



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 and an Increase in the Quarterly Dividend

Winnipeg, Manitoba, September 4, 2024 (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, 2024. It also announced that the Board of Directors has declared a quarterly dividend of \$0.40, an increase of \$0.01 or 2.6% per share, to shareholders of record on September 30, 2024, to be paid on October 15, 2024.

"Overall, we are very pleased with the results this quarter where we delivered increases in adjusted EBITDA and adjusted net earnings in comparison to a strong second quarter last year" commented President & CEO, Dan McConnell. "Looking ahead, we are optimistic about the foundation we are building across our company through our focus on operational excellence initiatives and the momentum in our Canadian business which collectively, are expected to offset near-term uncertainty related to economic and inflationary pressures in our International Operations."

Financial Highlights

Sales Second quarter consolidated sales increased 4.6% to \$646.5 million compared to \$618.1 million last year driven by same store sales gains, the impact of foreign exchange on the translation of International Operations sales and new stores. Excluding the foreign exchange impact, consolidated sales increased 3.8%, with food sales increasing 3.9% and general merchandise and other sales increasing 3.4% compared to last year. On a same store basis, sales increased 4.3%¹ compared to the second quarter last year led by a 6.8%¹ increase in same store sales in Canadian Operations. A 0.9%¹ increase in same store sales in International Operations was also a factor.

Gross Profit Gross profit increased 7.5% to \$219.8 million compared to \$204.4 million last year due to sales gains and a 91 basis point increase in gross profit rate compared to last year. The increase in gross profit rate was largely due to changes in sales blend, including a lower blend of wholesale food sales, and a decrease in markdowns.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased \$15.1 million or 10.1% compared to last year and were up 127 basis points as a percentage to sales. The increase in Expenses is mainly due to cost inflation impacts, including higher wage costs, an increase in depreciation, the impact of foreign exchange on the translation of International Operations Expenses and higher vessel repairs incurred through our investment in Transport Nanuk Inc. ("TNI") in Canadian Operations. The impact of a \$5.5 million increase in share-based compensation costs primarily due to adjustments from changes in the Company's share price partially offset by a \$3.7 million loss on our Fox Lake, Alberta store that was destroyed by wild fire in the second quarter last year (collectively "Non-Comparable Expenses"²) were also factors.

Earnings From Operations Earnings from operations ("EBIT") increased 0.4% to \$54.9 million compared to \$54.7 million last year and earnings before interest, income taxes, depreciation and amortization ("EBITDA"²) increased 4.1% to \$83.4 million compared to \$80.1 million last year due to the sales, gross profit and Expense factors previously noted. A \$1.8 million decrease in earnings from our investment in TNI compared to last year resulting from an increase in vessel repairs, that also temporarily delayed the start of the sealift shipping season, combined with lower International shipping rates, was also a factor. Adjusted EBITDA², which excludes the Non-Comparable Expenses, increased 6.1% to \$88.4 million compared to \$83.3 million last year and as a percentage to sales was 13.7% compared to 13.5% last year.

¹ Excluding the impact of foreign exchange

² See Non-GAAP Measures Section of the news release

Income Tax Expense Income tax expense increased to \$13.6 million compared to \$12.0 million last year due to higher earnings and an increase in the effective tax rate to 27.0% compared to 24.0% last year. The increase in the effective tax rate is largely due to the impact of The Global Minimum Tax Act ("GMTA") – Pillar Two legislation enacted in Canada on June 20, 2024, but is effective as of the beginning of the Company's fiscal year. This legislation applies a minimum effective tax rate of 15% on income earned in each jurisdiction in which the Company operates resulting in a \$1.0 million increase in income tax expense and a 198 basis point increase in the effective tax rate in the quarter.

Net Earnings Net earnings decreased 3.0% to \$36.9 million compared to very strong net earnings of \$38.0 million last year. Net earnings attributable to shareholders were \$35.3 million and diluted earnings per share were \$0.73 per share compared to \$0.76 per share last year. Adjusted net earnings², which excludes the after-tax impact of the Non-Comparable Expenses, increased \$0.6 million or 1.6% to \$40.7 million compared to \$40.0 million last year due to the gross profit, Expense and GMTA - Pillar Two income tax expense factors.

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 earnings from operations (EBIT) to EBITDA and adjusted EBITDA:

(\$ in thousands)	Second Quarter	
	2024	2023
Earnings from operations (EBIT)	\$ 54,881	\$ 54,686
Add: Amortization	28,532	25,422
EBITDA	\$ 83,413	\$ 80,108
Adjusted for:		
Fox Lake wild fire asset write-off ⁽³⁾	—	3,694
Share-based compensation expense	5,014	(471)
Adjusted EBITDA	\$ 88,427	\$ 83,331

(3) On May 5, 2023, the Company's store in Fox Lake, Alberta was destroyed by wild fire which resulted in a write-off of assets.

Reconciliation of consolidated net earnings to adjusted net earnings:

(\$ in thousands)	Second Quarter	
	2024	2023
Net earnings	\$ 36,897	\$ 38,045
Adjusted for:		
Fox Lake wild fire asset write-off, net of tax ⁽³⁾	—	2,551
Share-based compensation expense, net of tax	3,776	(559)
Adjusted net earnings	\$ 40,673	\$ 40,037

(3) On May 5, 2023, the Company's store in Fox Lake, Alberta was destroyed by wild fire which resulted in a write-off of assets.

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 the financial results is available in the Company's 2024 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.

Second Quarter Conference Call

North West will host a conference call for its second quarter results on September 5, 2024 at 8:30 a.m. (Central Time). To access the call, please dial 416-406-0743 or 1-800-952-5114 with a pass code of 1022928#. The conference call will be archived and can be accessed by dialing 905-694-9451 or 1-800-408-3053 with a pass code of 7013862# on or before October 3, 2024.

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), ongoing business strategies or prospects, 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, the anticipated impact of The Next 100 strategic priorities 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, 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 2023 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.sedarplus.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 229 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\$2.5 billion.

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

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