



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 6, 2023 (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, 2023. It also announced that the Board of Directors has declared a quarterly dividend of \$0.39 to shareholders of record on December 29, 2023, to be paid on January 15, 2024.

"The strong results this quarter reflect further sales gains in our Canadian Operations driven by a good in-stock position which was partially offset by more challenging economic conditions for customers in our International Operations who were impacted by lower Supplemental Nutrition Assistance Program benefits and Alaska Permanent Fund Dividend payments compared to last year," said President & CEO Dan McConnell. "I am pleased with the progress we are making on managing costs within our business to help offset ongoing inflationary cost pressures and the positive impact these initiatives had on our results in the quarter."

#### **Financial Highlights**

**Sales** Third quarter consolidated sales increased 5.1% to \$616.9 million led by same store sales gains in Canadian Operations. 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 4.9%, with food sales increasing 3.1% and general merchandise and other sales increasing 11.2% compared to last year. On a same store basis, sales increased 4.6%<sup>1</sup> compared to the third quarter last year as a 10.1% increase in same store sales in Canadian Operations more than offset a 2.7% decrease in same store sales in International Operations.

**Gross Profit** Gross profit increased 10.0% due to sales gains and a 148 basis point increase in gross profit rate compared to last year. The increase in gross profit rate was largely due to changes in sales blend, including a lower blend of Cost-U-Less sales which have a lower gross profit rate consistent with a discount warehouse format, and a decrease in inventory shrink and markdowns compared to last year.

**Selling, Operating and Administrative Expenses** Selling, operating and administrative expenses ("Expenses") increased \$7.9 million or 5.6% compared to last year and were up 10 basis points as a percentage to sales. The increase in Expenses is mainly due to cost inflation impacts, new store expenses and an increase in depreciation.

**Earnings From Operations** Earnings from operations ("EBIT") increased 24.0% to \$55.7 million compared to \$45.0 million last year and earnings before interest, income taxes, depreciation and amortization ("EBITDA<sup>2</sup>") increased to \$83.0 million compared to \$69.8 million last year due to the sales, gross profit and Expense factors previously noted. Higher earnings in North Star Air from an increase in third party cargo and passenger volumes and improved aircraft utilization was also a factor. Adjusted EBITDA<sup>2</sup>, which excludes share-based compensation costs, increased 19.2% to \$87.2 million compared to \$73.2 million last year and as a percentage to sales was 14.1% compared to 12.5% last year.

**Net Earnings** Net earnings increased 26.1% to \$38.0 million compared to \$30.2 million last year. Net earnings attributable to shareholders were \$37.2 million and diluted earnings per share were \$0.77 per share compared to \$0.61 per share last year. Adjusted net earnings<sup>2</sup>, which excludes the after-tax impact of the share-based compensation costs, increased \$8.6 million or 26.1% compared to last year due to the gross profit and Expense factors previously noted.

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

<sup>2</sup> See Non-GAAP Measures Section of the news release

## 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)	Third Quarter	
	2023	2022
Earnings from operations (EBIT)	\$ 55,746	\$ 44,955
Add: Amortization	27,231	24,874
EBITDA	\$ 82,977	\$ 69,829
Adjusted for:		
Share-based compensation expense	4,246	3,336
Adjusted EBITDA	\$ 87,223	\$ 73,165

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)	Third Quarter	
	2023	2022
Net earnings	\$ 38,038	\$ 30,175
Adjusted for:		
Share-based compensation expense, net of tax	3,353	2,648
Adjusted net earnings	\$ 41,391	\$ 32,823

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 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 6, 2023 at 2:00 p.m. (Central Time). To access the call, please dial 416-641-6104 or 800-952-5114 with a pass code of 7224422#. The conference call will be archived and can be accessed by dialing 905-694-9451 or 800-408-3053 with a pass code of 9797422# on or before January 3, 2024.

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), 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](http://www.sedar.com) or on the Company's website at [www.northwest.ca](http://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 226 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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### **For more information contact:**

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1 Excluding the impact of foreign exchange

2 See Non-GAAP Measures Section of the news release