



NEWS RELEASE

Newfoundland and Labrador Liquor Corporation (NLC) Announces Third Quarter (Q3) Performance

St. John's, Newfoundland and Labrador, February 17th, 2022

NLC today released its financial and operational results for the third quarter of fiscal year 2022 ended January 1st, 2022. All information is unaudited.

NLC reported net earnings for the quarter of \$57.6 million, a decrease of \$1.3 million, or 2.2%, compared with Q3 of fiscal year 2021. Net earnings for the year-to-date total \$166.4 million, \$4.8 million, or 3.0% higher than the same period in the previous fiscal year. The dividend paid by NLC to the Government of Newfoundland and Labrador totaled \$55.0 million for the quarter, \$6.5 million higher than Q3 of the prior year. This brings the dividend remitted for the year-to-date to \$171.8 million, \$15.3 million higher than the same period one year ago.

“With the continuing challenges and uncertainty associated with the pandemic, particularly with the move to Alert Level 4 in mid-December, our team has maintained its focus on our customers and giving them the very best experience we can,” said Bruce Keating, President and CEO. “In parallel, we continue to make important improvements through our store renovation program, in cannabis and in other parts of the business to deliver the most value possible to the people of the Province.”

Beverage Alcohol

Beverage Alcohol sales for Q3 were \$85.3 million, down 0.5%, mainly due to lower spirits sales. Compared with Q3 of 2021, spirits sales were down 2.4% and ready-to-drink (RTD) increased 0.2% compared with the prior year. Sales in the wine category increased by 2.0% and beer sold through NLC corporate stores increased 1.7%.

Sales through NLC's corporate stores were down 1.1% compared to Q3 of the prior year, mainly due to what appears to be a return to pre-pandemic volumes, while Liquor Express outlets across the Province experienced a decrease of 3.1% over Q3 of the prior year.

In addition to direct sales, NLC earns commissions on the sale of beer through Brewers' Agents. These commissions for the quarter totaled \$17.1 million – up 14.6% over the third quarter of fiscal year 2021.

Cannabis NL

Cannabis sales through Licensed Cannabis Retailers (LCRs) totalled \$14.1 million in Q3, an increase of 2.3% over Q3 of the prior year. Total retail cannabis sales in Q3, including online sales, were \$14.2 million.

NLC continues to build upon the success of its new distribution model for cannabis, with direct shipping from its distribution centre in St. John's. While only three months into this new initiative, retail customers and consumers report positive feedback on service levels, particularly with respect to decreased shipping times. NLC now lists over 800 products from 27 suppliers, and continues to work with its partners to provide additional options to meet customer demand. Currently, NLC has a listing call out for new products and suppliers.

NLC added six additional LCRs in the third quarter of fiscal 2022, bringing its total to 38 retail locations, with more expected in Q4.

Rock Spirits

Rock Spirits produced 2,000 cases on its canning line, consistent with the same time period the previous year, while it produced 85,000 cases of bottled product, compared with 72,000 cases during Q3 of the prior year - an increase of 18.1%. This increase is related to the timing of production.

Regulatory Compliance and Enforcement

NLC conducted 1,035 inspections on liquor establishments and cannabis retailers in Q3, as it continues to work closely with the licensee community. This represents a 19.0% 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 fall of 2020. NLC also amended over 60 licenses during the quarter, helping operators navigate through the challenges of COVID-19.

Corporate Responsibility

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, Crime Stoppers and Mothers Against Drunk Driving (MADD). In October, the Law Enforcement Torch Run concluded at NLC, where various partners celebrated another successful event in support of Special Olympics. NLC also participated in MADD's Project Red Ribbon initiative to promote sober driving during the holiday season, displaying coin boxes at checkout lanes in participating stores. A public awareness campaign was also launched to encourage celebrating responsibly during the festive season.

NLC continues to follow through on its commitment to diversity and inclusion, and was honoured to be recognized with a certificate of appreciation from the Canadian Association of Supported Employment for "demonstrating ongoing commitment to creating a diverse and

inclusive community within Canada". Efforts in the third quarter of fiscal year 2022 included work with the Association for New Canadians (ANC), and the planning and development of a sensory friendly shopping experience.

ANC delivered a presentation to our store managers, offering a better understanding of diversity, inclusion and belonging. ANC moderators facilitated a discussion with managers on how we can develop tangible solutions to bring diversity and inclusion alive in the workplace.

Meanwhile, we are currently in the planning stages of creating a sensory friendly shopping experience for customers at specific times and at certain locations. By dimming lights and eliminating/reducing unnecessary noises and movement at these times, we hope to make the shopping experience less busy, less noisy and less bright for all of our customers. We hope to provide more information on this initiative in the weeks ahead.

Further, NLC provided Mental Health First Aid training to more staff, bringing the total certified to over 100, and recently celebrated Bell "Let's Talk" Day across the organization, raising awareness of the importance of mental health and well-being.

"As President and CEO, I'm tremendously proud of the efforts of the entire team", said Bruce Keating. "In the face of many challenges, our employees continue to rise to the challenge in every part of the organization."

Quarter 3			(in thousands)	Quarter 3 YTD		
2021/2022	2020/2021	Change %	Fiscal Year	2021/2022	2020/2021	Change %
			Sales \$			
42,849	43,920	-2.4%	Spirits	111,279	110,244	0.9%
25,097	24,612	2.0%	Wine	64,999	61,314	6.0%
7,501	7,486	0.2%	Ready-To-Drink	29,794	26,904	10.7%
9,850	9,684	1.7%	Beer	29,698	26,686	11.3%
1,022	929	10.0%	Other	3,097	3,407	-9.1%
12,482	194	6334.0%	Cannabis	12,673	715	1672.4%
98,801	86,825	13.8%	Total Sales by Category	251,540	229,270	9.7%
54,357	51,270	6.0%	Gross Profit	142,740	134,930	5.8%
16,831	13,128	28.2%	Operating and Administrative Expenses	48,722	42,854	13.7%
37,526	38,142	-1.6%	Gross Operating income	94,018	92,076	2.1%
20,056	20,722	-3.2%	Other income	72,360	69,522	4.1%
57,582	58,864	-2.2%	Net Earnings	166,378	161,598	3.0%
55,000	48,500	13.4%	Dividend Paid to GNL	171,800	156,500	9.8%
55,669	56,286	-1.1%	NLC Corporate Stores	147,897	135,333	9.3%
3,387	2,238	51.3%	Licensee	10,384	5,263	97.3%
26,178	27,009	-3.1%	Liquor Express	76,640	84,804	-9.6%
13,567	1,292	950.1%	Other	16,619	3,870	329.4%
14,098	13,787	2.3%	Cannabis (LCR)	45,392	37,198	22.0%
109	194	-43.8%	Cannabis (eCommerce)	299	715	-58.2%

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 cannabis, and for the delivery of programs that promote safe, responsible consumption of alcohol and cannabis.

NLC is one of the largest retailers in the Province. Through 29 corporate retail locations, catalogues, private order services, more than 140 agency stores, 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 its retail partners from more than 20 countries. It also regulates 38 Licensed Cannabis Retailers across the Province, offers customers a secure, legal online environment for cannabis purchases via ShopCannabisNL.com; 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 revenue 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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