



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, March 15, 2018 (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, 2018. It also announced that the Board of Directors have declared a dividend of \$0.32 per share to shareholders of record on March 29, 2018, to be paid on April 16, 2018.

"Results were strong in priority areas where we had the most control, notably in Health, Convenience, Financial Services and the post-hurricane recovery of our British Virgin Island stores. We were hurt by hurricane carryover disruptions to supply chains in the Caribbean and severe northern winter conditions over our key December selling period," commented President & CEO Edward Kennedy. "Looking forward, we are focused on improving our Giant Tiger store results and we are positioned to capture growth and returns from the record investment we made in other businesses last year. This includes the build out of our air cargo service and superior performance from spending on new systems and Top Stores."

Financial Highlights

Sales increased 1.9% to \$489.8 million compared to \$480.6 million in the fourth quarter last year due to the acquisition of Roadtown Wholesale Trading Ltd. ("RTW") in the British Virgin Islands and the acquisition of North Star Air Ltd. ("NSA") in Canada. Same store sales gains in International Operations were also a factor. These gains were partially offset by store closures related to hurricanes in the Caribbean and the impact of foreign exchange on the translation of International Operations sales. Excluding the foreign exchange impact, consolidated sales increased 4.2% and were up 0.3%¹ on a same store basis. Food sales¹ increased 1.2% but were flat on a same store basis. General merchandise sales¹ increased 1.8% and were up 1.3% on a same store basis.

Earnings from operations increased 21.6% to \$32.2 million compared to \$26.5 million in the fourth quarter last year. Gross profit dollars were up 3.8% driven by the acquisition related sales growth and a 56 basis point increase in gross profit rate compared to last year. The increase in the gross profit rate is mainly due to sales blend changes across the various jurisdictions. Selling, operating and administrative expenses decreased 0.2% and were down 51 basis points as a percentage to sales as expenses related to the RTW and NSA acquisitions and new stores in Canadian Operations were more than offset by the impact of lower share-based compensation costs and hurricane-related store closures. Further information on the RTW and NSA acquisitions is provided in Note 17 to the 2017 fourth quarter unaudited interim period condensed consolidated financial statements.

The decrease in share-based compensation costs of \$9.2 million was largely due to an option expense recovery of \$2.8 million this year compared to an option expense of \$4.6 million last year. A substantial portion of the options granted are accounted for as a liability and are re-measured based on the share price at each quarterly reporting date. The lower option expense this quarter was due to a decrease in the share price in the quarter this year compared to an increase in the share price in the fourth quarter last year.

Earnings before interest, income taxes, depreciation and amortization (EBITDA²) increased 19.9% to \$46.6 million due to the RTW and NSA acquisitions and lower share-based compensation noted above. These gains were partially offset by the impact of the hurricane-related store closures. Excluding the impact of share option expense, adjusted EBITDA² was up 0.7% compared to last year and as a percentage to sales was 8.9% compared to 9.0% last year.

¹ Excluding the foreign exchange impact

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

In December 2017 new corporate tax legislation was enacted in the United States which reduced the federal corporate tax rate from 35% to 21% effective January 1, 2018. There was also a one-time transition tax introduced on undistributed accumulated earnings in foreign owned subsidiaries. These changes resulted in an income tax expense of \$3,896, comprised of \$1,827 for the re-measurement of deferred tax assets and liabilities and \$2,069 for transition tax related to certain of the Company's subsidiaries.

Net earnings increased \$3.3 million or 21.8% to \$18.3 million and diluted earnings per share were \$0.35 per share compared to \$0.30 per share last year due to the factors noted above. Excluding the impact of share-based compensation option expense and the one-time tax expense related to U.S. tax reform, adjusted net earnings² decreased 1.3%.

Further information on the financial results is available in the Company's 2017 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.

Hurricane Irma and Maria Impact

Hurricane related store closures negatively impacted sales and EBITDA² in the quarter by approximately US\$23.6 million and US\$2.5 million respectively. On an annualized basis, these stores represent approximately US\$92.0 million in sales and US\$6.6 million in EBITDA². A CUL store in St. Maarten was partially re-opened on November 17, 2017. A CUL Store in St. Thomas and three stores in the BVI require complete reconstruction and are expected to re-open in 2019. Insurance proceeds are expected to be sufficient to cover repair and reconstruction costs. The Company also has business interruption insurance that will help mitigate the earnings impact of the store closures however, the settlement is expected to take approximately 12 to 15 months to complete. The settlement of these claims and the receipt of payments are expected to result in insurance-related gains in the consolidated statements of earnings in subsequent periods.

Appointment of Director

North West also announces the appointment of Brock Bulbuck to its Board of Directors. Mr. Bulbuck is the Chief Executive Officer of Boyd Group Income Fund. He has been CEO since 2010, but since joining Boyd in 1993, Mr. Bulbuck has served in many senior leadership roles and has played a leading role in the overall development and growth of the business. In his current leadership role at Boyd, he has overall responsibility for the affairs of Boyd, including strategy, operations and performance. In addition to his executive management position at Boyd, Mr. Bulbuck also serves on the Board of Trustees of Boyd Group Income Fund. He is also a past Chairperson of the Winnipeg Football Club Board of Directors, a past member of the Canadian Football League Board of Governors and a current Director of the Pan Am Clinic Foundation. Mr. Bulbuck has a Bachelor of Commerce (Honors) degree from the University of Manitoba and is a Chartered Professional Accountant.

"We are delighted that Brock has agreed to join our Board", said H. Sanford Riley, Chairman of the Board. "His experience as a former CFO, and now CEO of The Boyd Group, a remarkably successful Canadian public company, will augment the financial and general business skills on our Board. We are looking forward to his participation in our deliberations".

Fourth Quarter Conference Call

North West will host a conference call for its fourth quarter results on March 15, 2018 at 1:30 p.m. (Central Time). To access the call, please dial 416-406-0743 or 800-898-3989 with a pass code of 1197498. The conference call will be archived and can be accessed by dialing 905-694-9451 or 800-408-3053 with a pass code of 8046827 or before April 15, 2018.

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, 2017. 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 239 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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