



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, 2020 (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, 2020. It also announced that the Board of Directors have declared a dividend of \$0.36 per share to shareholders of record on December 31, 2020, to be paid on January 15, 2021.

"North West continues to provide essential products and services that people depend on during this unprecedented pandemic" commented President and CEO Edward Kennedy. "Our associates are incredibly dedicated, community-minded and enterprising, as shown by their ability to take on the challenges and opportunities uniquely presented to us. I am especially proud of how we've risen to even higher levels of community responsibility while keeping our focus on fast-shifting customer needs. Throughout, health and safety remain our first priority, as seen in the low rate of COVID-19 transmission within our work and shopping spaces.

Our sales gains show the strength of an everyday needs offering and an exceptional ability to sustain our business within difficult operating conditions, without serious disruption. These are the main reasons we have increased market shares across all of our store banners and regions.

Our effort is balanced between immediate reactions to the pandemic and work that will make us a more compelling shopping choice in the years ahead. We were well along this path before last March and since then we have forged deeper connections with existing and new customers. We also see new growth areas that build on these relationships and our core abilities.

As we confront the current, most precarious stages of the pandemic, the stress on the people and communities we work with and live in is at its highest. Our resolve, experience and resources are even deeper than at the beginning and I am confident we will be a reliable, reassuring and safe presence through the next several months and until a vaccine is broadly distributed."

Financial Highlights

Third quarter consolidated sales increased 6.4% to \$553.0 million and were up 17.8% on a same store basis driven by market share gains and COVID-19-related factors including a continuing shift towards in-community spending as well as income support provided by different jurisdictions within which the Company operates. These factors were largely offset by a decrease in sales due to the sale of 36 of the Company's Giant Tiger stores which was completed in the second quarter (the "Giant Tiger Transaction").

Gross profit increased 9.3% driven by higher sales and an 88 basis point rate increase compared to last year primarily due to favourable changes in product sales blend and higher inventory turns contributing to lower markdowns and inventory shrinkage. These factors were partially offset by lower margin rates in the British Virgin Islands, a higher blend of CUL sales which carry a lower gross profit rate consistent with CUL's discount warehouse format and the impact of lower margin wholesale food sales as part of the Giant Tiger Transaction.

1 Excluding the impact of foreign exchange

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

Selling, operating and administrative expenses ("Expenses") were flat to last year and down 158 basis points as a percentage to sales. The decrease in Expenses related to the Giant Tiger Transaction and lower Canadian administration costs was offset by higher share-based compensation costs, an increase in annual incentive plan costs and the impact of COVID-19-related expenses. Excluding the impact of the share-based compensation costs, Expenses decreased \$8.5 million or 6.4% and were down 308 basis points as a percentage to sales. This decrease is primarily due to the reductions previously noted and the impact of \$2.3 million in store opening, support office restructuring and relocation costs in International Operations last year.

Earnings from operations increased \$15.9 million to \$52.9 million compared to \$37.0 million last year and earnings before interest, income taxes, depreciation and amortization (EBITDA²) increased \$16.4 million to \$75.7 million due to the sales, gross profit and Expense factors previously noted. Adjusted EBITDA², which excludes share-based compensation costs, increased \$24.8 million compared to last year and as a percentage to sales was 15.1% compared to 11.3% as the impact of sales gains and gross profit rate improvements in the quarter more than offset higher Expenses.

Net earnings increased \$11.1 million to \$35.9 million. Net earnings attributable to shareholders were \$34.6 million and diluted earnings per share were \$0.71 per share compared to \$0.49 per share last year due to the factors noted above. Adjusted net earnings², which excludes the impact of the after-tax share-based compensation costs, increased \$18.5 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 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 results on December 9, 2020 at 1:30 p.m. (Central Time). To access the call, please dial 416-340-2217 or 800-806-5484 with a pass code of 3198094. The conference call will be archived and can be accessed by dialing 905-694-9451 or 800-408-3053 with a pass code of 4473728 on or before January 9, 2021.

1 Excluding the impact of foreign exchange

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

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 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 211 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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