



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, December 12, 2017 (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, 2017. It also announced that the Board of Directors have declared a dividend of \$0.32 per share to shareholders of record on December 29, 2017, to be paid on January 15, 2018.

"North West was tested by climate events in the quarter that demonstrated the resilience of our people and their dedication to service," commented President & CEO Edward Kennedy. "At the same time other areas of our business, most notably our convenience categories in northern Canada and Alaska, continued to deliver exceptional growth and helped to offset the challenges we faced."

Financial Highlights

Sales increased 3.3% to \$479.3 million compared to \$464.0 million in the third quarter last year due to the acquisition of Roadtown Wholesale Trading Ltd. ("RTW") in the British Virgin Islands and the acquisition of North Star Air Ltd. ("NSA"). Same store sales gains in International Operations were also a factor. These gains were partially offset by store closures related to hurricanes in the Caribbean. Excluding the foreign exchange impact, consolidated sales increased 5.1% and were up 0.4%¹ on a same store basis. Food sales¹ increased 3.1% and were up 0.8% on a same store basis. General merchandise sales¹ increased 0.2% but were down 1.2% on a same store basis.

Earnings from operations decreased 18.6% to \$31.8 million compared to \$39.1 million in the third quarter last year. Gross profit dollars were up 7.0% driven by the acquisition related sales growth and a 105 basis point increase in gross profit rate compared to last year. The increase in the gross profit rate is mainly due to sales blend changes. Selling, operating and administrative expenses increased 17.3% and were up 284 basis points as a percentage to sales. This increase was due to the RTW and NSA acquisitions, higher share based compensation costs and new stores in Canadian Operations. Further information on the acquisitions of RTW and NSA is provided in Note 17 to the 2017 third quarter unaudited interim period condensed consolidated financial statements. The impact of the store closures in International Operations related to hurricanes in the Caribbean was offset by the settlement of a fire insurance claim in Canadian Operations.

The increase in share-based compensation costs of \$8.6 million was largely due to option expense of \$2.4 million this year compared to a recovery of \$4.0 million last year. A substantial portion of the options granted are accounted for as a liability and are re-measured based on the share price at each quarterly reporting date. The higher option expense this quarter was due to an increase in the share price in the quarter this year compared to a decrease in the share price in the third quarter last year.

Earnings before interest, income taxes, depreciation and amortization (EBITDA²) decreased 10.8% to \$45.6 million as the higher share-based compensation costs noted above more than offset the impact of the RTW and NSA acquisitions. Excluding the impact of share option expense, adjusted EBITDA² was up 1.7% compared to last year and as a percentage to sales was 10.0% compared to 10.2% last year.

¹ Excluding the foreign exchange impact

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

Net earnings decreased \$6.8 million or 24.5% to \$21.0 million and diluted earnings per share were \$0.42 per share compared to \$0.57 per share last year due to the factors noted above. Excluding the impact of share-based compensation option expense, adjusted net earnings² decreased 2.0%.

Further information on the financial results is available in the Company's 2017 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.

Hurricane Irma and Maria Impact

In September 2017, the Company's CUL stores in St. Maarten, St. Thomas and St. Croix, and the RTW operations in the British Virgin Islands ("BVI") were impacted by hurricanes Irma and Maria. These category five hurricanes had a devastating impact on the people and infrastructure on these and other islands in the Caribbean. Following is a summary of the impact on our operations:

- Our 36,089 square foot store in St. Maarten sustained significant damage and it is expected to take until the third quarter of 2018 to repair. Part of the store representing approximately 35% of selling square footage re-opened on November 17, 2017, offering a limited assortment of grocery and general merchandise.
- In St. Thomas, USVI, a complete rebuild of the 42,535 square foot store is required and is expected to take approximately 18 months to complete.
- Our store in St. Croix, USVI, was closed for seven days and re-opened operating on generator power.
- In the BVI, six of our nine RTW stores, including our largest supermarket and our Cash 'n Carry store, are operational. These stores represent approximately 80% of total selling square footage. Three remaining stores are expected to re-open in 12 to 18 months.

The store closures negatively impacted sales and EBITDA in the quarter by approximately \$11.5 million and \$1.6 million respectively. On an annualized basis, these stores represent approximately \$92 million in sales and \$6.6 million in EBITDA. Infrastructure repairs, including the restoration of electricity and clean-up efforts, are on-going and the timelines for completing this work and the impact on the economy is currently indeterminable.

The timelines for completing the repair and reconstruction of our stores will depend on many factors including the state of public infrastructure and the availability of building materials and qualified trades people. The Company expects that its insurance proceeds will be sufficient to cover the repair and reconstruction costs. The Company also has business interruption insurance that will help mitigate the earnings impact of the store closures however, the settlement of the business interruption claim is expected to take approximately 12 to 15 months to complete. The settlement of these claims and the receipt of payments are expected to result in insurance-related gains in the consolidated statements of earnings.

Third Quarter Conference Call

North West will host a conference call for its third quarter results on December 12, 2017 at 1:30 p.m. (Central Time). To access the call, please dial 416-406-0743 or 800-898-3989 with a pass code of 6039304. The conference call will be archived and can be accessed by dialing 905-694-9451 or 800-408-3053 with a pass code of 7590731 until January 12, 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, 2017. 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 236 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\$1.8 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:

Edward Kennedy, President and Chief Executive Officer, The North West Company Inc.
Phone 204-934-1482; fax 204-934-1317; email ekennedy@northwest.ca

John King, Executive Vice-President and Chief Financial Officer, The North West Company Inc.
Phone 204-934-1397; fax 204-934-1317; email jking@northwest.ca