



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, Increase in the Quarterly Dividend and Commencement of Normal Course Issuer Bid

Winnipeg, Manitoba, September 11, 2020 (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, 2020. It also announced that the Board of Directors have declared a dividend of \$0.36 per share, an increase of \$0.03 per share or 9.1%, to shareholders of record on September 30, 2020, to be paid on October 15, 2020 and that, subject to TSX approval, the Company intends to commence a normal course issuer bid.

Second quarter sales increased 23.0% to \$648.5 million and net earnings increased \$44.6 million to \$62.6 million driven by COVID-19-related factors, including a shift towards in-community and at-home spending as well as basic income support provided by different jurisdictions within which the Company operates.

"Like the rest of the world, the communities we serve and our people continue to live and work under constraints and uncertainty created by the COVID-19 pandemic," commented President & CEO Edward Kennedy. "This unexpected environment has led to new thinking and behaviors, with unique implications compared to other more urban, densely populated regions. The second quarter gave us a clearer picture of what this looks like and the emerging opportunities and risks for North West.

As a major provider of essential products and services, ranging from food to health care, we have been relied on more than ever. Our people deeply respect and value this responsibility and it helps sustain what has been exceptional work on their part to serve our customers safely and without interruption. We expect these conditions, to varying degrees, to last well into next year and we are committed to pacing and balancing our efforts to keep performance levels at the high standards we set and that our customers expect.

Beyond the strength of our everyday, core offering, North West is a leading retailer of durable goods and other discretionary general merchandise. COVID-19 has redirected our customers' time to in-community and at-home activities, lifting demand for these categories, as seen in our very strong sales gains. Behind the scenes there has been a tremendous effort by our people and supplier partners to rapidly and successfully pivot to meet demand.

Customer incomes are also playing a big role. Approximately 20% of our retail business depends on tourism or commercial natural resource activities, where employment has been hardest hit by COVID-19. Government income support has to date partially compensated for this in Canada and the U.S., including U.S. territories. A few island economies, like the BVI and St. Maarten, are in a more precarious situation and will remain this way until at least mid-next year. The other customer segments we serve have not incurred a significant income loss because they work in unaffected sectors or COVID-19 programs have directly and indirectly helped them.

Our planning is based on COVID-19 depth and duration scenarios, incomes and our own capability. We see COVID-19 having an effect for several more quarters and we want to give our customers many reasons to keep their spending with us throughout and past the time of this pandemic. As an example, our actions to gain market share through lower food prices were planned and underway prior to COVID-19 and will continue as we reinforce the convenience, reliability and safety of shopping locally at attractive prices.

¹ Excluding the impact of foreign exchange

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

COVID-19 has also demonstrated the advantage of our owned cargo airline, North Star Air ("NSA"). NSA's fleet, management and sole-cargo focus are enabling our northern Canadian supply chain to excel compared to the challenges faced by "combi" carriers with their dependence on passenger revenue. Similarly, our physical store network, including in-community warehouse capacity, enables North West to use lower cost water/ship and winter road modes to reduce delivered costs further while giving customers an immediate selection of products and service rather than waiting days and often weeks under other buying options.

In the community, North West has partnered with large and small organizations to deliver food security programs and other relief efforts in response to the COVID-19 pandemic. Our donation levels have ramped up, increasing by \$2.6 million so far this year as we continue to look for ways to strengthen community ties, including our work on diversity and inclusion.

To investors, North West has always stood for stable income with upside."Mr. Kennedy added, "Our announced dividend increase and intention to install a Normal Course Issuer Bid program are consistent with this commitment to delivering a consistent, attractive return while maintaining the capacity to reinvest for growth."

Financial Highlights

Second quarter consolidated sales increased 23.0% to \$648.5 million driven by COVID-19-related factors including consumer spending changes in favor of in-community and at-home activities, supported by enhanced government income transfers in many jurisdictions. Superior in-stock conditions at Cost-U-Less ("CUL") and lower food prices in northern Canada stores were also factors in capturing a higher share of consumer spending. These factors were partially offset by lower sales in Giant Tiger stores related to the previously announced sale of 36 stores which was completed on July 5, 2020 (the "Giant Tiger Transaction").

Gross profit increased 28.2% driven by higher sales and a 135 basis point increase in the gross profit rate compared to last year primarily due to favourable changes in product sales blend and higher inventory turns contributing to lower markdowns and less inventory shrinkage. These factors were partially offset by food price reductions in northern Canada aimed at capturing more local spending dollars, weaker margin rates in the British Virgin Islands and a higher blend of CUL sales which carry a lower gross profit rate consistent with CUL's discount warehouse format.

Selling, operating and administrative expenses ("Expenses") decreased \$10.5 million or 7.5% and were down 658 basis points to last year as a percentage to sales. This decrease in Expenses is substantially due to the impact of the pre-tax Giant Tiger Transaction gain of \$24.7 million, partially offset by a \$3.4 million increase in share-based compensation costs and the impact of a \$4.3 million insurance-related gain in Canadian Operations in the second quarter last year (collectively "Non-Comparable Factors"). Excluding the impact of the Non-Comparable Factors, Expenses increased \$6.6 million or 4.8% but were down 388 basis points as a percentage to sales. This increase is primarily due to COVID-19-related expenses and higher annual incentive plan costs and insurance expense, partially offset by lower support office costs in Canadian Operations as a result of the previously announced administration cost reductions.

Earnings from operations increased \$58.2 million to \$87.8 million compared to \$29.6 million last year and earnings before interest, income taxes, depreciation and amortization (EBITDA²) increased \$59.3 million to \$110.9 million due to the sales, gross profit and Expense factors previously noted. Adjusted EBITDA², which excludes the Non-Comparable Factors, increased \$42.3 million compared to last year as the impact of significant sales gains in the quarter more than offset higher Expenses.

Net earnings increased \$44.6 million to \$62.6 million. Net earnings attributable to shareholders were \$61.9 million and diluted earnings per share were \$1.25 per share compared to \$0.35 per share last year due to the factors noted above. Adjusted net earnings², which excludes the impact of the after-tax Non-Comparable Factors noted above, increased \$29.8 million compared to last year driven by earnings gains in Canadian Operations and International Operations resulting from the factors previously noted.

Further information on the financial results is available in the Company's 2020 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.

1 Excluding the impact of foreign exchange

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

Normal Course Issuer Bid

North West intends to make a Normal Course Issuer Bid ("NCIB") for a portion of its shares. The maximum number of shares that can be purchased under the NCIB is 10% of the Company's public float. The NCIB will be made in accordance with the requirements of the Toronto Stock Exchange (the "TSX") and remains subject to TSX approval. Further details regarding the NCIB will be provided following TSX approval.

Second Quarter Conference Call

North West will host a conference call results on September 11, 2020 at 1:30 p.m. (Central Time). To access the call, please dial 416-641-6104 or 800-898-3989 with a pass code of 4547420. The conference call will be archived and can be accessed by dialing 905-694-9451 or 800-408-3053 with a pass code of 7161621 on or before October 11, 2020.

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 making a normal course issuer bid, the anticipated impact of the COVID-19 pandemic on the Company's operations and the Company's related business continuity plans and the realization of expected savings from administrative cost reduction plans. 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, 2020. 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 214 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.

-30-

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

1 Excluding the impact of foreign exchange

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