

Indigo Reports FY22 Second Quarter Results - Indigo delivers strong omnichannel sales meaningfully beating last year and pre-COVID 2nd quarter results

TORONTO, ON – November 9, 2021 -- Indigo Books & Music Inc. (TSX: IDG), Canada's largest book and lifestyle retailer reported financial results for the 13-week period ended October 2, 2021 compared to the 13-week period ended September 26, 2020.

Revenue for the quarter increased 16% to \$238.8 million from \$205.3 million, exceeding both last year and pre-pandemic levels. It is worth noting that these results were achieved notwithstanding occupancy constraints in several key jurisdictions and footfall meaningfully below pre-pandemic levels in the central cores of most major cities.

The revenue improvements were delivered by a strengthened omnichannel business, with the online channel delivering 85% growth over the same quarter in fiscal 2020. Retail does remain traffic-challenged but customers who came to shop demonstrated a strong commitment to books and a continuing positive response to our lifestyle offering. The Company's proprietary brands *OUI* (home) and *Nóta* (paper) delivered well above expectations. These brands are a key pillar in our efforts to drive profitable growth.

Commenting on the results, CEO Heather Reisman said: "Our customers are clearly demonstrating a positive response to all aspects of our omnichannel approach delivering the second quarter revenues well above pre-pandemic levels."

Adjusted EBITDA for the quarter was \$10.6 million compared to a loss of \$11.3 million for the same period last year, an improvement of \$21.9 million. It should be noted that these results were achieved with lower external COVID-19 labour support for home office and field leadership, and a corresponding increase in retail operating expenses, off-set by a one-time payment of \$17.0 million, resulting from the renegotiation of the Company's partnership with Starbucks. Moving forward, thirty-six cafés will continue to operate as Starbucks within Indigo stores, while the remaining cafés, which have been closed throughout the course of the COVID-19 pandemic, will be reimaged under the evolving Indigo brand retail experience.

Indigo reported net earnings of \$3.5 million (\$0.13 net earnings per basic common share) compared to a net loss of \$17.5 million (\$0.63 net loss per basic common share) last year, for the reasons discussed.

The Company is pleased to announce the following organizational changes. This quarter, the Company appointed Katharine Poulter as Chief Commercial Officer and Martin Thibodeau as Chief Technology and Information Officer. Each bring and will contribute a wealth of experience to their respective areas. The Company is also pleased to announce the promotion of Andrea Limbardi to Chief Digital Officer.

With no outstanding debt, an undrawn \$25.0 million revolving credit facility, and a cash balance of \$71.9 million, the Company continues to be well positioned to manage through any further uncertainty stemming from COVID-19.

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 10th, 2021. The call can be accessed by dialing 416-764-8659 from within the Toronto area, or 1-888-664-6392 outside of Toronto. The eight-digit participant code is 23999151.

A playback of the call will also be available by telephone until 11:59 p.m. (ET) on November 17th, 2021. The call playback can be accessed after 12:00 p.m. (ET) on November 10th, 2021, 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 999151. 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 1, 2021 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 Canada’s leading book and lifestyle retailer, offering a curated assortment of books, gifts, baby, kids, wellness and lifestyle products, that support their customers every day and at key life stages by simplifying their journey to live with intention. 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 and the literacy challenges faced by children in high-needs communities across Canada. The Foundation provides grants to high-needs elementary schools so they can transform their libraries with the purchase of new books and educational resources. Most recently, 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. With the support of the Company, its customers, employees, and suppliers, the Foundation has committed over \$33 million to more than 3,000 high-needs elementary schools across Canada since 2004.

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

(Unaudited)

(thousands of Canadian dollars)	As at October 2, 2021	As at September 26, 2020	As at April 3, 2021
ASSETS			
Current			
Cash and cash equivalents	71,905	137,521	84,935
Accounts receivable	19,239	12,022	22,976
Inventories	317,458	252,470	215,114
Prepaid expenses	15,847	9,243	12,278
Income taxes receivable	-	138	-
Derivative assets	353	148	-
Other assets	1,071	1,768	2,120
Total current assets	425,873	413,310	337,423
Loan receivable	-	446	-
Property, plant, and equipment, net	69,999	84,195	77,131
Right-of-use assets, net	332,954	363,846	361,864
Intangible assets, net	20,079	22,277	20,916
Equity investment, net	2,156	2,353	2,156
Total assets	851,061	886,427	799,490
LIABILITIES AND EQUITY			
Current			
Accounts payable and accrued liabilities	247,932	239,337	145,193
Unredeemed gift card liability	52,570	46,550	58,053
Provisions	2,206	2,170	2,365
Deferred revenue	19,838	14,428	16,486
Short-term lease liabilities	64,306	63,376	67,603
Derivative liabilities	-	25	1,622
Total current liabilities	386,852	365,886	291,322
Long-term accrued liabilities	1,190	1,494	2,090
Long-term provisions	633	724	827
Long-term lease liabilities	455,629	486,089	482,671
Total liabilities	844,304	854,193	776,910
Equity			
Share capital	227,026	226,986	226,986
Contributed surplus	14,372	13,576	13,782
Retained deficit	(235,074)	(207,924)	(216,668)
Accumulated other comprehensive income (loss)	433	(404)	(1,520)
Total equity	6,757	32,234	22,580
Total liabilities and equity	851,061	886,427	799,490

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

(thousands of Canadian dollars, except per share data)	13-week period ended October 2, 2021	13-week period ended September 26, 2020	26-week period ended October 2, 2021	26-week period ended September 26, 2020
Revenue	238,814	205,279	410,894	340,360
Cost of sales	(128,813)	(125,889)	(230,456)	(222,833)
Gross profit	110,001	79,390	180,438	117,527
Operating, selling, and other expenses	-	-	-	-
Operating profit (loss)	110,001	79,390	180,438	117,527
Net interest expense	(6,118)	(6,261)	(12,077)	(12,545)
Earnings (loss) before income taxes	103,883	73,129	168,361	104,982
Income tax recovery	94	-	94	-
Net earnings (loss)	103,977	73,129	168,455	104,982
Other comprehensive income (loss)				
Items that are or may be reclassified subsequently to net earnings (loss), net of taxes:				
Change in fair value of cash flow hedges	1,504	(1,503)	226	(2,412)
Reclassification of realized loss (gain)	326	5	1,654	(1,258)
Realized gain on discontinued cash flow hedges	-	268	-	268
Foreign currency translation adjustment	(35)	-	73	-
Other comprehensive income (loss)	1,795	(1,230)	1,953	(3,402)
Total comprehensive earnings (loss)	105,772	71,899	170,408	101,580
Net earnings (loss) per common share				
Basic	\$ 0.13	\$ (0.63)	\$ (0.66)	\$ (1.78)
Diluted	\$ 0.13	\$ (0.63)	\$ (0.66)	\$ (1.78)

Consolidated Statements of Cash Flows

(thousands of Canadian dollars)	(Unaudited)			
	13-week period ended October 2, 2021	13-week period ended September 26, 2020	26-week period ended October 2, 2021	26-week period ended September 26, 2020
OPERATING ACTIVITIES				
Net earnings (loss)	3,540	(17,520)	(18,406)	(49,123)
Adjustments to reconcile net earnings (loss) to cash flows from operating activities				
Depreciation of property, plant, and equipment	4,012	4,300	8,051	8,891
Depreciation of right-of-use assets	9,027	10,893	19,148	21,545
Amortization of intangible assets	3,181	3,323	6,484	6,531
Loss on disposal of capital assets	16	-	30	247
Share-based compensation	313	306	601	606
Directors' compensation recognized in contributed surplus	-	73	-	148
Deferred income tax recovery	(94)	-	(94)	-
Rent concessions	-	(1,268)	-	(3,679)
Other	149	(371)	(604)	(113)
Net change in non-cash working capital balances related to operations	(15,965)	40,221	(1,772)	56,687
Interest expense	6,237	6,455	12,494	12,953
Interest income	(119)	(194)	(417)	(408)
Cash flows from operating activities	10,297	46,218	25,515	54,285
INVESTING ACTIVITIES				
Net purchases of property, plant, and equipment	(184)	(1,487)	(1,023)	(1,985)
Addition of intangible assets	(3,657)	(2,545)	(5,648)	(4,250)
Proceeds from disposal of equity investment	-	-	516	-
Interest received	119	194	417	408
Cash flows used for investing activities	(3,722)	(3,838)	(5,738)	(5,827)
FINANCING ACTIVITIES				
Repayment of principal on lease liabilities	(10,338)	(9,606)	(21,043)	(18,838)
Interest paid	(6,237)	(6,455)	(12,494)	(12,953)
Proceeds from share issuances	20	-	29	-
Cash flows used for financing activities	(16,555)	(16,061)	(33,508)	(31,791)
Effect of foreign currency exchange rate changes on cash and cash equivalents	473	639	701	381
Net increase (decrease) in cash and cash equivalents during the period	(9,507)	26,958	(13,030)	17,048
Cash and cash equivalents, beginning of period	81,412	110,563	84,935	120,473
Cash and cash equivalents, end of period	71,905	137,521	71,905	137,521

Non-IFRS Financial Measures

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

(millions of Canadian dollars)	13-week period ended October 2, 2021	13-week period ended September 26, 2020	26-week period ended October 2, 2021	26-week period ended September 26, 2020
Revenue	238.8	205.3	410.9	340.4
Cost of sales	(128.8)	(125.9)	(230.5)	(222.8)
Cost of operations	(59.6)	(52.6)	(106.6)	(84.8)
Selling, general and administrative expenses	(24.6)	(20.7)	(46.6)	(33.3)
Depreciation of right-of-use assets	(9.0)	(10.9)	(19.1)	(21.5)
Finance charges related to leases	(6.2)	(6.5)	(12.5)	(13.0)
Adjusted EBITDA¹	10.6	(11.3)	(4.4)	(35.0)
Depreciation of property, plant and equipment	(4.0)	(4.3)	(8.1)	(8.9)
Amortization of intangible assets	(3.2)	(3.3)	(6.5)	(6.5)
Gain on disposal of capital assets	-	1.2	-	0.9
Net interest income	0.1	0.2	0.4	0.4
Earnings (loss) before income taxes	3.5	(17.5)	(18.6)	(49.1)

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