

RYU Apparel Reports Third Quarter 2017 Results

VANCOUVER, Nov. 17, 2017 /CNW/ - RYU Apparel Inc. (TSX VENTURE: RYU & Frankfurt Stock Exchange: RYA) (the "Company"), creator of urban athletic apparel, is pleased to report its financial results for the nine months ended September 30, 2017.

Revenue in the third quarter of 2017 was \$745,226 125% higher than revenue of \$331,700 during the same period in 2016. Now into its second year of operations, the RYU team is encouraged with its sales record to date and a 45% gross profit for the quarter.

In Canadian dollars	Three months ended September 30, (unaudited)		Nine months ended September 30, (unaudited)	
	2017	2016	2017	2016
	Revenue	\$745,226	\$331,700	\$1,853,460
Gross profit	\$338,789	\$139,352	\$852,821	\$413,530
Gross profit %	45%	42%	46%	46%

Third quarter 2017 results included additional revenue from the Company's new retail store locations in Downtown Vancouver, Park Royal South in West Vancouver and Queen St. West in Toronto, whereas third quarter revenue in 2016 was comprised primarily of sales from the Flagship retail store and e-commerce sales. The Queen St. West location in Toronto was only open for twelve days within the quarter.

During the nine months ended September 30, 2017, the Company achieved the following milestones:

- RYU partnered with netamorphosis, an award winning digital and creative agency from New York City, to facilitate and maximize RYU's digital and ecommerce business across the United States and globally. Work has begun to further accelerate and expand e-commerce revenue and performance. High priority tasks will start to deploy in the fourth quarter of 2017 and will continue into the first half of 2018.
- RYU continues to show a balanced ratio of apparel sales between men and women at 51% and 49% respectively. By identifying an underserved gap in the industry for men, and developing the Beautiful Tough™ brand positioning that's resonating with women, RYU has achieved an enviable gender balance that is rare in the industry.
- As an omni-channel retailer, RYU currently has 17% of revenue from e-commerce.
- RYU's retail store expansion plan is on target to have five stores open by the end of 2017. The Company currently has four stores in operation and one under construction. In addition to the opening of Park Royal South on March 28, 2017 and Queen St. West in Toronto on September 19, 2017, management anticipates that the fourth quarter 2017 will see the opening of its first enclosed mall location at Metrotown in Vancouver.
- RYU secured its first USA retail store location in Williamsburg, in the New York City borough of Brooklyn. The 2,800 square foot store in the newly renovated heritage building on 76, North 4th St. will perfectly connect RYU's urban aesthetic and appeal with Williamsburg's style and community. The store is scheduled to open during Q2 2018.
- Subsequent to quarter end, the Leone Family continued to support the RYU brand by advancing \$1,385,000 in unsecured, non-interest bearing promissory notes. This is continued confidence by the Leone Family for the vision of the brand.

Third quarter summary:

- Third quarter revenue of \$745,226 compared with \$331,700 in the same period in fiscal 2016. Revenue increased by 125% as it included sales from three versus one retail store and growth in e-commerce sales from its improved website that had higher visitor traffic than in early 2016. Our fourth retail store location at Queen St. West location in Toronto was only open for twelve days within the quarter.
- Third quarter gross profit of \$338,789 compared with \$139,352 in the same period in fiscal 2016, an increase of 143%. Gross profit percentage of 45% was achieved in the third quarter of 2017.
- Third quarter expenses of \$2,705,913 compared with \$1,791,632 in the same period in fiscal 2016. The increase of 51% is primarily due to the expansion of our retail operations from one to four stores.
- Third quarter comprehensive loss was \$2,367,124 compared with \$1,420,175 in the same period in fiscal 2016. The loss was 67% higher due to the 2016 recovery of the warrant derivative of \$232,105, a non-cash item. Without these outliers, comprehensive loss in the third quarter of 2017 and 2016 would have been \$2,367,124 and \$1,652,280 respectively. The \$714,844 (43%) increase is due to variances in gross profit net of higher occupancy costs and depreciation from running four retail stores versus one.
- The Company closed a short form prospectus offering, raising gross proceeds of \$3,737,500 on July 25, 2017.

Year-to-date summary:

- Nine month revenue of \$1,853,460 compared with \$892,199 in the same period in fiscal 2016. Revenue increased by 108% as it included sales from three stores versus one retail store and growth in e-commerce sales from its improved website that had higher visitor traffic than in early 2016. The Park Royal location opened March 2017 and the Queen St. West location in Toronto opened September 19, 2017.
- Nine month revenue in 2017 was adversely affected following a challenging period of approximately six months during which we experienced shortages in styles and sizes and sold out of bags due to popular demand. In 2017, we have dedicated significant resources to produce innovative new product, place inventory deposits to fill gaps, and restock our core items. Deliveries of our 2017 buy plan began at the end of the second quarter of 2017 and are scheduled to continue into the first quarter of 2018.
- Nine month gross profit of \$852,821 compared with \$413,530 in the same period in fiscal 2016, an increase of 106%. Gross profit percentage of 46% in the nine months ended September 30, 2017 was in line with the comparative period in 2016.
- Nine month expenses of \$7,508,185 compared with \$5,968,224 in the same period in fiscal 2016. The increase of 26% is due to the increase in retail operations from one to four stores and the development of our 2017 marketing strategy.
- Nine month comprehensive loss was \$6,647,661 compared with \$3,840,465 in the same period in fiscal 2016. The loss was 73% higher due to the 2016 recovery of the warrant derivative of \$1,499,609, a non-cash item, and the \$214,620 gain on settlement of debt for two transactions that took place in 2016. Without these outliers, comprehensive loss during the nine months ended September 30, 2017 and 2016 would have been \$6,655,364 and \$5,554,694 respectively. The \$1,100,670 (20%) increase is mostly due to the higher occupancy costs attached to running four versus one retail stores, net of the additional gross profit generated.
- The Company closed a short form prospectus offering, raising gross proceeds of \$3,734,441 on February 2, 2017, a non-brokered private placement, raising gross proceeds of \$2,252,841 on June 22, 2017, and a short form prospectus offering, raising gross proceeds of \$3,737,500 on July 25, 2017.

For convenience, copies of the Company's unaudited condensed consolidated interim statements of financial position, comprehensive loss and cash flows for the periods discussed herein are attached to this news release. Readers are encouraged to review such statements in their entirety, including the notes thereto, on SEDAR. 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

Respect Your Universe is an award winning urban athletic apparel and accessories brand. Designed without compromise for fit, comfort, 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

Tel: 604-235-2880

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: (i) the expansion plan is to have five stores open by the end of 2017, and the intention to open the Company's first enclosed mall location in Metrotown within the fourth quarter of 2017; (ii) the intention to open its New York City location during the second quarter of 2018; (iii) that high priority tasks with metamorphosis will start to deploy in the fourth quarter of 2017 to accelerate and expand e-commerce revenue and performance and will continue into the first half of 2018; and (iv) that deliveries of inventory are expected to continue into the first quarter of 2018. 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

September 30, December 31,

	2017 (unaudited)	2016
ASSETS		
Current		
Cash	\$ 701,582	\$ 767,263
Accounts receivable	98,383	82,297
Inventory	1,857,378	1,067,560
Prepaid expenses and deposits	736,145	263,912
	<u>3,393,488</u>	<u>2,181,032</u>
Non-current		
Deposits	397,306	172,521
Property and equipment	2,226,455	1,439,500
Intangible assets	342	6,549
	<u>\$ 6,017,591</u>	<u>\$ 3,799,602</u>

LIABILITIES AND EQUITY

Current		
Accounts payable	\$ 541,535	\$ 745,894
Accrued liabilities	277,714	169,404
Current portion of finance lease	13,930	14,779
Deferred revenue	75,832	64,732
	<u>909,011</u>	<u>994,809</u>
Non-current		
Finance lease	48,360	63,296
Derivative liability	-	7,703
	<u>957,371</u>	<u>1,065,808</u>
Equity		
Share capital	50,711,949	42,230,355
Equity reserve	7,419,847	6,927,354
Deficit	(53,138,670)	(46,491,009)
Accumulated other comprehensive income	67,094	67,094
	<u>5,060,220</u>	<u>2,733,794</u>
	<u>\$ 6,017,591</u>	<u>\$ 3,799,602</u>

RYU APPAREL INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS - UNAUDITED
(Expressed in Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Revenue	\$ 745,226	\$ 331,700	\$ 1,853,460	\$ 892,199
Cost of sales	<u>406,437</u>	<u>192,348</u>	<u>1,000,639</u>	<u>478,669</u>
Gross profit	<u>338,789</u>	<u>139,352</u>	<u>852,821</u>	<u>413,530</u>
	45%	42%	46%	46%
Expenses				
Depreciation	117,709	65,972	308,318	184,618
Foreign exchange loss (gain)	(9,167)	37,333	24,347	(93,636)
Interest and bank charges	20,859	38,293	57,176	145,506
Investor relations	36,970	16,077	172,081	657,215
Office and general	720,079	297,232	1,756,584	774,836
Product creation	121,354	139,119	437,138	323,598
Professional fees	164,178	158,005	352,182	991,450
Salaries and benefits	1,030,507	638,951	2,691,296	2,032,972
Selling and marketing	396,156	245,657	1,255,778	608,705

Share-based payments	35,686	114,002	291,454	267,076
Travel and entertainment	<u>71,582</u>	<u>40,991</u>	<u>161,831</u>	<u>75,884</u>
	2,705,913	1,791,632	7,508,185	5,968,224
Other items				
Gain on settlement of debt	-	-	-	214,620
Recovery of warrant derivative liability	<u>-</u>	<u>232,105</u>	<u>7,703</u>	<u>1,499,609</u>
Comprehensive loss	\$ <u>(2,367,124)</u>	\$ <u>(1,420,175)</u>	\$ <u>(6,647,661)</u>	\$ <u>(3,840,465)</u>
Loss per share - Basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.04)
Weighted average number of common shares outstanding - basic and diluted	241,662,635	107,514,076	202,393,879	95,424,718

RYU APPAREL INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS - UNAUDITED
(Expressed in Canadian dollars)
For the nine months ended September 30

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (6,647,661)	\$ (3,840,465)
Items not affecting cash:		
Depreciation	308,318	184,618
Share-based payments	291,454	267,076
Foreign exchange	-	(76,228)
Accrued interest	-	95,698
Gain on settlement of debt	-	214,620
Recovery of warrant derivative liability	(7,703)	(1,499,609)
Changes in non-cash working capital		
Accounts receivable	(16,086)	132,927
Inventory	(789,818)	62,298
Prepaid expenses and deposits	(697,017)	(174,948)
Accounts payable and accrued liabilities	(14,158)	89,396
Deferred revenue	<u>11,100</u>	<u>18,950</u>
Net cash flows used in operating activities	<u>(7,561,572)</u>	<u>(4,525,667)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipment	<u>(1,140,493)</u>	<u>(218,161)</u>
Net cash flows used in investing activities	<u>(1,140,493)</u>	<u>(218,161)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares	9,724,782	4,787,686
Cash share issuance costs	(1,086,430)	(173,960)
Short-term loans received	154,000	1,009,050
Repayment of short-term loans	(154,000)	(1,257,676)
Share subscriptions received in advance	-	508,022
Exercise of warrants	8,800	-
Finance lease	<u>(10,768)</u>	<u>(11,896)</u>
Net cash flows provided by financing activities	<u>8,636,384</u>	<u>4,861,226</u>
Change in cash	(65,681)	117,398
Cash – beginning	<u>767,263</u>	<u>104,518</u>
Cash – end	<u>\$ 701,582</u>	<u>\$ 221,916</u>

Cash paid for interest	\$	999	\$	64,176
Supplemental cash flow disclosure – non cash transactions				
Additions of property and equipment included in accounts payable	\$	112,410	\$	117,040
Reversal of prior year property and equipment included in accounts payable	\$	(163,838)	\$	-
Common shares issued for settlement of accounts payable	\$	-	\$	748,310
Common shares issued for services	\$	35,481	\$	140,600
Finders' warrants issued for share issuance cost	\$	201,039	\$	26,335

SOURCE RYU Apparel Inc.

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