assets	**4,636**	4,361
Property, plant and equipment	**5,261**	5,529
Intangible assets and goodwill	**1,583**	1,849
Pensions and employee benefits	**169**	173
Deferred tax assets	**359**	330
Investments in joint ventures	**603**	611
Other assets	**41**	19
Total assets	**12,652**	12,872
Liabilities		
Loans and borrowings	**1,002**	1,195
Finance leases	**41**	27
Trade payables	**1,345**	1,360
Other payables and accrued liabilities	**1,026**	1,092

Deferred revenue	**120**	106
Provisions	**220**	182
Liabilities of discontinued operations held for sale	**94**	—
Other current liabilities	**240**	126
Total current liabilities	**4,088**	4,088
Loans and borrowings	**2,701**	2,852
Finance leases	**521**	519
Provisions	**85**	58
Pensions and employee benefits	**714**	699
Deferred tax liabilities	**296**	697
Investment in joint venture	**227**	7
Other liabilities	**1,920**	1,682
Total liabilities	**10,552**	10,602
Shareholders' equity		
Share capital	**2,048**	1,422
(Deficit) retained earnings	**(507)**	247
Contributed surplus	**156**	128
Accumulated other comprehensive income	**403**	473
Total shareholders' equity	**2,100**	2,270
Total liabilities and shareholders' equity	**12,652**	12,872

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the 13 weeks ended May 5, 2018 and 13 weeks ended April 29, 2017

(millions of Canadian dollars)

	May 5, 2018	April 29, 2017
Operating activities		
Net loss from continuing operations	**(314)**	(214)
Income tax benefit	**(44)**	(68)
Dilution gains from investments in joint ventures	**(1)**	(3)
Share of net loss in joint ventures	**62**	27
Finance costs, net	**59**	57
Operating loss	**(238)**	(201)
Net cash income taxes paid	**(16)**	(4)
Interest paid in cash	**(54)**	(45)
Distributions of earnings from joint ventures	**52**	54
Items not affecting cash flows:		
Depreciation and amortization	**172**	160
Net defined benefit pension and employee benefits expense	**5**	7
Other operating activities	**(4)**	(10)
Share of rent expense to joint ventures	**(91)**	(88)
Share based compensation	**17**	11
Settlement of share based compensation grants	**(2)**	—
Changes in operating working capital	**(295)**	(443)
Cash outflow for operating activities from continuing operations	**(454)**	(559)
Cash outflow for operating activities from discontinued operations	**(13)**	(40)
Net cash outflow for operating activities	**(467)**	(599)
Investing activities		
Capital investments	**(187)**	(222)
Proceeds from landlord incentives	**57**	71
Capital investments less proceeds from landlord incentives	**(130)**	(151)
Proceeds from lease terminations and other non-capital landlord incentives	**—**	2

Proceeds on disposal of assets	**1**	3
Cash outflow for investing activities from continuing operations	**(129)**	(146)
Cash outflow for investing activities from discontinued operations	**(1)**	(3)
Net cash outflow for investing activities	**(130)**	(149)
Financing activities		
Repayments of long-term loans and borrowings	**(2)**	(1)
Short-term loans and borrowings:		
Net borrowings from asset-based credit facilities	**627**	745
Borrowing costs	**(1)**	(4)
	626	741
Payments on finance leases	**(11)**	(9)
Dividends paid	**(2)**	(9)
Net cash inflow from financing activities from continuing operations	**611**	722
Foreign exchange gain on cash	**2**	3
Increase (decrease) in cash	**16**	(23)
Cash at beginning of year	**70**	122
Cash at end of period	**86**	99

Supplemental Information

The following table presents the reconciliation of net loss - continuing operations to EBITDA , Adjusted EBITDA and to Adjusted EBITDAR:

	Thirteen week period ended	
		restated (1)
(millions of Canadian dollars)	**May 5, 2018**	**April 29, 2017**
	$	$
Net loss - continuing operations	**(314)**	(214)
Finance costs, net	59	57
Income tax benefit	(44)	(68)
Depreciation and amortization	172	160
EBITDA (2)	**(127)**	(65)
Certain non-cash items (3)	87	43
Normalization adjustments (4)	28	12
Net rent expense to joint ventures (5)	44	43
Cash rent to joint ventures	(119)	(112)
Cash distributions from joint ventures	52	54
Total adjustments	92	40
Adjusted EBITDA (2)	**(35)**	(25)
Rent adjustments		
Third party rent expense	141	129
Cash rent to joint ventures	119	112
Cash distributions from joint ventures	(52)	(54)
Adjusted EBITDAR (2)	**173**	162
Adjusted EBITDAR as a percentage of revenue	**5.6 %**	5.3 %

Notes:
(1) Certain previously reported figures have been restated to exclude the results related to discontinued operations.
(2) These performance metrics have been identified by the Company as non-IFRS measures. For the relevant definitions,

please refer to the "Non-IFRS Measures" section of this release.
(3) Certain non-cash items consist of:

Share of net loss in joint ventures	62	27
Dilution gains from investments in joint ventures [i]	(1)	(3)
Non-cash pension expense	5	7
Impairment and other non-cash items	7	(1)
Non-cash share based compensation	14	13
	87	43

(i) Represents gains realized as a result of the changes in ownership related to the Company's investments in the joint ventures.

(4) Normalization adjustments consist of:

Acquisition and integration related expenses [i]	6	5
Lord & Taylor optimization [ii]	16	—
Foreign exchange adjustment [iii]	—	(11)
Restructuring [iv]	20	36
European expansion [v]	4	21
Net gain on store closures [vi]	(28)	—
Data security issue [vii]	3	—
White Flint settlement [viii]	—	(42)
Other	7	3
	28	12

(i) Includes acquisition and integration expenses related to the acquisitions and ongoing business development activities.
(ii) Lord & Taylor optimization includes expected costs associated with the planned closures of certain Lord & Taylor stores beginning in the first quarter of Fiscal 2019.
(iii) Represents the net impact of unrealized (gains) losses resulting from the translation of certain intra-group monetary assets and liabilities related to the overall tax and legal structure of the Company.
(iv) Restructuring includes expected costs associated with the Transformation Plan, the $75 million initiative announced in February of 2017 and programs initiated by HBC Europe to optimize operating efficiencies.
(v) Includes one-time start-up and expansion costs related to HBC Europe's opening of Hudson's Bay and Saks OFF 5TH stores in the Netherlands and Germany.
(vi) Net gain on store closures represents lease termination fee income received with respect to two Lord & Taylor stores that closed during the thirteen week period ended May 5, 2018, net of associated costs.
(vii) This represents costs related to the data security issue which occurred during the thirteen week period ended May 5, 2018, that will not be recoverable under the Company's insurance policies.
(viii) This represents a $42 million payment received for a favourable verdict with respect to a 2013 lawsuit brought forth by the Company relating to White Flint mall.

(5) Rent expense to the joint ventures net of reclassification of rental income related to the Company's ownership interest in the joint ventures (see note 11 to the Company's unaudited interim condensed consolidated financial statements for the thirteen week period ended May 5, 2018).

The following table presents the reconciliation of SG&A - continuing operations to Adjusted SG&A:

	Thirteen week period ended	
		restated [(1)]
(millions of Canadian dollars)	**May 5, 2018**	**April 29, 2017**
	$	$
SG&A - continuing operations	**1,367**	1,323
Certain non-cash items [(2)]	(26)	(19)

Normalization adjustments (3)	(8)	(12)
Total adjustments	(34)	(31)
Adjusted SG&A (4)	**1,333**	1,292
Adjusted SG&A (4) as a percentage of revenue	**43.2 %**	42.2 %

Notes:
(1) Certain previously reported figures have been restated to exclude the results related to discontinued operations.
(2) Certain non-cash items consist of:

Non-cash pension expense	(5)	(7)
Impairment and other non-cash items	(7)	1
Non-cash share based compensation	(14)	(13)
	(26)	(19)

(3) Normalization adjustments consist of:

Acquisition and integration related expenses (i)	(6)	(5)
Foreign exchange adjustment (i)	—	11
Restructuring (i)	(20)	(36)
European expansion (i)	(4)	(21)
Gain on store closures (ii)	32	—
Data security issue (i)	(3)	—
White Flint settlement (i)	—	42
Other	(7)	(3)
	(8)	(12)

(i) For details, refer to footnote 4 to the reconciliation of net loss - continuing operations to EBITDA, Adjusted EBITDA and to Adjusted EBITDAR table above.
(ii) Gain on store closures represents lease termination fee income received with respect to two Lord & Taylor stores that closed during the thirteen week period ended May 5, 2018.

(4) This performance metric has been identified by the Company as a non-IFRS measure. For the relevant definition, please refer to the "Non-IFRS Measures" section of this release.

The following table presents the reconciliation of net loss - continuing operations to Normalized net loss:

	Thirteen week period ended	
		restated (1)
(millions of Canadian dollars)	**May 5, 2018**	**April 29, 2017**
	$	$
Net loss - continuing operations	**(314)**	(214)
Certain non-cash items (2)	—	(2)
Normalization adjustments (3)	15	13
Adjustments to share of net loss in joint ventures (4)	13	(6)
Total adjustments (5)	28	5
Normalized net loss (6)	**(286)**	(209)

Notes:
(1) Certain previously reported figures have been restated to exclude the results related to discontinued operations.
(2) Certain non-cash items consist of:

Dilution gains from investments in joint ventures	—	(2)

(3) Normalization adjustments consist of:

Acquisition and integration related expenses and finance costs [(i)]	3	5
Lord & Taylor optimization [(ii)]	12	—
Restructuring [(iii)]	14	24
Foreign exchange adjustment [(iv)]	(5)	(8)
European expansion [(v)]	3	14
Net gain on store closures [(vi)]	(20)	—
Data security issue [(vii)]	2	—
White Flint settlement [(viii)]	—	(25)
Other	6	3
	15	13

(i) Includes acquisition and integration expenses related to the acquisitions and ongoing business development activities. In addition, includes the recognition of non-cash finance income related to Common Share purchase warrants of $1 million for the thirteen week period ended May 5, 2018 and non cash finance expense of $1 million for the thirteen week period ended April 29, 2017.
(ii) Lord & Taylor optimization includes expected costs associated with the planned closures of certain Lord & Taylor stores beginning in the first quarter of Fiscal 2019.
(iii) Restructuring includes expected costs associated with the Transformation Plan, the $75 million initiative announced in February and programs initiated by HBC Europe to optimize operating efficiencies.
(iv) Represents the net impact of unrealized (gains) losses resulting from the translation of certain intra-group monetary assets and liabilities related to the overall tax and legal structure of the Company.
(v) Includes one-time start-up and expansion costs related to HBC Europe's opening of Hudson's Bay and Saks OFF 5TH stores in the Netherlands and Germany.
(vi) Net gain on store closures represents lease termination fee income received with respect to two Lord & Taylor stores that closed during the thirteen week period ended May 5, 2018, net of associated costs.
(vii) This represents costs related to the data security issue which occurred during the thirteen week period ended May 5, 2018, that will not be recoverable under the Company's insurance policies.
(viii) This represents a $42 million payment ($25 million net of tax) received for a favourable verdict with respect to a 2013 lawsuit brought forth by the Company relating to White Flint mall.

(4) Relates to the Company's share of net non-recurring items incurred which primarily includes the impact of unrealized losses (gains) of the HBS Joint Venture which result from the translation of certain intra-group monetary assets and liabilities related to the overall tax and legal structure of the joint venture.
(5) All adjustments are tax-effected as appropriate.
(6) This performance metric has been identified by the Company as a non-IFRS measure. For the relevant definition, please refer to the "Non-IFRS Measures" section of this release.

Non-IFRS Measures

Gross profit, EBITDA, Adjusted EBITDA, Adjusted EBITDAR, Normalized net earnings (loss) and Adjusted SG&A are non-IFRS measures that the Company uses to assess its operating performance. Gross profit is defined as revenue less cost of sales. EBITDA is defined as net earnings (loss) from continuing operations before net finance costs, income tax expense (benefit) and depreciation and amortization expense.

EBITDAR is defined as EBITDA before rent expense to third parties and net rent expense to joint ventures.

Adjusted EBITDA is defined as EBITDA adjusted to exclude: (A) certain non-cash items which include: (i) share of net (earnings) loss in joint ventures, (ii) gain on sale of investments in joint ventures, (iii) dilution gains from investments in the joint ventures, (iv) non-cash pension expense, (v) impairment and other non-cash items and (vi) non-cash share based compensation expense; (B) normalization adjustments which include: (i) business and organization restructuring/realignment charges, (ii) merger/acquisition costs and expenses and (iii) adjustments, including those related to purchase accounting, if any, related to transactions that are not associated with day-to-day operations and joint venture adjustments. Adjusted EBITDAR is defined as Adjusted EBITDA before third party rent expense, cash rent to joint ventures and cash distributions from joint ventures. Cash rent to joint ventures includes cash rent paid to the joint ventures for full calendar months that end in the respective reporting periods. Cash distributions from joint ventures includes cash distributions received from the joint ventures for full calendar months that end in the respective reporting periods.

Adjusted SG&A is defined as selling, general & administrative expenses from continuing operations ("SG&A") adjusted to exclude: (A) certain non-cash items which include: (i) non-cash pension expense, (ii) impairment and other non-cash items and (iii) non-cash share based compensation expense, and (B) normalization adjustments which include: (i) business and organization restructuring/realignment charges and (ii) merger/acquisition costs and expenses and (iii) adjustments, if any, related to transactions that are not associated with day-to-day operations. Normalized net earnings (loss) is defined as net earnings (loss) from continuing operations adjusted to exclude: (A) certain non-cash items which include: (i) impairment of intangible assets and goodwill, (ii) gain on sale of investments in joint ventures and (iii) dilution gains from investments in joint ventures; (B) normalization adjustments which include: (i) business and organization restructuring/realignment charges; (ii) merger/acquisition costs and expenses and (iii) adjustments, including those related to purchase accounting, if any, related to transactions that are not associated with day-to-day operations and tax related adjustments; (C) financing related adjustments and (D) adjustments to share of net earnings (loss) in joint ventures.

For further clarity, please refer to the detailed tables reconciling net earnings (loss) to EBITDA, Adjusted EBITDA and to Adjusted EBITDAR, reported SG&A to Adjusted SG&A and net earnings (loss) to Normalized net earnings (loss).

The Company uses these non-IFRS measures to provide investors and others with supplemental measures of its operating performance. The Company believes these non-IFRS 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 IFRS financial measures. The Company also believes that securities analysts, investors, rating agencies and other interested parties frequently use these non-IFRS 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-IFRS 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. The Company calculates comparable sales on a year-over-year basis from stores operating for at least thirteen months and includes digital sales and clearance store sales. 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. Additionally, where an acquisition closed in the previous twelve months, comparable sales change on a constant currency basis incorporate results from the pre-acquisition period. This enhances the ability to compare underlying sales trends by excluding the impact of foreign currency exchange rate fluctuations as well as by reflecting new acquisitions. The Company calculates comparable inventory levels on a year-over-year constant currency basis and does not include (i) acquisitions not closed prior to the end of the same comparable quarter of the prior Fiscal year and (ii) new store openings after the end of the same comparable quarter of the prior Fiscal year. Definitions and calculations of comparable sales and comparable inventory financial results differ among companies in the retail industry. The Company notes that results from acquisitions are only incorporated in the Company's reported consolidated financial results from and after the respective acquisition date.

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 5, 2018.

About HBC

HBC is a diversified global retailer focused on driving the performance of high quality stores and their omnichannel offerings 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 480 stores and approximately 65,000 employees around the world.

HBC's leading banners across North America and Europe include Hudson's Bay, Lord & Taylor, Saks Fifth Avenue, Saks OFF 5TH, Galeria Kaufhof, the largest department store group in Germany, and Belgium's only department store group Galeria INNO.

HBC has significant investments in real estate joint ventures. It has partnered with Simon Property Group Inc. in the HBS Global Properties Joint Venture, which owns properties in the United States and Germany. 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, including, but not limited to, ability to grow sales, increase margins, and grow profitability, expectation that the luxury sector and Saks Fifth Avenue will continue to grow during Fiscal 2018, the anticipated benefits and annualized savings from HBC's Transformation Plan, including the anticipated timing of realizing such savings, the anticipated improvement on cash flow in Fiscal 2018, the anticipated closing of the sale of the Company's Lord & Taylor flagship building and resulting improvement to cash flow, the Company's balance sheet and overall liquidity, the anticipated divestiture of Gilt and resulting improvement to EBITDA, the anticipated reduction in costs and improvement in performance of Lord & Taylor as a result of focusing on its digital business, leadership and right-sized store footprint, the Company's prospects for 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 2018 total capital investments, net of landlord incentives, to be between $450 million and $500 million, are certain assumptions regarding, among others, the overall retail environment and currency exchange rates for Fiscal 2018. Specifically, the Company has assumed the following exchange rates for the remainder of Fiscal 2018: USD:CAD = 1:1.27 and EUR:CAD = 1:1.48. 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 retailing growth strategies, ability to continue comparable store sales growth, changing consumer preferences, demands and fashion trends, marketing and advertising program success, damage to brands and dependence on vendors, ability to realize synergies and growth from strategic acquisitions, ability to make successful acquisitions. investments, expansions and divestitures, ability to realize savings from the implementation of the Transformation Plan and ability to further reduce overhead, effect of actions of activities shareholders, ability to successfully manage inventory levels, loss or disruption in centralized distribution centers, ability to upgrade and maintain the Company's information systems to support the needs of the Company and protect against cyber-security threats, risks related to privacy breaches, risks relating to the Company's size and scale, loss of key personnel, ability to attract and retain qualified employees, deterioration in labor relations, risks related to labor costs and other challenges from a large workforce, ability to maintain pension plan surplus, funding requirements of Saks' pension plan, funding requirements of HBC Europe's pension plan, limits on insurance policies, loss of intellectual property rights, insolvency risk of parties with which 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, successful operation of the real estate joint ventures to allow us to realize the anticipated benefits or the ability to effect a future monetization transaction with each of the real estate joint ventures, exposure to environmental liabilities, liabilities associated with third parties who have assumed leases from the Company, changes in demand for current real estate assets, failure to close the sale of the Lord & Taylor Fifth Avenue building, increased competition, change in spending of consumers, extreme 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 with increasing indebtedness, restrictions of existing credit facilities reducing flexibility, loss of flexibility due to restrictive debt covenants, future availability of financing, limitations related to a decrease in credit rating, ability to maintain adequate financial processes and controls, ability to maintain dividends, ability of a small number of shareholders to influence the business, uncontrollable sale of the Company's Common Shares by significant shareholders could affect share price, constating documents discouraging favorable takeover attempts, effect of existence and creation of Preferred Shares on holders of Common Shares (as defined herein), increase in regulatory liability, increase in product liability or recalls, increase in litigation, 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, changes in accounting standards, 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 securities 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 4, 2018, 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.

View source version on businesswire.com: https://www.businesswire.com/news/home/20180605005349/en/

HBC
INVESTOR RELATIONS:
Elliot Grundmanis, 646-802-2469
elliot.grundmanis@hbc.com
or
MEDIA:
Andrew Blecher, 646-802-4030
press@hbc.com

Source: Hudson's Bay Company