



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 9, 2024 (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, 2024. It also announced that the Board of Directors has declared a quarterly dividend of \$0.40 to shareholders of record on December 31, 2024, to be paid on January 15, 2025.

"Our Canadian and International Operations delivered solid same-store sales growth and an increase in EBITDA this quarter. However, we saw a decline in net earnings compared to last year's impressive results, primarily due to higher expenses and increased income taxes," stated President & CEO Dan McConnell. "We are encouraged by the advancements in our Next 100 operational excellence work, including the planned refinement of our merchandise assortments, which we believe will help mitigate the challenging economic conditions impacting our International Operations."

Financial Highlights

Sales Third quarter consolidated sales increased 3.3% to \$637.5 million compared to \$616.9 million last year driven by same store sales gains and the impact of new stores. These factors were partially offset by lower wholesale sales and airline revenues compared to last year. Excluding the foreign exchange impact, consolidated sales increased 3.4%, with food sales increasing 3.3% and general merchandise and other sales increasing 3.6% compared to last year. On a same store basis, sales increased 4.0%¹ compared to the third quarter last year led by a 4.9% increase in same store sales in Canadian Operations and a 2.7%¹ increase in same store sales in International Operations.

Gross Profit Gross profit increased 4.3% to \$214.1 million compared to \$205.4 million last year due to sales gains and a 30 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 wholesale food sales.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased \$10.4 million or 7.0% compared to last year and were up 86 basis points as a percentage to sales. The increase in Expenses is largely due to higher staff costs related to inflationary and minimum wage increases and additional staff resources required to execute our Next 100 operational excellence work. The investment in additional resources is required to unlock the future growth and incremental earnings expected from the Next 100 initiatives. An increase in depreciation, the impact of new stores and higher share-based compensation costs primarily due to adjustments from changes in the Company's share price were also factors.

Earnings From Operations Earnings from operations ("EBIT") decreased 2.9% to \$54.1 million compared to very strong earnings gains last year which were up 24.0% to \$55.7 million, as an increase in EBIT in Canadian Operations was more than offset by lower EBIT in International Operations. Earnings before interest, income taxes, depreciation and amortization ("EBITDA") increased 0.6% to \$83.4 million on top of an 18.8% increase in EBITDA² to \$83.0 million last year due to the sales, gross profit and Expense factors previously noted. Adjusted EBITDA², which excludes the impact of share-based compensation costs, increased 1.4% to \$88.4 million compared to \$87.2 million last year and as a percentage to sales was 13.9% compared to 14.1% last year.

¹ Excluding the impact of foreign exchange

² See Non-GAAP Measures Section of the news release

Income Tax Expense Income tax expense increased to \$12.8 million compared to \$12.7 million last year as the impact of lower earnings was more than offset by an increase in the effective tax rate to 26.0% compared to 25.0% last year. The increase in the effective tax rate is substantially due to the impact of The Global Minimum Tax Act ("GMTA") – Pillar Two legislation included in Bill C-69 that was enacted in Canada on June 20, 2024. This legislation implements the Pillar Two global minimum tax regime developed by the Organisation for Economic Co-operation and Development ("OECD") which applies a minimum effective tax rate of 15% on income earned in each jurisdiction in which the Company operates. The Company operates retail stores in the Cayman Islands, Barbados and British Virgin Islands jurisdictions which are impacted by the GMTA - Pillar Two legislation.

Net Earnings Net earnings decreased 4.3% to \$36.4 million compared to a 26.1% increase in net earnings to \$38.0 million last year. Net earnings attributable to shareholders were \$35.4 million and diluted earnings per share were \$0.72 per share compared to \$0.77 per share last year. Adjusted net earnings², which excludes the after-tax impact of share-based compensation, decreased 3.1% to \$40.1 million compared to \$41.4 million last year due to the sales, gross profit, Expense and GMTA - Pillar Two income tax 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.

1 Excluding the impact of foreign exchange

2 See Non-GAAP Measures Section of the news release

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

(\$ in thousands)	Third Quarter	
	2024	2023
Earnings from operations (EBIT)	\$ 54,102	\$ 55,746
Add: Amortization	29,343	27,231
EBITDA	\$ 83,445	\$ 82,977
Adjusted for:		
Share-based compensation expense	4,974	4,246
Adjusted EBITDA	\$ 88,419	\$ 87,223

Reconciliation of consolidated net earnings to adjusted net earnings:

(\$ in thousands)	Third Quarter	
	2024	2023
Net earnings	\$ 36,395	\$ 38,038
Adjusted for:		
Share-based compensation expense, net of tax	3,705	3,353
Adjusted net earnings	\$ 40,100	\$ 41,391

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 2024 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.

Third Quarter Conference Call

North West will host a conference call for its third quarter results on December 10, 2024 at 8:00 a.m. (Central Time). To access the call, please dial 416-340-2217 or 1-800-898-3989 with a pass code of 7763559#. The conference call will be archived and can be accessed by dialing 905-694-9451 or 1-800-408-3053 with a pass code of 4329009# on or before January 10, 2025.

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 and the number of shares purchased, 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, the anticipated impact of The Next 100 strategic priorities 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, uncertainties associated with critical accounting assumptions and estimates, including estimates of contingent consideration, 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 2023 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.sedarplus.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 230 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.

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1 Excluding the impact of foreign exchange

2 See Non-GAAP Measures Section of the news release