



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 a Quarterly Dividend

Road Town, Tortola, BVI, September 6, 2018 (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, 2018. It also announced that the Board of Directors have declared a dividend of \$0.32 per share to shareholders of record on September 28, 2018, to be paid on October 15, 2018.

"This was a quarter with many positives," commented President & CEO Edward Kennedy. "Our two new business investments, Roadtown Wholesale Trading Ltd. in the BVI and North Star Air Ltd. serving our air cargo needs in northern Canada, contributed at or above expectations. Our core business of retailing in northern Canada and Alaska delivered sales gains across priority categories and markets and reflected the general health of consumer spending in these markets. Our Giant Tiger business improved its results and leveraged a much more favourable blend of higher margin softgoods and hardgoods sales, while de-emphasizing lower margin food sales."

"At the same time," Mr. Kennedy added "we continue to face post-hurricane economic and competitive challenges in our Cost-U-Less business, which we expect to offset as we start to re-open damaged stores this fall and compare against the effects of last years' hurricane-related disruptions. Apart from share-based compensation expense, results were also impacted by unique revenue and expense events which hit our northern business in the second quarter, ranging from wildfires and one-time payments made to certain reclassified store roles in northern Canada to the unexpected closure of a significant liquor store in Bethel, Alaska. These factors are now behind us and we expect continued sales growth in the north to lift results in the second half."

Financial Highlights

Second quarter consolidated sales decreased 2.2% to \$503.8 million as store closures related to hurricanes in the Caribbean in the third quarter last year negatively impacted sales in the quarter by approximately \$23.0 million and more than offset sales from the acquisition of North Star Air Ltd. ("NSA"), new stores in Canadian operations and general merchandise same store sales gains. Excluding the foreign exchange impact, consolidated sales decreased 0.7% but were up 1.0% on a same store basis. Food sales¹ decreased 4.4% but were up 0.3% on a same store basis and general merchandise sales¹ increased 5.6% and were up 4.2% on a same store basis.

Gross profit increased 0.5% as an 87 basis point increase in gross profit rate more than offset the impact of lower sales. The increase in the gross profit rate was mainly due to a change in product sales blend. Selling, operating and administrative expenses increased 4.8% and were up 179 basis points as a percentage to sales. This increase was primarily due to a \$6.5 million increase in share-based compensation expenses, NSA expenses and new stores in Canadian Operations. These factors were partially offset by the impact of the hurricane-related store closures. The increase in share-based compensation costs was largely due to an option expense of \$3.6 million compared to an option expense recovery of \$1.0 million last year.

Earnings from operations decreased 16.2% to \$27.8 million compared to \$33.2 million in the second quarter last year and earnings before interest, income taxes, depreciation and amortization (EBITDA²) decreased 10.3% to \$42.4 million due to the factors previously noted. The hurricane-related store closures negatively impacted EBITDA² in the quarter by approximately \$1.6 million. Excluding the impact of share-based compensation option expense and the NSA acquisition related costs last year, adjusted EBITDA² was down 1.9% compared to last year and as a percentage to sales was flat at 9.1% compared to last year.

¹ Excluding the foreign exchange impact

² See Non-GAAP Measures Section of Management's Discussion & Analysis

Income tax expense decreased \$1.5 million to \$6.1 million and the consolidated effective tax rate was flat compared to last year at 24.7%. An increase in the effective tax rate related to the impact of higher non-deductible share-based compensation costs in Canadian Operations was offset by lower U.S. federal corporate tax rates implemented as part of U.S. tax reform and the blend of earnings in the International Operations across the various tax rate jurisdictions.

Net earnings decreased 20.0% to \$18.6 million. Net earnings attributable to shareholders of the Company were \$17.6 million and diluted earnings per share were \$0.36 per share compared to \$0.46 per share last year due to the factors noted above. Excluding the impact of share-based compensation option expense and the NSA acquisition related expenses, adjusted net earnings² decreased 5.4% due to the impact of the hurricane-related store closures.

Further information on the financial results is available in the Company's 2018 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 6, 2018 at 1:30 p.m. (Central Time). To access the call, please dial 647-484-0474 or 888-378-4398 with a pass code of 366563. The conference call will be archived and can be accessed by dialing 905-694-9451 or 800-408-3053 with a pass code of 4740805 or before October 6, 2018.

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. 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, 2018. 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 communities and urban neighbourhoods in Canada, Alaska, the South Pacific and the Caribbean. North West operates 238 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\$2.0 billion.

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

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