

## MIRA INFORM REPORT

<b>Report No. :</b>	543091
<b>Report Date :</b>	06.12.2018

### IDENTIFICATION DETAILS

<b>Name :</b>	INDIGO BOOKS & MUSIC INC.
<b>Registered Office :</b>	1300-1 Place Ville-Marie Montréal (Québec) H3B0E6
<b>Country :</b>	Canada
<b>Financials (as on) :</b>	31.03.2018
<b>Date of Incorporation :</b>	1940
<b>Legal Form :</b>	Joint stock company or company
<b>Line of Business :</b>	Subject operates as a book, gift, and specialty toy retailer in Canada.
<b>No. of Employees :</b>	7,000

### RATING & COMMENTS

(Mira Inform has adopted New Rating mechanism w.e.f. 23<sup>rd</sup> January 2017)

<b>MIRA's Rating :</b>	A+
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Credit Rating	Explanation	Rating Comments
A+	Low Risk	Business dealings permissible with low risk of default

<b>Status :</b>	Good
<b>Payment Behaviour :</b>	Regular
<b>Litigation :</b>	Exist

#### NOTES :

Any query related to this report can be made on e-mail : [infodept@mirainform.com](mailto:infodept@mirainform.com) while quoting report number, name and date.

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**ECGC Country Risk Classification List**

Country Name	Previous Rating (30.06.2018)	Current Rating (30.09.2018)
Canada	A1	A1

Risk Category	ECGC Classification
Insignificant	A1
Low Risk	A2
Moderately Low Risk	B1
Moderate Risk	B2
Moderately High Risk	C1
High Risk	C2
Very High Risk	D

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**CANADA - ECONOMIC OVERVIEW**

Canada resembles the US in its market-oriented economic system, pattern of production, and high living standards. Since World War II, the impressive growth of the manufacturing, mining, and service sectors has transformed the nation from a largely rural economy into one primarily industrial and urban. Canada has a large oil and natural gas sector with the majority of crude oil production derived from oil sands in the western provinces, especially Alberta. Canada now ranks third in the world in proved oil reserves behind Venezuela and Saudi Arabia and is the world's seventh-largest oil producer.

The 1989 Canada-US Free Trade Agreement and the 1994 North American Free Trade Agreement (which includes Mexico) dramatically increased trade and economic integration between the US and Canada. Canada and the US enjoy the world's most comprehensive bilateral trade and investment relationship, with goods and services trade totaling more than \$680 billion in 2017, and two-way investment stocks of more than \$800 billion. Over three-fourths of Canada's merchandise exports are destined for the US each year. Canada is the largest foreign supplier of energy to the US, including oil, natural gas, and electric power, and a top source of US uranium imports.

Given its abundant natural resources, highly skilled labor force, and modern capital stock, Canada enjoyed solid economic growth from 1993 through 2007. The global economic crisis of 2007-08 moved the Canadian economy into sharp recession by late 2008, and Ottawa posted its first fiscal deficit in 2009 after 12 years of surplus. Canada's major banks emerged from the financial crisis of 2008-09 among the strongest in the world, owing to the financial sector's tradition of conservative lending practices and strong capitalization. Canada's economy posted strong growth in 2017 at 3%, but most analysts are projecting Canada's economic growth will drop back closer to 2% in 2018.

Source : CIA

## **STATUTORY INFORMATION**

Legal Name	INDIGO BOOKS & MUSIC INC.
Trade Name	INDIGO BOOKS & MUSIC INC.
ID	ID
ID Details	1147467394
Creation Date	1940
Incorporation Date	1995-04-11
Legal Address	1300-1 Place Ville-Marie Montréal (Québec) H3B0E6 Canada
Operative Address	500-468 King Street W Toronto Ontario M5V1L8 Canada
Telephone	416-364-4499
Fax	416-364-0355
Legal Form	Joint stock company or company
E-Mail	-
Registered In	CANADA
Website	www.chapters.indigo.ca
Contact	Ms. Heather M. Reisman, Founder, Chairman & CEO
Staff	7,000
Activity	NAICS Code: 323120, Support Activities for Printing

## **BANKS**

Name of Bank	Reported Amount
There are no informed banks	
Description	The company does not disclose its banking details.

## **HISTORY**

History	Indigo Books & Music Inc. was founded in 1940 and is headquartered in Toronto, Canada.
Key Developments	Indigo Books & Music Inc., Q2 2019 Earnings Call, Nov 07, 2018 Nov 4 18 Indigo Books & Music Inc., Q2 2019 Earnings Call, Nov 07, 2018

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Indigo Opens New Store in Vancouver, British Columbia  
Nov 1 18

Indigo announced the grand opening of Indigo's new store in Vancouver, British Columbia. Located at 1033 Robson Street, the two-level, 29,000 square foot location marks the company's return to the globally renowned shopping district. A destination for the whole family, customers can look forward to grand opening weekend events from November 3-4 including author signings, kids' storytime, fun activities, live music and more. Indigo Robson is organized in a shop within a shop concept, including Books, Wellness, Joy of the Table, A Room of Her Own, Home Beautiful, IndigoKids and IndigoBaby. With books at the heart and soul of Indigo, the Vancouver will have over 58,000 unique book titles. Customers can also access an unlimited selection online through in-store kiosks, including online exclusive items which offer free shipping of all items to store with no minimum spend, plus free returns.

## **PRINCIPAL ACTIVITY**

General Description

Indigo Books & Music Inc. operates as a book, gift, and specialty toy retailer in Canada.

Service/Product Description

The company offers kids, toy, baby, home, fashion, paper, and electronics products. As of March 31, 2018, it operated 86 superstores and 123 small format stores under the Indigo, Chapters, Coles, Indigospirit, and The Book Company names. It also sells its products through indigo.ca Website; and mobile applications. In addition, the company sells calendars, games, and gifts in approximately 200 seasonal kiosks and year-round stores in shopping malls.

Sales

Retail

Operations Area

National

Imports From

CHINA, TAIWAN

Employees

7,000 Employees

Payments with Suppliers

Regular

Brands

Brand

Comments

Indigo

-

Chapters

-

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Coles -  
Indigospirit -  
The Book Company -

Clients	Country	Comments
Name of Client		

There are no informed clients

Comments -

Suppliers	Country	Comments
Supplier Name		

NANTONG WOHLSTAND CO., LTD.	CHINA	-
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LOWASIA LTD. (HK)	CHINA	-
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Evarich International Enterprise Co	TAIWAN	-
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Cat Dang Handicraft Co. Ltd	CHINA	-
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Comments -

## **LOCATION**

Headquarters	500-468 King Street W Toronto Ontario M5V1L8 Canada
Branches	Indigo Online Distribution Centre 100 Alfred Kuehne Blvd Building #55 Brampton, ON L6T 4K3, Canada  Indigo Books & Music Inc 55 Bloor St W Toronto, ON, M4W 1A5 Canada  Indigo Books & Music Inc 1225 St Mary's Rd Suite 85 Winnipeg, MB, R2M 5E5 Canada  Indigo Books & Music Inc 3401 Dufferin St Suite 29 North York, ON, M6A 2T9 Canada  Indigo Books & Music Inc 220 Yonge St Suite 103 Toronto, ON, M5B 2H1 Canada

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Indigo Books & Music Inc  
2453 161a St Unit 10 Surrey, BC, V3Z 0M6 Canada

## **GROUP STRUCTURE AND SUBDIARY COMPANIES**

Listed at the stock exchange	YES: Indigo Books & Music Inc. (IDG.TO)
Capital	334.692M
Shareholders (%)	
Top Mutual Fund Holders	
Holder	Shares
Heartland Value Fund	400,000
DFA International Core Equity Portfolio	5,523
Putnam Variable Trust-Small Cap Value Fund	5,400
DFA International Vector Equity Port	4,200
Nationwide Var Ins Tr-Multi Manager NVIT	3,600
Small Company Fd	
DFA Investment Dimensions-Canadian Small Company Series	3,302
Brighthouse Fds Tr II-BH/Dimensional	1,986
International Small Co Port	
DFA T.A. World Ex U.S. Core Equity Portfolio	1,800
Management	Ms. Heather M. Reisman, Founder, Chairman & CEO Mr. Hugues Simard, CFO & Executive VP Mr. Scott Formby, Chief Creative Officer Mr. Tod Morehead, Executive VP & Chief Merchandising Officer Mr. R. Craig Loudon, Chief Supply Chain Officer & Senior VP of Business Finance Indigo Design Studio, Inc.
Subsidiary Companies	Indigo Cultural Department Store Inc. YYZ Holdings Inc. ("YYZ") Calendar Club of Canada Limited Partnership ("Calendar Club") Unplug Meditation LLC. ("Unplug").
Related Companies	No related companies were found.

## **FINANCIAL INFORMATION**

### General Description

We attach the company's last financial statements.

Indigo Books & Music Inc. reported unaudited consolidated earnings results for the thirteen weeks and twenty six weeks ended September 29, 2018. For the thirteen weeks, the company reported revenue of \$216,313,000 against \$224,570,000 a year ago. Loss before income taxes was \$25,753,000 against \$5,897,000 a year ago. Operating loss was \$26,024,000 against \$6,092,000 a year ago. Net loss was \$19,125,000 against \$4,630,000 a year ago. Net loss per basic and diluted common share was \$0.70 against \$0.17 a year ago. Cash flows used for operating activities was \$12,680,000 against \$17,381,000 a year ago. Purchase of property, plant, and equipment was \$20,541,000 against \$8,107,000 a year ago. Addition of intangible assets was \$5,060,000 against \$2,976,000 a year ago. The decline in sales was driven by the closure of a few low performing stores and renovations in 12 stores as the company continues to transform its retail operations. This decline in profitability was primarily driven by the impact of the company's investment in strategic initiatives, including store renovations and the expansion of its distribution facilities, as well as minimum wage increases driving up operating expenses and a change in accounting estimates for breakage in the prior year. Net interest income was \$750,000 against \$661,000 a year ago. For the twenty-six weeks, the company reported revenue of \$421,689,000 against \$430,927,000 a year ago. Loss before income taxes was \$46,457,000 against \$12,866,000 a year ago. Operating loss was \$46,899,000 against \$13,085,000 a year ago. Net loss was \$34,514,000 against \$9,892,000 a year ago. Net loss per basic and diluted common share was \$1.28 against net loss per diluted common share of \$0.36 a year ago. Cash flows used for operating activities was \$47,213,000 against \$41,547,000 a year ago. Purchase of property, plant, and equipment was \$38,298,000 against \$13,989,000 a year ago. Addition of intangible assets was \$10,225,000 against \$4,721,000 a year ago. Net interest income was \$1,560,000 against \$1,258,000 a year.

## **LEGAL FILINGS**

### Lawsuits

Immeubles Régime XV inc. c. Indigo Books & Music Inc., 2012 QCCA 239 — 2012-02-06  
Court of Appeal — Quebec  
livres — clause d exclusivité — adjacent lands  
eventually acquired — ambigu — allow to be leased

Indigo Books & Music Inc. c. Immeubles Régime XV inc., 2010 QCCS 1106 — 2010-03-22  
Superior Court — Quebec  
clause d exclusivité — bail — livres — adjacent lands  
eventually acquired — négociations

Indigo Books & Music Inc. v. C. & J. Clark International Limited, 2010 FC 859 — 2010-08-30  
Federal Court — Canada (Federal)  
trade-mark — ground of opposition — wares —  
registraire — commerce

Indigo Books & Music Inc. v. The Manufacturer's-Life Insurance Company, 2009 ONCA 885 — 2009-12-10  
Court of Appeal for Ontario — Ontario  
working papers — allocation — objectively — reliability  
— lease

### Trademarks

**INDIGO LOVE OF READING FUND**  
charitable fund raising services  
Owned by: Indigo Books & Music, Inc.  
Serial Number: 78853675

**CULTURAL DEPARTMENT STORE**  
Retail store services in the field of books, book-related  
products, stationery, giftware  
Owned by: Indigo Books & Music, Inc.  
Serial Number: 85030915

**PISTACHIO**  
Candles  
Owned by: Indigo Books & Music, Inc.  
Serial Number: 77542778

**RECO**  
advertising services, namely, promoting the goods and  
services of others  
Owned by: Indigo Books & Music Inc.  
Serial Number: 86983264

Patents Registered

**PISTACHIO**

Bath and body products, namely, monogrammed soaps for personal use; personal care products for babies, namely, non-medicated...

Owned by: Indigo Books & Music, Inc.

Serial Number: 77351012

**SYSTEM AND METHOD FOR PURCHASING AN ITEM AT A COMPUTING DEVICE**

Publication number: 20140122304

Abstract: The present embodiments relate generally to methods and systems for purchasing an item at a computing device. The computing device can be configured to communicate with an electronic commerce server. The computing device may be configured to; display an item available for purchase; display a plurality of virtual containers, wherein the item can be added to any one of the plurality of virtual containers; and receive input to add the item to at least one virtual container of the plurality of virtual containers.

Type: Application

Filed: October 28, 2013

Publication date: May 1, 2014

Applicant: Indigo Books & Music Inc.

Inventors: Renee Racine-Kinnear, Chris Page

Date of mise à jour de l'état de renseignements  
2018-10-11

Date of the declaration of mise à jour annuelle  
2018-10-03 2018

End of the production period of the declaration of mise à jour annuelle of 2018

2018-10-02

End of the production period of the declaration of mise à jour annuelle of 2017

2017-10-03

Renewals

OFAC Sanctions List Search

The company is not listed in the OFAC Sanctions List.

## **SUMMARY**

Summary

Founded in 1940, Indigo Books & Music Inc. operates as a book, gift, and specialty toy retailer in Canada.

As of March 31, 2018, it operated 86 superstores and 123 small format stores under the Indigo, Chapters, Coles, Indigospirit, and The Book Company names. It also sells its products through indigo.ca Website; and

mobile applications. In addition, the company sells calendars, games, and gifts in approximately 200 seasonal kiosks and year-round stores in shopping malls.

The company has 7,000 Employees. It operates nationally, mainly importing from China and Taiwan.

The company shows positive profitability in its last financial figures.

## **RISK INFORMATION**

Debts	Controlled
Payments	Regular
Cash Flow	Normal
State	Active

## **INTERVIEW**

First Name	SAMANTHA
Position	Receptionist
Comments	She confirmed the name of the company, the address of the headquarters and location, the date of creation of the company, the website, the approximate number of employees and the name of the Chief Executive Officer.

**FOREIGN EXCHANGE RATES**

Currency	Unit	Indian Rupees
US Dollar	1	INR 70.52
UK Pound	1	INR 89.45
Euro	1	INR 79.84
CAD	1	INR 52.90

**Note :** Above are approximate rates obtained from sources believed to be correct

**INFORMATION DETAILS**

Analysis Done by :	NIY
Report Prepared by :	TRU

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**RATING EXPLANATIONS**

Credit Rating	Explanation	Rating Comments
A++	Minimum Risk	Business dealings permissible with minimum risk of default
A+	Low Risk	Business dealings permissible with low risk of default
A	Acceptable Risk	Business dealings permissible with moderate risk of default
B	Medium Risk	Business dealings permissible on a regular monitoring basis
C	Medium High Risk	Business dealings permissible preferably on secured basis
D	High Risk	Business dealing not recommended or on secured terms only
NB	New Business	No recommendation can be done due to business in infancy stage
NT	No Trace	No recommendation can be done as the business is not traceable

NB is stated where there is insufficient information to facilitate rating. However, it is not to be considered as unfavourable.

This score serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors are as follows:

- Financial condition covering various ratios
- Company background and operations size
- Promoters / Management background
- Payment record
- Litigation against the subject
- Industry scenario / competitor analysis
- Supplier / Customer / Banker review (wherever available)

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