



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 and an Increase in the Quarterly Dividend

Winnipeg, Manitoba, September 12, 2023 (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, 2023. It also announced that the Board of Directors has declared a quarterly dividend of \$0.39, an increase of \$0.01 or 2.6% per share, to shareholders of record on September 29, 2023, to be paid on October 13, 2023.

"I am pleased with our second quarter results as we continue to take a balanced approach to managing cost inflation pressures while focusing on finding cost efficiencies and productivity gains within our business," said President & CEO Dan McConnell. "I am optimistic about the progress we are making on our operational excellence priorities and the growth potential of our business. I also want to acknowledge the many people whose lives have been so negatively affected by the wild fires in northern Canada and I want to thank our front-line associates, the fire fighters and community leaders for their commitment to supporting these impacted communities".

Financial Highlights

Sales Second quarter consolidated sales increased 6.8% to \$618.1 million led by same store sales gains mainly due to higher inflation and the impact of foreign exchange on the translation of International Operations sales. The impact of new stores in Canadian and International Operations and an increase in other sales in Canadian Operations largely related to higher airline revenue were also factors. Excluding the foreign exchange impact, consolidated sales increased 5.4%, with food sales increasing 5.0% and general merchandise and other sales increasing 6.8% compared to last year. On a same store basis, sales increased 4.7%¹ compared to the second quarter last year led by a 7.2% increase in same store sales in Canadian Operations with gains in both food and general merchandise sales and a 1.3% same store sales increase in International Operations driven by an increase in food sales.

Gross Profit Gross profit increased 11.1% driven by sales gains and a 128 basis point increase in gross profit rate compared to last year. The increase in gross profit rate was mainly due to changes in sales blend and a higher pass through of cost inflation in retail prices compared to last year. An increase in the airline gross profit rate in Canadian Operations resulting from higher third party cargo and charter passenger business was also a factor.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased \$11.8 million or 8.6% compared to last year and were up 40 basis points as a percentage to sales. The increase in Expenses is largely due to cost inflation impacts including higher staff costs and fuel-based utility expenses, the impact of foreign exchange on the translation of International Operations Expenses, new store expenses and an increase in depreciation. A \$3.7 million expense resulting from the write-off of assets in our Fox Lake, Alberta store that was destroyed by a wild fire was also a factor. These factors were partially offset by a decrease in share-based compensation costs.

¹ Excluding the impact of foreign exchange

² See Non-GAAP Measures Section of the news release

Earnings From Operations Earnings from operations (EBIT) increased 18.6% to \$54.7 million compared to \$46.1 million last year and earnings before interest, income taxes, depreciation and amortization ("EBITDA²") increased to \$80.1 million compared to \$70.4 million last year due to the gross profit and Expense factors previously noted. Adjusted EBITDA², which excludes share-based compensation costs and the asset write-off of the Fox Lake store destroyed by wild fire, increased \$10.7 million or 14.7% to \$83.3 million compared to \$72.6 million last year and as a percentage to sales was 13.5% compared to 12.6% last year.

Net Earnings Net earnings increased 17.5% to \$38.0 million compared to \$32.4 million last year. Net earnings attributable to shareholders were \$36.8 million and diluted earnings per share were \$0.76 per share compared to \$0.64 per share last year. Adjusted net earnings², which excludes the after-tax impact of the share-based compensation costs and the asset write-off related to the loss of the Fox Lake store, increased \$6.1 million or 17.9% compared to last year largely due to the gross profit and Expense factors previously noted.

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.

Reconciliation of consolidated earnings from operations (EBIT) to EBITDA and adjusted EBITDA:

(\$ in thousands)	Second Quarter	
	2023	2022
Earnings from operations (EBIT)	\$ 54,686	\$ 46,095
Add: Amortization	25,422	24,349
EBITDA	\$ 80,108	\$ 70,444
Adjusted for:		
Fox Lake wild fire asset write-off ⁽³⁾	3,694	—
Share-based compensation expense	(471)	2,180
Adjusted EBITDA	\$ 83,331	\$ 72,624

(3) On May 5, 2023, the Company's store in Fox Lake, Alberta was destroyed by wild fire which resulted in a write-off of assets.

1 Excluding the impact of foreign exchange

2 See Non-GAAP Measures Section of the news release

Reconciliation of consolidated net earnings to adjusted net earnings:

(\$ in thousands)	Second Quarter	
	2023	2022
Net earnings	\$ 38,045	\$ 32,371
Adjusted for:		
Fox Lake wild fire asset write-off, net of tax ⁽³⁾	2,551	—
Share-based compensation expense, net of tax	(559)	1,589
Adjusted net earnings	\$ 40,037	\$ 33,960

(3) On May 5, 2023, the Company's store in Fox Lake, Alberta was destroyed by wild fire which resulted in a write-off of assets.

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 the financial results is available in the Company's 2023 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 13, 2023 at 9:00 a.m. (Central Time). To access the call, please dial 416-406-0743 or 800-952-5114 with a pass code of 4674438#. The conference call will be archived and can be accessed by dialing 905-694-9451 or 800-408-3053 with a pass code of 4665813# on or before October 13, 2023.

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), ongoing business strategies or prospects, the Company's intentions regarding a normal course issuer bid, the potential impact of a pandemic on the Company's operations, supply chain and the Company's related business continuity plans, the realization of cost 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, 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 2022 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 224 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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