March 28, 2018

HBC Reports Fourth Quarter and Fiscal 2017 Financial Results

- ***Fourth Quarter net income of $84 million, compared to a net loss of $152 million in the fourth quarter of the prior year; normalized net income of $20 million compared to $2 million***
- ***Fourth quarter Adjusted EBITDAR of $528 million, compared to $564 million in the prior year***
- ***Fourth quarter retail sales increased 2.1% to $4.7 billion; comparable sales declined by 2.4%***
- ***Saks Fifth Avenue comparable sales increased 2.1%, growing for the third consecutive quarter; Hudson's Bay extends streak of positive comparable sales for 30th consecutive quarter***
- ***Progress continues on the Transformation Plan and initiatives to capitalize on valuable real estate portfolio***
- ***Ended fiscal year with $1.7 billion of liquidity, lower debt, and agreement to sell Lord & Taylor flagship building which will further enhance liquidity***

TORONTO & NEW YORK & COLOGNE, Germany--(BUSINESS WIRE)-- HBC (TSX: HBC) today announced its financial results for the fourteen and fifty-three week periods ended February 3, 2018. 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.

"While we are not pleased with our recent performance, we continue to capitalize on the value of our real estate portfolio and are taking action to improve our operating results. Our valuable real estate assets provide HBC with a solid financial base, and the recent agreement to sell the Lord & Taylor flagship building further demonstrates our ability to monetize these assets and enhance liquidity. We are also working to better position our retail operations, and have made several key leadership appointments which we believe will help drive business performance. I am confident that the addition of Helena Foulkes and her transformational leadership will invigorate HBC with a fresh perspective as we position ourselves for the future. I would like to thank all of our associates for their hard work and dedication during a challenging time. Together, we are determined to grow sales and increase margins while evaluating all opportunities to create shareholder value," stated Richard Baker, HBC's Governor and Executive Chairman.

Helena Foulkes, HBC's Chief Executive Officer, added, "HBC is a unique company with iconic banners and a storied history. I've spent the past six weeks visiting our stores and offices around the world, and it is clear to me that there is significant opportunity to build upon our solid foundation to realize the full potential of our business. In the coming weeks, I will continue to listen and learn from our associates and customers as I work with the leadership team to heighten accountability for driving business results, improve our culture, and develop a long-term strategic plan."

Fourth Quarter Summary

All comparative figures below are for the fourteen week period ended February 3, 2018 compared to the thirteen week period ended January 28, 2017. DSG refers, collectively, to the Hudson's Bay, Lord & Taylor and Home Outfitters banners. HBC Europe refers, collectively, to the GALERIA Kaufhof, Galeria INNO, Hudson's Bay Netherlands and Saks Fifth Avenue OFF 5TH Europe banners. HBC Off Price refers, collectively, to the Saks Fifth Avenue OFF 5TH ("Saks OFF 5TH") and Gilt banners. All references to "comparable sales" are made on a constant currency basis. Where applicable, prior year foreign exchange rates are applied to both current year and prior year comparable sales. See "Non-IFRS Measures"

Retail sales were $4,695 million, an increase of $95 million, or 2.1%, from the prior year. Total sales in the fourth quarter of 2017 reflect a 14th week of sales, whereas comparable sales are on the same 13-week basis as Fiscal 2016. This additional week of sales and the opening of new stores during the year contributed approximately $267 million in sales. This was partially offset by lower comparable sales of $110 million, the impact of closed stores, and a negative foreign exchange impact on the translation to Canadian dollars.

Comparable sales at Saks Fifth Avenue grew for the third consecutive quarter, increasing by 2.1%. Comparable sales at Saks Fifth Avenue have now been positive for four of the last five quarters, while comparable sales at Hudson's Bay grew for the 30th consecutive quarter. Comparable sales declined by 2.6% at DSG, 3.4% at HBC Europe, and 7.6% at HBC Off

Price. Consolidated comparable sales trends improved slightly from the third quarter, decreasing by 2.4%. Comparable sales during the quarter were impacted by operational challenges resulting from the Company's Transformation Plan and lower traffic at Lord & Taylor, HBC Off Price, and Galeria Kaufhof. Comparable digital sales increased by 2.8%, or by 9.0% excluding Gilt.

For HBC overall, gross profit[1] as a percentage of retail sales was 39.7%, a decline of 50 basis points compared to the prior year. This decrease was driven primarily by lower margins at HBC Europe and HBC Off Price, partially offset by higher margins at Saks Fifth Avenue.

SG&A expenses were $1,690 million compared to $1,669 million in the prior year. The increase was driven by an extra week of operating expenses, higher rent expense of $33 million primarily related to new store openings, increased restructuring charges of $31 million, and additional costs related to new stores opened during the year. These increases were partially offset by a net decrease in impairment charges of $79 million, $57 million in savings from the Transformation Plan, and a reduction in other non-recurring and one-time charges. Current quarter expenses include a non-cash impairment charge of $63 million related to the Gilt trade name.

Adjusted SG&A[1] expenses, which exclude certain non-cash items and normalizing adjustments consistent with the Company's other non-IFRS metrics, were $1,525 million or 32.5% of retail sales, compared to $1,442 million or 31.3% in the prior year. In addition to the extra week of operations, the increase in Adjusted SG&A dollars was driven primarily by an increase in rent expense and other costs related to new store openings. These increases were partially offset by savings from the Company's Transformation Plan as well as a small foreign exchange rate benefit. 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 $528 million, a decrease of $36 million compared to the prior year. The decline in Adjusted EBITDAR[1] can primarily be attributed to an increase in non-rent Adjusted SG&A[1] expenses partially offset by higher gross profit dollars.

During the fourth quarter the Company recognized amortization credits of approximately $20 million related to the closure of certain stores whose leases had been previously acquired. In the prior year, the Company finalized its purchase price allocation for Gilt, which resulted in a cumulative amortization expense adjustment of approximately $37 million.

Total income tax benefit was $154 million, compared to an expense of $21 million in the prior year. This increase in income tax benefit is attributable to a $181 million gain relating to the revaluation of deferred tax liabilities held in the U.S. These liabilities were revalued based on the new corporate tax rates recently implemented as part of the U.S. tax reforms.

Net earnings were $84 million compared to a net loss $152 million in the prior year. This improvement in earnings is primarily due to a $181 million tax gain resulting from the recent U.S. tax reforms, as well as the reduction in impairment charges and other non-recurring charges, lower depreciation and amortization expenses and higher equity income from the Company's real estate joint ventures. Normalized net earnings[1] were $20 million compared to $2 million in the prior year, primarily a result of lower depreciation and amortization expenses, reduced impairment expense and higher gross profit dollars, partially offset by higher SG&A expenses.

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.

Improving Results

Hudson's Bay and Saks Fifth Avenue continued to see strong performance in 2017. Hudson's Bay has generated double digit online sales growth while largely maintaining store traffic and sales. This trend is expected to continue as Hudson's Bay benefits from the closure of Sears Canada, the only other national department store in Canada. Fourth quarter comparable sales growth at Saks Fifth Avenue was the highest in three years, and HBC expects that the luxury sector and Saks Fifth Avenue will continue to grow during Fiscal 2018.

There is significant opportunity to improve topline sales at HBC Europe and stabilize operations at HBC's Off Price businesses. Management is focused on clearly identifying a path towards increased profitability for each of these banners, and will provide additional details on these strategic initiatives in the coming quarters.

HBC remains on track to achieve its planned cost reductions during Fiscal 2018. HBC's Transformation Plan is expected to generate annual savings of $350 million by the end of Fiscal 2018, which will mostly offset increased expenses associated with previously committed new store openings and stores opened during the back half of Fiscal 2017, as well as other operating activities. The Company is also committed to operating as efficiently as possible by reducing its overall inventory levels and improving working capital. This, combined with the anticipated improvement in results and reduced net capital investments, are expected to significantly improve cash flow from operations and free cash flow in Fiscal 2018.

Inventory

Inventory at the end of the fourth quarter declined by $9 million compared to the prior year. This lower balance at the end of the quarter was driven primarily by lower comparable inventory and foreign exchange rate impacts, partially offset by higher overall inventory at HBC Europe, largely as a result of the expansion of Hudson's Bay in the Netherlands and Saks OFF 5TH in Germany.

Store Network

During the fourth quarter, HBC opened one Saks OFF 5TH store in Amsterdam in the Netherlands. The Company closed six Home Outfitters stores in Canada located in Brampton, Ontario; Kanata, Ontario; Mississauga, Ontario; Coquitlam, British Columbia and Regina, Saskatchewan. The Company also closed seven Sportarena stores located in Bonn, Wuppertal, Kassel, Düsseldorf, Freiburg, Osnabrück and Aalen in Germany.

Store information as at February 3, 2018	Store Count[(1)]	Gross Leasable Area [(1)] / Square Footage (000s)
Hudson's Bay	**89**	**15,731**
Lord & Taylor	**50**	**6,930**
Saks Fifth Avenue	**41**	**5,187**
Saks OFF 5TH	**129**	**3,879**
Home Outfitters	**44**	**1,529**
HBC Europe [(2)]	**130**	**28,995**
Total	**483**	**62,251**

(1) HBC operates one Find @ Lord & Taylor store, one Hudson's Bay outlet, two Zellers clearance centres and two Lord & Taylor outlets that are excluded from the store count and gross leasable area.

(2) Includes ten Hudson's Bay Netherlands stores and seven Saks OFF 5TH Europe store opened in Germany and the Netherlands.

Capital Investments

Capital investments, net of landlord incentives, during the fourth quarter totaled $114 million, $51 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.

HBC is dedicated to prudent capital management and, given the current retail environment, is focusing its capital investment program on in-progress and expected high-return projects, as well as its digital business. Management expects 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.

The above 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 February 3, 2018, HBC had the following outstanding loans and borrowings on its balance sheet (refer to note 13 of the consolidated financial statements for Fiscal 2017):

(millions of Canadian dollars)	Feb 3, 2018	Jan 28, 2017
Global ABL	**375**	434
U.S. Term Loan B	**619**	657
Lord & Taylor Mortgage	**488**	523
Saks Mortgage	**1,548**	1,642
Other loans	**36**	7
Total Outstanding Loans and Borrowings	**3,066**	3,263

During the year, HBC completed multiple transactions to improve liquidity and enhance the Company's balance sheet, and ended the year with more than $1.7 billion in total liquidity. In conjunction with raising U.S. $500 million of preferred equity, HBC entered into an agreement to sell its Lord and Taylor New York flagship on Fifth Avenue. The close of this sale, combined with efforts to improve cash flow from operations and free cash flow, are expected to further strengthen the Company's balance sheet and further enhance overall liquidity.

Conference Call to Discuss Results

Management will discuss the fourth quarter financial results and other matters during a conference call on March 28, 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 consolidated financial statements for the year ended February 3, 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 February 3, 2018 and January 28, 2017 has been prepared on a basis consistent with our audited annual consolidated financial statements for Fiscal 2017 and Fiscal 2016, 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.

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
(millions of Canadian dollars, except per share amounts)

	Fiscal Quarter Ended		Fiscal Year	
	February 3, 2018	January 28, 2017	**2017**	2016
Retail sales	**4,695**	4,600	**14,349**	14,455
Cost of sales	**(2,833)**	(2,752)	**(8,514)**	(8,481)
Selling, general and administrative expenses	**(1,690)**	(1,669)	**(5,794)**	(5,692)
Depreciation and amortization	**(168)**	(219)	**(687)**	(695)
Gain on sale of investments in joint ventures	**—**	—	**—**	45
Operating income (loss)	**4**	(40)	**(646)**	(368)
Finance costs, net	**(56)**	(43)	**(228)**	(192)
Share of net loss in joint ventures	**(18)**	(54)	**(85)**	(158)
Dilution gains from investments in joint ventures	**—**	6	**10**	24
Loss before income tax	**(70)**	(131)	**(949)**	(694)
Income tax benefit (expense)	**154**	(21)	**368**	178
Net earnings (loss) for the period	**84**	(152)	**(581)**	(516)

Earnings (loss) per common share				
Basic and diluted	**0.39**	(0.83)	**(3.04)**	(2.83)

The following table shows additional summary supplemental information for the periods indicated [1]:

	Fiscal Quarter Ended		Fiscal Year	
	February 3, 2018	January 28, 2017	**2017**	2016
Adjusted EBITDA [1]	317	404	346	636
Adjusted EBITDAR [1]	528	564	1,131	1,353
Adjusted SG&A [1]	1,525	1,442	5,414	5,275
Normalized net earnings (loss) for the period [1]	20	2	(564)	(313)
Normalized net earnings (loss) per Common Share — basic and diluted [1]	0.09	0.01	(2.95)	(1.72)
Declared dividend per Common Share	0.01	0.05	0.08	0.20

(1) 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.

CONSOLIDATED BALANCE SHEETS
As at February 3, 2018 and January 28, 2017
(millions of Canadian dollars)

	February 3, 2018 (Fiscal 2017)	January 28, 2017 (Fiscal 2016)
Assets		
Cash	**70**	122
Trade and other receivables	**388**	384
Inventories	**3,367**	3,376
Asset held for sale	**263**	—
Other current assets	**214**	176
Total current assets	**4,302**	4,058
Property, plant and equipment	**5,155**	5,284
Intangible assets and goodwill	**1,629**	1,786
Pensions and employee benefits	**171**	175
Deferred tax assets	**339**	301
Investments in joint ventures	**602**	581
Other assets	**36**	19
Total assets	**12,234**	12,204
Liabilities		
Loans and borrowings	**363**	418
Finance leases	**35**	24
Trade payables	**1,422**	1,599
Other payables and accrued liabilities	**1,031**	1,046
Deferred revenue	**139**	128

Provisions	**220**	167
Other liabilities	**290**	137
Total current liabilities	**3,500**	3,519
Loans and borrowings	**2,616**	2,744
Finance leases	**526**	499
Provisions	**85**	59
Pensions and employee benefits	**714**	662
Deferred tax liabilities	**308**	713
Investment in joint venture	**227**	9
Other liabilities	**1,851**	1,589
Total liabilities	**9,827**	9,794
Shareholders' equity		
Share capital	**2,045**	1,422
(Deficit) retained earnings	**(120)**	477
Contributed surplus	**144**	117
Accumulated other comprehensive income	**338**	394
Total shareholders' equity	**2,407**	2,410
Total liabilities and shareholders' equity	**12,234**	12,204

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the 53 weeks ended February 3, 2018 and 52 weeks ended January 28, 2017
(millions of Canadian dollars)

	February 3, 2018	January 28, 2017
Operating activities		
Net loss for the year	**(581)**	(516)
Income tax benefit	**(368)**	(178)
Dilution gains from investments in joint ventures	**(10)**	(24)
Share of net loss in joint ventures	**85**	158
Finance costs, net	**228**	192
Operating loss	**(646)**	(368)
Net cash income taxes received (paid)	**18**	(37)
Interest paid in cash	**(198)**	(173)
Distributions of earnings from joint ventures	**216**	221
Items not affecting cash flows:		
Depreciation and amortization	**687**	695
Impairment	**81**	174
Net defined benefit pension and employee benefits expense	**24**	19
Other operating activities	**(61)**	(24)
Share of rent expense to joint ventures	**(355)**	(367)
Gain on sale of investments in joint ventures	**—**	(45)
Share based compensation	**36**	35
Settlement of share based compensation grants	**(4)**	(2)
Changes in operating working capital	**(126)**	184
Net cash (outflow for) inflow from operating activities	**(328)**	312
Investing activities		
Capital investments	**(903)**	(1,085)
Proceeds from landlord incentives	**304**	428
Capital investments less proceeds from landlord incentives	**(599)**	(657)
Proceeds from lease terminations and other non-capital landlord incentives	**33**	34
Deposit for sale of Lord & Taylor Fifth Avenue building	**96**	—
Proceeds on disposal of assets	**6**	85
Return of capital from joint venture	**213**	6
Acquisition of Gilt Groupe Holdings Inc., net of cash acquired	**—**	(322)

Proceeds from sale of investments in joint ventures	**—**	65
Investment in joint ventures	**—**	(10)
Other investing activities	**(18)**	6
Net cash outflow for investing activities	**(269)**	(793)
Financing activities		
Long-term loans and borrowings:		
Issuance	**31**	522
Repayments	**(7)**	(330)
Borrowing costs	**—**	(16)
	24	176
Short-term loans and borrowings:		
Net borrowings from asset-based credit facilities	**(50)**	(3)
Borrowing costs	**(3)**	(13)
	(53)	(16)
Issuance of preferred shares, net of transaction costs paid	**615**	—
Payments on finance leases	**(34)**	(35)
Dividends paid	**(16)**	(36)
Net cash inflow from financing activities	**536**	89
Foreign exchange gain on cash	**9**	7
Decrease in cash	**(52)**	(385)
Cash at beginning of year	**122**	507
Cash at end of year	**70**	122

Supplemental Information

The following table presents the reconciliation of net earnings (loss) to EBITDA , Adjusted EBITDA and to Adjusted EBITDAR:

	Fiscal Quarter Ended		Fiscal Year	
(millions of Canadian dollars)	**February 3, 2018**	January 28, 2017	**2017**	2016
	$	$	$	$
Net earnings (loss) for the period	**84**	(152)	**(581)**	(516)
Finance costs, net	**56**	43	**228**	192
Income tax (benefit) expense	**(154)**	21	**(368)**	(178)
Depreciation and amortization	**168**	219	**687**	695
EBITDA (1)	**154**	131	**(34)**	193
Certain non-cash items (2)	**99**	207	**212**	282
Normalization adjustments (3)	**84**	68	**243**	224
Net rent expense to joint ventures (4)	**45**	43	**172**	164
Cash rent to joint ventures	**(116)**	(114)	**(457)**	(448)
Cash distributions from joint ventures	**51**	69	**210**	221
Total adjustments	**163**	273	**380**	443
Adjusted EBITDA (1)	**317**	404	**346**	636
Rent adjustments				
Third party rent expense	**146**	115	**538**	490
Cash rent to joint ventures	**116**	114	**457**	448
Cash distributions from joint ventures	**(51)**	(69)	**(210)**	(221)
Adjusted EBITDAR (1)	**528**	564	**1,131**	1,353

Notes:

(1) 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.

(2) Certain non-cash items consist of:

Share of net loss in joint ventures	18	54	85	158
Gain on sale of investments in joint ventures	—	—	—	(45)
Dilution gains from investments in joint ventures [(i)]	—	(6)	(10)	(24)
Non-cash pension expense	3	(4)	25	19
Impairment and other non-cash items	73	145	77	129
Non-cash share based compensation	5	18	35	45
	99	207	212	282

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

(3) Normalization adjustments consist of:

Acquisition and integration related expenses [(i)]	10	10	20	51
Lease guarantee provision [(ii)]	31	(2)	31	12
Foreign exchange adjustment [(iii)]	(12)	21	(36)	29
Restructuring [(iv)]	48	17	162	64
Credit card chargeback expense [(v)]	—	2	1	13
European expansion [(vi)]	5	20	78	28
Onerous lease provisions [(vii)]	6	2	15	(6)
Other [(viii)]	(4)	(2)	(28)	33
	84	68	243	224

(i) Includes acquisition and integration expenses related to the acquisitions and ongoing business development activities.

(ii) Represents the Company's expected share of costs associated with default on subleases guaranteed by the Company.

(iii) Represents the 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 and programs initiated by HBC Europe to optimize operating efficiencies.

(v) Represents additional non-recurring credit card chargeback expenses attributed to industry legal liability changes effective October 2015.

(vi) 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.

(vii) Represents provisions for the estimated costs associated with certain leased locations in excess of anticipated recoveries.

(viii) Other normalized income for the fourteen week period ended February 3, 2018, includes insurance claim recoveries of $4 million. Other normalized income for the fifty-three week period ended February 3, 2018 includes $42 million received in the first quarter of Fiscal 2017 for a favourable verdict with respect to a 2013 lawsuit brought forth by the Company relating to White Flint mall, which was partly offset by property tax reassessment expense of $6 million and other smaller items totaling a net of $8 million. Prior year balances for the thirteen week period ended January 28, 2017 primarily represent duplicative costs associated with the U.S. office consolidation of $5 million offset by share based compensation expense adjustment of $3 million and other smaller items totaling a net of $4 million. For the fifty-two week period ended January 28, 2017, other normalized expenses represent duplicative costs associated with the U.S. office consolidation of $42 million and other smaller items totaling a net of $2 million offset by share based compensation expense adjustment of $11 million.

(4) 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 12 to the Company's audited consolidated financial statements for the fifty-three week period ended February 3, 2018).

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

	Fiscal Quarter Ended		Fiscal Year	
(millions of Canadian dollars)	**February 3, 2018**	January 28, 2017	**2017**	2016
	$	$	$	$

SG&A	**1,690**	1,669	**5,794**	5,692
Certain non-cash items [1]	**(81)**	(159)	**(137)**	(193)
Normalization adjustments [2]	**(84)**	(68)	**(243)**	(224)
Total adjustments	**(165)**	(227)	**(380)**	(417)
Adjusted SG&A [3]	**1,525**	1,442	**5,414**	5,275
Adjusted SG&A [3] as a percentage of retail sales	**32.5%**	31.3%	**37.7%**	36.5%

Notes:

(1) Certain non-cash items consist of:

Non-cash pension expense	(3)	4	(25)	(19)
Impairment and other non-cash items	(73)	(145)	(77)	(129)
Non-cash share based compensation	(5)	(18)	(35)	(45)
	(81)	(159)	(137)	(193)

(2) Normalization adjustments consist of:

Acquisition and integration related expenses [i]	(10)	(10)	(20)	(51)
Lease guarantee provision [i]	(31)	2	(31)	(12)
Foreign exchange adjustment [i]	12	(21)	36	(29)
Restructuring [i]	(48)	(17)	(162)	(64)
Credit card chargeback expense [i]	—	(2)	(1)	(13)
European expansion [i]	(5)	(20)	(78)	(28)
Onerous lease provisions [i]	(6)	(2)	(15)	6
Other [i]	4	2	28	(33)
	(84)	(68)	(243)	(224)

(i) For details refer to footnote 3 to the reconciliation of net loss to EBITDA, Adjusted EBITDA and to Adjusted EBITDAR table above.

(3) 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 earnings (loss) to Normalized net earnings (loss):

	Fiscal Quarter Ended		Fiscal Year	
(millions of Canadian dollars)	**February 3, 2018**	January 28, 2017	**2017**	2016
	$	$	$	$
Net earnings (loss) for the period	**84**	(152)	**(581)**	(516)
Certain non-cash items [1]	**69**	113	**63**	72
Normalization adjustments [2]	**63**	38	**175**	131
Financing related adjustments	**—**	(1)	**—**	1
Adjustments to share of net loss in joint ventures [3]	**(15)**	4	**(40)**	(1)
Tax related adjustments [4]	**(181)**	—	**(181)**	—
Total adjustments [5]	**(64)**	154	**17**	203
Normalized net earnings (loss) [6]	**20**	2	**(564)**	(313)

Notes:

(1) Certain non-cash items consist of:

Impairment of intangible assets and goodwill	69	116	69	116
Gain on sale of investments in joint ventures	—	—	—	(28)

Dilution gains from investments in joint ventures	—	(3)	(6)	(16)
	69	113	63	72
(2) Normalization adjustments consist of:				
Acquisition and integration related expenses and finance costs (i)	4	(4)	10	10
Restructuring (ii)	34	11	111	43
Foreign exchange adjustment (iii)	(4)	16	(17)	26
Lease guarantee provision (iv)	23	(1)	23	9
Credit card chargeback expense (v)	—	1	—	8
European expansion (vi)	4	15	55	19
Onerous lease provisions (vii)	4	—	10	—
Other (viii)	(2)	—	(17)	16
	63	38	175	131

(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 $2 million and $3 million for the fourteen and fifty-three week periods ended February 3, 2018, respectively (thirteen and fifty-two week periods ended January 28, 2017: $11 million and $26 million, respectively).

(ii) 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.

(iii) Represents the 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) Represents the Company's expected share of costs associated with default on subleases guaranteed by the Company.

(v) Represents additional non-recurring credit card chargeback expenses attributed to industry legal liability changes effective October 2015.

(vi) 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.

(vii) Represents provisions for the estimated costs associated with certain leased locations in excess of anticipated recoveries.

(viii) Other normalized income for the fourteen week period ended February 3, 2018, includes insurance claim recovery of $2 million. Other normalized income for the fifty-three week period ended February 3, 2018 includes $42 million ($25 million net of tax) received in the first quarter of Fiscal 2017 for a favourable verdict with respect to a 2013 lawsuit brought forth by the Company relating to White Flint mall, which was partly offset by property tax reassessment expense of $4 million and other smaller items totaling a net of $6 million. Prior year balances for the thirteen week period ended January 28, 2017 primarily represent duplicative costs associated with the U.S. office consolidation of $3 million offset by share based compensation expense adjustment of $1 million and other smaller items totaling a net of $2 million. For the fifty-two week periods ended January 28, 2017, other normalized expenses represent duplicative costs associated with the U.S. office consolidation of $25 million partially offset by other smaller items totaling a net of $2 million and share based compensation expense adjustment of $7 million.

(3) 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.

(4) To adjust for the one-time impacts associated with the recent U.S. tax reform changes. As a result of this change, HBC's effective US tax rate has been reduced from approximately 39% to approximately 26%, effective January 1, 2018.

(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 retail sales less cost of sales. EBITDA is defined as net earnings (loss) 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 ("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) 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 store 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 Fiscal 2017.

About HBC

HBC is a diversified global retailer focused on driving the performance of high quality stores and their all-channel offerings, growing through acquisitions 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 over 66,000 employees around the world.

HBC's leading banners across North America and Europe include Hudson's Bay, Lord & Taylor, Saks Fifth Avenue, Gilt, 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 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 including better utilization of physical space, ability to continue comparable sales growth, challenges associated with implementation of our Transformation Plan, 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 the Company's information systems to support the organization and protect against cyber-security threats, privacy breach, risks relating to the Company's size and scale, loss of key personnel, ability to attract and retain qualified employees, implementation of changes to the Company's capital investment program, deterioration in labour relations, ability to maintain pension plan surplus, funding requirement of Saks' pension plan, funding requirement of the HBC Europe pension plan, limits on insurance policies, loss of intellectual property rights, insolvency risk of parties which the Company does 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, 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 product liability or recalls, increase in litigation, developments in the credit card and financial services industries, changes in accounting standards, risks associated with the Company's strategic initiatives, including the Transformation Plan, risks associated with the sale of the Lord & Taylor Fifth Avenue building and other risks inherent to the Company's business and/or factors beyond its control which could have a material adverse effect on the Company.

HBC cautions that the foregoing list of important factors and assumptions is not exhaustive and other factors could also adversely affect its results. For more information on the risks, uncertainties and assumptions that could cause HBC's actual results to differ from current expectations, please refer to the "Risk Factors" section of HBC's Annual Information Form

dated April 28, 2017, the "Risk Factors" section of HBC's MD&A dated March 28, 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.

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Hudson's Bay Company
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

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