



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, a Quarterly Dividend and Terms of Senior Notes Financing

Cambridge Bay, Nunavut September 7, 2017 (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, 2017. It also announced that the Board of Directors have declared a dividend of \$0.32 per share to shareholders of record on September 29, 2017, to be paid on October 16, 2017.

"Our northern banners stood out this quarter, with help from recent acquisitions," said President & CEO Edward Kennedy. "We are now focused on keeping up sales momentum through the fall and on integrating our new businesses".

Financial Highlights

Sales increased 10.3% to \$507.9 million compared to \$460.6 million in the second quarter last year due to the acquisition of Roadtown Wholesale Trading Ltd. ("RTW") in the British Virgin Islands and same store food sales gains. The acquisition of North Star Air Ltd. ("NSA") in Canadian Operations was also a factor. Excluding the foreign exchange impact, consolidated sales increased 8.5% and were up 1.7%¹ on a same store basis. Food sales¹ increased 8.9% and were up 1.9% on a same store basis. General merchandise sales¹ increased 1.9% and were up 0.8% on a same store basis.

Earnings from operations increased 23.1% to \$33.2 million compared to \$27.0 million in the second quarter last year. Gross profit dollars were up 11.6% driven by the acquisition of RTW, sales growth and a 36 basis point increase in the gross profit rate compared to last year. The increase in the gross profit rate is mainly due to product sales blend changes. Selling, operating and administrative expenses increased 8.8% but were down 33 basis points as a percentage to sales. This increase was primarily due to the new stores acquired as part of the RTW acquisition, NSA expenses and new stores in Canadian Operations. These costs were partially offset by lower share-based compensation costs. Further information on the acquisitions of RTW and NSA is provided in Note 17 to the 2017 second quarter unaudited interim period condensed consolidated financial statements. The decrease in share-based compensation costs was largely due to option expense recovery of \$1.0 million compared to an expense of \$3.2 million last year. A substantial portion of the options granted are accounted for as a liability and are re-measured based on the share price at each quarterly reporting date. The lower option expense this quarter was due to a decrease in the share price in the quarter this year compared to an increase in the share price in the second quarter last year.

Earnings before interest, income taxes, depreciation and amortization (EBITDA²) increased 21.7% to \$47.3 million largely due to the acquisition of RTW and lower share-based compensation as noted above. Excluding the impact of share-based compensation option expense and NSA acquisition related costs, adjusted EBITDA² was up 11.6% compared to last year and as a percentage to sales was 9.2% compared to 9.1% last year.

Net earnings increased \$6.8 million or 41.6% to \$23.3 million and diluted earnings per share were \$0.46 per share compared to \$0.34 per share last year due to the factors noted above. Excluding the impact of share-based compensation option expense and the NSA acquisition related expenses, adjusted net earnings² increased 15.9%.

¹ Excluding the foreign exchange impact

² See Non-GAAP Measures Section of Management's Discussion & Analysis

Further information on the financial results is available in the Company's 2017 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.

Hurricane Irma Impact

"Our first concern is with the losses people have suffered including the hardships now faced by over 1,000 associates who work for us in the region," said Edward Kennedy. "This is a human catastrophe and as an essential food retailer and major employer in the affected communities we are totally committed to safely getting back into operation at the earliest date possible, while working closely with local authorities to help in every way we can".

The Company operates 12 stores in the islands directly impacted by Hurricane Irma and the damage caused by this current event is still being assessed. The Company is aware that its Cost-U-Less store in St. Maarten has been significantly damaged and will not be operational for an indeterminate length of time. The Company's store in St. Croix, USVI is largely undamaged. The extent of damage to the Cost-U-Less store located in St. Thomas, USVI and the nine stores and wholesale business in the British Virgin Islands is still being determined but is expected to be less significant than St. Maarten. At this point the Company believes that its insurance coverage will be adequate to cover expected costs and losses, including loss of business.

Senior Notes Financing

The Company will be, subject to the completion of a definitive agreement and customary closing conditions, issuing \$100.0 million in senior notes the proceeds of which will be used for general corporate purposes and to reduce the amount drawn on the \$300.0 million loan facilities in Canadian Operations. These new senior notes, which will mature on September 26, 2029, will be secured by a floating charge on certain assets of the Company and will rank *pari passu* with the \$300.0 million loan facilities, the US\$52.0 million loan facilities and the US\$70 million senior notes. The new senior notes will bear a fixed rate of interest at 3.74% payable on a semi-annual basis.

The Company also will, subject to the completion of a definitive agreement and customary closing conditions, extend the maturity of the \$300.0 million and the US\$52.0 million loan facilities to September 26, 2022. The issuance of the senior notes and the extension of the loan facilities maturity is expected to close on or before September 26, 2017.

Second Quarter Conference Call

North West will host a conference call for its second quarter results on September 7, 2017 at 2:30 p.m. (Central Daylight Time). To access the call, please dial 416-641-6104 or 800-952-5114 with a pass code of 2682693. The conference call will be archived and can be accessed by dialing 905-694-9451 or 800-408-3053 with a pass code of 9475116 until October 23, 2017.

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. The words may, will, should, believe, expect, plan, anticipate, intend, estimate, predict, potential, continue, or the negative of these terms, identify forward-looking matters. These statements speak only as of the date of this press release. The actual results could differ materially from those anticipated in these forward-looking statements.

Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance, capital expenditures or achievements of North West to differ materially from anticipated future results, performance, capital expenditures or achievement expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include, but are not limited to, business performance, fluctuations in interest rates and currency values, legislative and regulatory developments, legal developments, the occurrence of weather-related and other natural catastrophes, changes in tax laws, and those risks and uncertainties detailed in the section entitled Risk Factors in North West's Management's Discussion and Analysis and Annual Information Form, both for the year-ended January 31, 2017. The preceding list is not an exhaustive list of possible

factors. These and other factors should be considered carefully and readers are cautioned not to place undue reliance on these forward-looking statements. North West undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable law.

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 243 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\$1.8 billion.

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

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