

## Indigo Reports FY24 First Quarter Results

**TORONTO, ON – August 10, 2023** -- Indigo Books & Music Inc. (TSX: IDG), Canada's leading book and lifestyle retailer, reported financial results for the 13-week period ended July 1, 2023 compared to the 13-week period ended July 2, 2022.

Revenue for the quarter totaled \$179.2 million, compared to \$204.6 million in the prior year, a decrease of \$25.4 million or 12%. Sales were negatively affected by the carryover impacts of the ransomware attack that occurred in the fourth quarter of fiscal 2023. Inventory replenishment capabilities were challenged as a result of the attack, which impacted the assortment available in both the retail and online sales channels for the quarter. Furthermore, the ransomware attack impacted Indigo's search engine optimization, which led to a weaker online presence and a decrease in online traffic. As these challenges were addressed throughout the first quarter, the Company generated some recovery in sales momentum, with the decline in year-over-year sales improving every month. Sales were also impacted by the downward pressures of a challenging macro-economic environment, which led to softened demand both in stores and online. Customers demonstrated increased price sensitivity, noted through positive responses to promotions and a lift of sales during promotional periods.

The Company's print business declined compared to the prior period, which had several prominent book releases. The Company noted an increase in sales in the bargain print category, again demonstrating customers' price sensitivity in the current macro-economic environment. The general merchandise business continued to be affected by softer customer demand, spanning across most product categories. Both the print and general merchandise businesses were also impacted by the challenges to inventory replenishment discussed.

Commenting on results, CEO Peter Ruis said: "This quarter continued to be challenged by the impacts of the ransomware attack, and diminished consumer confidence due to the current macro-economic environment. Despite these challenges, we remain committed to delivering exceptional value to our customers, and driving sustainable growth. We are excited to share that we recently launched our re-imagined website, and are eager to provide customers with a much improved online shopping experience."

Adjusted EBITDA for the quarter was a loss of \$21.4 million, compared to a loss of \$19.2 million in the prior year. Adjusted EBITDA was primarily impacted by the reduced sales volumes. The Company generated cost savings in the quarter, driven by reduced labour, international freight and warehousing and distribution costs. These savings were partially offset by additional costs incurred related to the Company's digital modernization achievements. Net loss for the quarter totaled \$28.5 million (\$1.02 net loss per basic common share) compared to a net loss of \$25.4 million (\$0.91 net loss per basic common share) in the prior year.

On July 31, 2023, pursuant to the commitment letter signed on June 27, 2023, the Company entered into a revolving line of credit facility with a related party, Trilogy Retail Holdings Inc. (“Trilogy”), as lender (the “Credit Facility”). The Credit Facility is for an aggregate principal amount of up to \$45.0 million and, with the consent of Trilogy, the amount may be increased by up to \$10.0 million. The Credit Facility will be used to finance the seasonal working capital and operational needs of the Company, was issued on reasonable commercial terms, and is not convertible, directly or indirectly, into equity or voting securities.

### **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, August 11<sup>th</sup>, 2023.

To join the conference call without operator assistance, you may register and enter your phone number at <https://emportal.ink/44d72Wz> to receive an instant automated call back.

The call can also be accessed through an operator by dialing 416-764-8659 from within the Toronto area, or 1-888-664-6392 outside of Toronto. The eight-digit participant code is 76179157.

A playback of the call will also be available by telephone until 11:59 p.m. (ET) on August 18<sup>th</sup>, 2023. The call playback can be accessed after 12:00 p.m. (ET) on August 11<sup>th</sup>, 2023, 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 179157#. 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, which include geopolitical events such as war, acts of terrorism, and civil disorder and the adverse impacts of inflationary pressures; ongoing impacts from the ransomware attack; 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 27, 2023 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 news 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 Canada’s leading book and lifestyle retailer, offering a curated assortment of books, gifts, home, wellness, fashion, paper, baby and kids products, that support customers by simplifying their journey to *Living with Intention*. The Company operates retail stores in all ten provinces and one territory in Canada, and also has retail operations in the United States through a wholly-owned subsidiary, operating one retail store in Short Hills, New Jersey. Retail operations are seamlessly integrated with the Company's digital channels, including the [www.indigo.ca](http://www.indigo.ca) website and the mobile applications, which are extensions of the physical stores and offer customers an expanded assortment of book titles, along with a meaningfully curated assortment of general merchandise. 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 provides resources including new books and learning materials, training and year-round curation support to help ensure teachers, education staff, school administrators and other key stakeholders have the tools they need to promote literacy in their communities. With the support of the Company, its customers, employees, and suppliers, the Foundation has committed over \$35.0 million to more than 1,000,000 students across Canada since 2004.

To learn more about Indigo, please visit the “Our Company” section at *indigo.ca*.

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## Consolidated Balance Sheets

(Unaudited)

(thousands of Canadian dollars)	As at July 1, 2023	As at July 2, 2022	As at April 1, 2023
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	21,225	43,168	65,113
Accounts receivable	15,182	15,403	14,069
Inventories	260,484	288,184	244,063
Prepaid expenses	7,592	7,971	6,830
Derivative assets	-	1,431	699
Other assets	1,640	1,644	1,254
<b>Total current assets</b>	<b>306,123</b>	<b>357,801</b>	<b>332,028</b>
Property, plant, and equipment, net	50,820	62,613	52,464
Right-of-use assets, net	311,970	322,450	318,302
Intangible assets, net	38,325	24,459	35,287
Equity investment, net	-	97	-
<b>Total assets</b>	<b>707,238</b>	<b>767,420</b>	<b>738,081</b>
<b>LIABILITIES AND EQUITY (DEFICIT)</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	175,810	170,102	169,860
Unredeemed gift card liability	66,515	64,578	66,887
Provisions	1,958	531	1,879
Deferred revenue	19,788	21,367	20,129
Short-term lease liabilities	69,950	69,679	69,161
Derivative liabilities	-	47	-
<b>Total current liabilities</b>	<b>334,021</b>	<b>326,304</b>	<b>327,916</b>
Long-term accrued liabilities	466	991	1,007
Long-term provisions	851	744	851
Long-term lease liabilities	420,473	435,211	428,284
<b>Total liabilities</b>	<b>755,811</b>	<b>763,250</b>	<b>758,058</b>
<b>Equity (Deficit)</b>			
Share capital	227,337	227,090	227,094
Contributed surplus	15,526	14,861	15,463
Retained deficit	(291,477)	(238,810)	(262,969)
Accumulated other comprehensive income	41	1,029	435
<b>Total equity (deficit)</b>	<b>(48,573)</b>	<b>4,170</b>	<b>(19,977)</b>
<b>Total liabilities and equity (deficit)</b>	<b>707,238</b>	<b>767,420</b>	<b>738,081</b>

## Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)

(thousands of Canadian dollars, except per share data)	13-week period ended July 1, 2023	13-week period ended July 2, 2022
<b>Revenue</b>	<b>179,171</b>	204,556
Cost of sales	<b>(104,500)</b>	(122,808)
<b>Gross profit</b>	<b>74,671</b>	81,748
Operating, selling, and other expenses	<b>(96,779)</b>	(101,343)
<b>Operating loss</b>	<b>(22,108)</b>	(19,595)
Net interest expense	<b>(6,215)</b>	(6,179)
<b>Loss before income taxes</b>	<b>(28,323)</b>	(25,774)
Income tax recovery (expense)	<b>(185)</b>	367
<b>Net loss</b>	<b>(28,508)</b>	(25,407)
<b>Other comprehensive income (loss)</b>		
Items that are or may be reclassified subsequently to net loss, net of taxes:		
Change in fair value of cash flow hedges	<b>(71)</b>	1,890
Reclassification of realized gain	<b>(443)</b>	(242)
Foreign currency translation adjustment	<b>120</b>	(134)
<b>Other comprehensive income (loss)</b>	<b>(394)</b>	1,514
<b>Total comprehensive loss</b>	<b>(28,902)</b>	(23,893)
<b>Net loss per common share</b>		
Basic	<b>\$ (1.02)</b>	\$ (0.91)
Diluted	<b>\$ (1.02)</b>	\$ (0.91)

## Consolidated Statements of Cash Flows

(Unaudited)

(thousands of Canadian dollars)	13-week period ended July 1, 2023	13-week period ended July 2, 2022
<b>OPERATING ACTIVITIES</b>		
Net loss	(28,508)	(25,407)
Adjustments to reconcile net loss to cash flows used for operating activities		
Depreciation of property, plant, and equipment	3,714	3,976
Depreciation of right-of-use assets	10,272	10,479
Amortization of intangible assets	2,136	2,736
Loss on disposal of capital assets	-	6
Share-based compensation	129	243
Deferred income tax expense (recovery)	185	(367)
Other	(320)	(152)
Net change in non-cash working capital balances related to operations	(13,907)	(15,077)
Interest expense	6,529	6,357
Interest income	(314)	(178)
<b>Cash flows used for operating activities</b>	<b>(20,084)</b>	<b>(17,384)</b>
<b>INVESTING ACTIVITIES</b>		
Net purchases of property, plant, and equipment	(2,172)	(2,091)
Addition of intangible assets	(5,028)	(6,024)
Interest received	314	178
<b>Cash flows used for investing activities</b>	<b>(6,886)</b>	<b>(7,937)</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of principal on lease liabilities	(10,841)	(11,636)
Interest paid	(6,529)	(6,357)
Proceeds from share issuances	177	-
<b>Cash flows used for financing activities</b>	<b>(17,193)</b>	<b>(17,993)</b>
Effect of foreign currency exchange rate changes on cash and cash equivalents	275	13
<b>Net decrease in cash and cash equivalents during the period</b>	<b>(43,888)</b>	<b>(43,301)</b>
Cash and cash equivalents, beginning of period	65,113	86,469
<b>Cash and cash equivalents, end of period</b>	<b>21,225</b>	<b>43,168</b>

## 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		13-week period ended	
	July 1, 2023	% Revenue	July 2, 2022	% Revenue
Revenue	179.2	100.0	204.6	100.0
Cost of sales	(104.5)	58.3	(122.8)	60.0
Cost of operations	(54.3)	30.3	(56.8)	27.8
Selling, general and administrative expenses	(25.0)	14.0	(27.3)	13.3
Depreciation of right-of-use assets	(10.3)	5.7	(10.5)	5.1
Finance charges related to leases	(6.5)	3.6	(6.4)	3.1
<b>Adjusted EBITDA<sup>1</sup></b>	<b>(21.4)</b>	<b>11.9</b>	<b>(19.2)</b>	<b>9.4</b>
Depreciation of property, plant and equipment	(3.7)	2.1	(4.0)	2.0
Amortization of intangible assets	(2.1)	1.2	(2.7)	1.3
Net interest income	0.3	0.2	0.2	0.1
Non-recurring legal fees	(0.4)	0.2	-	-
Severance for restructured roles	(0.4)	0.2	-	-
Expenses from ransomware attack	(0.6)	0.3	-	-
<b>Loss before income taxes</b>	<b>(28.3)</b>	<b>15.8</b>	<b>(25.8)</b>	<b>12.6</b>

<sup>1</sup>Earnings before interest, taxes, depreciation, amortization, asset disposals and certain non-recurring or unusual amounts, and includes IFRS 16 right-of-use asset depreciation and associated finance charges.