Indigo Reports FY22 Full Year Results -
Indigo delivers $1.06 billion in sales and returns to profitability

TORONTO, ON – June 2, 2022 -- Indigo Books & Music Inc. (TSX: IDG), Canada's largest book and lifestyle retailer reported financial results for the 52-week period ended April 2, 2022 compared to the 53-week period ended April 3, 2021.

Revenue increased $157.6 million or 17.4% to $1.06 billion from $904.7 million last year. These top-line results also outperformed the preceding three fiscal years including the pre-COVID year. These results were achieved amidst challenging operational and market conditions that included rolling store closures in the Company's first quarter and the re-emergence of severe pandemic conditions from the Omicron wave during its seasonally important third quarter. The success of the Company's product strategy and strong revenue performance drove the Company's return to profitability, with adjusted EBITDA of $32.5 million and net earnings of $3.3 million, an improvement of $60.8 million and $61.2 million, respectively.

Revenue growth was driven by the success of Indigo's omnichannel business, with the first good push of recovery delivered by the Company's retail channel and an ecommerce business that nearly doubled since the onset of the pandemic. Specifically, the online channel sustained incremental growth of 98% to fiscal 2020 sales levels. Demonstrating evolving omnichannel behaviours, Indigo's digital platforms are also increasingly where customers begin product discovery, bolstering in-store conversion.

Demand in the Company's core book business notably lifted by 8%, fueled by the popularity of reading on TikTok. Customers' strong reception to the Company's expanding general merchandise offering further buoyed results, with assortment expansion driving sales growth at or above 30% for its lifestyle and baby categories. Indigo's proprietary brands also delivered outstanding sales, with OUI (home) and NÓTA™ (paper) together generating over a quarter of the total revenue growth to last year, demonstrating the value of the Company's exclusive brand portfolio in its long-term strategy.

Commenting on the results, CEO Heather Reisman said: "As a business, we were relentlessly focused on evolving and driving performance – which together with Canadians' affinity for the Indigo brand – yielded the beginning of improved results. This COVID period though challenging, has spurred creative thinking and we are energized by the opportunities ahead of us."

Adjusted EBITDA for the year was $32.5 million compared to a loss of $28.3 million for the same period last year. The improvement of $60.8 million was driven by robust sales and strong merchandise margins, a result of a refined promotional program and higher full-priced sell-through rates. It should be noted that these results were achieved against lower external COVID-19 labour support, with a corresponding increase in retail operating expenses, and inflationary cost increases. These downward pressures were partially off-set by a one-time payment of $17.0 million, resulting from the renegotiation of the Company's partnership with one of its café vendors.

Indigo reported net earnings of $3.3 million ($0.12 net earnings per basic common share) compared to a net loss of $57.9 million ($2.09 net loss per basic common share) last year, for the reasons discussed.

Revenue for the fourth quarter was $220.7 million compared to revenue of $199.0 million for the same quarter last year, an increase of 10.9%. Strong omnichannel sales drove highest fourth-quarter revenue in Company history, and improved pricing strategies strengthened merchandise margins despite inflationary and fuel cost pressures experienced in the period. Net loss for the fourth quarter was $23.4 million compared to a net loss of $39.5 million last year, an improvement of $16.1 million.

With no outstanding debt and a cash balance of $86.5 million, the Company continues to be well positioned to manage through any further macro-economic conditions, including the COVID-19 pandemic and impacts of geopolitical unrest.

Analyst/Investor Call

Indigo will host a conference call for analysts and investors to review these results at 10:00 a.m. (Eastern Time) tomorrow, June 3rd, 2022. 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 83478049.

A playback of the call will also be available by telephone until 11:59 p.m. (ET) on June 10th, 2022. The call playback can be accessed after 12:00 p.m. (ET) on June 3rd, 2022, 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 478049 #. 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, which include geopolitical events such as war, acts of terrorism, and civil disorder and the adverse impacts of inflationary pressures; 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 2, 2022 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.

The Company supports a separate registered charity, called the Indigo Love of Reading Foundation (the "Foundation”), which is committed to addressing educational inequality, and more specifically the literacy crisis in Canada. The Foundation runs two annual national granting programs: the Literacy Fund Grant, which is a multi-year grant provided to high-needs schools across the country; and the Adopt a School program, a grassroots fundraising initiative that unites Indigo, its retail stores, Indigo's staff, local schools, and their communities. In the wake of the COVID-19 pandemic and the 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 $33.0 million to more than 3,000 high-needs elementary schools across Canada since 2004. The Foundation is dedicated to raising awareness about the critical importance of children's literacy while providing essential literary support to high-needs children across Canada.

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

(thousands of Canadian dollars)	**As at April 2, 2022**	As at April 3, 2021
ASSETS		
Current		
Cash and cash equivalents	**86,469**	84,935
Accounts receivable	**12,941**	22,976
Inventories	**273,849**	215,114
Prepaid expenses	**13,508**	12,278
Other assets	**3,246**	2,120
Total current assets	**390,013**	337,423
Property, plant, and equipment, net	**64,319**	77,131
Right-of-use assets, net	**333,767**	361,864
Intangible assets, net	**21,171**	20,916
Equity investment, net	**97**	2,156
Total assets	**809,367**	799,490
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	**178,138**	145,193
Unredeemed gift card liability	**62,653**	58,053
Provisions	**472**	2,365
Deferred revenue	**20,699**	16,486
Short-term lease liabilities	**69,100**	67,603
Derivative liabilities	**631**	1,622
Total current liabilities	**331,693**	291,322
Long-term accrued liabilities	**1,068**	2,090
Long-term provisions	**702**	827
Long-term lease liabilities	**448,084**	482,671
Total liabilities	**781,547**	776,910
Equity		
Share capital	**227,090**	226,986
Contributed surplus	**14,618**	13,782
Retained deficit	**(213,403)**	(216,668)
Accumulated other comprehensive loss	**(485)**	(1,520)
Total equity	**27,820**	22,580
Total liabilities and equity	**809,367**	799,490

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

(thousands of Canadian dollars, except per share data)	**52-week period ended April 2, 2022**	53-week period ended April 3, 2021
Revenue	**1,062,250**	904,738
Cost of sales	**(619,212)**	(567,902)
Gross profit	**443,038**	336,836
Operating, selling, and other expenses	**(414,020)**	(368,705)
Operating profit (loss)	**29,018**	(31,869)
Net interest expense	**(23,694)**	(24,784)
Share of loss from equity investment	**(32)**	(197)
Impairment loss from equity investment	**(2,027)**	-
Earnings (loss) before income taxes	**3,265**	(56,850)
Income tax expense	**-**	(1,017)
Net earnings (loss)	**3,265**	(57,867)
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	**(639)**	(4,507)
Reclassification of realized loss	**1,630**	108
Foreign currency translation adjustment	**44**	(119)
Other comprehensive income (loss)	**1,035**	(4,518)
Total comprehensive earnings (loss)	**4,300**	(62,385)
Net earnings (loss) per common share		
Basic	**$ 0.12**	$ (2.09)
Diluted	**$ 0.12**	$ (2.09)

Consolidated Statements of Cash Flows

(thousands of Canadian dollars)	**52-week period ended April 2, 2022**	53-week period ended April 3, 2021
OPERATING ACTIVITIES		
Net earnings (loss)	**3,265**	(57,867)
Adjustments to reconcile net earnings (loss) to cash flows from operating activities		
Depreciation of property, plant, and equipment	**16,006**	17,158
Depreciation of right-of-use assets	**36,144**	42,990
Amortization of intangible assets	**11,886**	12,885
Loss on disposal of capital assets	**29**	399
Share-based compensation	**864**	666
Directors' compensation recognized in contributed surplus	**-**	294
Deferred income tax expense	**-**	1,017
Rent concessions	**-**	(4,141)
Share of loss from equity investment	**32**	197
Impairment loss from equity investment	**2,027**	-
Other	**(328)**	(784)
Net change in non-cash working capital balances related to operations	**(12,338)**	150
Interest expense	**24,514**	25,706
Interest income	**(820)**	(922)
Cash flows from operating activities	**81,281**	37,748
INVESTING ACTIVITIES		
Net purchases of property, plant, and equipment	**(3,248)**	(4,093)
Addition of intangible assets	**(12,143)**	(9,245)
Proceeds from disposal of equity investment	**1,032**	-
Interest received	**820**	922
Cash flows used for investing activities	**(13,539)**	(12,416)
FINANCING ACTIVITIES		
Repayment of principal on lease liabilities	**(41,641)**	(36,535)
Interest paid	**(24,514)**	(25,706)
Proceeds from share issuances	**76**	-
Cash flows used for financing activities	**(66,079)**	(62,241)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**(129)**	1,371
Net increase (decrease) in cash and cash equivalents during the period	**1,534**	(35,538)
Cash and cash equivalents, beginning of period	**84,935**	120,473
Cash and cash equivalents, end of period	**86,469**	84,935

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)	**52-week period ended April 2, 2022**	**% Revenue**	53-week period ended April 3, 2021	% Revenue
Revenue	**1,062.3**	**100.0**	904.7	100.0
Cost of sales	**(619.2)**	**58.3**	(567.9)	62.8
Cost of operations	**(245.7)**	**23.1**	(212.8)	23.5
Selling, general and administrative expenses	**(104.3)**	**9.8**	(83.6)	9.2
Depreciation of right-of-use assets	**(36.1)**	**3.4**	(43.0)	4.8
Finance charges related to leases	**(24.5)**	**2.3**	(25.7)	2.8
Adjusted EBITDA[1]	**32.5**	**3.1**	(28.3)	3.1
Depreciation of property, plant and equipment	**(16.0)**	**1.5**	(17.2)	1.9
Amortization of intangible assets	**(11.9)**	**1.1**	(12.9)	1.4
Gain (loss) on disposal of capital assets	**0.0**	**0.0**	0.8	0.1
Net interest income	**0.8**	**0.1**	0.9	0.1
Share of loss from equity investment	**0.0**	**0.0**	(0.2)	0.0
Impairment loss from equity investment	**(2.0)**	**0.2**	-	-
Earnings (loss) before income taxes	**3.3**	**0.3**	(56.9)	6.3

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