

R.Y.U. Apparel Reports First Quarter 2017 Results

VANCOUVER, May 1, 2017 /CNW/ - R.Y.U. Apparel Inc. (TSX VENTURE: R.Y.U. & Frankfurt Stock Exchange: RYA), creator of tailored innovation for the urban athlete, is pleased to report its financial results for the three months ended March 31, 2017.

Revenue in the first quarter of 2017 was \$467,003, 80% higher than revenue of \$259,727 during the same period in 2016. Now into its second year of operations the R.Y.U. team is encouraged with its sales record to date and a 47% gross profit for the quarter. This is R.Y.U.'s seventh consecutive quarter of increasing gross profit.

	Three months ended	
	March 31,	
	(unaudited)	
In Canadian dollars	2017	2016
Revenue	\$467,003	\$259,727
Gross profit	\$219,256	\$134,994
Gross profit %	47%	52%

First quarter 2017 results are consistent with fourth quarter 2016 revenue of \$474,844 and gross profit of \$214,336 (45%). The first quarter in a calendar year tends to be much slower than the previous fourth quarter, skewed by the Holiday Season and markdowns, and this indicates that sales have continued to grow in line with awareness for the brand. R.Y.U. products are not placed on sale at retail.

During the three months ended March 31, 2017 the Company achieved the following milestones:

- R.Y.U. continues to show an almost equal ratio of apparel sales between men and women at 46% and 54% respectively. By identifying an underserved gap in the industry for men, and developing the Beautiful Tough brand positioning that's resonating with women, R.Y.U. has achieved an enviable gender balance that is unprecedented in the industry.
- R.Y.U. successfully completed its first Kickstarter campaign, doubling anticipated sales and raising 208% of its initial pre-sale goal and securing over \$52,000 US dollars for its new men's Ethos pullover and women's Ethos full zip hoodie.
- As an omni-channel retailer, R.Y.U. currently has 16% of revenue from e-commerce with a target of reaching 30% by the end of 2017. Kickstarter sales were excluded from e-commerce revenue.
- R.Y.U.'s retail store expansion plan is on target to have five stores open by the end of 2017. The Company currently has three stores in operation and two under construction. In addition to the opening of Park Royal South on March 28, 2017, early third quarter 2017 will see the opening of its first Toronto store on Queen Street West, and its first enclosed mall location at Metrotown in Vancouver.

Retail store expansion plan	Square Footage	Opening Date
Existing Stores		
Vancouver – West 4 th Avenue (Flagship)	3,920	November 2015
Vancouver – Thurlow Street	1,100	November 2016
Vancouver – Park Royal South	3,967	March 2017
New Stores Under Construction		
Vancouver – Metrotown	2,002	Q3 2017
Toronto – Queen Street West	2,220	Q3 2017

First quarter summary:

- First quarter revenue of \$467,003 compared with \$259,727 in the same period in fiscal 2016. Revenue increased by 80% as it included sales from essentially two versus one retail stores, revenue from the Kickstarter campaign, and e-commerce sales from its improved website that had higher visitor traffic than in early 2016. The Park Royal location was only open for three days within the quarter.
- First quarter revenue would have been higher but the Company was short on key stock items and sizes due to higher than anticipated demand and after keeping inventory purchases to a minimum in 2016. In the first quarter of 2017 R.Y.U. started placing inventory deposits to fill the gaps, but deliveries are not expected until the second and third quarters of 2017. As a result, closing inventory as at March 31, 2017 decreased 6% to \$1,001,667 from \$1,067,560 at December 31, 2016, while inventory deposits increased 391% to \$564,844 from \$115,017.
- First quarter gross profit of \$219,256 compared with \$134,994 in the same period in fiscal 2016, an increase of 62%. Gross profit percentage of 47% in the first quarter of 2017 was lower than gross profit of 52% in 2016 due to the difference in the weighted average cost of finished goods inventory and the amount of sales discounts applied in each period.
- First quarter expenses of \$2,326,402 compared with \$1,930,690 in the same period in fiscal 2016. The increase of 20% is primarily due to foreign currency fluctuations and share based payments in relation to stock option grants. Without these two items expenses increased \$81,691 (4%) during the comparative periods, aligned with the increase in retail operations from one to three stores.
- First quarter comprehensive loss was \$2,099,443 compared with \$740,096 in the same period in fiscal 2016. The loss was 184% higher due to the 2016 recovery of the warrant derivative of \$1,006,263, a non-cash item, and the \$49,337 gain on settlement of debt recognized in the first quarter of 2016. Without these outliers, comprehensive loss in the first quarter of 2017 and 2016 would have been \$2,107,146 and \$1,795,696 respectively. The \$311,450 (17%) increase is due to the share based payments from the stock option grant in February 2017 and foreign currency fluctuations.
- The Company closed a short form prospectus offering, raising gross proceeds of \$3,734,441 on February 2, 2017.

Full details of the Company's financial performance can be obtained by viewing the unaudited condensed consolidated interim financial statements and corresponding MD&A available on SEDAR.

For regular updates on RYU Apparel visit: <http://ryu.com>

About RYU

RYU Apparel Inc. is tailored innovation for the urban athlete. An award winning athletic apparel and accessories brand engineered for the fitness, training and performance of the multi-discipline athlete. Designed without compromise for comfort, style and durability, RYU exists to facilitate human performance. For more information, visit: <http://ryu.com>

On Behalf of the Board

RYU APPAREL INC.

"*Marcello Leone*"

Marcello Leone, CEO, President and Chairman of the Board

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Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

This news release contains forward-looking information that involve various risks and uncertainties regarding future events. Such forward-looking information can include without limitation statements based on current expectations involving a number of risks and uncertainties and are not guarantees of future performance of the Company, such as statements that revenues would have been higher, that the expansion plan is to have five stores open by the end of 2017, and the intention to open the Toronto store on Queen Street West and the Company's first enclosed mall location in Metrotown, all within the second half of 2017. There are numerous risks and uncertainties that could cause actual results and the Company's plans and objectives to differ materially from those expressed in the forward-looking information, including the ability of the company to finance operations, the ability of the management team to execute on its business plan, risks in the apparel industry in general, and delays and risks associated with renovating and opening new store locations. Actual results and future events could differ materially from those anticipated in such information. These and all subsequent written and oral forward-looking information are based on estimates and opinions of management on the dates they are made and are expressly qualified in their entirety by this notice. Except as required by law, the Company does not intend to update these forward-looking statements.

RYU APPAREL INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

As at

	March 31, 2017	December 31, 2016
	(unaudited)	
ASSETS		
Current		
Cash	\$ 1,361,528	\$ 767,263
Accounts receivable	69,691	82,297
Inventory	1,001,667	1,067,560
Prepaid expenses and deposits	671,892	263,912
	<u>3,104,778</u>	<u>2,181,032</u>
Non-current		
Deposits	160,759	172,521
Property and equipment	1,690,787	1,439,500
Intangible assets	4,453	6,549
	<u>\$ 4,960,777</u>	<u>\$ 3,799,602</u>
LIABILITIES AND EQUITY		
Current		
Accounts payable	\$ 597,858	\$ 745,894
Accrued liabilities	159,421	169,404
Current portion of finance lease	14,706	14,779
Deferred revenue	80,878	64,732
	<u>852,863</u>	<u>994,809</u>
Non-current		
Finance lease	58,990	63,296
Derivative liability	-	7,703
	<u>911,853</u>	<u>1,065,808</u>
Equity		
Share capital	45,342,978	42,230,355
Equity reserve	7,229,304	6,927,354
Deficit	(48,590,452)	(46,491,009)
Accumulated other comprehensive income	67,094	67,094
	<u>4,048,924</u>	<u>2,733,794</u>
	<u>\$ 4,960,777</u>	<u>\$ 3,799,602</u>

RYU APPAREL INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS - UNAUDITED
(Expressed in Canadian dollars)
For the three months ended March 31

	2017	2016
Revenue	\$ 467,003	\$ 259,727
Cost of sales	<u>247,747</u>	<u>124,733</u>
Gross profit	<u>219,256</u>	<u>134,994</u>
	47%	52%
Expenses		
Depreciation	66,687	57,826
Foreign exchange loss (gain)	25,975	(147,448)
Interest and bank charges	30,166	60,657
Investor relations	53,448	219,209
Office and general	457,168	261,649
Product creation	202,481	15,999
Professional fees	22,400	453,918
Salaries and benefits	754,469	585,633
Selling and marketing	485,044	351,136
Share based payments	203,082	62,484
Travel and entertainment	25,482	9,627
	<u>(2,326,402)</u>	<u>(1,930,690)</u>
Other items		
Gain on settlement of debt	-	49,337
Recovery of warrant derivative liability	<u>7,703</u>	<u>1,006,263</u>
Comprehensive loss	<u>\$ (2,099,443)</u>	<u>\$ (740,096)</u>
Loss per share - Basic and diluted	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	176,590,322	83,021,474

RYU APPAREL INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS - UNAUDITED
(Expressed in Canadian dollars)
For the three months ended March 31

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (2,099,443)	\$ (740,096)
Items not affecting cash:		
Depreciation	66,687	57,826
Share-based payments	203,082	62,484
Foreign exchange	-	7,369
Accrued interest	-	27,779
Gain on settlement of debt	-	(49,337)
Recovery of warrant derivative liability	(7,703)	(1,006,263)
Changes in non-cash working capital		
Accounts receivable	12,606	123,375
Inventory	65,893	(122,812)
Prepaid expenses and deposits	(396,218)	(44,668)
Accounts payable and accrued liabilities	(206,659)	439,098
Deferred revenue	<u>16,146</u>	<u>989</u>
Net cash flows used in operating activities	<u>(2,345,609)</u>	<u>(1,244,256)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipment	<u>(267,239)</u>	<u>(27,230)</u>
Net cash flows used in investing activities	<u>(267,239)</u>	<u>(27,230)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Issuance of common shares	3,734,441	1,132,625
Cash share issuance costs	(531,750)	(51,773)
Short-term loans received	-	379,050
Repayment of short-term loans	-	(210,000)
Exercise of warrants	8,800	-
Finance lease	(4,378)	(3,997)
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Net cash flows provided by financing activities	3,207,113	1,245,905
	<hr/>	<hr/>
Change in cash	594,265	(25,581)
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Cash – beginning	767,263	104,518
	<hr/>	<hr/>
Cash – end	\$ 1,361,528	\$ 78,937

Supplemental cash flow disclosure – non cash transactions

Additions of property and equipment included in accounts payable	\$ 48,640	\$ 26,965
Common shares issued for settlement of accounts payable	\$ -	\$ 197,347

SOURCE RYU Apparel Inc.

View original content: <http://www.newswire.ca/en/releases/archive/May2017/01/c4587.html>

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