



The North West Company is a leading retailer of food and everyday products and services to rural communities and urban neighbourhoods in Canada, Alaska, the South Pacific and the Caribbean.

NEWS RELEASE - FOR IMMEDIATE RELEASE

The North West Company Inc. Announces Second Quarter Earnings, an Increase in the Quarterly Dividend and the Appointment of a New Director

Sitka, Alaska, September 7, 2022 (TSX: NWC): The North West Company Inc. (the "Company" or "North West") today reported its unaudited financial results for the second quarter ended July 31, 2022. It also announced that the Board of Directors have declared a dividend of \$0.38 per share, an increase of \$0.01 or 2.7% per share, to shareholders of record on September 30, 2022, to be paid on October 14, 2022.

"Our results in the quarter reflect the continuation of cycling through the significant COVID-19-related sales and earnings gains over the past two years. Our business remains strong, especially when compared to pre-pandemic sales and earnings levels" said President and CEO Dan McConnell. "Our customers are shifting their purchasing to adapt to the reality of lower government income support and higher inflation and we remain focused on providing the essential, everyday products and services that meet our customers' needs."

Financial Highlights

Sales Second quarter consolidated sales increased 2.4% to \$578.9 million led by sales gains in International Operations and the impact of foreign exchange on the translation of International Operations sales. An increase in other sales in Canadian Operations, which includes airline revenue, financial services, fuel and pharmacy, and the impact of new stores were also factors. Excluding the foreign exchange impact, consolidated sales increased 0.4%, with food sales increasing 0.7% and general merchandise sales decreasing 14.9% compared to last year. The impact of higher merchandise and freight cost inflation has continued to result in changes in product sales blend as consumers allocated more of their spending to food and reduced purchases of general merchandise. On a same store basis, sales decreased 4.1%¹ compared to the second quarter last year, with both food and general merchandise same store sales decreasing 1.3% and 18.8% respectively. The decrease in same store sales is primarily due to the impact of COVID-19-related factors including government income support payments and higher in-community spending as a result of travel restrictions which contributed to sales gains in 2021. In 2022, COVID-19-related income support payments have substantially been phased out and travel restrictions have largely been eliminated. Although same store sales this year have decreased compared to strong COVID-19-related sales gains over the past two years, they were up 16.3% compared to pre-COVID levels in 2019 with food same store sales up 16.2% and general merchandise same store sales up 17.1%.

Gross Profit Gross profit decreased 3.0% as the impact of higher sales was more than offset by a 177 basis point decrease in gross profit rate compared to last year. The decrease in gross profit rate was mainly due to changes in sales blend, the impact of higher freight and merchandise cost inflation that was not fully passed through in retail prices and an increase in markdowns on seasonal general merchandise.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased \$6.7 million or 5.1% compared to last year and were up 61 basis points as a percentage to sales. The increase in Expenses is mainly due to cost inflation impacts, including higher fuel-based utility expenses, and the impact of new stores. These factors were partially offset by lower annual incentive plan expenses, share-based compensation costs and a decrease in COVID-19-related expenses compared to last year.

¹ Excluding the impact of foreign exchange

² See Non-GAAP Measures Section of the news release

Earnings From Operations Earnings from operations (EBIT) decreased to \$46.1 million compared to \$58.5 million last year and earnings before interest, income taxes, depreciation and amortization ("EBITDA²") decreased to \$70.4 million compared to \$81.1 million last year due to the gross profit and Expense factors previously noted. Adjusted EBITDA², which excludes share-based compensation costs, decreased \$11.4 million compared to last year and as a percentage to sales was 12.6% compared to 14.9% last year due to the sales, gross profit and Expense factors previously noted, but was up \$19.0 million or 35.4% compared to pre-pandemic adjusted EBITDA² in the second quarter of 2019.

Interest Expense Interest expense increased to \$3.4 million compared to \$3.2 million last year.

Income Tax Expense Income tax expense decreased to \$10.3 million compared to \$12.8 million last year and the consolidated effective tax rate was 24.1% compared to 23.2% last year. The effective tax rate can fluctuate as a result of various factors, including the taxation of items such as share-based compensation and insurance-related gains, changes in tax estimates and the blend of earnings across the various tax rate jurisdictions.

Net Earnings Net earnings decreased to \$32.4 million compared to \$42.4 million last year. Net earnings attributable to shareholders were \$31.4 million and diluted earnings per share were \$0.64 per share compared to \$0.86 per share last year. Adjusted net earnings², which excludes the after-tax impact of the share-based compensation costs, decreased \$10.8 million compared to the COVID-19-related driven earnings last year due to the gross profit and Expense factors previously noted, but were up \$13.2 million or 63.9% compared to the pre-pandemic second quarter of 2019.

Director Appointment

North West announces the appointment of Rachel Huckle to its Board of Directors effective September 7, 2022. Ms. Huckle has been the Chief Retail Officer at Staples Canada ULC since 2019. Prior to that she worked with Loblaw Companies Ltd. and Shoppers Drug Mart beginning in 1996 where she held the positions of i) Vice President Operations, (ii) Vice President, Loyalty and Customer insights, (iii) Senior Vice President, Health and Wellness, and (iv) and Senior Vice President Merchandising - Centre of Store. Ms. Huckle has a Masters in Business Administration from Rotman School of Management, and a Masters of Finance from Smith School of Business. "We are pleased to welcome Rachel to our Board", commented Brock Bulbuck, Chairman of the Board. "Her experience at Staples Canada, combined with her broad and extensive retail experience and her health and wellness background, will bring valuable insights and perspectives to our Board."

Non-GAAP Financial Measures

The Company uses the following non-GAAP financial measures: earnings before interest, income taxes, depreciation and amortization ("EBITDA"), adjusted EBITDA and adjusted net earnings. The Company believes these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below.

Earnings Before Interest, Income Taxes, Depreciation and Amortization (EBITDA) is not a recognized measure under IFRS. Management believes that in addition to net earnings, EBITDA is a useful supplemental measure as it provides investors with an indication of the Company's operational performance before allocating the cost of interest, income taxes and capital investments. Investors should be cautioned however, that EBITDA should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of the Company's performance. The Company's method of calculating EBITDA may differ from other companies and may not be comparable to measures used by other companies.

Adjusted EBITDA and Adjusted Net Earnings are not recognized measures under IFRS. Management uses these non-GAAP financial measures to exclude the impact of certain income and expenses that must be recognized under IFRS. The excluded amounts are either subject to volatility in the Company's share price or may not necessarily be reflective of the Company's underlying operating performance. These factors can make comparisons of the Company's financial performance between periods more difficult. The Company may exclude additional items if it believes that doing so will result in a more effective analysis and explanation of the underlying financial performance. The exclusion of these items does not imply that they are non-recurring.

These measures do not have a standardized meaning prescribed by GAAP and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to the other financial measures determined in accordance with IFRS.

1 Excluding the impact of foreign exchange

2 See Non-GAAP Measures Section of the news release

Reconciliation of consolidated earnings from operations to EBITDA and adjusted EBITDA:

(\$ in thousands)	Consolidated					
	Second Quarter			Year-to-Date		
	2022	2021	2019	2022	2021	2019
Earnings from operations (EBIT)	\$ 46,095	\$ 58,462	\$ 29,596	\$ 87,526	\$ 114,774	\$ 66,629
Add: Amortization	24,349	22,638	22,019	47,863	44,995	43,234
EBITDA	\$ 70,444	\$ 81,100	\$ 51,615	\$ 135,389	\$ 159,769	\$ 109,863
Adjusted for:						
Insurance gains	—	—	(4,309)	—	(8,632)	(14,965)
Share-based compensation expense ⁽¹⁾	2,180	2,966	6,330	5,917	8,647	3,810
Adjusted EBITDA	\$ 72,624	\$ 84,066	\$ 53,636	\$ 141,306	\$ 159,784	\$ 98,708

Reconciliation of consolidated net earnings to adjusted net earnings:

(\$ in thousands)	Consolidated					
	Second Quarter			Year-to-Date		
	2022	2021	2019	2022	2021	2019
Net earnings	\$ 32,371	\$ 42,400	\$ 17,947	\$ 60,532	\$ 82,688	\$ 44,172
Adjusted for:						
Insurance gains, net of tax	—	—	(3,148)	—	(7,123)	(11,547)
Share-based compensation expense, net of tax	1,589	2,348	5,921	4,589	7,091	3,190
Adjusted net earnings	\$ 33,960	\$ 44,748	\$ 20,720	\$ 65,121	\$ 82,656	\$ 35,815

The Company recorded gains on the partial settlement of insurance claims. These gains were due to the difference between the replacement cost of the assets destroyed and their book value.

Certain share-based compensation costs are presented as liabilities on the Company's consolidated balance sheets. The Company is exposed to market price fluctuations in its share price through these share-based compensation costs. These liabilities are recorded at fair value at each reporting date based on the market price of the Company's shares at the end of each reporting period with the changes in fair value recorded in selling, operating and administrative expenses. Further information on share-based compensation is provided in Note 11 and Note 14 to the Company's Interim Condensed Consolidated Financial Statements.

Further information on the financial results is available in the Company's 2022 second quarter Report to Shareholders, Management's Discussion and Analysis and unaudited interim period condensed consolidated financial statements which can be found in the investor section of the Company's website at www.northwest.ca.

Second Quarter Conference Call

North West will host a conference call for its second quarter results on September 8, 2022 at 10:00 a.m. (Central Time). To access the call, please dial 416-641-6104 or 800-952-5114 with a pass code of 5365805. The conference call will be archived and can be accessed by dialing 905-694-9451 or 800-408-3053 with a pass code of 3272311 on or before October 9, 2022.

1 Excluding the impact of foreign exchange

2 See Non-GAAP Measures Section of the news release

Notice to Readers

Certain forward-looking statements are made in this news release, within the meaning of applicable securities laws. These statements reflect North West's current expectations and are based on information currently available to management. Forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional future financial performance (including sales, earnings, growth rates, capital expenditures, dividends, debt levels, financial capacity, access to capital, and liquidity), on-going business strategies or prospects, the Company's intentions regarding a normal course issuer bid, the anticipated impact of the COVID-19 pandemic on the Company's operations, supply chain and the Company's related business continuity plans, the realization of expected savings from cost reduction plans and possible future action by the Company.

Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the retail industry in general. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company due to changes in economic conditions, political and market factors in North America and internationally. These factors include, but are not limited to, the duration and the impact of the COVID-19 pandemic, changes in inflation, interest and foreign exchange rates, the Company's ability to maintain an effective supply chain, changes in accounting policies and methods used to report financial condition, including uncertainties associated with critical accounting assumptions and estimates, the effect of applying future accounting changes, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Company's ability to complete and realize benefits from capital projects, E-Commerce investments, strategic transactions and the integration of acquisitions, the Company's ability to realize benefits from investments in information technology ("IT") and systems, including IT system implementations, or unanticipated results from these initiatives and the Company's success in anticipating and managing the foregoing risks.

The reader is cautioned that the foregoing list of important factors is not exhaustive. Other risks are outlined in the Risk Management section of the 2021 Annual Report and in the Risk Factors sections of the Annual Information Form and Management Information Circular, material change reports and news releases. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company does not intend to update any forward-looking statements whether as a result of new information, future events or otherwise.

Additional information on the Company, including our Annual Information Form, can be found on SEDAR at www.sedar.com or on the Company's website at www.northwest.ca.

Company Profile

The North West Company Inc., through its subsidiaries, is a leading retailer of food and everyday products and services to rural communities and urban neighbourhoods in Canada, Alaska, the South Pacific and the Caribbean. North West operates 219 stores under the trading names Northern, NorthMart, Giant Tiger, Alaska Commercial Company, Cost-U-Less and RiteWay Food Markets and has annualized sales of approximately CDN\$2.2 billion.

The common shares of North West trade on the Toronto Stock Exchange under the symbol NWC.

-30-

For more information contact:

Dan McConnell, President and Chief Executive Officer, The North West Company Inc.
Phone 204-934-1482; fax 204-934-1317; email dmccconnell@northwest.ca

John King, Executive Vice-President and Chief Financial Officer, The North West Company Inc.
Phone 204-934-1397; fax 204-934-1317; email jking@northwest.ca

1 Excluding the impact of foreign exchange

2 See Non-GAAP Measures Section of the news release