



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 First Quarter Earnings and a Quarterly Dividend

Winnipeg, Manitoba, June 8, 2022 (TSX: NWC): The North West Company Inc. (the "Company" or "North West") today reported its unaudited financial results for the first quarter ended April 30, 2022. It also announced that the Board of Directors has declared a dividend of \$0.37 per share to shareholders of record on June 30, 2022, to be paid on July 15, 2022.

"I am pleased with our performance in a difficult environment and following two years of exceptional pandemic-related sales and earnings gains," said President and CEO Dan McConnell. "Our year over year sales remained strong as we retained customer business in the communities we serve despite substantially lower COVID-related support payments and fewer travel restrictions compared to last year. Our margins declined because of a change in sales mix and due to inflationary cost pressures that were not fully passed through in retail prices as we balance competitive factors and rapidly changing economic conditions. At the bottom line, our profitability was lower than last year but meaningfully above pre-pandemic levels. Looking ahead, we are optimistic about the strength of our business and the opportunities for growth through new stores, products and services across our Canadian and International Operations."

Financial Highlights

Sales First quarter consolidated sales increased 0.2% to \$552.0 million as sales gains in International Operations and the positive impact of foreign exchange on the translation of International Operations sales were largely offset by lower sales in Canadian Operations which were down compared against COVID-19-related sales gains last year. The impact of higher inflation was also a factor. On a same store basis, sales decreased 0.7%¹ compared to a 3.8% increase in the first quarter last year, but were up 21.3% compared to pre-pandemic sales in the first quarter of 2019. Food same store sales were up 2.5% compared to a 0.5% increase last year but general merchandise same store sales were down 16.1% compared to an exceptionally strong 23.9% same store sales gain last year driven by COVID-19-related factors including government income support payments to individuals and in-community spending as a result of travel restrictions. The impact of higher cost inflation has also contributed to changes in product sales blend as consumers allocated more of their spending to food and reduced purchases of general merchandise.

Gross Profit Gross profit decreased 3.6% due to a 125 basis point decrease in gross profit rate compared to last year. The decrease in gross profit rate was substantially due to changes in food and general merchandise sales blend as previously noted and the impact of higher merchandise and freight cost inflation that was not fully passed through in retail prices. An increase in markdowns on seasonal general merchandise and a higher blend of Cost-U-Less sales which have a lower gross profit rate consistent with a discount warehouse format were also factors.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased \$8.3 million or 6.6% compared to last year and were up 146 basis points as a percentage to sales primarily due to the impact of an \$8.6 million insurance-related gain last year partially offset by a \$1.9 million decrease in share-based compensation costs this year. Excluding the insurance-related gain and share-based compensation costs (collectively "Non-Comparable Factors"), Expenses increased \$1.7 million and were up 26 basis points as a percentage to sales mainly related to new stores, the impact of foreign exchange on the translation of International Operations Expenses and higher fuel-based utility costs, partially offset by lower COVID-19-related expenses and annual incentive plan costs compared to last year.

¹ Excluding the impact of foreign exchange

² See Non-GAAP Measures Section of the news release

Earnings From Operations Earnings from operations decreased to \$41.4 million compared to \$56.3 million last year and earnings before interest, income taxes, depreciation and amortization ("EBITDA"¹) decreased 17.4% to \$64.9 million compared to \$78.7 million last year due to the gross profit and Expense factors previously noted. Adjusted EBITDA², which excludes the Non-Comparable Factors, decreased \$7.0 million compared to last year and as a percentage to sales was 12.4% compared to 13.7% last year due to the sales, gross profit and Expense factors previously noted, but was up \$23.6 million or 52.4% compared to pre-pandemic adjusted EBITDA² in the first quarter of 2019.

Interest Expense Interest expense decreased to \$3.0 million compared to \$3.5 million last year largely due to lower average debt. Further information on long-term debt is provided in Note 9 to the Company's Interim Condensed Consolidated Financial Statements.

Income Tax Expense Income tax expense decreased to \$10.2 million compared to \$12.6 million last year and the consolidated effective tax rate was 26.7% compared to 23.8% last year. The effective tax rate can fluctuate as a result of various factors, including the taxation of items such as share-based compensation and insurance-related gains, changes in tax estimates and the blend of earnings across the various tax rate jurisdictions.

Net Earnings Net earnings decreased to \$28.2 million compared to \$40.3 million last year. Net earnings attributable to shareholders were \$27.4 million and diluted earnings per share were \$0.57 per share compared to \$0.80 per share last year. Adjusted net earnings², which excludes the after-tax impact of the \$7.1 million insurance related gain and share-based compensation costs, decreased \$6.7 million compared to the strong, COVID-19-related driven earnings last year due to the gross profit and Expense factors previously noted, but were up \$16.1 million or 106.4% compared to the pre-pandemic first quarter of 2019.

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 net earnings to EBITDA and adjusted EBITDA:

(\$ in thousands)	Consolidated First Quarter		
	2022	2021	2019
EBIT	\$ 41,431	\$ 56,312	\$ 37,033
Add: Amortization	23,514	22,357	21,215
EBITDA	\$ 64,945	\$ 78,669	\$ 58,248
Adjusted for:			
Insurance gains	—	(8,632)	(10,656)
Share-based compensation expense	3,737	5,681	(2,520)
Adjusted EBITDA	\$ 68,682	\$ 75,718	\$ 45,072

Reconciliation of consolidated net earnings to adjusted net earnings:

(\$ in thousands)	Consolidated First Quarter		
	2022	2021	2019
Net earnings	\$ 28,161	\$ 40,288	\$ 26,225
Adjusted for:			
Insurance gains, net of tax	—	(7,123)	(8,399)
Share-based compensation expense, net of tax	3,000	4,743	(2,731)
Adjusted net earnings	\$ 31,161	\$ 37,908	\$ 15,095

The Company recorded gains on the partial settlement of insurance claims. These gains were due to the difference between the replacement cost of the assets destroyed and their book value.

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 share-based compensation is provided in Note 11 and Note 14 to the Company's Interim Condensed Consolidated Financial Statements.

Further information on the financial results is available in the Company's 2022 first 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.

First Quarter Conference Call

North West will host a conference call for its first quarter results on June 8, 2022 at 2:00 p.m. (Central Time). To access the call, please dial 416-641-6104 or 800-952-5114 with a pass code of 8118986. The conference call will be archived and can be accessed by dialing 905-694-9451 or 800-408-3053 with a pass code of 6020751 on or before July 9, 2022.

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), on-going business strategies or prospects, the Company's intentions regarding a normal course issuer bid, the anticipated impact of the COVID-19 pandemic on the Company's operations, supply chain and the Company's related business continuity plans, the realization of expected savings from cost reduction plans 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, the duration and the impact of the COVID-19 pandemic, 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, including uncertainties associated with critical accounting assumptions and estimates, 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 2021 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.sedar.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 216 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\$2.2 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