



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 Third Quarter Earnings and a Quarterly Dividend

Winnipeg, Manitoba, December 7, 2022 (TSX: NWC): The North West Company Inc. (the "Company" or "North West") today reported its unaudited financial results for the third quarter ended October 31, 2022. It also announced that the Board of Directors has declared a dividend of \$0.38 per share to shareholders of record on December 30, 2022, to be paid on January 16, 2023.

"We are pleased with our results in the quarter considering the negative impact of high inflation this year and the comparison to COVID-19-related sales and earnings last year" commented President and CEO Dan McConnell. "We have been able to hold our ground at the top-line, particularly as our customers shifted their discretionary spending towards essential items. We are working with our suppliers and carriers to help mitigate the inflationary pressures, including our Price-Drop and Price-Lock promotions on everyday items. We remain focused on being in-stock on essential products and providing the best value to our customers within this high inflation environment."

Financial Highlights

Sales Third quarter consolidated sales increased 6.0% to \$586.7 million as a result of higher inflation in Canadian and 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 3.2%, with food sales increasing 3.6% and general merchandise sales decreasing 11.2% compared to last year. The impact of higher merchandise and freight cost inflation 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 basis¹, sales decreased 0.7% compared to the third quarter last year, as a 1.5% increase in food same store sales was more than offset by a 13.2% decrease in general merchandise same store sales. The decrease in total same store sales is primarily due to the impact of COVID-19-related factors including government income support payments and higher in-community spending which contributed to sales gains in 2021. Although same store sales this year have decreased compared to strong COVID-19-related sales gains over the past two years, they were up 16.0% compared to pre-COVID-19 levels in 2019 with food same store sales up 16.5% and general merchandise same store sales up 12.7%.

Gross Profit Gross profit increased 3.3% due to sales gains partially offset by an 84 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.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased \$17.0 million or 13.6% compared to last year and were up 163 basis points as a percentage to sales. The increase in Expenses is mainly due to cost inflation impacts including higher fuel-based utility expenses, the impact of foreign exchange on the translation of International Operations expenses and the impact of new stores. These factors were partially offset by lower annual incentive plan expenses and a decrease in COVID-19-related expenses compared to last year.

Earnings From Operations Earnings from operations (EBIT) decreased to \$45.0 million compared to \$56.1 million last year and earnings before interest, income taxes, depreciation and amortization ("EBITDA²") decreased to \$69.8 million compared to \$78.6 million last year due to the gross profit and Expense factors previously noted. Adjusted EBITDA², which excludes share-based compensation costs, decreased \$5.1 million compared to last year and as a percentage to sales was 12.5% compared to 14.1% last year but was up \$14.3 million or 24.4% compared to pre-pandemic adjusted EBITDA² in the third quarter of 2019.

¹ Excluding the impact of foreign exchange

² See Non-GAAP Measures Section of the news release

Interest Expense Interest expense increased to \$4.2 million compared to \$3.2 million last year mainly due to higher borrowing costs.

Income Tax Expense Income tax expense decreased to \$10.6 million compared to \$13.7 million last year due to lower earnings as the consolidated effective tax rate of 26.0% was the same as last year.

Net Earnings Net earnings decreased to \$30.2 million compared to \$39.2 million last year. Net earnings attributable to shareholders were \$29.5 million and diluted earnings per share were \$0.61 per share compared to \$0.79 per share last year. Adjusted net earnings², which excludes the after-tax impact of the share-based compensation costs, decreased \$5.6 million compared to the COVID-19-related driven earnings last year due to the gross profit and Expense factors previously noted, partially offset by the positive impact of foreign exchange on the translation of International Operations earnings. Although net earnings were down compared to last year, they were up \$8.5 million or 34.9% compared to the pre-pandemic third quarter of 2019.

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 (EBIT) to EBITDA and adjusted EBITDA:

(\$ in thousands)	Consolidated					
	Third Quarter			Year-to-Date		
	2022	2021	2019	2022	2021	2019
Earnings from operations (EBIT)	\$ 44,955	\$ 56,063	\$ 36,990	\$ 132,481	\$ 170,837	\$ 103,619
Add: Amortization	24,874	22,579	22,289	72,737	67,574	65,523
EBITDA	\$ 69,829	\$ 78,642	\$ 59,279	\$ 205,218	\$ 238,411	\$ 169,142
Adjusted for:						
Insurance gains	—	—	—	—	(8,632)	(14,965)
Share-based compensation expense	3,336	(408)	(450)	9,253	8,239	3,360
Adjusted EBITDA	\$ 73,165	\$ 78,234	\$ 58,829	\$ 214,471	\$ 238,018	\$ 157,537

Reconciliation of consolidated net earnings to adjusted net earnings:

(\$ in thousands)	Consolidated					
	Third Quarter			Year-to-Date		
	2022	2021	2019	2022	2021	2019
Net earnings	\$ 30,175	\$ 39,155	\$ 24,838	\$ 90,707	\$ 121,843	\$ 69,010
Adjusted for:						
Insurance gains, net of tax	—	—	—	—	(7,123)	(11,547)
Share-based compensation expense, net of tax	2,648	(732)	(502)	7,237	6,359	2,688
Adjusted net earnings	\$ 32,823	\$ 38,423	\$ 24,336	\$ 97,944	\$ 121,079	\$ 60,151

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 third 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.

Third Quarter Conference Call

North West will host a conference call for its third quarter results on December 7, 2022 at 1:30 p.m. (Central Time). To access the call, please dial 416-340-2217 or 800-806-5484 with a pass code of 9703896. The conference call will be archived and can be accessed by dialing 905-694-9451 or 800-408-3053 with a pass code of 1501297 on or before January 7, 2023.

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 221 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-

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1 Excluding the impact of foreign exchange

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