

Indigo Reports FY22 First Quarter Results - Indigo emerging from the pandemic with a +27% revenue rebound despite protracted COVID-19 related store closures including in its largest market - Ontario.

TORONTO, ON – August 12, 2021 -- Indigo Books & Music Inc. (TSX: IDG), Canada's largest book and lifestyle retailer reported financial results for the 13-week period ended July 3, 2021 compared to the 13-week period ended June 27, 2020.

Revenue for the quarter increased \$37.0 million or 27% to \$172.1 million as many regions within the Company's retail channel rebounded, driving double-digit growth in both the Company's book and general merchandise businesses. Notably, the Company experienced a surge in demand for its book business from a younger demographic, fueled by the popularity of reading on TikTok (#BookTok.) Revenue was further buoyed by the success of an expanded assortment under the Company's proprietary lifestyle brand OUI, showcasing customers' affinity for both core categories and new product assortment. These results were achieved despite Ontario closures, with over fifty percent of the Company's store locations impacted by mandatory closures in the first nine weeks.

The Company is well-positioned with an omnichannel strategy that strongly resonated; in addition to the noted retail recovery, the online business sustained growth around three times its pre-COVID fiscal 20 levels and revenues through store-pick up capabilities grew nearly five times from the same period last year.

Commenting on the results, CEO Heather Reisman said: "our strong first quarter sales performance reflects the beginning of a welcomed recovery in retail, the continued strength of online and the Indigo brand in general. In addition, it is a testament to our teams' successful management of store re-openings for over half our retail fleet and thoughtful inventory management. These results validate our ability to evolve with changes in our environment, as we focus on delivering a return to full-year adjusted EBITDA profitability."

Adjusted EBITDA for the quarter was a loss of \$14.9 million compared to a loss of \$23.7 million for the same period last year. This improvement was driven by strong sales performance and stronger merchandise margins across all channels as a result of lower promotional discounting. These year-over-year improvements are also notable given a decline in external COVID-19 labour support provided in the current year and an increase in retail operating expenses associated with store re-openings. Indigo reported a net loss of \$21.9 million (\$0.79 net loss per basic common share) compared to a net loss of \$31.6 million (\$1.15 net earnings per basic common share) last year for the reasons discussed.

With no outstanding debt, a cash balance of \$81.4 million and a \$25.0 million revolving credit facility, the Company continues to be well positioned to manage through to its full COVID-19 recovery.

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, August 13th, 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 57914038.

A playback of the call will also be available by telephone until 11:59 p.m. (ET) on August 20th, 2021. The call playback can be accessed after 12:00 p.m. (ET) on August 13th, 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 914038. 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. 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. 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:

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Consolidated Balance Sheets

(Unaudited)

(thousands of Canadian dollars)	As at July 3, 2021	As at June 27, 2020	As at April 3, 2021
ASSETS			
Current			
Cash and cash equivalents	81,412	110,563	84,935
Accounts receivable	20,253	24,872	22,976
Inventories	221,389	218,124	215,114
Prepaid expenses	10,005	6,747	12,278
Income taxes receivable	-	138	-
Derivative assets	-	1,622	-
Other assets	1,752	2,271	2,120
Total current assets	334,811	364,337	337,423
Loan receivable	-	446	-
Property, plant, and equipment, net	73,925	87,008	77,131
Right-of-use assets, net	350,207	372,360	361,864
Intangible assets, net	19,604	23,055	20,916
Equity investment, net	2,156	2,353	2,156
Total assets	780,703	849,559	799,490
LIABILITIES AND EQUITY			
Current			
Accounts payable and accrued liabilities	159,931	175,130	145,193
Unredeemed gift card liability	59,300	51,320	58,053
Provisions	2,455	2,203	2,365
Deferred revenue	16,139	10,718	16,486
Short-term lease liabilities	67,240	65,260	67,603
Derivative liabilities	1,572	-	1,622
Total current liabilities	306,637	304,631	291,322
Long-term accrued liabilities	1,615	950	2,090
Long-term provisions	678	672	827
Long-term lease liabilities	470,684	492,701	482,671
Total liabilities	779,614	798,954	776,910
Equity			
Share capital	226,999	226,986	226,986
Contributed surplus	14,066	13,197	13,782
Retained deficit	(238,614)	(190,404)	(216,668)
Accumulated other comprehensive income (loss)	(1,362)	826	(1,520)
Total equity	1,089	50,605	22,580
Total liabilities and equity	780,703	849,559	799,490

Consolidated Statements of Loss and Comprehensive Loss
(Unaudited)

(thousands of Canadian dollars, except per share data)	13-week period ended July 3, 2021	13-week period ended June 27, 2020
Revenue	172,080	135,081
Cost of sales	(101,643)	(96,944)
Gross profit	70,437	38,137
Operating, selling, and other expenses	(86,424)	(63,456)
Operating loss	(15,987)	(25,319)
Net interest expense	(5,959)	(6,284)
Loss before income taxes	(21,946)	(31,603)
Income tax expense	-	-
Net loss	(21,946)	(31,603)
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	(1,278)	(909)
Reclassification of realized loss (gain)	1,328	(1,263)
Foreign currency translation adjustment	108	-
Other comprehensive income (loss)	158	(2,172)
Total comprehensive loss	(21,788)	(33,775)
Net loss per common share		
Basic	\$ (0.79)	\$ (1.15)
Diluted	\$ (0.79)	\$ (1.15)

Consolidated Statements of Cash Flows
(Unaudited)

(thousands of Canadian dollars)	13-week period ended July 3, 2021	13-week period ended June 27, 2020
OPERATING ACTIVITIES		
Net loss	(21,946)	(31,603)
Adjustments to reconcile net loss to cash flows from operating activities		
Depreciation of property, plant, and equipment	4,039	4,591
Depreciation of right-of-use assets	10,121	10,652
Amortization of intangible assets	3,303	3,208
Loss on disposal of capital assets	14	247
Share-based compensation	288	300
Directors' compensation recognized in contributed surplus	-	75
Rent concessions	-	(2,411)
Other	(753)	259
Net change in non-cash working capital balances related to operations	14,193	16,466
Interest expense	6,257	6,498
Interest income	(298)	(214)
Cash flows from operating activities	15,218	8,068
INVESTING ACTIVITIES		
Net purchases of property, plant, and equipment	(839)	(498)
Addition of intangible assets	(1,991)	(1,705)
Proceeds from disposal of equity investment	516	-
Interest received	298	214
Cash flows used for investing activities	(2,016)	(1,989)
FINANCING ACTIVITIES		
Repayment of principal on lease liabilities	(10,705)	(9,232)
Interest paid	(6,257)	(6,498)
Proceeds from share issuances	9	-
Cash flows used for financing activities	(16,953)	(15,730)
Effect of foreign currency exchange rate changes on cash and cash equivalents	228	(259)
Net decrease in cash and cash equivalents during the period	(3,523)	(9,910)
Cash and cash equivalents, beginning of period	84,935	120,473
Cash and cash equivalents, end of period	81,412	110,563

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)	13-week period ended July 3,		13-week period ended June 27,	
	2021	% Revenue	2020	% Revenue
Revenue	172.1	100.0	135.1	100.0
Cost of sales	(101.6)	59.0	(96.9)	71.7
Cost of operations	(47.0)	27.3	(32.1)	23.8
Selling, general and administrative expenses	(22.0)	12.8	(12.6)	9.3
Depreciation of right-of-use assets	(10.1)	5.9	(10.7)	7.9
Finance charges related to leases	(6.3)	3.7	(6.5)	4.8
Adjusted EBITDA¹	(14.9)	8.7	(23.7)	17.5
Depreciation of property, plant and equipment	(4.0)	2.3	(4.6)	3.4
Amortization of intangible assets	(3.3)	1.9	(3.2)	2.4
Loss on disposal of capital assets	-	-	(0.2)	0.1
Net interest income	0.3	0.2	0.2	0.1
Loss before income taxes	(21.9)	12.7	(31.6)	23.4

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.