



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 Fourth Quarter Earnings and a Quarterly Dividend

Winnipeg, Manitoba, April 10, 2024 (TSX: NWC): The North West Company Inc. (the "Company" or "North West") today announced its unaudited financial results for the fourth quarter ended January 31, 2024 and released its 2023 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, 2024. These documents are available on the Company's profile on the SEDAR+ website at www.sedarplus.com and on the Company's website at www.northwest.ca. It also announced that the Board of Directors has declared a dividend of \$0.39 per share to be paid on April 29, 2024 to shareholders of record on April 18, 2024.

CEO Comments on Fourth Quarter Results and Annual Results

"The results in the quarter reflect continued momentum in our Canadian Operations" said President & CEO Dan McConnell. "Overall, I am pleased with the results for the year considering the impact of lower income support payments for customers in our International Operations and the wildfires in Canada and I am encouraged by the progress we are making from our focus on operational excellence."

Fourth Quarter and Annual Results

The following table provides a summary of selected information for the 2023 fourth quarter and annual results. Further information on the fourth quarter and annual financial performance is provided in the 2023 Annual Report available on the Company's website at www.northwest.ca or on SEDAR+ at www.sedarplus.com.

Selected Fourth Quarter⁽³⁾ and Annual Information

	Three Months Ended January 31, 2024	Three Months Ended January 31, 2023	Twelve Months Ended January 31, 2024	Twelve Months Ended January 31, 2023
(\$ in thousands, except per share)				
Sales	\$ 643,109	\$ 635,164	\$ 2,471,678	\$ 2,352,760
Same store sales % increase/(decrease) ⁽²⁾	1.4 %	2.1 %	2.9 %	(0.8)%
Gross profit	\$ 214,692	\$ 201,177	\$ 809,419	\$ 747,915
Selling, operating and administrative expenses	(162,995)	(153,353)	(613,522)	(567,610)
EBITDA ⁽¹⁾	79,136	73,460	301,173	278,678
Earnings from operations	51,697	47,824	195,897	180,305
Interest expense	(4,894)	(4,192)	(19,051)	(14,836)
Income taxes	(10,792)	(8,503)	(42,555)	(39,633)
Net earnings	36,011	35,129	134,291	125,836
Net earnings attributable to shareholders of the Company	34,492	33,930	129,391	122,190
Net earnings per share - basic	0.72	0.71	2.71	2.55
Net earnings per share - diluted	0.71	0.69	2.67	2.51
Cash flow from operating activities	90,481	100,230	230,427	182,838
Cash flow used in investing activities	(41,606)	(51,907)	(107,701)	(106,802)
Cash flow used in financing activities	(66,916)	(38,500)	(128,270)	(68,298)
Cash dividends per share	\$ 0.39	\$ 0.38	\$ 1.54	\$ 1.50

(1) See Non-GAAP Financial Measures section below.

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

(3) Unaudited interim financial information.

Annual Highlights

- Six new stores were opened, four in Canada and two in International Operations.
- Sales increased 5.1%.
- Net earnings increased \$8.5 million or 6.7%.
- Return on average equity⁽¹⁾ was 19.9%.
- Return on net assets⁽¹⁾ was 17.7%.
- Debt-to-Equity was 0.40 at January 31, 2024 and has remained below 1.0 since 2000.
- Quarterly dividends increased \$0.01 per share or 2.6% to \$0.39 per share in September 2023 and annual dividends per share have increased 3.2% on a compound annual growth basis over the past 10 years.

Fourth Quarter Results

Consolidated Fourth Quarter Sales Sales for the quarter increased 1.3% to \$643.1 million led by same store sales gains in Canadian Operations and the impact of new stores in Canadian and International Operations. These factors were partially offset by the loss of our store in Fox Lake, Alberta in the second quarter due to wildfire and the closure of our CUL store in Curacao, Netherlands in the first quarter. Excluding the foreign exchange impact, consolidated sales increased 1.6% with food sales increasing 1.2% and general merchandise and other sales increasing 2.8%. Same store sales were up 1.4%⁽²⁾ compared to the fourth quarter last year, as a 3.7% increase in same store sales in Canadian Operations more than offset a 2.0% decrease in same store sales in International Operations. On a same store basis, food sales⁽²⁾ increased 2.0% and general merchandise sales⁽²⁾ decreased 1.9%.

Gross Profit Gross profit increased 6.7% due to sales gains and a 171 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, an increase in the airline gross profit rate in Canadian Operations and lower markdowns on seasonal merchandise compared to last year. A higher pass through of cost inflation in retail prices compared to last year and a lower blend of CUL sales which have a lower gross profit rate consistent with a warehouse format were also factors.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased \$9.6 million compared to last year and were up 120 basis points as a percentage to sales. The increase in Expenses is largely due to cost inflation impacts, including higher staff costs, new store expenses, an increase in depreciation and higher incentive plan costs. These factors were partially offset by the Fox Lake fire loss and CUL store closure previously noted.

Earnings from operations and EBITDA⁽¹⁾ Earnings from operations or earnings before interest and taxes ("EBIT") increased \$3.9 million or 8.1% to \$51.7 million compared to \$47.8 million last year and EBITDA⁽¹⁾ increased \$5.7 million or 7.7% to \$79.1 million compared to \$73.5 million last year due to the sales, gross profit and Expense factors previously noted. Adjusted EBITDA⁽¹⁾, which excludes share-based compensation costs increased \$6.4 million or 8.2% to \$83.7 million compared to \$77.3 million last year and as a percentage to sales was 13.0% compared to 12.2% last year.

Interest Expense Interest expense increased 16.7% to \$4.9 million compared to \$4.2 million last year. The increase in interest expense is due to higher average debt levels related to amounts drawn on revolving loan facilities and an increase in borrowing costs.

Income Tax Expense Income tax expense was \$10.8 million compared to \$8.5 million last year and the consolidated effective tax rate was 23.1% compared to 19.5% last year. The increase in the income tax rate was primarily due to the blend of earnings in International Operations across various tax rate jurisdictions and the impact of lower Global Intangible Low-Taxed Income tax last year.

Net Earnings Consolidated net earnings increased \$0.9 million or 2.5% to \$36.0 million compared to \$35.1 million last year. Net earnings attributable to shareholders were \$34.5 million and diluted earnings per share were \$0.71 per share compared to \$0.69 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, increased \$1.4 million or 3.8% to \$39.5 million compared to \$38.1 million last year due to earnings gains in Canadian Operations which was partially offset by the impact of a higher effective tax rate as previously noted.

Annual Results

Consolidated Sales Sales for the year ended January 31, 2024 ("2023") increased 5.1% to \$2.472 billion compared to \$2.353 billion for the year ended January 31, 2023 ("2022"). The increase in sales compared to 2022 was largely due to same store sales gains in Canadian Operations, the impact of foreign exchange on the translation of International Operations sales and new store sales. Higher inflation was also a factor. These factors were partially offset by the loss of our store in Fox Lake, Alberta in the second quarter due to wild fire and the closure of our store in Curacao, Netherlands early in the first quarter this year. Excluding the foreign exchange impact, sales increased 4.2% from 2022.

Gross Profit Gross profit increased 8.2% to \$809.4 million compared to \$747.9 million last year due to higher sales and a 96 basis point increase in the gross profit rate. The higher gross profit rate compared to last year was largely due to changes in sales blend and an increase in the airline gross profit rate in Canadian Operations resulting from higher third party cargo and passenger business. A higher pass through of cost inflation in retail prices compared to last year and a lower blend of Cost-U-Less sales which have a lower gross profit rate consistent with a warehouse format were also factors. These factors were partially offset by higher markdowns and inventory shrink compared to last year.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") of \$613.5 million increased \$45.9 million or 8.1% compared to last year and were up 69 basis points as a percentage of sales. The increase in Expenses is mainly 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 and new stores. An increase in depreciation, the \$3.7 million asset write-off from the loss of our Fox Lake, Alberta store that was destroyed by wild fire and higher annual incentive plan costs were also factors.

Earnings from Operations (EBIT) and EBITDA⁽¹⁾ Earnings from operations or earnings before interest and income taxes ("EBIT") increased 8.6% to \$195.9 million compared to \$180.3 million last year. Earnings before interest, income taxes, depreciation and amortization ("EBITDA⁽¹⁾") increased 8.1% to \$301.2 million compared to \$278.7 million last year. The increase in EBIT and EBITDA compared to last year is due to the sales, gross profit and Expense factors previously noted. Adjusted EBITDA⁽¹⁾, which excludes the impact of share-based compensation and the Fox Lake fire loss, increased \$26.2 million or 9.0% to \$318.0 million compared to \$291.8 million last year.

Interest Expense Interest expense increased 28.4% to \$19.1 million compared to \$14.8 million last year. This increase is due to higher average debt levels and borrowing costs.

Income Tax Expense Income taxes increased to \$42.6 million compared to \$39.6 million last year and the effective tax rate for the year was 24.1% compared to 24.0% last year. The increase in income tax expense is due to higher earnings.

Net Earnings Consolidated net earnings increased 6.7% to \$134.3 million compared to \$125.8 million last year. Net earnings attributable to shareholders of the Company were \$129.4 million compared to \$122.2 million last year and diluted earnings per share were \$2.67 per share compared to \$2.51 per share last year due to the factors previously noted. Excluding the impact of the share-based compensation and Fox Lake fire loss, adjusted net earnings⁽¹⁾ increased \$11.0 million or 8.1% to \$147.0 million compared to \$136.0 million last year.

Other Highlights

Modern Slavery Act Report

In compliance with the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (referred to as Canada's "Modern Slavery Act"), the Company and certain of its subsidiaries will publicly file their Joint Modern Slavery Act Report for the 2023 fiscal year. The Modern Slavery Act Report will be available on the Company's website at www.northwest.ca.

Sustainability Report 2023

The Company's 2023 Sustainability Report outlines our Environmental, Social and Governance ("ESG") Strategy. Our ESG Strategy aims to achieve positive change through a shared-value framework that benefits people, our planet and creates strong partnerships for the future. Through our ESG strategy, we seek to drive positive change in the communities we serve by supporting their journey for improved health, nutrition and overall quality of life. We also seek to improve the experience of our employees by creating a more diverse, equitable and inclusive work environment, where employees can further develop their skills and grow their careers within our organization. The Sustainability Report 2023 is available on the Company's website at www.northwest.ca.

Non-GAAP Financial Measures

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.

(1) Earnings Before Interest, Income Taxes, Depreciation and Amortization (EBITDA), 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.

Reconciliation of Consolidated Earnings from Operations to EBITDA and Adjusted EBITDA

(\$ in thousands)	Fourth Quarter		Year-to-date	
	2023	2022	2023	2022
Earnings from operations	\$ 51,697	\$ 47,824	\$ 195,897	\$ 180,305
Add:				
Amortization	27,439	25,636	105,276	98,373
EBITDA	\$ 79,136	\$ 73,460	\$ 301,173	\$ 278,678
Fox Lake wildfire asset write-off	—	—	3,694	—
Gain on insurance settlement	—	—	—	—
Share-based compensation expense	4,558	3,878	13,167	13,131
Adjusted EBITDA	\$ 83,694	\$ 77,338	\$ 318,034	\$ 291,809

Reconciliation of consolidated net earnings to adjusted net earnings:

(\$ in thousands)	Fourth Quarter		Year-to-Date	
	2023	2022	2023	2022
Net earnings	\$ 36,011	\$ 35,129	\$ 134,291	\$ 125,836
Fox Lake wildfire asset write-off, net of tax	—	—	2,551	—
Gain on insurance settlement, net of tax	—	—	—	—
Share-based compensation expense, net of tax	3,523	2,976	10,177	10,213
Adjusted Net Earnings	\$ 39,534	\$ 38,105	\$ 147,019	\$ 136,049

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

In 2021, the Company recorded gains on insurance claims. These gains were due to the difference between the replacement cost of the assets destroyed and their book value and also for the recovery of business interruption losses on certain insurance claims

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.

(2) Return on Net Assets (RONA) is not a recognized measure under IFRS. Management believes that RONA is a useful measure to evaluate the financial return on the net assets used in the business. RONA is calculated as earnings from operations (EBIT) for the year divided by average monthly net assets. The following table reconciles net assets used in the RONA calculation to IFRS measures reported in the consolidated financial statements as at January 31 for the following fiscal years:

(\$ in millions)	2023	2022
Total assets	\$ 1,396.0	\$ 1,336.9
Less: Total liabilities	(690.2)	(689.0)
Add: Total debt and lease liabilities	405.5	402.5
Net Assets Employed	\$ 1,111.3	\$ 1,050.4

(3) Return on Average Equity (ROE) is not a recognized measure under IFRS. Management believes that ROE is a useful measure to evaluate the financial return on the amount invested by shareholders. ROE is calculated by dividing net earnings for the year by average monthly total shareholders' equity. There is no directly comparable IFRS measure for return on equity.

Additional information regarding the financial performance of North West can be found within the 2023 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.sedarplus.com.

Fourth Quarter Conference Call

North West will host a conference call for its fourth quarter results on April 10, 2024 at 1:30 p.m. (Central Time). To access the call, please dial 416-406-0743 or 800-952-5114 with a pass code of 6009195#. The conference call will be archived and can be accessed by dialing 905-694-9451 or 800-408-3053 with a pass code of 8370096# on or before May 10, 2024.

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 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. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements 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 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, 2024. 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 227 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\$2.5 billion.

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

-30-

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