LE CHÂTEAU

PRESS RELEASE

LE CHÂTEAU REPORTS FIRST QUARTER RESULTS

Montréal, June 26, 2019 – Le Château Inc. (TSX VENTURE: CTU), today reported financial results for the first quarter ended April 27, 2019. Unless otherwise indicated, the Company's results for the first quarter reflect the impact of the implementation of IFRS 16, as described below under “Adoption of IFRS 16 – Leases".

Sales for the first quarter ended April 27, 2019 amounted to $36.1 million as compared with $41.1 million for the first quarter ended April 28, 2018, a decrease of 12.2%, with 18 fewer stores in operation. Comparable store sales, which include online sales, decreased 5.9% versus the same period a year ago, with comparable regular store sales decreasing 6.9% and comparable outlet store sales increasing 2.3% (see non-GAAP measures below). Sales were negatively impacted in the first quarter of 2019 by reduced store traffic due to unseasonable weather conditions.

Net loss for the first quarter ended April 27, 2019 amounted to $10.8 million or $(0.36) per share compared to a net loss of $10.8 million or $(0.36) per share for the same period last year. The net loss for the first quarter of 2019 included a favorable impact of IFRS 16 of $306,000.

Adjusted EBITDA (see non-GAAP measures below) for the first quarter of 2019 amounted to $748,000, compared to $(6.2) million for the same period last year, an improvement of $6.9 million. The improvement in adjusted EBITDA includes a favorable impact of IFRS 16 of $7.8 million. Excluding the $7.8 million impact of IFRS 16, the adjusted EBITDA for first quarter was $(7.1) million compared with $(6.2) million for same period last year. The decrease of $900,000 in adjusted EBITDA for the first quarter of 2019 was primarily attributable to the reduction of $3.6 million in gross margin dollars, partially offset by the decrease in selling, distribution and administrative expenses of $2.7 million. The decrease in selling, distribution and administrative expenses resulted primarily from the reduction in store operating expenses due mainly to store closures. The decrease of $3.6 million in gross margin dollars was the result of the 12.2% overall sales decline for the first quarter, combined with the decrease in gross margin percentage to 61.9% from 63.0% in 2018.

During the first quarter of 2019, the Company closed six underperforming stores. As at April 27, 2019, the Company operated 133 stores (including 15 fashion outlet stores) compared to 151 stores (including 31 fashion outlet stores) as at April 28, 2018. Total square footage for the Le Château network as at April 27, 2019 amounted to 761,000 square feet (including 168,000 square feet for fashion outlet stores), compared to 850,000 square feet (including 247,000 square feet for fashion outlet stores) as at April 28, 2018. The Company is planning to close 4 additional stores for the remainder of 2019.

Adoption of IFRS 16 - Leases

The Company adopted IFRS 16 – Leases, replacing IAS 17 – Leases and related interpretations, using the modified retrospective approach, effective for the annual reporting period beginning on January 27, 2019. As a result, the Company's results for the first quarter ended April 27, 2019 reflect lease accounting under IFRS 16. Comparative figures for the first quarter ended April 28, 2018 have not been restated and continue to be reported under IAS 17, Leases. Refer to Note 2 of the unaudited interim condensed consolidated financial statements for the first quarter ended April 27, 2019 for additional details on the implementation of IFRS 16.

Profile

Le Château is a leading Canadian specialty retailer and manufacturer of exclusively designed apparel, footwear and accessories for contemporary and style-conscious women and men, with an extensive network of 133 prime locations across Canada and an e-com platform servicing Canada and the U.S. Le Château, committed to research, design and product development, manufactures approximately 30% of the Company’s apparel in its own Canadian production facilities.

Non-GAAP Measures

In addition to discussing earnings measures in accordance with IFRS, this press release provides adjusted EBITDA as a supplementary earnings measure, which is defined as earnings (loss) before interest, income taxes, depreciation, amortization, write-off and/or impairment of property and equipment and intangible assets and accretion of First Preferred shares series 1 ("Adjusted EBITDA"). Adjusted EBITDA is provided to assist readers in determining the ability of the Company to generate cash from operations and to cover financial charges. It is also widely used for valuation purposes for public companies in our industry.

The following table reconciles adjusted EBITDA to loss before income taxes in the unaudited interim condensed consolidated statements of loss for the first quarters ended April 27, 2019 and April 28, 2018:

(Unaudited) *(In thousands of Canadian dollars)*	For the three months ended April 27, 2019 (Excluding impact of IFRS 16) [1]	IFRS 16 impacts	April 27, 2019 (Including impact of IFRS 16)	April 28, 2018
Loss before income taxes	$ (11,143)	$ 306	$ (10,837)	$ (10,777)
Depreciation and amortization	1,932	6,145	8,077	2,285
Write-off and net impairment of property and equipment and intangible assets	41	-	41	63
Finance costs	2,107	1,360	3,467	1,588
Accretion of First Preferred shares series 1	-	-	-	663
Adjusted EBITDA	$ (7,063)	$ 7,811	$ 748	$ (6,178)

[1] Adjusted EBITDA for the first quarter of 2019 excluding impact of IFRS 16 assumes the Company continued to report under IAS 17, Leases and did not adopt IFRS 16, other than for differences related to testing long-lived assets for impairment and accounting for onerous store leases pursuant to the guidance of IAS 37, Provisions, which could have had an impact on the EBITDA and net loss of the Company under accounting standards applicable prior to January 27, 2019. Under IFRS 16, the nature and timing of expenses related to operating leases have changed as the straight-line operating lease expenses have been replaced with a depreciation charge for right-of use assets and interest expense on lease liabilities. Accordingly, IFRS 16 had a favorable impact of approximately $7.8 million on adjusted EBITDA for the first quarter of 2019 as operating leases expenses have been replaced with depreciation and interest expenses, which are not included in the calculation of adjusted EBITDA.

The Company also discloses comparable store sales which are defined as sales generated by stores that have been open for at least one year on a comparable week basis. Online sales are included in comparable store sales.

The following table reconciles comparable store sales to total sales disclosed in the unaudited interim condensed consolidated statements of loss for the first quarters ended April 27, 2019 and April 28, 2018:

(Unaudited) *(In thousands of Canadian dollars)*	For the three months ended April 27, 2019	April 28, 2018
Comparable store sales – Regular stores	$ 30,599	$ 32,873
Comparable store sales – Outlet stores	4,213	4,117
Total comparable store sales	34,812	36,990
Non-comparable store sales	1,258	4,094
Total sales	$ 36,070	$ 41,084

The above measures do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies.

Forward-Looking Statements

This news release may contain forward-looking statements relating to the Company and/or the environment in which it operates that are based on the Company's expectations, estimates and forecasts. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict and/or are beyond the Company's control. A number of factors may cause actual outcomes and results to differ materially from those expressed. These factors also include those set forth in other public filings of the Company. Therefore, readers should not place undue reliance on these forward-looking statements. In addition, these forward-looking statements speak only as of the date made and the Company disavows any intention or obligation to update or revise any such statements as a result of any event, circumstance or otherwise except to the extent required under applicable securities law.

Factors which could cause actual results or events to differ materially from current expectations include, among other things: the ability of the Company to successfully implement its business initiatives and whether such business initiatives will yield the expected benefits; liquidity risks; competitive conditions in the businesses in which the Company participates; changes in consumer spending; general economic conditions and normal business uncertainty; seasonality and weather patterns; changes in the Company's relationship with its suppliers; lease renewals; information technology security and loss of customer data; fluctuations in foreign currency exchange rates; interest rate fluctuations and changes in laws, rules and regulations applicable to the Company. There can be no assurance that borrowings will be available to the Company, or available on acceptable terms, in an amount sufficient to fund the Company's needs or that additional financing will be provided by any of the controlling shareholders of the Company. The foregoing list of risk factors is not exhaustive and other factors could also adversely affect our results.

The Company’s unaudited interim condensed consolidated financial statements and Management’s Discussion and Analysis for the first quarter ended April 27, 2019 are available online at www.sedar.com.

For further information

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CONSOLIDATED BALANCE SHEETS

(Unaudited) (In thousands of Canadian dollars)		As at April 27, 2019		As at April 28, 2018[1]		As at January 26, 2019[1]
ASSETS						
Current assets						
Cash	$	1,241	$	2,002	$	-
Accounts receivable		1,113		971		1,031
Income taxes refundable		264		269		440
Inventories		88,805		91,288		86,487
Prepaid expenses		2,355		2,031		1,976
Total current assets		93,778		96,561		89,934
Deposits		485		485		485
Property and equipment		19,897		25,579		21,648
Intangible assets		1,641		2,234		1,831
Right-of-use assets		79,369		-		-
	$	195,170	$	124,859	$	113,898
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)						
Current liabilities						
Bank indebtedness	$	-	$	-	$	489
Current portion of credit facility		25,134		15,617		19,093
Trade and other payables		18,348		16,467		20,437
Deferred revenue		2,069		2,954		2,402
Current portion of lease liabilities		27,741		-		-
Current portion of provision for onerous leases		-		512		240
Total current liabilities		73,292		35,550		42,661
Credit facility		33,524		36,474		29,901
Long-term debt		30,838		29,101		29,684
Lease liabilities		69,553		-		-
Provision for onerous leases		-		851		-
Deferred lease credits		-		6,813		6,490
First Preferred shares series 1		-		23,500		-
Total liabilities		207,207		132,289		108,736
Shareholders' equity (deficiency)						
Share capital		73,573		47,967		73,573
Contributed surplus		14,193		14,114		14,132
Deficit		(99,803)		(69,511)		(82,543)
Total shareholders' equity (deficiency)		(12,037)		(7,430)		5,162
	$	195,170	$	124,859	$	113,898

[1] The Company has initially applied IFRS 16 as at January 27, 2019. Under the transition method chosen, comparative information is not restated.

NOTICE
The Company's independent auditors have not performed a review of the accompanying interim condensed consolidated financial statements.

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CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited)
(In thousands of Canadian dollars, except per share information)

	For the three months ended April 27, 2019	For the three months ended April 28, 2018[(1)]
Sales	$ 36,070	$ 41,084
Cost of sales and expenses		
Cost of sales	13,744	15,189
Selling and distribution	24,908	29,060
Administrative	4,788	5,361
	43,440	49,610
Results from operating activities	(7,370)	(8,526)
Finance costs	3,467	1,588
Accretion of First Preferred shares series 1	-	663
Loss before income taxes	(10,837)	(10,777)
Income tax recovery	-	-
Net loss and comprehensive loss	$ (10,837)	$ (10,777)
Net loss per share		
Basic	$ (0.36)	$ (0.36)
Diluted	(0.36)	(0.36)
Weighted average number of shares outstanding ('000)	29,964	29,964

(1) The Company has initially applied IFRS 16 as at January 27, 2019. Under the transition method chosen, comparative information is not restated.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

(Unaudited)
(In thousands of Canadian dollars)

	For the three months ended April 27, 2019	For the three months ended April 28, 2018[(1)]
SHARE CAPITAL	$ 73,573	$ 47,967
CONTRIBUTED SURPLUS		
Balance, beginning of period	$ 14,132	$ 9,600
Transitional adjustments on adoption of new accounting standards	-	4,502
Adjusted balance, beginning of period	14,132	14,102
Fair value adjustment of long-term debt	61	-
Stock-based compensation expense	-	12
Balance, end of period	$ 14,193	$ 14,114
DEFICIT		
Balance, beginning of period	$ (82,543)	$ (57,367)
Transitional adjustments on adoption of new accounting standards	(6,423)	(1,367)
Adjusted balance, beginning of period	(88,966)	(58,734)
Net loss	(10,837)	(10,777)
Balance, end of period	$ (99,803)	$ (69,511)
Total shareholders' equity (deficiency)	$ (12,037)	$ (7,430)

(1) The Company has initially applied IFRS 16 as at January 27, 2019. Under the transition method chosen, comparative information is not restated.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)	For the three months ended	
(In thousands of Canadian dollars)	April 27, 2019	April 28, 2018[1]
OPERATING ACTIVITIES		
Net loss	$ (10,837)	$ (10,777)
Adjustments to determine net cash from operating activities		
Depreciation and amortization	8,077	2,285
Write-off and net impairment of property and equipment and intangible assets	41	63
Amortization of deferred lease credits	-	(367)
Deferred lease credits	-	69
Stock-based compensation	-	12
Provision for onerous leases	-	(137)
Finance costs	3,467	1,588
Accretion of First Preferred shares series 1	-	663
Interest paid	(1,155)	(996)
	(407)	(7,597)
Net change in non-cash working capital items related to operations	(5,625)	(3,161)
Income taxes refunded	230	240
Cash flows related to operating activities	(5,802)	(10,518)
FINANCING ACTIVITIES		
Net increase in credit facility	9,571	13,456
Payment of lease liabilities	(2,733)	-
Other finance costs	(274)	-
Proceeds of long-term debt	1,000	-
Cash flows related to financing activities	7,564	13,456
INVESTING ACTIVITIES		
Additions to property and equipment and intangible assets	(32)	(675)
Cash flows related to investing activities	(32)	(675)
Increase in cash	1,730	2,263
Bank indebtedness, beginning of period	(489)	(261)
Cash, end of period	$ 1,241	$ 2,002

[1] The Company has initially applied IFRS 16 as at January 27, 2019. Under the transition method chosen, comparative information is not restated.