



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 an Increase in the Quarterly Dividend

Winnipeg, Manitoba, March 14, 2019 (TSX: NWC): The North West Company Inc. (the "Company" or "North West") today reported its unaudited financial results for the fourth quarter ended January 31, 2019. It also announced that the Board of Directors have declared a dividend of \$0.33 per share, an increase of \$0.01 or 3.1% per share, to shareholders of record on March 29, 2019, to be paid on April 15, 2019.

"Fourth quarter sales were very robust across most banners offset by expense pressures and one-time business disruptions. Our airline continued to invest to bring aircraft maintenance in-house. This need was reinforced by the extended downtime of one of our ATR aircraft due to delays with third party maintenance providers, which in turn required the use of higher cost third-party aircraft," commented President & CEO Edward Kennedy. "Our focus for 2019 is on driving same store sales growth that leverage more positive economic conditions in the north and in key Caribbean markets. We will cycle through cost inflation with the exception of higher insurance rates which will be offset by growth".

Financial Highlights

Fourth quarter consolidated sales increased 7.1% to \$532.5 million led by same store sales gains in International Operations, the impact of foreign exchange on the translation of International Operations sales and new stores in Canadian Operations. The early issuance of the February Supplemental Nutrition Assistance Program ("SNAP") benefit payments in January due to the U.S. Government shut-down and the re-opening of two stores in the British Virgin Islands that were previously closed as a result of the hurricanes last year were also factors contributing to the sales gains in International Operations. Excluding the foreign exchange impact, consolidated sales increased 4.5% and were up 4.0%¹ on a same store basis. Food sales¹ increased 4.6% and were up 4.6% on a same store basis and general merchandise sales¹ increased 3.5% and were up 2.0% on a same store basis. These gains were partially offset by the temporary closure of a NorthMart store in Iqaluit, Nunavut due to a fire and the disposition of a stand alone Tim Hortons in Canadian Operations, and the closure of a Cost-U-Less ("CUL") store in Kauai, Hawaii in the first quarter this year.

Gross profit increased 5.4% driven by higher sales but was partially offset by a 51 basis point decrease in gross profit rate. The decrease in gross profit rate was primarily due to competitive pricing pressures and changes in sales blend in International Operations. Selling, operating and administrative expenses increased 15.3% and were up 191 basis points as a percentage to sales. This increase was mainly due to higher share-based compensation costs, utilities and insurance expense. The \$7.5 million increase in share-based compensation costs is primarily due to mark-to-market adjustments resulting in an option expense of \$3.6 million this year compared to an option expense recovery of \$2.8 million last year. The impact of new stores, an increase in North Star Air Ltd. expenses and the impact of foreign exchange on the translation of International Operations expenses were also factors.

Earnings from operations decreased 33.0% to \$21.6 million compared to \$32.2 million in the fourth quarter last year and earnings before interest, income taxes, depreciation and amortization (EBITDA²) decreased 20.8% to \$36.9 million mainly due to the increase in expenses previously noted. Excluding the impact of share-based compensation option expense, adjusted EBITDA² was down 7.6% compared to last year and as a percentage to sales was 7.6% compared to 8.8% last year.

¹ Excluding the foreign exchange impact

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

Income tax expense decreased \$9.0 million to \$3.8 million and the consolidated effective tax rate was 21.4% compared to last year at 44.0%. This decrease was primarily due to U.S. tax reform in the fourth quarter last year and the blend of earnings in the International Operations across the various tax rate jurisdictions. The most significant impact of U.S. tax reform was a reduction in the federal corporate income tax rate from 35.0% to 21.0% effective January 1, 2018 and the implementation of a one-time transition tax on undistributed earnings in foreign subsidiaries. These changes resulted in additional income tax expense of \$5.8 million in the fourth quarter last year.

Net earnings decreased \$2.4 million or 14.8% to \$13.9 million. Net earnings attributable to shareholders of the Company were \$13.0 million and diluted earnings per share were \$0.27 per share compared to \$0.31 per share last year due to the factors noted above. Excluding the impact of the share-based compensation option expense and U.S. tax reform in the fourth quarter last year, adjusted net earnings² decreased 7.5% compared to last year due to the higher expenses as previously noted.

Further information on the financial results is available in the Company's 2018 fourth 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.

2017 Fourth Quarter Income Tax Revision

As previously announced on April 11, 2018, in connection with the issuance of the 2017 annual audited consolidated financial statements for the year ended January 31, 2018, the Company recorded an additional \$1.9 million income tax expense from the amounts recorded in the fourth quarter 2017 unaudited interim period condensed consolidated financial statements as further described below. The Company reported its 2017 fourth quarter unaudited consolidated financial statements on March 15, 2018. On April 2, 2018, prior to the issuance of the annual audited consolidated financial statements, the U.S. Department of the Treasury and the Internal Revenue Service issued notice 2018-26 providing additional guidance on the calculation of the transition tax. As a result of this additional guidance, the Company recorded an additional estimated transition tax of \$1.9 million under section 965 of U.S. Tax Reform on accumulated undistributed earnings in foreign subsidiaries in its annual audited consolidated financial statements for the year ended January 31, 2018. This adjustment increased income tax expense and decreased net earnings by \$1.9 million (US\$1.5 million) from the amounts previously reported in the fourth quarter consolidated financial statements for both the fourth quarter and the year ended January 31, 2018. The comparative figures referenced in this news release and in the fourth quarter condensed consolidated financial statements for the three and twelve months ended January 31, 2018 have been revised to include the impact of the \$1.9 million increase in income tax expense.

Fourth Quarter Conference Call

North West will host a conference call for its fourth quarter results on March 14, 2019 at 1:30 p.m. (Central Time). To access the call, please dial 647-484-0476 or 866-519-2796 with a pass code of 096742. The conference call will be archived and can be accessed by dialing 905-694-9451 or 800-408-3053 with a pass code of 8616095 on or before April 14, 2019.

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. 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, 2018. 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 245 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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