January 9, 2017

Hudson's Bay Company Reports Holiday Sales Results and Provides Update on Fiscal 2016 Outlook

TORONTO & NEW YORK--(BUSINESS WIRE)-- Hudson's Bay Company ("HBC" or the "Company") (TSX:HBC) today announced its comparable sales results for the nine week period ending December 31, 2016, and provided an update on its financial outlook for Fiscal 2016.

Jerry Storch, Chief Executive Officer, HBC commented, "Our holiday sales trend improved considerably from what we experienced in the third quarter. On a constant currency basis, the comparable sales trend improved for the Company overall and across every banner, led by strong digital sales growth of 21.7% at our department store banners. However, the sales improvement that we experienced was not strong enough to achieve the results we had expected. Also, while we were pleased with our performance at Hudson's Bay in Canada, the retail environment has remained challenging in the U.S. and Europe and the significant promotional activity during the holiday period had a negative impact on our margins. This margin pressure was compounded by a declining value of the Euro compared with the Canadian dollar which impacts our translated earnings from HBC Europe. As we head into the new fiscal year, we are focused on continuing to delight our customers with exclusive product offerings and custom all-channel shopping experiences, and by creating exciting retail destinations to increase foot traffic in our stores. The retail environment is clearly changing, and we continue to work diligently across all of our banners to adapt rapidly. This involves evaluating all opportunities to increase the profitability of HBC, and we expect to provide further details on this process in the coming months."

Comprehensive operational review

HBC continues its focus on improving its business operations as it adapts to a changing retail environment. Late in 2016, the Company launched a comprehensive review of its business operations to identify efficiencies, streamline processes and improve back of store productivity, while also enhancing customer service. Management expects that these initiatives will provide opportunities to increase profitability while ensuring that the Company is prepared to meet the challenges of an evolving retail environment. Over the coming months, the Company expects to provide additional details as work progresses.

Comparable Sales

For the nine week period beginning October 30, 2016 and ending December 31, 2016[(1)]

- On a constant currency basis, consolidated comparable sales decrease of 0.7%
  - DSG (Hudson's Bay, Lord & Taylor and Home Outfitters) comparable sales increase of 1.2%
  - Saks Fifth Avenue comparable sales decrease of 0.5%
  - HBC Off Price (Saks OFF 5TH and Gilt) comparable sales decrease of 5.2%
  - HBC Europe (GALERIA Kaufhof, Galeria INNO and Sportarena) comparable sales decrease of 0.6%
- Total digital sales, which include Gilt on a pro forma basis, increase of 14.7% on a constant currency comparable basis. Excluding Gilt, total digital sales increase of 21.7% on a constant currency comparable basis.
- Including the impacts of foreign exchange, consolidated comparable sales decrease of 2.0%

(1) Comparable sales are a Non-IFRS Measure. For the definition of comparable sales results expressed on a constant currency comparable basis, see "Non-IFRS Measures" below.

Outlook

The following outlook is fully qualified by the "Forward-Looking Statements" section of this press release.

The Company's previously disclosed Fiscal 2016 outlook was based on management's expectations of flat to low single digit overall comparable sales growth, calculated on a constant currency basis, during the remainder of Fiscal 2016, which included the holiday selling period. Given the Company's sales results for the holiday selling period and lower than expected gross margins realized to date during the fourth quarter, management is reducing its sales, Adjusted EBITDAR and Adjusted EBITDA outlooks for Fiscal 2016[2]. This outlook reflects, among other things, the Company's performance to date and an updated exchange rate assumption for the EUR/CAD.

(Canadian dollars)	Fiscal 2016
Sales	$14.4 to $14.6 billion
Adjusted EBITDAR	$1,340 to $1,390 million
Adjusted EBITDA	$615 to $665 million

The Company now expects total capital investments, net of landlord incentives, to be between $660 million and $710 million, which is approximately 4.5%-4.9% of the midpoint of the Sales outlook. Included in these amounts is the capital expenditure associated with the recent acquisitions of the GALERIA Kaufhof, Galeria INNO, Sportarena and Gilt banners.

The above outlook reflects exchange rate assumptions of USD:CAD = 1:1.32 and EUR:CAD = 1:1.45. 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.

(2) Adjusted EBITDAR and Adjusted EBITDA are Non-IFRS Measures. See "Non-IFRS Measures" section for additional details.

Non-IFRS Measures

EBITDA and EBITDAR are non-IFRS measures that the Company uses to assess its operating performance. EBITDA is defined as net (loss) earnings before finance costs, income tax benefit, share of net loss in the Company's two real estate joint ventures (the "Joint Ventures"), gain on contribution of assets to Joint Ventures, gain on sale of investments in Joint Ventures, dilution gains from investments in the Joint Ventures, non-cash pension expense, depreciation and amortization expense, impairment and other non-cash expenses and non-cash share based compensation 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: (i) business and organization restructuring/realignment charges; (ii) merger/acquisition costs and expenses; and (iii) normalization and joint venture adjustments, including those related to purchase accounting, if any, related to transactions that are not associated with day-to-day operations. Adjusted EBITDAR is defined as Adjusted EBITDA excluding third party rent expense, cash rent to Joint Ventures and cash distributions from Joint Ventures.

The Company has included EBITDA, Adjusted EBITDA and Adjusted EBITDAR to provide investors and others with supplemental measures of its operating performance. The Company believes EBITDA, Adjusted EBITDA and Adjusted EBITDAR 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 EBITDA, Adjusted EBITDA and Adjusted EBITDAR 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 its ability to meet its future debt service, capital expenditure and working capital requirements and our ability to pay dividends on our Common Shares. As other companies may calculate EBITDA, Adjusted EBITDA or Adjusted EBITDAR 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 and comparable digital sales. The Company calculates comparable sales on a year-over-year basis from stores operating for at least 13 months and includes digital sales and clearance store sales. In calculating the comparable sales change, including digital sales, on a constant currency basis, 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. Definitions and calculations of comparable sales and comparable digital sales 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 acquisition date.

About Hudson's Bay Company

Hudson's Bay Company is one of the fastest-growing department store retailers in the world, based on its successful formula of growing through acquisitions, driving the performance of high quality stores and their all-channel 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 ten banners, in formats ranging from luxury to premium department stores to off price fashion shopping destinations, with more than 480 stores and 66,000 employees around the world.

In North America, HBC's leading banners include Hudson's Bay, Lord & Taylor, Saks Fifth Avenue, Gilt, and Saks OFF 5TH, along with Home Outfitters. In Europe, its banners include GALERIA Kaufhof, the largest department store group in Germany, Belgium's only department store group Galeria INNO, as well as Sportarena.

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 are forward-looking within the meaning of applicable securities laws, including, among others, with respect to improving the efficiency of the organization and opportunities to increase profitability, the Company's commentary on and revised outlook in respect of sales, Adjusted EBITDA and Adjusted EBITDAR, and other statements that are not historical 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.

Implicit in forward-looking statements in respect of sales, Adjusted EBITDA and Adjusted EBITDAR, are certain current assumptions, including, among others, the Company achieving additional savings from operational initiatives, the Company's anticipated total capital investments, net of landlord incentives, between $660 million and $710 million, the Company opening new stores in North America, the Company maintaining a significant ownership interest in the HBS Joint Venture and the RioCan-HBC Joint Venture, and assumptions regarding the overall retail environment and currency exchange rates for Fiscal 2016. Specifically, we have assumed the following exchange rates for Fiscal 2016: USD:CAD = 1:1.32 and EUR:CAD = 1:1.45. These current assumptions, although considered reasonable by the Company at the time of preparation, may prove to be incorrect. Readers are cautioned that actual future operating results and economic performance of the Company, including with respect to our anticipated sales, Adjusted EBITDA and Adjusted EBITDAR, 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 the contemplated cost savings and synergies, and could differ materially from what is currently expected as set out above.

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 for a variety of reasons. Some of the factors - many of which are beyond the Company's control and the effects of which can be difficult to predict - include, among others: ability to execute retailing growth strategies, ability to continue comparable sales growth, changing consumer preferences, marketing and advertising program success, damage to brands, dependence on vendors, ability to realize synergies and growth from strategic acquisitions, ability to make successful acquisitions and investments, successful inventory management, loss or disruption in centralized distribution centres, ability to upgrade and maintain our information systems to support the organization and protect against cyber-security threats, privacy breach, risks relating to our size and scale, loss of key personnel, ability to attract and retain qualified employees, deterioration in labour relations, ability to maintain pension plan surplus, funding requirement in Saks' pension plan, funding requirement of the HBC Europe pension plans, limits on insurance policies, loss of intellectual property rights, insolvency risk of parties which we do business with or their unwillingness to perform their obligations, exposure to changes in the real estate market, successful operation of the Joint Ventures to allow the Company to realize the anticipated benefits, loss of flexibility with respect to properties in the Joint Ventures, exposure to environmental liabilities, liabilities associated with Target Corporation and its affiliates and other third parties who have assumed leases from the Company, changes in demand for current real estate assets, increased competition, change in spending of consumers including the impact of unfavourable or unstable political conditions and terrorism, international operational risks, fluctuations in the U.S. dollar, Canadian dollar, Euro and other foreign currencies, increase in raw material costs, seasonality of business, extreme weather conditions or natural disasters, ability to manage indebtedness and cash flow, risks related with increasing indebtedness, restrictions of existing credit facilities reducing flexibility, 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, increase in regulatory liability, increase in produce liability or recalls, increase in litigation, developments in the credit card and financial services industries, changes in accounting standards and other risks inherent to the Company's business and/or factors beyond the Company's 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 April 28, 2016, 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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