



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 Fourth Quarter Earnings and a Quarterly Dividend

Winnipeg, Manitoba, April 5, 2023 (TSX: NWC): The North West Company Inc. (the "Company" or "North West") today announced its unaudited financial results for the fourth quarter ended January 31, 2023 and released its 2022 Annual Report and Annual Information Form. The Annual Report includes the Company's Annual Audited Consolidated Financial Statements and Management's Discussion and Analysis for the year ended January 31, 2023. These documents are available on the Company's profile on the SEDAR website at www.sedar.com and on the Company's website at www.northwest.ca. It also announced that the Board of Directors has declared a dividend of \$0.38 per share to be paid on April 27, 2023 to shareholders of record on April 17, 2023.

CEO Comments on Fourth Quarter Results and Annual Results

"I am pleased with our results for the quarter and for the year and excited about the momentum we are building. Coming out of two years of challenging pandemic circumstances and now experiencing high cost inflation, our teams continue to work diligently to provide value to the communities and customers we serve", commented President and CEO, Dan McConnell. "Our journey ahead is promising and I am optimistic about our future. The work done by our teams over the past year has uncovered additional potential in our core business that will continue to deliver value for our customers and shareholders going forward."

Fourth Quarter and Annual Results

The following table provides a summary of selected information for the fourth quarter and annual results. Further information on the fourth quarter and annual financial performance is provided in the 2022 Annual Report available on the Company's website at www.northwest.ca or on SEDAR at www.sedar.com.

Selected Fourth Quarter⁽³⁾ and Annual Information

	Three Months Ended January 31, 2023	Three Months Ended January 31, 2022	Twelve Months Ended January 31, 2023	Twelve Months Ended January 31, 2022
(\$ in thousands, except per share)				
Sales	\$ 635,164	\$ 579,019	\$ 2,352,760	\$ 2,248,796
Same store sales % increase/(decrease) ⁽²⁾	2.1 %	0.1 %	(0.8)%	(0.4)%
Gross profit	\$ 201,177	\$ 184,714	\$ 747,915	\$ 737,751
Selling, operating and administrative expenses	(153,353)	(135,126)	(567,610)	(517,326)
EBITDA ⁽¹⁾	73,460	72,964	278,678	311,375
Earnings from operations	47,824	49,588	180,305	220,425
Interest expense	(4,192)	(3,170)	(14,836)	(13,058)
Income taxes	(8,503)	(10,810)	(39,633)	(49,916)
Net earnings	35,129	35,608	125,836	157,451
Net earnings attributable to shareholders of the Company	33,930	34,581	122,190	154,802
Net earnings per share - basic	0.71	0.72	2.55	3.21
Net earnings per share - diluted	0.69	0.71	2.51	3.16
Cash flow from operating activities	100,230	84,704	182,838	224,135
Cash flow used in investing activities	(51,907)	(15,142)	(106,802)	(75,861)
Cash flow used in financing activities	(38,500)	(77,935)	(68,298)	(170,196)
Cash dividends per share	\$ 0.38	\$ 0.37	\$ 1.50	\$ 1.46

(1) See Non-GAAP Financial Measures section below.

(2) All references to same store sales exclude the foreign exchange impact.

(3) Unaudited interim financial information.

Annual Highlights

- Six new stores were opened, three in Canada and three in International Operations.
- Return on equity⁽¹⁾ was 20.5%.
- Return on net assets⁽¹⁾ was 17.9%.
- Debt-to-Equity was 0.45 at January 31, 2023 and has remained below 1.0 since 2000.
- Quarterly dividends increased \$0.01 per share or 2.7% to \$0.38 per share in September 2022 and annual dividends per share have increased 3.7% on a compound annual growth basis over the past 10 years.

Fourth Quarter Results

Consolidated Fourth Quarter Sales Sales for the quarter increased 9.7% to \$635.2 million as higher inflation in Canadian and International Operations contributed to same store sales gains. The impact of foreign exchange on the translation of International Operations sales, an increase in airline revenue and retail fuel sales in Canadian Operations and the impact of new stores were also factors. Excluding the foreign exchange impact, consolidated sales increased 7.1%. Same store sales were up 2.1%⁽²⁾ compared to the fourth quarter last year and were up 20.0% compared to the pre-pandemic 2019 fourth quarter. Food sales⁽²⁾ increased 6.3% and were up 4.0% on a same store basis compared to last year and increased 20.2% compared to 2019. General merchandise sales⁽²⁾ decreased 2.1% and were down 6.1% on a same store basis but were up 19.3% compared to 2019. Overall, sales were strong in the quarter compared to the COVID-19-related factors, including government income support payments and higher in-community spending as a result of travel restrictions, that contributed to sales gains in 2021. The impact of higher merchandise and freight cost inflation continued to result in changes in product sales blend as consumers allocated more of their spending to food and reduced purchases of general merchandise.

Gross Profit Gross profit increased 8.9% as the impact of sales gains was partially offset by a 23 basis point decrease in gross profit rate compared to last year. The decrease in gross profit rate was primarily due to changes in sales blend, the impact of higher freight and merchandise cost inflation that was not fully passed through in retail prices and an increase in markdowns on seasonal general merchandise.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased \$18.2 million compared to last year and were up 80 basis points as a percentage to sales. The increase in Expenses is mainly due to a \$9.5 million insurance-related gain last year. Excluding the Non-Comparable Factors which include the insurance-related gain and share-based compensation, Expenses increased \$8.5 million or 6.0% compared to last year largely due to cost inflation, including higher fuel-based utility expenses and staff costs, the impact of foreign exchange on the translation of International Operations expenses and new store expenses. These factors were partially offset by a decrease in COVID-19-related expenses.

Earnings from operations and EBITDA⁽¹⁾ Earnings from operations or earnings before interest and taxes ("EBIT") decreased \$1.8 million to \$47.8 million compared to \$49.6 million last year but EBITDA⁽¹⁾ increased \$0.5 million to \$73.5 million due to the sales, gross profit and Expense factors previously noted. Adjusted EBITDA⁽¹⁾, which excludes insurance-related gains and share-based compensation costs increased \$10.3 million or 15.3% compared to last year and as a percentage to sales was 12.2% compared to 11.6%.

Interest Expense Interest expense increased 32.2% to \$4.2 million compared to \$3.2 million last year. The increase in interest expense is mainly due to higher average debt levels related to amounts drawn on revolving loan facilities and an increase in borrowing costs.

Income Tax Expense Income tax expense was \$8.5 million compared to \$10.8 million last year and the consolidated effective tax rate was 19.5% compared to 23.3% last year. The decrease in the income tax rate was primarily due to lower Global Intangible Low-Taxed Income tax and the blend of earnings in International Operations across various tax rate jurisdictions.

Net Earnings Consolidated net earnings decreased \$0.5 million to \$35.1 million. Net earnings attributable to shareholders were \$33.9 million and diluted earnings per share were \$0.69 per share compared to \$0.71 per share last year due to the factors noted above. Adjusted net earnings⁽¹⁾, which excludes the impact of the after-tax insurance-related gains and the after-tax share-based compensation costs, increased \$5.8 million or 17.9% compared to last year driven by earnings gains in Canadian Operations and the impact of a lower effective tax rate as previously noted.

Annual Results

Consolidated Sales Sales for the year ended January 31, 2023 ("2022") increased 4.6% to \$2.353 billion compared to \$2.249 billion for the year ended January 31, 2022 ("2021"). The increase in sales compared to 2021 was largely due to the impact of foreign exchange on the translation of International Operations sales, an increase in other sales in Canadian Operations which includes airline revenue, financial services, retail fuel and pharmacy, and the impact of new stores. Higher inflation was also a factor. Excluding the foreign exchange impact, sales increased 2.6% from 2021.

Gross Profit Gross profit increased 1.4% to \$747.9 million compared to \$737.8 million last year as higher sales more than offset a 102 basis point decrease in gross profit rate. The lower gross profit rate compared to last year was mainly due to changes in sales blend, the impact of higher freight and merchandise cost inflation that was not fully passed through in retail prices and higher markdowns.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") of \$567.6 million increased \$50.3 million or 9.7% compared to last year and were up 113 basis points as a percentage of sales. The increase in Expenses is partially due to the impact of an \$18.1 million insurance-related gain last year and higher share-based compensation costs this year resulting from mark-to-market adjustments (collectively "Non-Comparable Factors"). Excluding the Non-Comparable Factors, Expenses increased \$30.9 million or 5.9% compared to last year primarily due to cost inflation, including higher fuel-based utility expenses, the impact of foreign exchange on the translation of International Operations expenses and new store expenses. These factors were partially offset by lower annual incentive plan costs and an \$8.2 million decrease in COVID-19-related expenses.

Earnings from Operations (EBIT) and EBITDA⁽¹⁾ Earnings from operations or earnings before interest and income taxes ("EBIT") decreased 18.2% to \$180.3 million compared to \$220.4 million last year. Earnings before interest, income taxes, depreciation and amortization ("EBITDA⁽¹⁾") decreased 10.5% to \$278.7 million compared to \$311.4 million last year. The decrease in EBIT and EBITDA compared to last year is due to the sales, gross profit and Expense factors previously noted. Adjusted EBITDA⁽¹⁾, which excludes the impact of the previously noted Non-Comparable Factors, decreased \$13.3 million or 4.4% compared to last year but was up \$86.9 million or 42.4% compared to pre-pandemic adjusted EBITDA in 2019.

Interest Expense Interest expense increased 13.6% to \$14.8 million compared to \$13.1 million last year due to higher average debt levels and interest rates.

Income Tax Expense Income taxes decreased to \$39.6 million compared to \$49.9 million last year and the effective tax rate for the year was 24.0% compared to 24.1% last year. The decrease in income tax expense is due to lower earnings and a lower effective tax rate. Changes in the effective income tax rate may occur as a result of various factors, including changes in tax law, the impact of discrete items, including the taxation of share-based compensation and insurance gains, changes in tax estimates and the blend of earnings across the various tax rate jurisdictions.

Net Earnings Consolidated net earnings decreased 20.1% to \$125.8 million compared to \$157.5 million last year. Net earnings attributable to shareholders of the Company were \$122.2 million compared to \$154.8 million last year and diluted earnings per share were \$2.51 per share compared to \$3.16 per share last year due to the factors previously noted. Excluding the impact of the previously noted Non-Comparable Factors, adjusted net earnings⁽¹⁾ decreased \$17.4 million or 11.3% compared to last year but was up \$60.7 million or 80.5% compared to pre-pandemic adjusted net earnings in 2019.

Non-GAAP Financial Measures

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) Earnings Before Interest, Income Taxes, Depreciation and Amortization (EBITDA), 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.

Reconciliation of Consolidated Earnings from Operations to EBITDA and Adjusted EBITDA

(\$ in thousands)	Fourth Quarter			Year-to-date		
	2022	2021	2019 ⁽¹⁾	2022	2021	2019 ⁽¹⁾
Earnings from operations	\$ 47,824	\$ 49,588	\$ 26,734	\$ 180,305	\$ 220,425	\$ 130,353
Add:						
Amortization	25,636	23,376	23,699	98,373	90,950	89,222
EBITDA	\$ 73,460	\$ 72,964	\$ 50,433	\$ 278,678	\$ 311,375	\$ 219,575
Gain on insurance settlement	—	(9,492)	(3,205)	—	(18,124)	(18,170)
Share-based compensation expense	3,878	3,615	190	13,131	11,854	3,550
Adjusted EBITDA	\$ 77,338	\$ 67,087	\$ 47,418	\$ 291,809	\$ 305,105	\$ 204,955

⁽¹⁾ Pre-pandemic reconciliation of earnings from operations to EBITDA and Adjusted EBITDA.

Reconciliation of consolidated net earnings to adjusted net earnings:

(\$ in thousands)	Fourth Quarter			Year-to-Date		
	2022	2021	2019 ⁽¹⁾	2022	2021	2019 ⁽¹⁾
Net earnings	\$ 35,129	\$ 35,608	\$ 17,263	\$ 125,836	\$ 157,451	\$ 86,273
Gain on insurance settlement, net of tax	—	(6,152)	(2,340)	—	(13,275)	(13,887)
Share-based compensation expense, net of tax	2,976	2,875	305	10,213	9,234	2,991
Adjusted Net Earnings	\$ 38,105	\$ 32,331	\$ 15,228	\$ 136,049	\$ 153,410	\$ 75,377

⁽¹⁾ Pre-pandemic reconciliation of net earnings to adjusted net earnings.

The Company recorded gains on insurance claims. These gains were due to the difference between the replacement cost of the assets destroyed and their book value and also for the recovery of business interruption losses on certain insurance claims.

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.

(2) Return on Net Assets (RONA) is not a recognized measure under IFRS. Management believes that RONA is a useful measure to evaluate the financial return on the net assets used in the business. RONA is calculated as earnings from operations (EBIT) for the year divided by average monthly net assets. The following table reconciles net assets used in the RONA calculation to IFRS measures reported in the consolidated financial statements as at January 31 for the following fiscal years:

(\$ in millions)	2022	2021	2020
Total assets	\$ 1,336.9	\$ 1,219.3	\$ 1,191.2
Less: Total liabilities	(689.0)	(639.1)	(685.9)
Add: Total debt and lease liabilities	402.5	349.7	402.0
Net Assets Employed	\$ 1,050.4	\$ 929.9	\$ 907.3

(3) Return on Average Equity (ROE) is not a recognized measure under IFRS. Management believes that ROE is a useful measure to evaluate the financial return on the amount invested by shareholders. ROE is calculated by dividing net earnings for the year by average monthly total shareholders' equity. There is no directly comparable IFRS measure for return on equity.

Additional information regarding the financial performance of North West can be found within the 2022 Annual Report, Annual Audited Financial Statements and the Annual Information Form available on the Company's website at www.northwest.ca or on SEDAR at www.sedar.com.

Fourth Quarter Conference Call

North West will host a conference call for its fourth quarter results on April 5, 2023 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 9703896#. The conference call will be archived and can be accessed by dialing 905-694-9451 or 800-408-3053 with a pass code of 6128866# on or before May 5, 2023.

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 potential impact of a pandemic on the Company's operations, supply chain and the Company's related business continuity plans, the realization of cost savings from cost reduction plans and possible future action by the Company. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include, but are not limited to, 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 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, 2023. 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 and developing small population communities in northern Canada, rural Alaska, the South Pacific and the Caribbean. North West operates 222 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\$2.4 billion.

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

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