November 7, 2017

Hudson's Bay Company Confirms Conditional TSX Listing Approval for Rhône Capital, WeWork Property Advisors and WeWork Companies Transactions

Multi-Faceted Strategic Relationship Provides Significant Benefits to Shareholders

TORONTO & NEW YORK--(BUSINESS WIRE)-- HBC (TSX: HBC) today provided an update on the previously announced series of strategic transactions with WeWork Companies ("WeWork"), Rhône Capital (together with Rhône Group and affiliates, "Rhône"), and an affiliate of WeWork Property Advisors ("WeWork Property Advisors"), a joint venture between WeWork and Rhône. HBC's application to the Toronto Stock Exchange (TSX) relating to Rhone's equity investment of U.S. $500 million (C$632 million) in the form of 8-year mandatory convertible preferred shares has received conditional approval, subject to customary deliverables on or before transaction closing. In addition to this step forward toward completion of these transactions, HBC confirmed certain aspects of these transactions.

Transaction Overview and Benefits

As previously disclosed, the series of interconnected transactions with WeWork and Rhône include the sale of the Lord & Taylor Fifth Avenue building to WeWork Property Advisors for the value of US$850 million (C$1.075 billion), a strategic and long-term investment by Rhone in the amount of US$500 million (C$632 million), agreements to lease space to WeWork within select department stores, and the formation of a strategic alliance with WeWork to pursue future real estate transactions and monetizations.

Enhances financial flexibility: This transaction will provide HBC with enhanced liquidity and financial flexibility and will significantly strengthen HBC's balance sheet in a difficult retail environment. HBC expects that these transactions will result in an aggregate of C$1.6 billion of debt reduction and/or incremental cash on HBC's balance sheet and an increase in total liquidity of approximately C$1.1 billion, which positions HBC well in these challenging operating and financing conditions for retailers.

Drives value for shareholders: Demonstrates HBC's ability to successfully monetize its valuable real estate assets in the near- and longer-term while creating opportunities to improve productivity and utilization across its real estate portfolio. WeWork's occupancy of select department stores further enhances the credit profile of these world class assets.

Positions HBC to define the future of retail: This strategic one-of-a-kind alliance positions HBC to establish leadership in experiential retailing, and to continue to adapt to the rapidly evolving retail environment in partnership with two highly regarded organizations.

HBC notes that, contrary to certain claims and assertions made since the announcement of the transactions:

- **Rhône is Acquiring a Minority Equity Stake that Does NOT Represent Control of HBC**. The mandatory convertible preferred shares to be issued to Rhône are priced at C$12.42, a premium to the closing price of C$11.75 for HBC's common shares on October 23, 2017. HBC expects that Rhône will hold a 21.8% voting and equity interest in HBC upon closing, or an approximately 30.0% voting and equity interest if the preferred shares are held to their 8-year maturity and assuming no changes in dividends currently payable on HBC's common shares, in both cases calculated on an as converted basis. Upon closing, Rhône will have the right to nominate two members of HBC's board of directors for election.
- **Rhône is NOT Required to Support Shareholder Nominees.** Rhône is providing a limited and customary voting covenant to support director nominees recommended by HBC's Board. It will not be required to vote for any person nominated by any shareholder.
- **HBC Will NOT Have Any Other Voting Agreements with its Shareholders.** Other than the limited Rhône voting covenant described above, HBC will not have voting agreements with any shareholder with respect to director elections or any other company proposal. Effective on closing of the Rhône equity investment, HBC will release its other shareholders from their existing voting covenants that committed those shareholders to vote for directors put forward for election by HBC.
- **Majority of HBC Shareholders Have Already Approved These Transactions.** HBC obtained written consent in

support of the Rhône investment from sophisticated long-term shareholders representing well over 50% of the outstanding common shares of HBC. These shareholders will not obtain any benefit from, or be affected by, the Rhône investment in any manner other than such benefits and effects that all shareholders of HBC derive from the transactions.

- **HBC's Board Unanimously Determined These Unique Transactions Were in the Best Interests of HBC and its Stakeholders.** These unique transactions were carefully considered by HBC's Board of directors, the majority of which are independent directors. The Board unanimously determined that these transactions were in the best interests of HBC and its stakeholders and after receiving advice from its financial and legal advisors, unanimously approved these transactions.
- **Rhône's Preferred Shares are Mandatorily Convertible After 3 Years.** The preferred shares can be converted by the holder at any time, and HBC can force earlier conversion of the preferred shares into common shares if after 3 years, HBC's stock price is at least 125% of the applicable conversion price for 45 trading days in any 60 consecutive trading day period, and after 6 years, if HBC's stock is at least 100% of the applicable conversion price. After 8 years, the preferred shares will automatically convert into common shares based on the then-accreted value.

Regulatory Detail and Timing

HBC has received confirmation from the Toronto Stock Exchange that its application to reserve the common shares issuable on conversion of the preferred shares related to Rhône's equity investment has been conditionally approved by the TSX, subject to customary deliverables on or before closing. HBC has also delivered the necessary materials to the TSX confirming that, as previously announced, it has obtained the requisite approval from shareholders holding in the aggregate more than 50% of the outstanding common shares.

It is currently anticipated that the Rhône equity investment will close in November 2017 (no earlier than November 15, 2017), subject to the receipt of all necessary regulatory approvals, including approval from the Competition Bureau in Canada, approval under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 in the U.S. and other customary closing conditions. It is currently expected that the acquisition of the Lord & Taylor Fifth Avenue building will close no later than August 10, 2018, subject to the satisfaction of applicable conditions. The Lord & Taylor Fifth Avenue flagship store is currently expected to continue operations in the entire building throughout the 2018 holiday season.

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 are forward-looking statements within the meaning of applicable securities laws, including, but not limited to, statements with respect to HBC's global, multi-faceted strategic relationship with WeWork, Rhône and WeWork Property Advisors, including the transactions contemplated thereby, namely (i) Rhône's U.S.$500 million (C$632 million) equity investment in HBC, (ii) the sale of the Lord & Taylor Fifth Avenue flagship building to WeWork Property Advisors in a transaction valued at U.S.$850 million (C$1.075 billion) comprising the purchase price and related rent reductions, and (iii) the entering into of leases with respect to select HBC department store locations, including, in each case, the satisfaction of applicable conditions, regulatory approvals and the timing thereof, expectations regarding the timing of closing, the expectation that these transactions are expected to result in an aggregate of C$1.6 billion of debt reduction and/or incremental cash on the Company's balance sheet and an increase in total liquidity of approximately C$1.1 billion, 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.

Although HBC believes that the forward-looking statements in this news release are based on information and assumptions that are current, reasonable and complete, these statements are by their nature subject to a number of factors that could cause actual results to differ materially from management's expectations and plans as set forth in such forward-looking statements, including, without limitation, the following factors, many of which are beyond HBC's control and the effects of which can be difficult to predict: (a) the failure to obtain or satisfy, in a timely manner or otherwise, required regulatory approvals and other conditions of closing necessary to complete the transactions; (b) the failure to obtain or satisfy, in a timely manner or otherwise, conditions of closing necessary to complete the sale of the Lord & Taylor Fifth Avenue flagship building; (c) the possibility that the anticipated benefits from the strategic relationship cannot be realized in a timely manner or otherwise; (d) credit, market, currency, operational, real estate, liquidity and funding risks generally, including changes in economic conditions, interest rates or tax rates; (e) risks and uncertainties relating to information management, technology, supply chain, product safety, changes in law, competition, seasonality, commodity price and business and (h) other risks inherent to the Company's business and/or factors beyond its control which could have a material adverse effect on the company.

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 September 5, 2017, 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.

Unless otherwise indicated, figures in this news release assume U.S$1 = C$1.26 and C$1 = U.S.$0.79

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