

## **Indigo Reports Fiscal 2021 Second Quarter Financial Results - Year-over-year revenue growth driven by exceptional e-commerce results, retail's continued recovery and success of paid membership program**

**TORONTO, ON – November 3, 2020** -- Indigo (TSX: IDG), Canada's largest book and lifestyle retailer announces its second quarter results.

Revenue for the second quarter ended September 26, 2020 was \$205.3 million compared to revenue of \$203.4 million in the same period last year, an increase of \$1.9 million. Buoyed by continued interest in the core categories of reading, wellness, at-home learning and entertainment, the Company's online channel more than doubled, delivering growth of 113.6%. This growth was complemented by the retail channel's ongoing recovery – albeit still below normal levels – and the success of the Company's paid membership program.

Commenting on the results, CEO Heather Reisman said: "Our team has put out extraordinary effort over the last eight months and meaningfully pushed our business forward notwithstanding the challenges of operating in a COVID environment. This quarter, we successfully launched our proprietary home brand Oui and have seen continued success in our core categories of wellness, reading and kids entertainment. We also launched an industry leading click-and-collect service and on-boarded Instacart. These advances allow us to provide our customers with 'have it your way' access channels. We are energized by these results, and by customers' continued affinity for our brand."

During the quarter, the Company remained focused on productivity efforts. These actions resulted in an adjusted EBITDA (see "Non-IFRS Measures" below) improvement of \$6.5 million dollars compared to the second quarter of last year. These savings were realized against pressures from pandemic-related costs related to staffing for social distancing, ongoing requirements for personal protective equipment, and enhanced safety and security measures.

Indigo reported a loss before income taxes of \$17.5 million for the second quarter ended September 26, 2020, compared to a loss before income taxes of \$27.9 million last year, an improvement of \$10.4 million. This was achieved through improved operating performance and lower depreciation in the year.

With no outstanding debt and a cash balance of \$137.5 million, the Company is well positioned to manage through these very uncertain times.

### **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 4th, 2020. 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 74471107.

A playback of the call will also be available by telephone until 11:59 p.m. (ET) on November 11, 2020. The call playback can be accessed after 12:00 p.m. (ET) on November 4, 2020, 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 471107#. The conference call transcript will be archived in the Investor Relations section of the Indigo website, [www.indigo.ca](http://www.indigo.ca).

### **Forward-Looking Statements**

Statements contained in this news release that are not historical facts are “forward-looking information” within the meaning of applicable Canadian securities legislation. To the extent any forward-looking information constitutes “financial outlooks” within the meaning of applicable Canadian securities laws, such information is being provided as preliminary financial and operational results. Financial outlooks, as with forward-looking information generally, are, without limitation, based on the assumptions and subject to various risks and uncertainties that could cause actual results to differ materially from those expressed in or implied in this news release. Among the key factors that could cause such differences are: general economic, market or business conditions; the future impacts and government response to the COVID-19 pandemic, including any impact to online and/or retail operations of the Company; competitive actions by other companies; changes in laws or regulations; and other factors, many of which are beyond the control of the Company, as set out in the Company's annual information form dated June 23, 2020 and available on the Company's issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Undue reliance should not be placed on such forward-looking information and no assurance can be given that such events will occur in the disclosed time frames or at all. Any forward-looking information included in this news release is made as of the date of this news release and the Company does not undertake an obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise unless required by applicable securities laws.

### **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, specifically adjusted EBITDA, in this press release. These measures do not have standardized meanings prescribed by IFRS and are therefore specific to Indigo and may not be comparable to similar measures presented by other companies.

For additional context see “Results of Operations” and “Non-IFRS Financial Measures” in the Management's Discussion and Analysis (which can be found at [www.indigo.ca/investor-relations](http://www.indigo.ca/investor-relations) or [www.sedar.com](http://www.sedar.com)).

**About Indigo Books & Music Inc.**

Indigo is a publicly traded Canadian company listed on the Toronto Stock Exchange (IDG). Indigo is the world's first Cultural Department Store – a physical and digital meeting place inspired by and filled with books, music, art, ideas, and beautifully designed lifestyle products. Indigo believes in real books, in living life fully and generously, in being kind to each other and that stories – big and little – connect us.

Indigo founded the Indigo Love of Reading Foundation in 2004 to address the underfunding of public elementary school libraries. Every year the Foundation provides grants to high-needs elementary schools so they can transform their libraries with the purchase of new books and educational resources. To date, the Foundation has committed over \$32 million to more than 3,000 elementary schools, benefitting more than 1,000,000 students. Most recently in April 2020, in the wake of the COVID-19 pandemic and unprecedented nation-wide school closures, the Foundation committed \$1.0 million to provide books to families in need. To learn more about Indigo, please visit the “Our Company” section at [indigo.ca](http://indigo.ca). For further information please contact:

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## Consolidated Balance Sheets

(Unaudited)

(thousands of Canadian dollars)	As at September 26, 2020	As at September 28, 2019	As at March 28, 2020
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	137,521	46,615	120,473
Short-term investments	-	20,500	-
Accounts receivable	12,022	19,809	7,640
Inventories	252,470	298,690	241,812
Prepaid expenses	9,243	7,489	6,062
Income taxes receivable	138	640	138
Derivative assets	148	123	3,794
Other assets	1,768	949	2,320
<b>Total current assets</b>	<b>413,310</b>	<b>394,815</b>	<b>382,239</b>
Loan receivable	446	-	446
Property, plant, and equipment, net	84,195	117,375	91,215
Right-of-use assets, net	363,846	401,928	382,146
Intangible assets, net	22,277	30,866	24,571
Equity investment, net	2,353	2,773	2,353
Deferred tax assets	-	100,004	-
<b>Total assets</b>	<b>886,427</b>	<b>1,047,761</b>	<b>882,970</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	239,337	222,968	164,294
Unredeemed gift card liability	46,550	42,987	51,673
Provisions	2,170	-	2,034
Deferred revenue	14,428	8,148	10,682
Short-term lease liabilities	63,376	65,959	68,402
Derivative liabilities	25	199	-
<b>Total current liabilities</b>	<b>365,886</b>	<b>340,261</b>	<b>297,085</b>
Long-term accrued liabilities	1,494	1,761	1,196
Long-term provisions	724	46	469
Long-term lease liabilities	486,089	480,277	500,215
<b>Total liabilities</b>	<b>854,193</b>	<b>822,345</b>	<b>798,965</b>
<b>Equity</b>			
Share capital	226,986	226,986	226,986
Contributed surplus	13,576	12,039	12,822
Retained deficit	(207,924)	(13,328)	(158,801)
Accumulated other comprehensive income (loss)	(404)	(281)	2,998
<b>Total equity</b>	<b>32,234</b>	<b>225,416</b>	<b>84,005</b>
<b>Total liabilities and equity</b>	<b>886,427</b>	<b>1,047,761</b>	<b>882,970</b>

## Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)

(thousands of Canadian dollars, except per share data)	13-week period ended September 26, 2020	13-week period ended September 28, 2019	26-week period ended September 26, 2020	26-week period ended September 28, 2019
<b>Revenue</b>	<b>205,279</b>	203,364	<b>340,360</b>	395,920
Cost of sales	<b>(125,889)</b>	(118,565)	<b>(222,833)</b>	(227,247)
<b>Gross profit</b>	<b>79,390</b>	84,799	<b>117,527</b>	168,673
Operating, selling, and other expenses	<b>(90,649)</b>	(106,022)	<b>(154,105)</b>	(209,593)
<b>Operating loss</b>	<b>(11,259)</b>	(21,223)	<b>(36,578)</b>	(40,920)
Net interest expense	<b>(6,261)</b>	(5,846)	<b>(12,545)</b>	(11,270)
Share of loss from equity investments	-	(815)	-	(1,588)
<b>Loss before income taxes</b>	<b>(17,520)</b>	(27,884)	<b>(49,123)</b>	(53,778)
Income tax recovery	-	7,429	-	14,253
<b>Net loss</b>	<b>(17,520)</b>	(20,455)	<b>(49,123)</b>	(39,525)
<b>Other comprehensive income (loss)</b>				
Items that are or may be reclassified subsequently to net loss:				
Net change in fair value of cash flow hedges [net of taxes of 0 and 0; 2019 - (275) and 92]	<b>(1,503)</b>	753	<b>(2,412)</b>	(251)
Reclassification of net realized (gain) loss [net of taxes of 0 and 0; 2019 - 48 and 215]	<b>5</b>	(133)	<b>(1,258)</b>	(588)
Realized gain on discontinued cash flow hedges [net of taxes of 0 and 0; 2019 - 0 and 0]	<b>268</b>	-	<b>268</b>	-
Other comprehensive income (loss)	<b>(1,230)</b>	620	<b>(3,402)</b>	(839)
<b>Total comprehensive loss</b>	<b>(18,750)</b>	(19,835)	<b>(52,525)</b>	(40,364)
<b>Net loss per common share</b>				
Basic	\$ <b>(0.63)</b>	\$ (0.74)	\$ <b>(1.78)</b>	\$ (1.44)
Diluted	\$ <b>(0.63)</b>	\$ (0.74)	\$ <b>(1.78)</b>	\$ (1.44)

## Consolidated Statements of Cash Flows

(Unaudited)

(thousands of Canadian dollars)	13-week period ended September 26, 2020	13-week period ended September 28, 2019	26-week period ended September 26, 2020	26-week period ended September 28, 2019
<b>OPERATING ACTIVITIES</b>				
Net loss	(17,520)	(20,455)	(49,123)	(39,525)
Adjustments to reconcile net loss to cash flows from (used for) operating activities				
Depreciation of property, plant, and equipment	4,300	5,891	8,891	11,824
Depreciation of right-of-use assets	10,893	10,189	21,545	20,022
Amortization of intangible assets	3,323	3,312	6,531	6,578
Loss on disposal of capital assets	-	490	247	951
Share-based compensation	306	373	606	621
Directors' compensation	73	73	148	157
Deferred income tax recovery	-	(7,429)	-	(14,253)
Rent concessions	(1,268)	-	(3,679)	-
Other	(371)	102	(113)	356
Net change in non-cash working capital balances related to operations	40,221	(2,078)	56,687	(19,531)
Interest expense	6,455	6,324	12,953	12,401
Interest income	(194)	(520)	(408)	(1,173)
Share of loss from equity investments	-	815	-	1,588
<b>Cash flows from (used for) operating activities</b>	<b>46,218</b>	<b>(2,913)</b>	<b>54,285</b>	<b>(19,984)</b>
<b>INVESTING ACTIVITIES</b>				
Net purchases of property, plant, and equipment	(1,487)	(1,383)	(1,985)	(4,232)
Addition of intangible assets	(2,545)	(2,443)	(4,250)	(4,925)
Change in short-term investments	-	17,500	-	66,650
Interest received	194	173	408	826
<b>Cash flows from (used for) investing activities</b>	<b>(3,838)</b>	<b>13,847</b>	<b>(5,827)</b>	<b>58,319</b>
<b>FINANCING ACTIVITIES</b>				
Repayment of principal on lease liabilities	(9,606)	(10,602)	(18,838)	(20,615)
Interest paid	(6,455)	(6,325)	(12,953)	(12,402)
<b>Cash flows used for financing activities</b>	<b>(16,061)</b>	<b>(16,927)</b>	<b>(31,791)</b>	<b>(33,017)</b>
Effect of foreign currency exchange rate changes on cash and cash equivalents	639	264	381	7
<b>Net increase (decrease) in cash and cash equivalents during the period</b>	<b>26,958</b>	<b>(5,729)</b>	<b>17,048</b>	<b>5,325</b>
Cash and cash equivalents, beginning of period	110,563	52,344	120,473	41,290
<b>Cash and cash equivalents, end of period</b>	<b>137,521</b>	<b>46,615</b>	<b>137,521</b>	<b>46,615</b>

## Non-IFRS Financial Measures

The following table reconciles adjusted EBITDA to loss before income taxes, the most comparable IFRS measure:

(millions of Canadian dollars)	<b>13-week period ended September 26, 2020</b>	13-week period ended September 28, 2019	<b>26-week period ended September 26, 2020</b>	26-week period ended September 28, 2019
Revenue	<b>205.3</b>	203.4	<b>340.4</b>	395.9
Cost of sales	<b>(125.9)</b>	(118.6)	<b>(222.8)</b>	(227.2)
Cost of operations	<b>(52.6)</b>	(60.9)	<b>(84.8)</b>	(119.6)
Selling, general and administrative expenses	<b>(20.7)</b>	(25.2)	<b>(33.3)</b>	(50.6)
Depreciation of right-of-use assets	<b>(10.9)</b>	(10.2)	<b>(21.5)</b>	(20.0)
Finance charges related to leases	<b>(6.5)</b>	(6.3)	<b>(13.0)</b>	(12.4)
<b>Adjusted EBITDA<sup>1</sup></b>	<b>(11.3)</b>	(17.8)	<b>(35.0)</b>	(33.9)
Depreciation of property, plant and equipment	<b>(4.3)</b>	(5.9)	<b>(8.9)</b>	(11.8)
Amortization of intangible assets	<b>(3.3)</b>	(3.3)	<b>(6.5)</b>	(6.6)
Gain (loss) on disposal of capital assets	<b>1.2</b>	(0.5)	<b>0.9</b>	(1.0)
Net interest income	<b>0.2</b>	0.5	<b>0.4</b>	1.2
Share of loss from equity investments	-	(0.8)	-	(1.6)
<b>Loss before income taxes</b>	<b>(17.5)</b>	(27.9)	<b>(49.1)</b>	(53.8)

<sup>1</sup> Earnings before interest, taxes, depreciation, amortization, impairment, asset disposals, and share of loss from equity investments, and includes IFRS 16 right-of-use asset depreciation and associated finance charges.