Land & Buildings Issues Letter to Hudson's Bay Shareholders

– A go-private transaction could be on the table again given the C$1.2 billion in cash raised in the fourth quarter giving HBC C$5.50 per share of cash on its balance sheet –

– Better than expected holiday sales and substantial benefits from the tax cuts have resulted in a healthier department store industry; but have not materialized into a higher HBC stock price –

– HBC has taken steps to improve corporate governance through the elimination of voting agreements –

Stamford, CT, January 31, 2018 – Land & Buildings Investment Management, LLC (together with its affiliates, "Land & Buildings") today issued the following letter to shareholders of Hudson's Bay Company (TSX: HBC) ("Hudson's Bay", "HBC" or the "Company").

The full text of the letter follows:

Dear Hudson's Bay Shareholders,

That was a great holiday season. Results of most major department stores came in well ahead of expectations and retailers have a new bounce in their step, as the Trump corporate tax cut materially improved the ability of traditional brick and mortar retailers to compete with online stores on pricing. With the stock market advancing, consumer confidence high and unemployment low, we are already seeing the depressed valuations of the high-end department store companies improving – most notably Nordstrom.

Despite the rosy backdrop, Saks Fifth Avenue owner Hudson's Bay's shares have not enjoyed the celebration experienced by many other department store company stocks. HBC's third quarter earnings disappointment, which management stated, "did not meet our expectations," following the previously announced restructuring, combined with the uncertainty of HBC's holiday season results, have left the stock under pressure.

There is good news to cheer about at Hudson's Bay, namely, the Company is sitting on C$5.50 per share in cash pro forma for the Rhône/WeWork transactions – note the shares were last trading hands in the C$10.50 range and management estimates its world class real estate is valued at more than C$30[1] per share.

If in fact HBC's plan to go private, as reported over the summer, was thwarted by the Toys "R" Us bankruptcy filing in September, the fourth quarter financing the Company announced leaves HBC flush with cash for just such a transaction. In fact, if management and the Company-disclosed "insiders" were to buy the 92 million shares[2] they don't already own at C$18 per share, they would need less than C$400 million[3] in additional capital to go private.

We are also curious where things are with the unsolicited offer for the European real estate in light of the Company's statement in December that the Board had an ongoing review of HBC's real estate portfolio with the view towards maximizing shareholder value. A sale could generate C$5.20 per share in cash. The Vancouver flagship store being marketed could net the Company an additional $C2.50[4] per share in cash.

The share price does not appear to reflect the anticipation of a great quarter or even an in-line quarter. While we don't know how this story will end, HBC has taken steps to improve corporate governance through the elimination of voting agreements and we are confident in the value of the Company's real estate, and the viability of Saks Fifth Avenue, particularly following the tax cuts. Canadian retailers have also enjoyed a healthy share price rebound, which should bode well for the Company's Bay department stores as the restructurings settle down.

Sincerely,

Jonathan Litt

Founder & CIO

Land & Buildings Investment Management, LLC

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[1] Hudson's Bay's April 2017 estimate of C$35 per share adjusted for equity issuance to Rhône Capital and sale of Lord & Taylor flagship. All per share figures in letter reflect diluted shares outstanding.
[2] Includes "insiders" from Spring 2017 presentation L&T B (Cayman) Inc., Hanover Investments, Ontario Teachers Pension, executive management and board of directors, as well as Rhône.
[3] Assumes cash on balance sheet at end of October plus cash proceeds from announced Rhône/WeWork transactions during the fourth quarter.
[4] Assumes approximately one-quarter of HBC's 88% share of proceeds used to pay down debt, which is consistent leverage ratio disclosed on RioCan-HBC JV.