



NEWS RELEASE

Newfoundland and Labrador Liquor Corporation (NLC) Announces Second Quarter (Q2) Performance

St. John's, Newfoundland and Labrador, November 23rd, 2021

NLC today released its financial and operational results for the second quarter of fiscal year 2022, ended October 2nd, 2021. All financial information is unaudited.

NLC reported a 0.3% increase in net earnings during the quarter compared with Q2 of fiscal year 2021, for a total of \$57.2 Million. Year-to-date net earnings of \$108.8 Million represent a 6% increase over the prior year.

The dividend paid to the Government of Newfoundland and Labrador for the quarter totaled \$55.0 Million, a decrease of 0.9% compared with the prior year, for a total year-to-date of \$116.8 Million – an 8.1% increase over last year. The variance compared with Q2 of the previous year is due to the timing of the dividend payment schedule. NLC is currently on pace to deliver a dividend of \$210.0 Million in fiscal year 2022, which would be the largest in the organization's history.

Beverage Alcohol

Beverage Alcohol sales for Q2 were \$78.7 Million, up 6.8% compared with the prior year – an increase of 7.5% year-to-date, due to higher sales across all product categories. Compared with Q2 of 2021, spirits sales were up 4.2%, wine sales increased 11.8%, ready-to-drink (RTD) sales increased 10.8% and beer sold through NLC corporate stores increased 2.5%.

Sales through NLC's corporate stores were up 4.5% compared to Q2 of the prior year – a 16.7% increase year-to-date compared with the previous year while Liquor Express outlets experienced an increase of 4.6% over Q2 of the prior year. Year-to-date, Liquor Express locations have experienced a 12.7% decrease in sales, due to what appears to be a return to pre-pandemic shopping patterns by customers.

In addition to direct sales, NLC earns commissions on the sale of beer through Brewers' Agents, totaling \$20.2 Million for the quarter, down 8.2% over the second quarter of fiscal year 2021 – a decrease of 0.7% year-to-date. Again, a return to pre-pandemic traffic patterns in NLC shopping channels may account for a significant portion of this change.

In the second quarter, NLC undertook several in-store renovations to its existing store network, including Stephenville, Corner Brook (Humber Gardens), Mount Pearl (Pearlgate Plaza), Kelsey

Drive, Topsail Road, Howley Estates and Stavanger Drive Liquor Stores. These changes are in line with industry best practices and will expand to include other locations in the future.

Cannabis

Commissions earned on the sale of cannabis through licensed cannabis retailers totaled \$5.1 Million in Q2, an increase of 21% over the prior year – 48.3% year-to-date.

In Q2 of fiscal year 2022, retail cannabis sales were \$16.1 Million, a 6.1% increase over Q2 of 2021, and a 31.8% increase year-to-date.

On October 1st, NLC introduced a significant change to cannabis distribution in the Province; NLC streamlined cannabis supply into the Province and began fulfillment and delivery of cannabis from its Distribution Centre at East White Hills Road in St. John's. NLC is committed to providing access to a safe and secure supply of cannabis products to Newfoundlanders and Labradorians. Shipments from the Distribution Centre translate into significantly faster order fulfillment times for licensed cannabis retailers, and shorter delivery times (one to two days, down from five to 10 days in previous model) and decreased shipping fees for online customers. The change has also increased the selection of products to all licensed cannabis retailers throughout the Province, and will improve NLC's regulatory effectiveness for the cannabis industry. With more timely and convenient delivery and decreased prices since launch, NLC will further disrupt the illicit market in the Province. In addition, four new licensed cannabis retailers opened up in Q2, bringing the total number of locations to 32.

Rock Spirits

Rock Spirits continues to build upon the success of its canning line, producing 2,750 cases of RTD in Q2. It is not yet possible to adequately compare RTD production year over year as the canning line was first operational late in Q2 of fiscal 2021 (September, 2020). Rock Spirits also produced 83,400 cases of spirits, down by 4% compared with Q2 of fiscal year 2021 – a variance related to the timing of production compared with the previous year.

NLC's bottling plant continues to develop new products and partnerships. In August, Rock Spirits introduced its second RTD brand – Shiver Lime Vodka. This beverage, owned by NLC's Rock Spirits, has 0 grams of carbs, 0 grams of sugar and only 110 calories per serving, appealing directly to the 'better for you' market segment. NLC's Marketing team worked closely with Rock Spirits on the design of the brand, including its label, packaging and supporting materials.

Rock Spirits collaborated with the Newfoundland Distillery Company on the production and release of two new RTDs – The Newfoundland Distillery Company Gin & Tonic and Gunpowder and Rose Rum and Cola, and partnered with Hounds Vodka Company on the production of its Hounds Clementine Hibiscus and Guava Lime Vodka Soda. It will continue to seek out additional opportunities to work with new partners to capitalize on growing industry trends.

Regulatory Compliance and Enforcement

NLC conducted 1,089 inspections on liquor establishments and cannabis retailers in Q2, as it continues to work closely with the licensee community. This represents a 17% decrease over the number of inspections conducted during the same time period in fiscal 2021. This decrease is primarily attributed to the elevated number of inspections required during the height of the pandemic in the summer of 2020.

NLC's Regulatory Compliance and Enforcement department continues to disrupt groups controlling the illicit cannabis market by conducting comprehensive investigations and executing warrants resulting in significant seizures of contraband product. In Q2, it completed two such seizures of product, worth an estimated \$10,000.

Corporate Responsibility

NLC is committed to being a leader in corporate responsibility, promoting a positive impact on consumers, employees and other stakeholders in the Province through its actions in social responsibility, sustainability, community and corporate governance.

NLC continues to follow through on its social responsibility commitment through various initiatives, in partnership with the Royal Newfoundland Constabulary, the Royal Canadian Mounted Police (RCMP), Crime Stoppers and Mothers Against Drunk Driving (MADD). NLC and the RCMP continued their public education campaign targeting responsible ATV and recreational vehicle usage, with "Don't Drink and Ride and Never Ride High", while NLC was instrumental in the launch of MADD NL's school assembly program, aimed at educating students on the dangers of impaired driving.

NLC is reviewing its recruitment and retention strategies and making appropriate changes in an effort to attract and retain a more diverse workforce. This includes ensuring professional development opportunities are readily available to underrepresented groups, such as women, to prepare them for future opportunities that become available. The Management Readiness Program in retail is currently 75% female.

Specific actions from a recruitment standpoint include circulating job postings directly to groups such as Empower NL (the Disability Resource Centre), Avalon Employment, the Association for New Canadians, and posting opportunities to LGBTQ2S+ friendly career site, "Pink Jobs".

In recognition of the National Day for Truth and Reconciliation, NLC facilities, offices and stores were closed to acknowledge and remember residential school survivors and victims. Further, articles and videos were circulated to all NLC staff to promote understanding, to encourage reflection and discussion, and to increase efforts of reconciliation.

In recognition of Public Service Week, NLC's Executive conducted multiple town halls with all staff and visited the Distribution Centre and Rock Spirits to discuss the contribution of employees to NLC's strategic direction and initiatives, including NLC's important social and corporate responsibilities in all areas of the Province.

NLC places significant emphasis on the mental well-being of its employees, especially given the strain that COVID-19 has placed on its staff. As a result, NLC continued its training in Mental Health First Aid, with all NLC facilities now having at least one staff member with this training, which is key to promoting sound mental health in our workplace.

On September 20th, 2021, the Government of Newfoundland and Labrador announced the addition of four new Board members to its Board of Directors - Janis Byrne, Kevin Dumaresque, Kendra MacDonald and Lynn Zurel. We are excited to welcome these distinguished additions to our team at NLC, and look forward to working with them. At this time, we would like to thank outgoing Board member Sharon Sparkes for her contributions to the success of the organization.

Quarter 2			(in thousands)	Year-to-date		
2021/2022	2020/2021	Change %	Fiscal Year	2021/2022	2020/2021	Change %
			Sales \$			
35,339	33,927	4.2%	Spirits	68,430	66,324	3.2%
21,332	19,073	11.8%	Wine	39,902	36,703	8.7%
11,410	10,295	10.8%	Ready-To-Drink	22,292	19,418	14.8%
10,604	10,349	2.5%	Beer	19,848	17,001	16.7%
1,103	1,051	4.9%	Other	2,076	2,477	-16.2%
79	203	-61.1%	Cannabis	190	520	-63.5%
79,867	74,898	6.6%	Total Sales by Category	152,738	142,443	7.2%
46,032	43,559	5.7%	Gross Profit	88,383	83,658	5.6%
16,057	14,565	10.2%	Operating and Administrative Expenses	31,895	29,835	6.9%
29,975	28,994	3.4%	Gross Operating income	56,488	53,823	5.0%
27,224	28,037	-2.9%	Other income	52,304	48,798	7.2%
57,199	57,031	0.3%	Net Earnings	108,792	102,621	6.0%
55,000	55,500	-0.9%	Dividend Paid to GNL	116,800	108,000	8.1%
Sales by Channel - Beverage Alcohol						
47,488	45,441	4.5%	NLC Corporate Stores	92,229	79,047	16.7%
4,208	2,625	60.3%	Licensee	6,998	3,024	131.4%
26,506	25,338	4.6%	Liquor Express	50,462	57,794	-12.7%
1,665	1,494	11.4%	Other	3,049	2,578	18.3%
Retail Sales by Channel - Cannabis						
16,063	15,012	7.0%	Cannabis (LCR)	31,294	23,369	33.9%
79	203	-61.1%	Cannabis (eCommerce)	190	520	-63.5%

About NLC

NLC is a Crown Corporation of the Government of Newfoundland and Labrador with responsibility through the Liquor Corporation Act and the Liquor Control Act for importation, sale, distribution and regulation of beverage alcohol, and for the delivery of programs that promote safe, responsible consumption of alcohol.

Under Newfoundland and Labrador's regulatory model, NLC, through the Cannabis Control Act, has been given responsibility for regulating the sale and distribution of non-medical cannabis,

and for social responsibility initiatives that promote safe and responsible use of non-medical cannabis. NLC is committed to providing a safe and secure supply of legal cannabis for residents of the Province, while disrupting the illicit market. In doing so, it recognizes the importance of province-wide accessibility both online and through retail locations.

NLC is one of the largest retailers in the Province. Through 29 corporate retail locations, eCommerce, catalogues, private order services, more than 140 Liquor Express locations, almost 700 Brewers' Agents outlets, and more than 1,500 restaurants, lounges and other licensees, NLC offers 4,000 to 5,000 products per year to consumers and retail partners from more than 20 countries, and handles six to seven million transactions annually in corporate stores and agency locations. It also regulates 32 licensed cannabis retailers across the Province; and operates a 77,000 square foot Distribution Centre, employing 600 people in all parts of the business.

NLC operates with the expectation that it will generate a dividend for the Government of Newfoundland and Labrador that will be reinvested for the benefit of people of the Province, and returns 100% of its profits to Government to help fund key public services. NLC aspires to earn trust in everything it does – with customers, employees, retailers, commercial partners and communities in which it operates and with Government as it works together to build a stronger Newfoundland and Labrador.

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