Indigo Reports Full Year Results: Record revenues and impressive earnings growth

TORONTO, ON – May 30, 2017 -- Indigo Books & Music Inc. (TSX: IDG), Canada's largest book, gift and specialty toy retailer reported revenue of $1,020 million for its fiscal year ended April 1, 2017. Total revenue increased by $26 million or 2.6% compared to the previous year which was a 53-week reporting period. On a 52-week basis, total comparable sales, including both online sales and comparable store sales, increased by 4.1% in the year.

Revenue growth was driven by continued double-digit growth in general merchandise, most notably lifestyle products and toys. Book sales remained solid as sales for *Harry Potter and the Cursed Child* partially offset the declining trend for adult colouring books.

Commenting on the results, CEO Heather Reisman said, "We are delighted to report our highest revenues ever in what was a tough year for many retailers. We believe this is a direct result of Indigo's efforts to innovate and to provide our customers with exceptional products and an inspiring shopping experience both in our stores and online. Our focus, as always, is to continue to improve; and the Indigo team remains energized to keep up the momentum of the last few years."

Indigo reported net earnings before tax of $29.0 million compared to $22.1 million last year. The improvement in pre-tax earnings was driven by improved revenue and margin, as well as lower head office costs, partially offset by higher distribution centre operating costs. Of note, on a comparable basis, when excluding the impact of a one-time benefit from a lease disposition last year, pre-tax earnings improved by $11.4 million. The Company reported net earnings of $20.9 million for the year compared to $28.6 million last year. The variance is explained by a primarily non cash income tax expense of $8.1 million in the current period compared to an income tax recovery of $6.5 million last year. Indigo ended the year in a very strong financial position with cash and short-term investment balance of $230 million and no debt.

Revenue for the fourth quarter was $210 million, down $11 million to the same quarter last year, which was a 14-week reporting period. On a 13-week basis, total comparable sales, including both online sales and comparable store sales, increased by 0.8% in the fourth quarter. Net loss for the quarter was $8.9 million compared to a net loss of $13.4 million last year. The improvement in earnings was a result of lower head office costs.

In April 2017, Indigo received recognition as the top retail employer brand by Randstad Canada, and was cited as the organization with the best workplace atmosphere, particularly for women. 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 organizations.

At the beginning of fiscal 2017, the Company opened its first booklovers' cultural department store at CF Sherway Gardens. The new store concept reflects Indigo's transformation from a bookstore to a cultural department store for booklovers. The new Indigo CF Sherway Gardens store was honoured at the Retail Design Institute's 46th International Store Design Awards in New York on May 24th, 2017, receiving the top award in the specialty hardline category, as well as the Innovation Award for store planning. Given the tremendous success of this location the new concept will be rolled out to more stores beginning in the current year.

Following the close of the quarter, Indigo appointed Mr. Hugues Simard as Executive Vice President and Chief Financial Officer of the Corporation. Mr. Simard, who joins the Company from his tenure as Senior Vice President and Chief Financial Officer of Videotron, holds a Bachelor of Applied Science (B.A.Sc.) degree in Industrial Engineering from the University of Toronto and an MBA from Harvard Business School.

Also in May 2017, the Indigo Love of Reading Foundation granted an additional $1.5 million to 30 high-need elementary schools across Canada, bringing the total committed by the Foundation, since its inception in 2004, to $25 million.

Analyst/Investor Call

Indigo will host a conference call for analysts and investors to review these results at 9:00 a.m. (Eastern Time) tomorrow, May 31st, 2017. The call can be accessed by dialing 416-764-8688 from within the Toronto area, or 1-888-390-0546 outside of Toronto. The eight digit participant code is 96166185.

A playback of the call will also be available by telephone until 11:59 p.m. (ET) on Wednesday, June 7th, 2017. The call playback can be accessed after 11:00 a.m. (ET) on Wednesday, May 31st, 2017, 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 166185#. 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 total comparable sales, 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. Total comparable sales 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. Total comparable sales is based on comparable retail store sales and includes online sales for the same period. Comparable retail 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 $25 million to 3,000 elementary schools, benefitting more than 900,000 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
jeger@indigo.ca

Consolidated Balance Sheets

(thousands of Canadian dollars)	**As at April 1, 2017**	As at April 2, 2016
ASSETS		
Current		
Cash and cash equivalents	**130,438**	216,488
Short term investments	**100,000**	-
Accounts receivable	**7,448**	7,663
Inventories	**231,576**	217,788
Income taxes recoverable	**-**	25
Prepaid expenses	**11,706**	11,290
Derivative financial instruments	**266**	-
Assets held for sale	**1,037**	-
Total current assets	**482,471**	453,254
Property, plant and equipment	**65,078**	60,973
Intangible assets	**15,272**	16,506
Equity investment	**1,800**	1,421
Deferred tax assets	**43,981**	51,836
Total assets	**608,602**	583,990
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	**170,611**	171,112
Unredeemed gift card liability	**50,396**	50,969
Provisions	**110**	34
Deferred revenue	**12,852**	13,232
Income taxes payable	**360**	-
Current portion of long-term debt	**-**	53
Total current liabilities	**234,329**	235,400
Long-term accrued liabilities	**2,378**	4,483
Long-term provisions	**51**	109
Total liabilities	**236,758**	239,992
Equity		
Share capital	**215,971**	209,318
Contributed surplus	**10,671**	10,591
Retained earnings	**145,007**	124,089
Accumulated other comprehensive income	**195**	-
Total equity	**371,844**	343,998
Total liabilities and equity	**608,602**	583,990

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

(thousands of Canadian dollars, except per share data)	**13-week period ended April 1, 2017**	14-week period ended April 2, 2016	**52-week period ended April 1, 2017**	53-week period ended April 2, 2016
Revenue	**209,505**	220,394	**1,019,845**	994,181
Cost of sales	**(116,032)**	(121,525)	**(565,640)**	(551,194)
Gross profit	**93,473**	98,869	**454,205**	442,987
Operating, selling, and administrative expenses	**(105,706)**	(116,074)	**(428,981)**	(423,037)
Operating earnings (loss)	**(12,233)**	(17,205)	**25,224**	19,950
Net interest income (expense)	**669**	(295)	**2,196**	753
Share of earnings (loss) from equity investment	**(347)**	(303)	**1,617**	1,397
Earnings (loss) before income taxes	**(11,911)**	(17,803)	**29,037**	22,100
Income tax recovery (expense)				
Current	**(335)**	50	**(335)**	50
Deferred	**3,390**	4,340	**(7,784)**	6,431
Net earnings (loss)	**(8,856)**	(13,413)	**20,918**	28,581
Other comprehensive income (loss)				
Items that are or may be reclassified subsequently to net earnings (loss):				
Net change in fair value of cash flow hedges (net of taxes of 190 and (496) ; 2016 - 0 and 0)	**(519)**	-	**1,357**	-
Reclassification of net realized gain (net of taxes of 23 and 425 ; 2016 - 0 and 0)	**(62)**	-	**(1,162)**	-
Other comprehensive income (loss)	**(581)**	-	**195**	-
Total comprehensive earnings (loss) for the period	**(9,437)**	(13,413)	**21,113**	28,581
Net earnings (loss) per common share				
Basic	**($0.33)**	($0.51)	**$0.79**	$1.10
Diluted	**($0.33)**	($0.51)	**$0.78**	$1.09

Consolidated Statements of Cash Flows

(thousands of Canadian dollars)	**13-week period ended April 1, 2017**	14-week period ended April 2, 2016	**52-week period ended April 1, 2017**	53-week period ended April 2, 2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Net earnings (loss) for the period	**(8,856)**	(13,413)	**20,918**	28,581
Add (deduct) items not affecting cash				
Depreciation of property, plant and equipment	**4,572**	3,909	**16,612**	14,739
Amortization of intangible assets	**2,043**	2,203	**8,573**	9,073
Net reversal of capital asset impairments	**-**	(1)	**(963)**	(1,620)
Loss on disposal of capital assets	**2,769**	143	**2,770**	1,039
Share-based compensation	**190**	261	**1,400**	1,212
Directors' compensation	**87**	90	**367**	384
Deferred tax assets	**(3,387)**	(5,504)	**7,784**	(7,595)
Assets held for sale	**(1,037)**	-	**(1,037)**	-
Other	**482**	3,258	**147**	(58)
Net change in non-cash working capital balances	**(78,449)**	(75,825)	**(17,196)**	(5,102)
Interest expense	**3**	991	**36**	1,000
Interest income	**(672)**	(696)	**(2,232)**	(1,753)
Income taxes received	**-**	-	**51**	50
Share of loss (earnings) from equity investment	**347**	303	**(1,617)**	(1,397)
Cash flows from (used for) operating activities	**(81,908)**	(84,281)	**35,613**	38,553
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	**(3,890)**	(6,681)	**(19,774)**	(20,243)
Addition of intangible assets	**(1,419)**	(3,120)	**(10,089)**	(9,000)
Short-term investments	**(100,000)**	-	**(100,000)**	-
Proceeds from disposal of capital assets	**-**	1	**-**	6
Distributions from equity investment	**801**	702	**1,238**	702
Interest received	**227**	752	**1,190**	1,522
Cash flows used for investing activities	**(104,281)**	(8,346)	**(127,435)**	(27,013)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long-term debt	**(9)**	(40)	**(53)**	(175)
Interest paid	**(1)**	(944)	**(28)**	(995)
Proceeds from share issuances	**421**	1,206	**4,966**	2,672
Cash flows from financing activities	**411**	222	**4,885**	1,502
Effect of foreign currency exchange rate changes on cash and cash equivalents	**(39)**	(3,361)	**887**	284
Net increase (decrease) in cash and cash equivalents during the period	**(185,817)**	(95,766)	**(86,050)**	13,326
Cash and cash equivalents, beginning of period	**316,255**	312,254	**216,488**	203,162
Cash and cash equivalents, end of period	**130,438**	216,488	**130,438**	216,488