

Indigo Reports FY21 Full Year Results - Exceptional online growth of +127% drives Indigo's digital transformation

TORONTO, ON – June 1, 2021 -- Indigo Books & Music Inc. (TSX: IDG), Canada's largest book and lifestyle retailer reported financial results for the 53-week period ended April 3, 2021 compared to the 52-week period ended March 28, 2020.

Indigo's exceptional online growth showed resilience against severe disruption from the COVID-19 global health crisis and is driving the Company's transformational strategy. Over 1 million new and existing customers embraced the Online channel in fiscal 2021, providing Indigo with a compelling market opportunity to strengthen its position beyond a COVID-19 recovery. Strength in the Company's core book business stabilized against macro-economic headwinds, while the successful launch of proprietary lifestyle brand OUI showcased customers' affinity for Indigo's evolving product lines and the success of assortment expansion as a growth lever for the business.

The impact on revenue from extensive COVID-19 related store closures was contained to a decline of 5.5% or \$53.0 million on full-year results, with Indigo reporting revenue of \$904.7 million compared to \$957.7 million last year. Key markets like the Greater Toronto Area were impacted for around six months' time, including over the critical holiday period. Revenue was buoyed by remarkable online performance, the delivery of enhanced omnichannel capabilities and continued demand for core categories of reading, wellness, and at-home learning and entertainment, which partially offset the adverse COVID-19 impacts.

Commenting on the results, CEO Heather Reisman said: "This sustained acceleration in e-commerce presents an extraordinary opportunity for Indigo. The new initiatives we are embarking on, from further assortment expansion to becoming a truly omni-channel retailer, strategically align the business to deliver profitable growth. With the welcome of our new President, Peter Ruis, these efforts strongly position us to build upon the hoped-for COVID-19 recovery in fiscal 2022."

Adjusted EBITDA for the year was a loss of \$28.3 million compared to a loss of \$7.3 million last year. This was driven by the top-line decline resulting from COVID-19 rolling store closures, pressure on margin stemming from the subsequent need to clear goods and elevated shipping costs during store closure periods, and other pandemic-related costs, partially offset by external COVID-19 labour and occupancy support.

Indigo reported a net loss of \$57.9 million (\$2.09 net loss per basic common share) compared to a net loss of \$185.0 million (\$6.72 net earnings per basic common share) last year. This improvement was a result of cycling over non-cash impairment losses and the non-cash deferred

income tax expense associated with the write-down of the Company's deferred tax assets in the prior year.

Revenue for the fourth quarter was \$199.0 million compared to revenue of \$178.1 million for the same quarter last year, an increase of 11.7%. The Online channel more than doubled, offsetting the adverse impact of lengthy COVID-19 store closures in the fourth quarter of fiscal 2021. Net loss for the fourth quarter was \$39.5 million compared to a net loss of \$171.3 million last year, an improvement of \$131.8 million as the Company cycles over impairment and deferred tax charges recorded in the prior year.

With no outstanding debt and a cash balance of \$84.9 million, the Company continues to be well positioned to manage through these 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, June 2, 2021. The call can be accessed by dialing 647-427-7450 from within the Toronto area, or 1-888-231-8191 outside of Toronto. The seven-digit participant code is 1264749.

A playback of the call will also be available by telephone until 11:59 p.m. (ET) on June 9, 2021. The call playback can be accessed after 12:00 p.m. (ET) on June 2, 2021, by dialing 416-849-0833 from within the Toronto area, or 1-855-859-2056 outside of Toronto. The seven-digit replay passcode number is 1264749. 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 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.

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 or 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. For further information please contact:

Madeleine Lowenborg-Frick

Director, Corporate Communications

MLowenborgFrick@indigo.ca

Consolidated Balance Sheets

(thousands of Canadian dollars)	As at April 3, 2021	As at March 28, 2020
ASSETS		
Current		
Cash and cash equivalents	84,935	120,473
Accounts receivable	22,976	7,640
Inventories	215,114	241,812
Prepaid expenses	12,278	6,062
Income taxes receivable	-	138
Derivative assets	-	3,794
Other assets	2,120	2,320
Total current assets	337,423	382,239
Loan receivable	-	446
Property, plant, and equipment, net	77,131	91,215
Right-of-use assets, net	361,864	382,146
Intangible assets, net	20,916	24,571
Equity investment, net	2,156	2,353
Total assets	799,490	882,970
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	145,193	164,294
Unredeemed gift card liability	58,053	51,673
Provisions	2,365	2,034
Deferred revenue	16,486	10,682
Short-term lease liabilities	67,603	68,402
Derivative liabilities	1,622	-
Total current liabilities	291,322	297,085
Long-term accrued liabilities	2,090	1,196
Long-term provisions	827	469
Long-term lease liabilities	482,671	500,215
Total liabilities	776,910	798,965
Equity		
Share capital	226,986	226,986
Contributed surplus	13,782	12,822
Retained deficit	(216,668)	(158,801)
Accumulated other comprehensive income (loss)	(1,520)	2,998
Total equity	22,580	84,005
Total liabilities and equity	799,490	882,970

Consolidated Statements of Loss and Comprehensive Loss

(thousands of Canadian dollars, except per share data)	53-week period ended April 3, 2021	52-week period ended March 28, 2020
Revenue	904,738	957,722
Cost of sales	(567,902)	(553,627)
Gross profit	336,836	404,095
Operating, selling, and other expenses	(368,705)	(422,624)
Impairment losses	-	(56,582)
Operating loss	(31,869)	(75,111)
Net interest expense	(24,784)	(23,524)
Share of loss from equity investments	(197)	(1,651)
Loss before income taxes	(56,850)	(100,286)
Income tax expense	(1,017)	(84,712)
Net loss	(57,867)	(184,998)
Other comprehensive income (loss)		
Items that are or may be reclassified subsequently to net loss, net of taxes:		
Change in fair value of cash flow hedges	(4,507)	2,492
Reclassification of realized loss (gain)	108	(497)
Foreign currency translation adjustment	(119)	445
Other comprehensive income (loss)	(4,518)	2,440
Total comprehensive loss	(62,385)	(182,558)
Net loss per common share		
Basic	\$ (2.09)	\$ (6.72)
Diluted	\$ (2.09)	\$ (6.72)

Consolidated Statements of Cash Flows

(thousands of Canadian dollars)	53-week period ended April 3, 2021	52-week period ended March 28, 2020
OPERATING ACTIVITIES		
Net loss	(57,867)	(184,998)
Adjustments to reconcile net loss to cash flows from operating activities		
Depreciation of property, plant, and equipment	17,158	23,005
Depreciation of right-of-use assets	42,990	40,101
Amortization of intangible assets	12,885	13,374
Gain on disposal of equity investment	-	(1,484)
Loss on disposal of capital assets	399	1,932
Impairment losses	-	56,582
Share-based compensation	666	1,268
Directors' compensation	294	293
Deferred income tax expense	1,017	84,712
Rent concessions	(4,141)	-
Other	(784)	377
Net change in non-cash working capital balances related to operations	150	4,512
Interest expense	25,706	25,585
Interest income	(922)	(1,714)
Share of loss from equity investments	197	1,651
Cash flows from operating activities	37,748	65,196
INVESTING ACTIVITIES		
Net purchases of property, plant, and equipment	(4,093)	(2,223)
Addition of intangible assets	(9,245)	(8,397)
Change in short-term investments	-	87,150
Principal payment on loan receivable	-	719
Interest received	922	2,034
Cash flows from (used for) investing activities	(12,416)	79,283
FINANCING ACTIVITIES		
Repayment of principal on lease liabilities	(36,535)	(40,391)
Interest paid	(25,706)	(25,585)
Cash flows used for financing activities	(62,241)	(65,976)
Effect of foreign currency exchange rate changes on cash and cash equivalents	1,371	680
Net increase (decrease) in cash and cash equivalents during the period	(35,538)	79,183
Cash and cash equivalents, beginning of period	120,473	41,290
Cash and cash equivalents, end of period	84,935	120,473

Non-IFRS Financial Measures

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

(millions of Canadian dollars)	53-week period ended April 3, 2021	% Revenue	52-week period ended March 28, 2020	% Revenue
Revenue	904.7	100.0	957.7	100.0
Cost of sales	(567.9)	62.8	(553.6)	57.8
Cost of operations	(212.8)	23.5	(255.6)	26.7
Selling, general and administrative expenses	(83.6)	9.2	(90.1)	9.4
Depreciation of right-of-use assets	(43.0)	4.8	(40.1)	4.2
Finance charges related to leases	(25.7)	2.8	(25.6)	2.7
Adjusted EBITDA¹	(28.3)	3.1	(7.3)	0.8
Depreciation of property, plant and equipment	(17.2)	1.9	(23.0)	2.4
Amortization of intangible assets	(12.9)	1.4	(13.4)	1.4
Gain (loss) on disposal of capital assets and equity investments	0.8	0.1	(0.4)	-
Impairment losses	-	-	(56.6)	5.9
Net interest income	0.9	0.1	2.1	0.2
Share of loss from equity investments	(0.2)	-	(1.7)	0.2
Loss before income taxes	(56.9)	6.3	(100.3)	10.5

¹ 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.