LANDandBUILDINGS

Land & Buildings Issues Letter to Hudson’s Bay Shareholders

– Continues to question whether the right Board and management team is in place to maximize value for all shareholders –

– Given underperformance compared to department store peers, HBC must examine all strategic options, including further monetization of its real estate or transactions involving a sale of the Company –

– Land & Buildings will continue to monitor the Company and evaluate all options to maximize value, including the potential nomination of directors or calling a special meeting of shareholders –

Stamford, CT, June 21, 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,

As you may be aware, in November of last year Land & Buildings entered into a settlement agreement with Hudson’s Bay that expired upon the completion of the Company’s 2018 Annual General Meeting of Shareholders (the “Annual Meeting”) on June 12th. As such, we are writing to provide shareholders an updated and unfettered overview of our perspective on HBC and the value-realization opportunity the Company’s real estate continues to present. Hudson’s Bay world class real estate is valued at C$31 per share[1], based on the Company’s disclosed third party valuations of its vast real estate portfolio where one asset alone, the Saks Fifth Avenue flagship in Manhattan, is worth more than where the stock currently trades.

A number of things have changed at Hudson’s Bay since our last public letter in December of 2017:

- **Common shareholders now have much more sway at HBC** – As part of the Rhône Capital transactions last year, Hudson’s Bay eliminated voting agreements with several large shareholders representing approximately 50% of the voting shares. As a result, shareholders now have a much lower bar to clear and a greater ability to effect change at the Company, whether through the nomination of directors at next year’s Annual General Meeting or through the calling of a Special Meeting of Shareholders.

- **Shareholders have become more vocal about their concerns** – While Land & Buildings has consistently vocalized its concerns regarding the issues plaguing HBC, following the Annual Meeting it is fair to say that we are no longer alone.

  The Ontario Teachers’ Pension Plan, British Columbia Investment Management Corp. and the California Public Employees’ Retirement System (CalPERS) all voted against the Company’s “’Say on Pay” resolution. Considering the $54.8 million pay package for executive chairman Richard Baker, it’s not surprising that these institutional shareholders, as well as influential proxy advisory firm Glass Lewis & Co., opposed this troubling resolution given the Company’s poor financial results and share price performance.

  We also believe that a significant shareholder – newly released from its voting agreement – refrained from voting at the Annual Meeting, which in our view signals a deep level of dissatisfaction with the Company and its current Board of Directors (the “Board”). Hudson’s Bay’s directors failed to receive a majority “FOR” votes of the total potential votes after excluding insiders and Rhône Capital.

In addition, shareholders made clear at the meeting that the Company is not moving fast enough when it comes to monetizing its real estate portfolio, with one investor posing the question, “What are you people waiting for? Are you waiting for us to go into a recession before you sell some of your real estate?”

- **HBC’s underperformance relative to its peers has become even more pronounced** – In 2018 thus far, the Department Store Index is up nearly 40%[2] while Hudson’s Bay’s share price is nearly flat year-to-date. It has become clear that the familiar refrain blaming the challenges of the macro retail environment no longer rings true. Macy’s, Nordstrom’s and Restoration Hardware are just a few retailers/department store peers that have adjusted their strategies and are delivering results.

- **Hudson’s Bay should learn from Macy’s, or even join it** – In many ways Macy’s offers the most informative comparison to demonstrate how Hudson’s Bay could be performing. Macy’s stock price is up more than 50% year-to-date after effectively managing through the retail macro environment, reporting strong operating results and raising its full year financial guidance. In addition to its overall retail performance numbers beating expectations in 2018, the company has built confidence through its exploration of real estate deals, including with Brookfield Asset Management, and the knowledge among investors that respected real estate industry veteran Doug Sesler is overseeing the decision-making in that area.

  Hudson’s Bay could learn a lot from the way Macy’s has built a credible real estate team to help drive its turnaround. One could even reasonably ask whether the most logical course for HBC at this point would be an acquisition by Macy’s as opposed to trying to play catch up.

- **We are still in ‘wait and see’ mode when it comes to the new management team –** It is in some ways too early to evaluate whether recently appointed CEO Helena Foulkes and CFO Edward Record are the right individuals to lead a turnaround at HBC. However, we are aware of two issues at this point that are particularly concerning: 1) operational results have not improved under their tenure, and 2) CEO Foulkes does not possess department store retail experience.

  The bottom line in our view is that while shareholders can certainly be hopeful that the new CEO and CFO will have a magic touch when it comes to transforming the business, we have yet to see any evidence supporting this level of optimism, and there are significant experience gaps in the CEO’s resume which cause us to question her suitability to turn around HBC.

- **Rhône Capital’s presence on the Board could be positive** – While we continue to dislike the valuation at which the Rhône deal was struck, two representatives of Rhône/WeWork are now on HBC’s Board, including Steven Langman, who is a co-founder and Managing Director at Rhône, a firm that has deep financial expertise and a significant economic interest in unlocking value at Hudson’s Bay. We see this as another indicator that the opportunity is now greater for real, value-enhancing change to be delivered at the Company.

- **It is still unclear whether the right Board and leadership is in place at HBC to maximize value for all shareholders** – Clearly, Land & Buildings continues to have significant doubts that HBC is interested in listening to its shareholders and taking the steps needed to truly realize the imbedded value of its real estate portfolio. As a result, we will continue to monitor the Company closely and evaluate all options to maximize value. While next year’s Annual General Meeting is nearly a year away, as with all our investments, we keep all available options open, including the nomination of directors or the calling of a Special Meeting of Shareholders to effectuate meaningful change at the Company.

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] Based on the S&P 500 Department Store Index through June 20, 2018.