



*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 11, 2018 (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, 2018. It also announced that the Board of Directors have declared a dividend of \$0.32 per share to shareholders of record on December 31, 2018, to be paid on January 15, 2019.

"Robust consumer incomes in northern and key Caribbean markets helped drive sales in the third quarter, with margin enhancement coming from the convenience range of our product offer," commented President & CEO Edward Kennedy. "These factors offset some weaker island economies and higher administration and maintenance costs in our air cargo business where we began investing to build an in-house aircraft maintenance capability. Growth opportunities will continue to be a focus in 2019 together with foundation investments in technology, people and in streamlined processes across our business."

#### **Financial Highlights**

Third quarter consolidated sales increased 5.0% to \$511.5 million led by same store sales gains in Canadian and International Operations and new stores in Canadian Operations. Excluding the foreign exchange impact, consolidated sales increased 3.5% and were up 3.0% on a same store basis. Food sales<sup>1</sup> increased 1.3% and were up 2.2% on a same store basis and general merchandise sales<sup>1</sup> increased 10.0% and were up 6.8% on a same store basis. These gains were partially offset by the impact of stores which had not yet reopened as a result of hurricanes in the Caribbean in the third quarter last year and the closure of a Cost-U-Less ("CUL") store in Kauai, Hawaii in the first quarter this year.

Gross profit increased 5.8% driven by higher sales and a 22 basis point increase in gross profit rate. The increase in gross profit rate was mainly due to higher margin convenience sales partially offset by strong big-ticket sales at lower margin rates. Selling, operating and administrative expenses decreased 11.5% and were down 398 basis points as a percentage to sales. This decrease was primarily due to a \$17.0 million pre-tax gain from the partial settlement of hurricane-related insurance claims and a \$4.0 million decrease in share-based compensation expenses. The decrease in share-based compensation was largely due to an option expense recovery of \$1.0 million compared to an option expense of \$2.3 million last year primarily related to the change in share price in the quarter compared to last year.

Earnings from operations increased 72.5% to \$54.9 million compared to \$31.8 million in the third quarter last year and earnings before interest, income taxes, depreciation and amortization (EBITDA<sup>2</sup>) increased 54.5% to \$70.5 million due to the factors previously noted. Excluding the impact of the insurance gain and share-based compensation option expense, adjusted EBITDA<sup>2</sup> was up 9.5% compared to last year and as a percentage to sales was 10.3% compared to 9.9% last year with both Canadian and International Operations contributing to the increase.

Income tax expense increased \$3.5 million to \$11.6 million and the consolidated effective tax rate was 22.7% compared to last year at 27.9%. This was largely due to U.S. tax reform and the blend of earnings in the International Operations across the various tax rate jurisdictions. The impact of non-taxable share-based compensation costs were also a factor.

<sup>1</sup> Excluding the foreign exchange impact

<sup>2</sup> See Non-GAAP Measures Section of Management's Discussion & Analysis

Net earnings increased \$18.5 million or 87.9% to \$39.5 million. Net earnings attributable to shareholders of the Company were \$38.3 million and diluted earnings per share were \$0.78 per share compared to \$0.42 per share last year due to the factors noted above. Excluding the impact of the insurance-related gain and share-based compensation option expense, adjusted net earnings<sup>2</sup> increased 8.5% led by earnings gains in International Operations.

Further information on the financial results is available in the Company's 2018 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](http://www.northwest.ca).

### **Third Quarter Conference Call**

North West will host a conference call for its third quarter results on December 11, 2018 at 1:30 p.m. (Central Time). To access the call, please dial 647-484-0473 or 800-289-0459 with a pass code of 836373. The conference call will be archived and can be accessed by dialing 905-694-9451 or 800-408-3053 with a pass code of 3004686 or before January 11, 2019.

### **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, 2018. 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 244 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\$2.0 billion.

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

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