Indigo Reports Q2 Results:
Continued strong revenue growth of 3.5%
16 quarters of consecutive quarterly revenue growth

TORONTO, ON – November 1, 2017 – For the second quarter ended September 30, 2017, Indigo Books & Music Inc. (TSX: IDG), Canada's largest book, gift and specialty toy retailer, delivered a 16th straight quarter of topline comparable growth to achieve its highest ever second-quarter revenue.

Revenue for the quarter increased $7.6 million or 3.5% from last year to reach $224.5 million, despite having to comp a major release, *Harry Potter and the Cursed Child,* last year. Total comparable sales, which includes both online sales and comparable store sales, increased by 2.8% as a result of continued momentum in online operations and positive in-store performance. Revenue growth was driven by continued double digit growth in the general merchandise business, with exceptional growth in the Lifestyle and Toy categories. The core trade book business remains healthy, showing growth over last year, excluding the impact of *Harry Potter and the Cursed Child*.

Commenting on the results, CEO Heather Reisman said, "We are very proud of our second quarter performance, once again delivering significant growth in both our online business and comparable store sales. General merchandise continues to generate outstanding results, the book business remains strong and our new concept stores are doing exceptionally well. Most of all, I am proud of our team's energy and engagement as we enter our busiest time of the year, the critical holiday season."

The Company continued to roll out its new store concept to five more locations in Guelph, Ottawa, Toronto and Edmonton during this quarter. These newly re-imagined stores, which reflect Indigo's transformation from a bookstore to a cultural department store for booklovers, are all a great success, showing an impressive 16% average revenue growth and improved retail performance metrics. Based on these compelling results, the Company will embark upon a major capital investment program to rejuvenate its retail network and upgrade the systems supporting it.

Net loss for the second quarter was $4.7 million (net loss per common share of $0.18) compared to a net loss of $1.2 million (net loss per common share of $0.04) last year. This is reflective of certain changes in accounting estimates, as well as the Company's investment in digital, new store development, marketing and supply chain to fuel future growth.

The Company ended the period with cash and short-term investments of $171 million and no debt, which demonstrates the strength of its financial position.

Subsequent to the quarter close, the Company acquired a distribution facility in Calgary to support future growth and to allow the Company to provide faster and more efficient service to its customers in the Western provinces.

Finally, Indigo announces that it will open its first cultural department store for booklovers in the United States in the summer of 2018 in the Mall at Short Hills in New Jersey. The Company will bring its unique assortment and life-enriching experience to test the largest retailing market in the world and strive to replicate its Canadian success by creating a joyful, addictive omni-channel experience as well as the ultimate community for booklovers to experience educational entertainment and in-store programming.

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, November 2nd, 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 87989695.

A playback of the call will also be available by telephone until 11:59 p.m. (ET) on Thursday, November 9th, 2017. The call playback can be accessed after 11:00 a.m. (ET) on Thursday, November 2nd, 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 989695#. 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 unaudited interim condensed consolidated financial statements in accordance with International Financial Reporting Standards and International Accounting Standards 34, "Interim Financial Reporting." 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 and adjusted EBITDA are key indicators 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 52-weeks. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization, impairment, asset disposals, and equity investments. The method of calculating adjusted EBITDA is consistent with that used in prior periods.

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.

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Consolidated Balance Sheets

(thousands of Canadian dollars)	**As at September 30, 2017**	As at October 1, 2016	As at April 1, 2017
ASSETS			
Current			
Cash and cash equivalents	**160,540**	183,895	130,438
Short-term investments	**10,000**	-	100,000
Accounts receivable	**18,139**	18,298	7,448
Inventories	**292,377**	264,267	231,576
Income taxes recoverable	**-**	25	-
Prepaid expenses	**7,473**	5,044	11,706
Derivative assets	**77**	392	266
Other assets	**1,910**	-	-
Assets held for sale	**-**	-	1,037
Total current assets	**490,516**	471,921	482,471
Property, plant and equipment	**70,208**	62,237	65,078
Intangible assets	**16,296**	17,280	15,272
Equity investments	**2,993**	62	1,800
Deferred tax assets	**48,212**	55,022	43,981
Total assets	**628,225**	606,522	608,602
LIABILITIES AND EQUITY			
Current			
Accounts payable and accrued liabilities	**211,019**	208,424	170,611
Unredeemed gift card liability	**36,374**	44,974	50,396
Provisions	**178**	28	110
Deferred revenue	**13,405**	13,575	12,852
Income taxes payable	**22**	-	360
Current portion of long-term debt	**-**	21	-
Derivative liabilities	**3,835**	-	-
Total current liabilities	**264,833**	267,022	234,329
Long-term accrued liabilities	**1,708**	2,809	2,378
Long-term provisions	**45**	96	51
Total liabilities	**266,586**	269,927	236,758
Equity			
Share capital	**218,080**	211,185	215,971
Contributed surplus	**11,295**	11,214	10,671
Retained earnings	**135,016**	113,909	145,007
Accumulated other comprehensive income	**(2,752)**	287	195
Total equity	**361,639**	336,595	371,844
Total liabilities and equity	**628,225**	606,522	608,602

Consolidated Statements of Loss and Comprehensive Loss

(thousands of Canadian dollars, except per share data)	**13-week period ended September 30, 2017**	13-week period ended October 1, 2016	**26-week period ended September 30, 2017**	26-week period ended October 1, 2016
Revenue	**224,510**	216,945	**430,828**	410,044
Cost of sales	**(124,776)**	(119,207)	**(237,225)**	(226,433)
Gross profit	**99,734**	97,738	**193,603**	183,611
Operating, selling, and administrative expenses	**(105,886)**	(99,147)	**(206,787)**	(197,045)
Operating loss	**(6,152)**	(1,409)	**(13,184)**	(13,434)
Net interest income	**661**	408	**1,258**	888
Share of loss from equity investments	**(466)**	(411)	**(1,039)**	(922)
Loss before income taxes	**(5,957)**	(1,412)	**(12,965)**	(13,468)
Income tax recovery (expense)				
Current	**(180)**	-	**(180)**	-
Deferred	**1,447**	232	**3,154**	3,288
Net loss	**(4,690)**	(1,180)	**(9,991)**	(10,180)
Other comprehensive income				
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 902 and 1,569 ; 2016 - (184) and (219))	**(2,467)**	503	**(4,293)**	598
Reclassification of net realized (gain) loss (net of taxes of (581) and (563) ; 2016 - 145 and 114)	**1,589**	(395)	**1,541**	(311)
Other comprehensive income (loss)	**(878)**	108	**(2,752)**	287
Total comprehensive loss	**(5,568)**	(1,072)	**(12,743)**	(9,893)
Net loss per common share				
Basic	**($0.18)**	($0.04)	**($0.37)**	($0.39)
Diluted	**($0.18)**	($0.04)	**($0.37)**	($0.39)

Consolidated Statements of Cash Flows

(thousands of Canadian dollars)	**13-week period ended September 30, 2017**	13-week period ended October 1, 2016	**26-week period ended September 30, 2017**	26-week period ended October 1, 2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	**(4,690)**	(1,180)	**(9,991)**	(10,180)
Adjustments to reconcile net loss to cash flows from operating activities				
Depreciation of property, plant and equipment	**4,530**	3,896	**8,898**	7,759
Amortization of intangible assets	**1,790**	2,145	**3,697**	4,276
Loss on disposal of capital assets	**(39)**	-	**(39)**	1
Share-based compensation	**348**	354	**782**	756
Directors' compensation	**82**	89	**181**	197
Deferred tax assets	**(1,447)**	(232)	**(3,154)**	(3,291)
Disposal of assets held for sale	**-**	-	**1,037**	-
Collateral from derivative transactions	**(1,910)**	-	**(1,910)**	-
Other	**(237)**	(670)	**437**	(375)
Net change in non-cash working capital balances	**(15,613)**	7,785	**(41,266)**	(20,901)
Interest expense	**3**	13	**5**	30
Interest income	**(664)**	(421)	**(1,263)**	(918)
Share of loss from equity investments	**466**	411	**1,039**	922
Cash flows from (used for) operating activities	**(17,381)**	12,190	**(41,547)**	(21,724)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	**(8,107)**	(3,607)	**(13,989)**	(9,024)
Addition of intangible assets	**(2,976)**	(3,081)	**(4,721)**	(5,050)
Change in short term investments	**90,000**	-	**90,000**	-
Distribution from equity investments	**-**	-	**434**	437
Interest received	**663**	414	**1,106**	541
Investment in associate	**-**	-	**(2,666)**	-
Cash flows from (used for) investing activities	**79,580**	(6,274)	**70,164**	(13,096)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long-term debt	**-**	(12)	**-**	(32)
Interest paid	**-**	(11)	**-**	(26)
Proceeds from share issuances	**1,445**	537	**1,770**	1,537
Cash flows from financing activities	**1,445**	514	**1,770**	1,479
Effect of foreign currency exchange rate changes on cash and cash equivalents	**235**	675	**(285)**	748
Net increase (decrease) in cash and cash equivalents during the period	**63,879**	7,105	**30,102**	(32,593)
Cash and cash equivalents, beginning of period	**96,661**	176,790	**130,438**	216,488
Cash and cash equivalents, end of period	**160,540**	183,895	**160,540**	183,895

Non-IFRS Financial Measures

The following table reconciles Adjusted EBITDA to Net loss, the most comparable IFRS measure.

(millions of Canadian dollars)	**13-week period ended September 30, 2017**	13-week period ended October 1, 2016	**26-week period ended September 30, 2017**	26-week period ended October 1, 2016
Adjusted EBITDA	**0.1**	4.6	**-**	(1.4)
Depreciation of property, plant and equipment	**(4.5)**	(3.9)	**(8.9)**	(7.8)
Amortization of intangible assets	**(1.8)**	(2.1)	**(3.7)**	(4.3)
Loss on disposal of capital assets	**-**	0.0	**(0.7)**	0.0
Net interest income	**0.7**	0.4	**1.3**	0.9
Share of losses from joint venture	**(0.5)**	(0.4)	**(1.0)**	(0.9)
Loss before income taxes	**(6.0)**	(1.4)	**(13.0)**	(13.5)
Income tax recovery	**1.3**	0.2	**3.0**	3.3
Net loss	**(4.7)**	(1.2)	**(10.0)**	(10.2)

The following table reconciles total comparable sales to revenue, the most comparable IFRS measure.

(millions of Canadian dollars)	**13-week period ended September 30, 2017**	13-week period ended October 1, 2016	% increase
Revenue	**224.5**	216.9	3.5
Adjustments			
Other revenue [1]	**(9.4)**	(7.6)	
Stores not in both fiscal periods	**(2.6)**	(2.7)	
Total comparable sales	**212.5**	206.6	2.8

[1] Includes cafés, irewards, gift card breakage, Kobo revenue share, Plum breakage, and corporate sales.