



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 CEO Transition, Fourth Quarter Earnings and a Quarterly Dividend

Winnipeg, Manitoba, April 7, 2021 (TSX: NWC): The North West Company Inc. (the "Company" or "North West") today announced a CEO transition plan, reported its unaudited financial results for the fourth quarter ended January 31, 2021 and released its 2020 Annual Report and Annual Information Form. The Annual Report includes the Company's Annual Audited Consolidated Financial Statements and Management's Discussion and Analysis for the year ended January 31, 2021. These documents are available on the Company's profile on the SEDAR website at www.sedar.com and on the Company's website at www.northwest.ca. It also announced that the Board of Directors have declared a dividend of \$0.36 per share to be paid on April 28, 2021 to shareholders of record on April 16, 2021.

CEO Transition - Chairman's Statement

This year, Edward Kennedy is celebrating his 30th year as a senior executive at The North West Company, and his 25th year as President & CEO. That length of tenure is, in itself, extraordinary in Canadian business.

Edward's guiding hand has touched all facets of the company's development, from taking North West public, to shifting our product focus to food, expanding internationally, forging dozens of partnerships with Indigenous entities and growing into exciting new areas like health and transportation, all while being a true ally of the communities we are privileged to serve. Under Edward's time as CEO, North West's financial performance has been equally stellar with sales growth from \$590 million to \$2.4 billion, EBITDA growth from \$59 million to over \$300 million and nearly \$1.2 billion in total dividends paid to shareholders; delivering compound annual returns of 15.6% – indeed it has been a remarkable run for Edward and the company.

But in the words of Ecclesiastes 'to everything, there is a season and a time' and now is the time for Edward to move on to the next stage of his life and for the company to move forward under new leadership.

The Board has been aware for several years of Edward's desire to retire, which has allowed us to prepare for this transition. While it is very difficult to imagine North West without Edward we have had plenty of time to get used to the idea and to have put a robust process in place to plan for a new CEO.

I am delighted to announce that, when Edward steps down on August 1 of this year, he will be succeeded by Dan McConnell. Dan has spent 19 years with North West with a range of key senior responsibilities, most recently as head of our International Operations,

based in Boca Raton, Florida. Dan has a strong track record in his current role and previously as Executive Vice President, Corporate Development and is well prepared to assume his new position. He will be supported by a very strong senior management team. The Board is excited by this appointment because change brings opportunities and we know Dan's passion for the business will be infectious for all Nor' Westers.

As part of our plan, Edward has agreed to remain available to Dan to help him fully acclimatize to the breadth of his new responsibilities. The Board is also committed to working closely with Dan, continuing the CEO transition process, and helping to ensure Dan's success in his new role.

We are going to miss Edward on a day-to-day basis but we understand that life goes on. We want to thank him for all of his contributions and we wish him well in the years ahead. We also want to congratulate Dan in his appointment and wish him all success as he embarks on his journey as CEO.

H. Sanford Riley
Chairman, Board of Directors
The North West Company

CEO Comments on Fourth Quarter Results and Annual Results

"2020 was the most intensely active and reactive year in The North West Company's history. We started with a great playbook and ended with completely different and unexpected outcomes, including the highest annual sales gains of any Canadian-based retailer." Commented President & CEO Edward Kennedy. "The single constant was the adaptability of North West, or more accurately, the people of North West and the communities we are privileged to serve. Our associates handled big increases in sales volumes while dealing with new work protocols and constraints presented by COVID-19. These were challenging physical factors. Added was the stress of being front-line workers, with many living in high risk circumstances, and the Pandemic anxieties that affected us all. Under these circumstances we tried our best to financially recognize workloads and help each other stay positive, healthy and energized.

The final chapter in our 2020 story was our focus and drive for sales amid adverse operating conditions. North West's store sales increased by \$270 million or 19%, generated from the same 207 stores as the year before. Without question we benefitted from lower travel and higher consumer incomes derived from government support programs in Canada and the U.S. On the other hand we faced constraints on food supply, closures of most of our food service departments, a drop-off in convenience store business and depressed tourism-dependent markets. How we responded was critical to our performance.

Based on the current vaccine and variant situation, combined with the Company's initiatives to retain market share gains from 2020, it is expected that earnings in 2021 will be meaningfully above pre-Pandemic (2019) levels but likely below 2020. The Pandemic also presents North West with unprecedented growth opportunities beyond the successes of 2020 and the post-pandemic transition year of 2021. After the GT store divestiture we are a more focused company with a more attractive mix of retail banners and complementary businesses, like our airline and shipping investments. We are still seeing attractive opportunities in rural retail and wholesale, in transportation and in other adjacent spaces within our core geographies. We are more active in health, triggered by allowable virtual physician service delivery and billing protocols. Within our retail businesses that grew the most last year, we have enhanced customer and community relationships that will enable new partnership opportunities in a post-Pandemic environment.

Most important and hardest to measure is a renewed pure merchant capability and 'get sales' attitude within North West. We convincingly know that we have the ability to set and reach higher sales goals within both in-store product and service categories

and other channels like B to B and e-commerce, where we had accepted lesser growth targets in the past. In short, the enterprising spirit at North West is alive and energized.”

Fourth Quarter and Annual Results

The following table provides a summary of selected information for the fourth quarter and annual results. Further information on the fourth quarter and annual financial performance is provided in the 2020 Annual Report available on the Company's website at www.northwest.ca or on SEDAR at www.sedar.com.

Selected Fourth Quarter⁽³⁾ and Annual Information

(\$ in thousands, except per share)	Three Months Ended January 31, 2021	Three Months Ended January 31, 2020	Twelve Months Ended January 31, 2021	Twelve Months Ended January 31, 2020
Sales	\$ 565,191	\$ 553,061	\$ 2,359,239	\$ 2,094,393
Same store sales % increase ⁽²⁾	16.8 %	0.8 %	19.0 %	1.3 %
Gross profit	\$ 187,873	\$ 169,154	\$ 774,553	\$ 664,398
Selling, operating and administrative expenses	(138,759)	(142,420)	(565,204)	(534,045)
EBITDA ⁽¹⁾	71,410	50,433	301,427	219,575
EBIT	49,114	26,734	209,349	130,353
Interest expense	(3,448)	(5,632)	(16,808)	(20,948)
Income taxes	(12,834)	(3,839)	(48,981)	(23,132)
Net earnings	32,832	17,263	143,560	86,273
Net earnings attributable to shareholders of the	32,060	16,344	139,874	82,724
Net earnings per share - basic	0.66	0.34	2.87	1.70
Net earnings per share - diluted	0.63	0.33	2.82	1.68
Cash flow from operating activities	106,660	48,320	338,718	161,117
Cash flow used in investing activities	(11,904)	(19,218)	(66,900)	(104,272)
Cash flow used in financing activities	(81,765)	(53,035)	(227,060)	(67,236)
Cash dividends per share	\$ 0.36	\$ 0.33	\$ 1.38	\$ 1.32

(1) See Non-GAAP Financial Measures section within the 2020 Annual Report.

(2) All references to same store sales exclude the foreign exchange impact.

(3) Unaudited interim financial information.

Other Annual Highlights

- The Company increased annual incentive plan payments to front-line managers by \$10.8 million and paid \$10.1 million in hourly premiums and one-time special payments to front-line associates to recognize their critical role in serving our customers.
- Donations increased \$5.5 million in response to greater community needs during COVID-19.
- Debt-to-Equity decreased to 0.56 compared to 0.96 at January 31, 2020.
- Return on net assets⁽¹⁾ improved to 22.4% compared to 13.5% in 2019.
- Completed the sale of 36 Giant Tiger stores resulting in a pre-tax gain of \$24.7 million or \$20.0 million net of tax.
- Quarterly dividends increased \$0.03 per share or 9.1% to \$0.36 per share.
- The Company purchased 180,744 shares under a normal course issuer bid.

Fourth Quarter Results

Consolidated Sales Sales for the fourth quarter increased 2.2% to \$565.2 million as strong same store sales gains were largely offset by lower sales in Giant Tiger stores related to the previously announced sale of 36 stores which was completed on July 5, 2020 and the closure of five stores in the third quarter (collectively the "Giant Tiger Transaction"). Excluding the foreign exchange impact, consolidated sales increased 2.4% and were up 16.8%⁽²⁾ on a same store basis. Food sales⁽²⁾ increased 4.4% and were up 12.0% on a same store basis and general merchandise sales⁽²⁾ decreased 4.7% due to the Giant Tiger Transaction but were up 39.8% on a same store basis. Similar to the first three quarters of the year, sales were driven by market share gains and COVID-19-related factors including consumer spending changes in favor of in-community and at-home activities, supported by enhanced government income support payments to individuals in many of the jurisdictions in which the Company operates.

Gross Profit Gross profit increased 11.1% driven by sales gains and a 266 basis point rate increase compared to last year. The increase in gross profit rate was primarily due to favourable changes in product sales blend and higher inventory turns contributing to lower markdowns and inventory shrinkage. These factors were partially offset by a higher blend of CUL sales which carry a lower gross profit rate consistent with CUL's discount warehouse format and the impact of lower margin wholesale food sales as part of the Giant Tiger Transaction.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") decreased \$3.7 million compared to last year and were down 120 basis points as a percentage to sales. The decrease in Expenses related to the Giant Tiger Transaction and lower Canadian administration costs was largely offset by an increase in annual incentive plan costs, the impact of COVID-19-related expenses and higher share-based compensation costs. COVID-19-related expenses of \$5.8 million include \$3.5 million in wage premiums and a special one-time payment of 5% of wages to non-bonus eligible front-line in recognition of their contributions to serving our customers and \$2.3 million in other COVID-19-related expenses primarily related to temporary workers to provide additional support during outbreaks, the purchase of protective equipment and enhanced sanitation procedures. These factors were partially offset by insurance-related gains of \$5.3 million this year compared to \$3.2 million last year.

Earnings from operations and EBITDA⁽¹⁾ Earnings from operations or earnings before interest and taxes ("EBIT") increased \$22.4 million to \$49.1 million compared to \$26.7 million last year and earnings before interest, income taxes, depreciation and amortization ("EBITDA"⁽¹⁾) increased \$21.0 million to \$71.4 million due to the sales, gross profit and Expense factors previously noted. Adjusted EBITDA⁽¹⁾, which excludes share-based compensation costs and insurance-related gains, increased \$21.6 million compared to last year and as a percentage to sales was 12.2% compared to 8.6%.

Interest Expense Interest expense decreased 38.8% to \$3.4 million compared to \$5.6 million last year mainly due to lower average debt levels related to a reduction in amounts drawn on revolving loan facilities.

Income Tax Expense Income tax expense was \$12.8 million compared to \$3.8 million last year and the consolidated effective tax rate was 28.1% compared to 18.2%. The increase in income tax expense is due to higher earnings and a higher effective tax rate. The increase in the income tax rate was primarily due to the blend of earnings in International Operations across various tax rate jurisdictions. The impact of non-tax deductible share-based compensation costs in Canadian Operations was also a factor.

Net Earnings Consolidated net earnings increased \$15.6 million to \$32.8 million. Net earnings attributable to shareholders were \$32.1 million and diluted earnings per share were \$0.63 per share compared to \$0.33 per share last year due to the factors noted above. Adjusted net earnings⁽¹⁾, which excludes the impact of the after-tax share-based compensation costs and after-tax insurance-related gains, increased \$15.3 million compared to last year driven by earnings gains in Canadian Operations and International Operations resulting from the factors previously noted.

Annual Results

Consolidated Sales Sales for the year increased 12.6% to \$2.359 billion and were up 19.0%⁽²⁾ on a same store basis driven by market share gains and COVID-19-related factors including consumer spending changes in favor of in-community and at-home activities, supported by enhanced government income transfers in many jurisdictions. These factors were partially offset by lower sales in Giant Tiger stores resulting from the Giant Tiger Transaction.

Gross Profit Gross profit increased 16.6% to \$774.6 million compared to \$664.4 million last year driven by sales growth and an 111 basis point increase in gross profit rate. The gross profit rate increased to 32.8% compared to 31.7% last year primarily due to favourable changes in product sales blend and higher inventory turns contributing to lower markdowns and inventory shrinkage.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") of \$565.2 million increased \$31.2 million or 5.8% compared to last year but were down 154 basis points as a percentage of sales. This increase in Expenses is partially due to higher annual incentive plan costs, COVID-19-related expenses and corporate donations. Annual incentive plan costs increased \$18.2 million of which \$10.8 million relates to front-line associates. COVID-19-related expenses of \$19.6 million includes \$10.1 million in wage premiums and a special one-time payment of 5% of wages to non-bonus eligible front-line associates in recognition of their contributions to serving our customers and \$9.5 million in other COVID-19-related expenses primarily related to additional employees recruited to provide support to stores during outbreaks, the purchase of protective equipment and enhanced sanitation procedures. Donations increased \$5.5 million in response to greater community needs during COVID-19. These factors were partially offset by lower Giant Tiger store expenses related to the Giant Tiger Transaction and Canadian administrative cost reductions, net of a \$5.0 million provision for support office employee severance costs.

Earnings from Operations (EBIT) and EBITDA⁽¹⁾ Earnings from operations or earnings before interest and income taxes ("EBIT") increased 60.6% to \$209.3 million compared to \$130.4 million last year due to the sales, gross profit and Expense factors previously noted. Earnings before interest, income taxes, depreciation and amortization ("EBITDA⁽¹⁾") increased 37.3% to \$301.4 million compared to \$219.6 million last year.

Interest Expense Interest expense decreased 19.8% to \$16.8 million compared to \$20.9 million last year. This decrease is due to lower average debt levels and lower interest rates.

Income Tax Expense Income taxes increased to \$49.0 million compared to \$23.1 million last year and the effective tax rate for the year was 25.4% compared to 21.1% last year. The increase in income tax expense is due to higher earnings and a higher effective tax rate.

Net Earnings Consolidated net earnings increased 66.4% to \$143.6 million compared to \$86.3 million last year. Net earnings attributable to shareholders of the Company were \$139.9 million compared to \$82.7 million last year and diluted earnings per share were \$2.82 per share compared to \$1.68 per share last year due to the factors previously noted.

Additional information regarding the financial performance of North West can be found within the 2020 Annual Report, Annual Audited Financial Statements and the Annual Information Form available on the Company's website at www.northwest.ca or on SEDAR at www.sedar.com.

Fourth Quarter Conference Call

North West will host a conference call for its fourth quarter results on April 7, 2021 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 7653198. The conference call will be archived and can be accessed by dialing 905-694-9451 or 800-408-3053 with a pass code of 4955667 on or before May 8, 2021.

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, including the Company's intentions regarding a normal course issuer bid, the anticipated impact of the COVID-19 pandemic on the Company's operations and the Company's related business continuity plans and the realization of expected savings from administrative cost reduction plans. 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, 2021. 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 and developing small population communities in northern Canada, rural Alaska, the South Pacific and the Caribbean. North West operates 212 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\$2.4 billion.

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

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