

Indigo Reports Full Year Results: Impressive growth in revenue and profit

Comparable Superstore Sales grow by 12.8% and Online Sales grow by 15.3%

TORONTO, ON – May 31, 2016 -- Indigo Books & Music Inc. (TSX: IDG), Canada's largest book, gift and specialty toy retailer reported revenue of \$994 million for its fiscal year ended April 2, 2016. Total revenue increased by \$99 million or 11% compared to the previous year despite operating seven fewer stores. The Company noted that this year was a 53-week reporting period. On a 52-week, comparable store basis, Indigo and Chapters superstore revenue increased 12.8%, while Coles and Indigospirit small format store revenue increased 10.9%. Comparable sales from Indigo's online channel, indigo.ca, grew by 15.3%.

Revenue growth was driven by continued double-digit growth in the general merchandise business and high single-digit growth in the core book business, boosted by the trend for adult coloring books.

Commenting on the results, CEO Heather Reisman said, "We are delighted with our full year results which demonstrate that our transformation efforts have delivered real growth momentum. I am incredibly proud of the whole Indigo team and we all feel energized to continue providing our customers with the inspiring experience that we know they love."

The Company recognized net earnings of \$28.6 million for the year compared to a net loss of \$3.5 million last year. The improvement in earnings was driven by revenue growth, improved margin rate, proceeds from the disposal of a lease and a lower tax expense.

Revenue for the fourth quarter was \$220 million, up \$34 million from the same quarter last year. The Company noted that this was a 14-week reporting period. On a 13-week, comparable store basis, Indigo and Chapters superstores were up 14.7%, while Coles and Indigospirit small format stores were up 15.8%. Sales from Indigo's online channel, indigo.ca, grew by 9.8%. Net loss for the quarter was \$13.4 million compared to a net loss of \$13.9 million last year. The improvement in earnings was a result of higher revenues, improved margin rate, lower tax expense off-set by increased bonus and reorganization costs.

In May 2016, Indigo received recognition as the top retail employer brand by Randstad Canada, and was cited as the organization with the best workplace environment. It was also recognized in the top 5 employer brands nationally. The Randstad survey is the only employer award chosen entirely by workers and job seekers in search of employment opportunities within Canada's leading organisations.

Also subsequent to the year-end, Indigo opened its first booklovers' cultural department store, a 30,000 square foot location at CF Sherway Gardens, Toronto. The Company plans to roll out the cultural department store concept to more stores in the future.

In May 2016, the Indigo Love of Reading Foundation granted an additional \$1.5 million to 25 high-need elementary schools across the country, bringing the total committed by the Foundation, since its inception in 2004, to \$23.5 million.

Analyst/Investor Call

Indigo will host a conference call for analysts and investors to review these results at 8:45 a.m. (Eastern Time) tomorrow, June 1st, 2016. The call can be accessed by dialling 416-764-8688 from within the Toronto area, or 1-888-390-0546 outside of Toronto. The eight digit participant code is 69700106.

A playback of the call will also be available by telephone until 11:59 p.m. (ET) on Wednesday, June 8th, 2016. The call playback can be accessed after 10:00 a.m. (ET) on Wednesday, June 1st 2016, by dialing 416-764-8677 from within the Toronto area, or 1-888-390-0541 outside of Toronto. The six-digit replay passcode number is 700106#. The conference call transcript will be archived in the Investor Relations section of the Indigo website, www.indigo.ca.

Forward-Looking Statements

Statements contained in this news release that are not historical facts are forward-looking statements which involve risk and uncertainties that could cause results to differ materially from those expressed in the forward-looking statements. Among the key factors that could cause such differences are: general economic, market or business conditions in Canada; competitive actions by other companies; changes in laws or regulations; and other factors, many of which are beyond the control of the Company.

Non-IFRS Financial Measures

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”). In order to provide additional insight into the business, the Company has also provided non-IFRS data, including comparative store sales growth, in the press release above. This measure does not have a standardized meaning prescribed by IFRS and is therefore specific to Indigo and may not be comparable to similar measures presented by other companies. Comparative store sales growth is a key indicator used by the Company to measure performance against internal targets and prior period results. This measure is commonly used by financial analysts and investors to compare Indigo to other retailers. Comparable store sales are defined as sales generated by stores that have been open for more than 12 months on a 52-week basis.

About Indigo Books & Music Inc.

Indigo is a publicly traded Canadian company listed on the Toronto Stock Exchange (IDG). As the largest book, gift and specialty toy retailer in Canada, Indigo operates in all provinces under different banners including Indigo Books & Music; Indigo Books, Gifts, Kids; Indigospirit; Chapters; and Coles. The online channel, indigo.ca, offers a one-stop online shop with a robust selection of books, toys, home décor, stationery, and gifts.

Indigo founded the Indigo Love of Reading Foundation in 2004 to address the underfunding of public elementary school libraries. Every year the Love of Reading Foundation makes grants to high-needs elementary schools so they can transform their libraries with the purchase of new books and educational resources. To date, the Love of Reading Foundation has committed over \$23.5 million to 2,600 elementary schools, benefitting more than 750,000 students.

To learn more about Indigo, please visit the Our Company section at indigo.ca.

For further information please contact:
Janet Eger
Vice President, Public Affairs
416 342 8561
jejer@indigo.ca

Consolidated Balance Sheets

(thousands of Canadian dollars)	As at April 2, 2016	As at March 28, 2015
ASSETS		
Current		
Cash and cash equivalents	216,488	203,162
Accounts receivable	7,663	4,896
Inventories	217,788	208,395
Income taxes recoverable	25	25
Prepaid expenses	11,290	5,477
Total current assets	453,254	421,955
Property, plant and equipment	60,973	54,886
Intangible assets	16,506	16,587
Equity investment	1,421	726
Deferred tax assets	51,836	44,241
Total assets	583,990	538,395
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	171,112	160,645
Unredeemed gift card liability	50,969	48,211
Provisions	34	913
Deferred revenue	13,232	13,298
Current portion of long-term debt	53	172
Total current liabilities	235,400	223,239
Long-term accrued liabilities	4,483	3,841
Long-term provisions	109	110
Long-term debt	-	56
Total liabilities	239,992	227,246
Equity		
Share capital	209,318	205,871
Contributed surplus	10,591	9,770
Retained earnings	124,089	95,508
Total equity	343,998	311,149
Total liabilities and equity	583,990	538,395

Consolidated Statements of Earnings (Loss) and Comprehensive Earnings (Loss)

	14-week period ended April 2, 2016	13-week period ended March 28, 2015	53-week period ended April 2, 2016	52-week period ended March 28, 2015
(thousands of Canadian dollars, except per share data)				
Revenue	220,394	186,155	994,181	895,376
Cost of sales	(121,525)	(104,794)	(551,194)	(503,059)
Gross profit	98,869	81,361	442,987	392,317
Operating, selling, and administrative expenses	(116,074)	(99,034)	(423,037)	(398,031)
Operating earnings (loss)	(17,205)	(17,673)	19,950	(5,714)
Interest expense	(991)	(21)	(1,000)	(69)
Interest income	696	653	1,753	1,906
Share of earnings (loss) from equity investment	(303)	(431)	1,397	655
Earnings (loss) before income taxes	(17,803)	(17,472)	22,100	(3,222)
Income tax recovery (expense)				
Current	50	51	50	51
Deferred	4,340	3,475	6,431	(363)
Net earnings (loss) and comprehensive earnings (loss) for the period	(13,413)	(13,946)	28,581	(3,534)
Net earnings (loss) per common share				
Basic	\$ (0.51)	\$ (0.54)	\$ 1.10	\$ (0.14)
Diluted	\$ (0.51)	\$ (0.54)	\$ 1.09	\$ (0.14)

Consolidated Statements of Cash Flows

(thousands of Canadian dollars)	14-week period ended April 2, 2016	13-week period ended March 28, 2015	53-week period ended April 2, 2016	52-week period ended March 28, 2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Net earnings (loss) for the period	(13,413)	(13,946)	28,581	(3,534)
Add (deduct) items not affecting cash				
Depreciation of property, plant and equipment	3,909	3,753	14,739	14,789
Amortization of intangible assets	2,203	3,032	9,073	11,913
Net reversal of capital asset impairments	(1)	-	(1,620)	(458)
Loss on disposal of capital assets	143	58	1,039	92
Stock-based compensation	261	97	1,212	910
Directors' compensation	90	89	384	341
Deferred tax assets	(5,504)	(3,475)	(7,595)	363
Other	3,258	(1,244)	(58)	(1,960)
Net change in non-cash working capital balances	(75,825)	(71,705)	(5,102)	37,841
Interest expense	991	21	1,000	69
Interest income	(696)	(653)	(1,753)	(1,906)
Income taxes received	-	-	50	26
Share of loss (earnings) from equity investment	303	431	(1,397)	(655)
Cash flows from (used for) operating activities	(84,281)	(83,542)	38,553	57,831
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(6,681)	(1,925)	(20,243)	(10,832)
Addition of intangible assets	(3,120)	(1,718)	(9,000)	(6,914)
Proceeds from disposal of capital assets	1	-	6	-
Distributions from equity investment	702	527	702	527
Interest received	752	903	1,522	1,898
Cash flows used for investing activities	(8,346)	(2,213)	(27,013)	(15,321)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long-term debt	(40)	(50)	(175)	(586)
Interest paid	(944)	(17)	(995)	(67)
Proceeds from share issuances	1,206	770	2,672	1,758
Cash flows from financing activities	222	703	1,502	1,105
Effect of foreign currency exchange rate changes on cash and cash equivalents	(3,361)	987	284	1,969
Net increase (decrease) in cash and cash equivalents during the period	(95,766)	(84,065)	13,326	45,584
Cash and cash equivalents, beginning of period	312,254	287,227	203,162	157,578
Cash and cash equivalents, end of period	216,488	203,162	216,488	203,162