



MEMBER NEWSLETTER

As we reflect on the past year, we acknowledge that it has been a challenging one. Economic headwinds, inflationary pressures, and a shifting geopolitical landscape have tested businesses across all industries – including the ones Otter Co-op operates in. However, in the face of these obstacles, we remain committed to sustainable business development, our community and making a positive impact as we strive to be the consumers' first choice.

Despite the economic downturn, we are strengthening our dedication to our core values. We are proud to continually expand our partnerships with Canadian producers, ensuring that

we continue to source local products that support our economy and meet the high-quality standards we set for Co-op products. Our team will continue to highlight these products with key identifiers and signage, so our guests can make informed purchasing decisions on how they want to support Canadian-made products. These collaborations not only help to support and sustain local producers; they also help reinforce our commitment to supporting the neighbourhoods we live, work, play and do business in.

FIND CANADIAN-MADE AT CO-OP

Look for these logos to find Western Canadian and Canadian-Made products!



Hunger Bag program donated over \$25,000 in food items for the Aldergrove and Abbotsford Food Banks last year, on top of our multiple on-location food drives. Many of our partners align in our

mission to give back to those in need. Thus far in 2025, we were proud to provide \$3,000 to the BC SPCA in partnership with Bread and Butter Wines this past January. We collected over \$1,000 and multiple pounds of food for Raphael House Food Bank in partnership with the Langley RCMP at our Electronic Shredding event, held at the Langley Retail Centre on March 6th.



Should you know anyone looking to take post-secondary in the Fall, the Otter Co-op Student Scholarship program is once again accepting applications. Until April 30th, students can apply for 10 \$1,000 scholarships, with more information and the applications found on our website. We're excited to share that we will be partnering again with both Langley and Kamloops RibFest this summer. Our team will also return once again as a sponsor of the Aldergrove Fair and continue our support of programs like our annual Fuel Good Day campaign and our regular donations to local food banks. All of these contributions directly support programs that help those in need, making a real difference in the lives of individuals and families across the country. It's a key facet on how Otter Co-op is a different kind of business, and why our members can rest assured that the dollars they spend with us are being reallocated to support the local economy and their neighbours in need.



Member loyalty and value remains a key focus for us. Our Board of Directors recently completed a trip to Saskatoon, where the Annual Meeting for our primary wholesaler, Federated Co-operatives Limited, was held. There, our board learned of important consumer and economic trends to



help guide the strategy of our business while advocating and providing their voice to ensure the goals and needs of our local membership are met. From April 2nd to May 2nd, our board will begin accepting nominations for our annual director election. Any knowledgeable, strategic, and experienced individuals interested in joining our Board and helping govern the co-operative in the best interest of our member/owners are welcomed to apply, with the election held from May 24th until June 2nd. The results announced at our AGM later in June. We are also excited to share that new membership-exclusive programs and campaigns, focused on providing direct value to our members and enhancing the experience when shopping on-site at Otter Co-op and Angry Otter Liquor locations, will debut in the coming weeks. Stay tuned to our website and social media pages for more information as they are announced.

In 2024, while Otter Co-op faced both increasing competition and rising costs of inventory and services, the traffic for both our Food and Liquor Stores continued to rise. Our leadership team is looking to build on that momentum and find more opportunities to bring value for our guests in face of these uncertain economic time. Our team has also been working to continually diversify our income streams through new programs and partnerships.



We were excited to install electric vehicle chargers as a part of a no-cost-to-Otter partnership with FLO and Federated Co-operatives Limited. These chargers are available at our Langley and Parallel Food Stores, as well as our Progress Way, Rutland, and Dallas Drive Gas Bars. This program helps us serve our member-owners who have been looking for EV charging solutions at our locations, drives our sustainability initiative forward, and provides incremental revenue to improve our operations. Thus far, we've had hundreds of charges across our locations, with usage continuing to trend positively. We've launched Angry Otter Pizza, a takeaway pizza offering in our Langley Retail Centre based off the delicious recipes created at the Angry Otter Tap and Forno in North Vancouver. These are also available at our Highwayman Pub locations, as well as on SkipTheDishes locally. We also welcomed new third-party tenant services in some of our locations. Next time you stop at our Parallel Food Store, we invite you to say hello to our friends at the Whatcom Medical Clinic. In the coming weeks, Apex Barbershop will be opening in our Langley Retail Centre as well. We're proud to both support local businesses while providing convenience to our members and optimizing the available space within our stores.



We firmly believe that through strategic development, community engagement, and customer-centric practices, we will continue to thrive as an organization. Should you have any questions or feedback for our leadership team, we invite you to write an email to questions@otter-coop.com. Thank you for your continued trust and support as we navigate these times together. The future is bright, and we are confident that our resilience and dedication will ensure Otter Co-op remains a fixture of your community for many years to come.

Yours Co-operatively,

Charlie Fox
Board President

Jack Nicholson
Otter Co-op CEO

Otter Co-op Faces Challenges but Remains Committed to Future Success

As we close the books on our fiscal year ending March 1, 2025, Otter Co-op continues to navigate a challenging economic landscape. Our sales closed 2.4% below the previous year's figures, influenced by declining commodity prices and the cancellation of select fuel contracts with resellers. Despite our proactive budgeting efforts, various factors prevented us from achieving a positive bottom line.

This past year proved even more difficult than 2023, with many competitors facing similar obstacles. As a result of the economic downturn and significant investments in our facilities over the past two years, Otter is anticipating a net loss for 2024. Additionally, patronage payments from Federated Co-operatives Limited (FCL) were \$5,008,063 lower than the previous year, reflecting broader industry challenges. Since FCL patronage has historically been a key contributor to our profitability, this shortfall has had a significant impact.

Despite these hurdles, Otter Co-op welcomed 10,320 new members this past year. We are actively implementing strategies aimed at fortifying our financial position for both short-term resilience and long-term sustainability. Otter Co-op has faced financial challenges in the past, such as during the original redevelopment of our Aldergrove Retail Centre, which resulted in losses for several years. That investment was made to support future growth and long-term success, much like our recent expansions in food, liquor, and petroleum. As we focus on debt reduction, interest cost management, and asset depreciation, we are confident in our path back to profitability.



Several external challenges have further impacted our financial performance. Avian flu, a major cyber incident causing prolonged system outages, and persistently high interest rates have all played a role. Additionally, the cost of upgrading our gas bar sites from Husky to Co-op was higher than anticipated. Our new food store in Cloverdale has also struggled to gain traction in the market, placing further strain

on the organization despite the team's dedicated efforts to attract new customers.

The hospitality sector in which we operate three pub/restaurants has been hit particularly hard by rising food, wage, and operating costs, leading to closures among many industry competitors, including some of our closest competitors in the market. The loss of our brewery tenant, which had helped cover expenses for the brewery and Angry Otter Tap & Forno, has further compounded these challenges. We continue to closely monitor performance and adapt our operations to ensure long-term viability.



Amid these difficulties, some divisions have provided stability. Our liquor, feed, and pharmacy divisions delivered profitable results, helping offset losses in food, hospitality, and petroleum. Additionally, customer traffic increased at our food stores—excluding Cloverdale—highlighting our ability to compete in the grocery sector, even as a smaller player in the industry.

To address financial shortfalls, we have conducted a comprehensive review of all locations and their contributions to our bottom line, resulting in a 4.7% reduction in expenses for the coming year. Some of these reductions include scaling back maintenance and landscaping contracts, courier costs, and other operational expenditures. We have also successfully renegotiated loan terms and interest rates, which will provide both immediate and long-term financial relief.

Further cost-saving measures include listing several vacant properties for sale, right-sizing some locations to reduce lease space and costs and relocating three liquor stores to better-performing areas. We have also maximized the use of certain locations by adding rental spaces for tenants, such as a new doctor's office at our Parallel Road Food Store, a barbershop at our Aldergrove Retail Centre, and a convenience and vape



store at our West Railway Angry Otter Liquor location in Abbotsford. These additions drive foot traffic while generating additional income for Otter Co-op.

We have also terminated underperforming fuel contracts and are holding off on replacing positions at all levels throughout the company. These steps reflect our commitment to maintaining financial stability while continuing to serve our members and communities.

While challenges remain, we are confident in our ability to overcome them. With a focus on financial discipline and strategic investments, Otter Co-op remains committed to returning to profitability and securing a sustainable future for our members.

Thank you for your ongoing support of your locally owned co-operative,

Jack Nicholson
Otter Co-op CEO

Charlie Fox
Board President

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