

Leon's Furniture Releases Record Financial Results for the Second Quarter Ended June 30, 2019

TORONTO, Aug. 14, 2019 /CNW/ - Leon's Furniture Limited ("Leon's" or the "Company") (TSX: LNF), today announced financial results for the second quarter 2019.

Financial Highlights – Q2-2019

- Total system wide sales ⁽¹⁾ were \$667,637,000 in Q2-2019 compared to \$650,012,000 in Q2-2018, an increase of 2.7%.
- Achieved record revenue in the quarter of \$560,872,000 compared to \$546,729,000 in Q2-2018, an increase of 2.6%.
- Same-store sales ⁽¹⁾ increased 1.9% in Q2-2019 compared to Q2-2018, an increase of \$10,165,000.
- Gross profit margin improved by 40 bps to 43.53% in Q2-2019 from 43.13% in Q2-2018.
- Adjusted diluted earnings per share ⁽¹⁾⁽²⁾ grew by 21.4% to a record \$0.34 in Q2-2019 from \$0.28 in Q2-2018 which excludes the impact of IFRS 16 in Q2-2019⁽³⁾
- Adjusted EBITDA ⁽¹⁾⁽³⁾ increased 68.7% in Q2-2019 to \$71,363,000 from \$42,291,000 in Q2-2018, excluding the impact of IFRS 16⁽³⁾ adjusted EBITDA increased 16.1% in Q2-2019 to \$49,105,000.
- Net debt including the convertible debentures totaled \$50,270,000 at June 30, 2019 compared to \$110,737,000 at June 30, 2018.
- Since acquiring The Brick Ltd. in 2013, over \$350,000,000 in total debt has been repaid to date.

Financial Highlights – Six months ended June 30th, 2019

- Total system wide sales ⁽¹⁾ were \$1,264,854,000 year to date June 2019 compared to \$1,251,153,000 year to date June 2018, an increase of 1.1%.
- Revenue increased 1.3% to \$1,060,613,000 compared to \$1,047,448,000 year to date June 2018.
- Same-store sales ⁽¹⁾ increased 0.5% year to date June 2019 compared to year to date June 2018.
- Gross profit margin improved by 43 bps to 43.4% year to date June 2019 compared to 42.97% year to date June 2018.
- Adjusted diluted earnings per share ⁽¹⁾⁽²⁾ grew by 21.4% to \$0.51 year to date June 2019 compared to \$0.42 year to date June 2018, which excludes the impact of IFRS 16 on January 1, 2019.

(1) Refer to the "Non-IFRS Financial Measures" section of this press release for additional information on these measures.

(2) For comparative purposes to the prior year's results the adjusted diluted earnings per share amount of \$0.34 and \$0.51 for the three and six months ended June 30, 2019 in the highlights above has been adjusted to exclude the impact of the implementation by the Company of IFRS 16 beginning on January 1, 2019.

(3) The Company implemented IFRS 16, "Leases", on January 1, 2019 using the modified retrospective approach as a result the comparative periods have not been restated. Adjusted EBITDA for the three months ended June 30, 2019 (excluding the impact of IFRS 16) increased 16.1% in Q2-2019 to \$49,106,000.

Edward Leon, President and Chief Executive Officer of LFL Group commented, "During the second quarter, the efforts of our associates across the country drove record top and bottom-line performance in a challenging retail environment. Targeted investments in innovative marketing campaigns during the quarter generated positive same store sales, revenue growth across all

product categories and strong returns in the form of gross margin expansion. Revenue in our e-commerce retail channel continues to grow at a double-digit pace supported by our strategic investment in technology and personnel. We see this pace continuing on a sustained basis."

Mr. Leon continued, "In June, we opened our 85th Leon's store in Coquitlam, British Columbia. This 15,000 sq. ft. store is our first location to be opened under our innovative smart store concept. We are generating strong early sales and efficiency results from this new store concept. We anticipate leveraging the best practices from this location to drive a multi-year program across the rest of our national retail network in our relentless pursuit of growth in shareholder value."

The Directors have also approved, subject to obtaining regulatory approvals, the reinstatement of the Company's Normal Course Issuer Bid, which will expire on September 9, 2019. Pursuant to the bid, the Company intends, in the twelve months commencing September 10, 2019, to purchase up to the lesser of 4.99% of its Common Shares outstanding on August 31, 2019, and the amount equal to 4.99% of its Common Shares outstanding on the date the Toronto Stock Exchange accepts the notice of intention to make a normal course issuer bid.

For a full explanation of the Company's use of non-IFRS financial measures, please refer to the section of this press release with the heading "Non-IFRS Financial Measures".

Summary of Financial Highlights

For the three months ended June 30				
(000's of \$ except % and per share amounts)	2019	2018	\$ Increase	% Increase
Total systemwide sales ⁽¹⁾	667,637	650,012	17,625	2.7%
Franchise sales ⁽¹⁾	106,765	103,283	3,482	3.4%
Revenue	560,872	546,729	14,143	2.6%
Same store sales ⁽¹⁾	544,116	533,951	10,165	1.9%
Gross profit margin as a percentage of revenue	43.53%	43.13%		
SG&A ⁽²⁾⁽³⁾	203,596	203,236	360	0.2%
SG&A ⁽²⁾⁽³⁾ as a percentage of revenue	36.30%	37.17%		
Adjusted EBITDA ⁽¹⁾⁽²⁾⁽⁴⁾	71,363	42,291	29,072	68.7%
Adjusted net income ⁽¹⁾⁽²⁾⁽⁵⁾	28,736	22,595	6,141	27.2%
Adjusted diluted earnings per share ⁽¹⁾⁽²⁾⁽⁵⁾	\$ 0.34	\$ 0.28	\$ 0.06	21.4%
Net income ⁽²⁾	25,042	23,975	1,067	4.5%
Common share dividends declared	\$ 0.14	\$ 0.12	\$ 0.02	16.7%

(1) Refer to the "Non-IFRS Financial Measures" section of this press release for additional information on these measures.

(2) The Company implemented IFRS 16, "Leases", on January 1, 2019 using the modified retrospective approach as a result the comparative quarter has not been restated.

(3) Selling, general and administrative expenses.

(4) Adjusted EBITDA in Q2-2019 (excluding the impact of IFRS 16) increased 16.1% in Q1-2019 to \$49,105,000.

(5) For comparative purposes to the prior year's quarter of 2018 the adjusted net income of \$28,736,000 and the diluted EPS amount of \$0.34 in Q2-2019 in the highlights table above has been adjusted and presented to exclude the impact of the implementation by the Company of IFRS 16 beginning on January 1, 2019. Refer to the "Non-IFRS Financial Measures" section of this press release.

Revenue

For the three months ended June 30, 2019, revenue was \$560,872,000 compared to \$546,729,000 in the prior year's second quarter. Revenue increased \$14,143,000 or 2.6% between the comparative quarters as we had sales growth in all product categories.

Same Store Sales ⁽¹⁾

Overall, same store corporate sales increased 1.9% compared to the prior year's second quarter.

Gross Profit

The gross profit margin for the second quarter 2019 increased from 43.13% to 43.53% compared to the prior year's second quarter as a result of a favourable product mix of furniture and mattress

sales.

Selling, general and administrative expenses

Normalized for the impacts of IFRS 16 in the current quarter, the Company's SG&A as a percentage of revenue was 36.34% as compared to 37.17% in the prior year's quarter. The decrease of 83 bps quarter over quarter was due to effectively managing payroll costs, reducing digital commerce expenses and optimizing retail financing costs associated to interest-free promotional sales offers while at the same time increasing advertising spend in the current quarter that was targeted to drive customers to the Company's websites and retail stores.

Adjusted EBITDA ⁽¹⁾

Adjusted EBITDA increased \$29,072,000 in the quarter, an increase of 68.7% as compared to the prior year's quarter. This increase was driven primarily by two factors, the first is the implementation of IFRS 16 by the Company commencing on January 1, 2019 on a modified retrospective approach, which results in the prior year's quarter to not be restated, and the second was due to improvement in gross margin percentage in the current quarter aided by a higher degree of operating leverage and a reduction in net finance costs that exclude the impact of IFRS 16. Under the new lease standard, the depreciation expense on leased assets and interest expense on lease liabilities replaced rent expense, which was previously recognized on a straight-line basis in operating income under IAS 17 over the term of the lease. Therefore, excluding the impact of implementing the new lease standard, adjusted EBITDA increased \$6,814,000 in the quarter, an increase of 16.1% over the prior year's quarter, with the remainder of the overall increase of \$22,258,000 driven solely by the change in the lease standard implemented by the Company on January 1, 2019.

Adjusted Net Income ⁽¹⁾ and Adjusted Diluted Earnings Per Share ⁽¹⁾

Adjusted net income increased \$2,442,000 in the quarter due to the Company implementing IFRS 16 on January 1, 2019 using the modified retrospective approach. As a result, the Company's second quarter of 2019 reflects lease accounting under IFRS 16, while the comparison quarter has not been restated. Normalized for the quarter-over-quarter after tax impact of \$3,699,000 due to a net increase in depreciation expense and lease interest expense offset by a reduction in rent expense related to the IFRS 16 implementation in the current quarter, adjusted net income in the current quarter totaled \$28,736,000 an increase of \$6,141,000 or 27.2% over the prior year's quarter. As a result of these adjustments, adjusted diluted earnings per share for the Company increased by \$0.06 to \$0.34 per share, an increase of 21.4% over the prior year's quarter.

(1) Refer to the "Non-IFRS Financial Measures" section of this press release

Consolidated operating results for the six months ended June 30, 2019 and June 30, 2018

(000's of \$ except % and per share amounts)	For the six months ended June 30			
	2019	2018	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Total systemwide sales ⁽¹⁾	1,264,854	1,251,153	13,701	1.1%
Franchise sales ⁽¹⁾	204,241	203,705	536	0.3%
Revenue	1,060,613	1,047,448	13,165	1.3%
Same store sales ⁽¹⁾	1,029,265	1,024,020	5,245	0.5%
Gross profit margin as a percentage of revenue	43.40%	42.97%		
SG&A ⁽²⁾⁽³⁾	400,818	400,138	680	0.2%
SG&A ⁽²⁾⁽³⁾ as a percentage of revenue	37.79%	38.20%		
Adjusted EBITDA ⁽¹⁾⁽²⁾⁽⁴⁾	122,033	68,867	53,166	77.2%
Adjusted net income ⁽¹⁾⁽²⁾⁽⁵⁾	42,661	34,140	8,521	25.0%
Adjusted diluted earnings per share ⁽¹⁾⁽²⁾⁽⁵⁾	\$ 0.51	\$ 0.42	\$ 0.09	21.4%
Net income ⁽²⁾	34,376	38,501	(4,125)	(10.7%)
Common share dividends declared	\$ 0.28	\$ 0.24	\$ 0.04	16.7%

- (1) Refer to the "Non-IFRS Financial Measures" section of this press release for additional information on these measures.
- (2) The Company implemented IFRS 16, "Leases", on January 1, 2019 using the modified retrospective approach as a result the comparative period has not been restated.
- (3) Selling, general and administrative expenses.
- (4) Adjusted EBITDA for year to date June 2019 (excluding the impact of IFRS 16) increased 13% to \$77,846,000.
- (5) For comparative purposes to the prior year's year to date June 2018 the adjusted net income of \$42,661,000 and the diluted EPS amount of \$0.51 for year to date June 2019 in the highlights table above has been adjusted and presented to exclude the impact of the implementation by the Company of IFRS 16 beginning on January 1, 2019. Refer to the "Non-IFRS Financial Measures" section of this press release.

Revenue

For the six months ended June 30, 2019, revenue was \$1,060,613,000 compared to \$1,047,448,000 in the prior year's six-month period, an increase of 1.3%.

Same Store Sales (1)

Overall, same store corporate sales increased 0.51% compared to the prior year's six months ended June 30, 2018.

Gross Profit

The gross profit margin for the six months ended June 30, 2019 was 43.40% as compared to 42.97% in the prior year's six months period, an increase of 43 bps. This increase was due to a continued favourable product mix during the first half of 2019.

Selling, general and administrative expenses

Excluding the impact of IFRS 16, the Company's SG&A as a percentage of revenue for the six months ended was 37.76% as compared to 38.20% in prior year's six months ended, a reduction of 44 bps. This was primarily due to effectively managing the Company's payroll costs and due to the continued effectiveness of controlling operating expenses while at the same time increasing advertising spend to drive customer traffic, both to the online and in-store sales channel.

Adjusted EBITDA (1)

Adjusted EBITDA increased \$53,166,000 during the six months ended June 30, 2019, an increase of 77.2% as compared to the prior year's six month period. This increase has been driven primarily by two factors, the first is the implementation of IFRS 16 by the Company commencing on January 1, 2019 on a modified retrospective approach, which results in the prior year six-month period to not be restated, and the second was due to improvement in gross margin percentage in the current six-month period aided by a higher degree of operating leverage and a reduction in net finance costs that exclude the impact of IFRS 16. Under the new lease standard, the depreciation expense on leased assets and interest expense on lease liabilities replaced rent expense, which was previously recognized on a straight-line basis in operating income under IAS 17 over the term of the lease. Excluding the impact of implementing the new lease standard, adjusted EBITDA increased \$8,979,000 in the six-month period, an increase of 13% over the six months ended June 30, 2018, with the remainder of the overall increase of \$44,187,000 driven solely by the change in the lease standard implemented by the Company on January 1, 2019.

Adjusted Net Income (1) and Adjusted Diluted Earnings Per Share (1)

The Company's results for the six months ended June 30, 2019, reflects lease accounting under IFRS 16, while the prior year's six months ended June 30, 2018, has not been restated as permitted using the modified retrospective approach. Therefore, excluding the after tax impact of \$8,210,000 due to a net increase in depreciation and amortization expense and lease interest expense offset by a reduction in rent expense related to the IFRS 16 implementation in the current six-month period, adjusted net income in the six-month period ending June 30, 2019 totaled \$42,661,000 an increase

of \$8,521,000 or 25% over the six-month period ending June 30, 2018. As a result of these adjustments, adjusted diluted earnings per share for the Company increased \$0.09 to \$0.51 per share, an increase of 21.4% over prior year-to-date adjusted diluted earnings per share.

Dividends

As previously announced, we paid a quarterly 14¢ dividend on July 8, 2019. Today we are happy to announce that the Directors have declared a quarterly dividend of 14¢ per common share payable on the 7th day of October 2019 to shareholders of record at the close of business on the 6th day of September 2019. As of 2007, dividends paid by Leon's Furniture Limited are "eligible dividends" pursuant to the changes to the Income Tax Act under Bill C-28, Canada.

Outlook

Despite the uncertainty over certain key economic indicators, we believe that the overall economy remains relatively strong. Although it is difficult to gauge future consumer confidence and what impact it may have on retail, we remain confident that our sales and profitability will increase. Given the Company's strong financial position, our principal objective is to increase market share and profitability. We remain focused on our commitment to continuously invest in digital innovation that will drive more customers to both our online eCommerce presence and our 304 physical locations across Canada.

(1) Refer to the "Non-IFRS Financial Measures" section of this press release

Store Network

The Company has 304 retail stores from coast to coast in Canada under the various banners indicated below which also includes 98 franchise locations. Including our franchises, there are over 10,000 employees across Canada.

The following table illustrates the Company's store count continuity from March 31, 2019 to June 30, 2019 by retail banner:

Corporate Stores	At March 31, 2019	Opened	Closed	At June 30, 2019
Leon's	50	1	—	51
Appliance Canada	5	—	—	5
The Brick ⁽¹⁾	114	—	—	114
The Brick Mattress Store	26	—	—	26
Brick Outlet	10	—	—	10
Corporate Subtotal	205	1	—	206
Franchise Stores				
Leon's	34	—	—	34
The Brick	63	1	—	64
Franchise Subtotal	97	1	—	98
Total Corporate & Franchise Stores	302	2	—	304

¹Includes the Midnorthern Appliance banner

During the second quarter, the Company opened two new stores, a Leon's corporate store in Coquitlam, British Columbia and a Brick Franchise store in Gravenhurst, Ontario.

The following table illustrates the Company's store count continuity from December 31, 2018 to June 30, 2019 by retail banner:

Corporate Stores	At December 31, 2018	Opened	Closed	At June 30, 2019
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Leon's	50	1	—	51
Appliance Canada	5	—	—	5
The Brick ⁽¹⁾	113	2	(1)	114
The Brick Mattress Store	25	1	—	26
Brick Outlet	10	—	—	10
Corporate Subtotal	203	4	(1)	206
Franchise Stores				
Leon's	36	—	(2)	34
The Brick	64	1	(1)	64
Franchise Subtotal	100	1	(3)	98
Total Corporate & Franchise Stores	303	5	(4)	304

¹Includes the Midnorthern Appliance banner

Non-IFRS Financial Measures

The Company uses financial measures that do not have standardized meaning under IFRS and may not be comparable to similar measures presented by other entities. The Company calculates the non-IFRS financial measures by adjusting certain IFRS measures for specific items the Company believes are significant, but not reflective of underlying operations in the period, as detailed below:

<u>Non-IFRS Measure</u>	<u>IFRS Measure</u>
Adjusted net income	Net income
Adjusted income before income taxes	Income before income taxes
Adjusted earnings per share – basic	Earnings per share – basic
Adjusted earnings per share – diluted	Earnings per share – diluted
Adjusted EBITDA	Net income

For a reconciliation of the Company's non-IFRS financial measures please refer to the Company's MD&A for the quarter ended June 30, 2019, which is available on SEDAR at www.sedar.com.

Adjusted Net Income

Leon's calculates comparable measures by excluding the effect of changes in fair value of derivative instruments, related to the net effect of USD-denominated forward contracts and an interest rate swap on the Company's term credit facility. The Company uses forward currency contracts to manage the risk associated with its USD-denominated purchases and an interest rate swap to manage interest rate risk on its term credit facility in accordance with the Company's corporate treasury policy. Management believes excluding from income the effect of these mark-to-market valuations and changes thereto, until settlement, better aligns the intent and financial effect of these contracts with the underlying cash flows.

The following two tables reconcile reported net income and earnings per share as stated in the Company's interim condensed consolidated statement of income to adjusted net income and earnings per share excluding the impact of IFRS 16. As the Company implemented IFRS 16, "Leases", on January 1, 2019 using the modified retrospective approach, the amounts listed in the table below related to the three and six months ended June 30, 2019 reflect lease accounting under IFRS 16 for net income, adjusted net income, basic and diluted earnings per share, and adjusted basic and adjusted diluted earnings per share. The comparative quarter of 2018 has not been restated. See Section 10, "Recent Accounting Pronouncements", of the Company's MD&A for additional information on the implementation of IFRS 16.

(\$ in thousands except per share amounts)	For the three months ended June 30		For six months ended June 30	
	2019	2018	2019	2018
Net Income ⁽¹⁾	25,042	23,975	34,376	38,501
After-tax mark-to-market (gain)/loss on financial derivative instruments	(5)	(1,380)	75	(4,361)

Adjusted net income ⁽¹⁾	25,037	22,595	34,451	34,140
Impact of IFRS 16 on an after-tax basis	3,699	-	8,210	-
Adjusted Net Income including impact of IFRS 16	28,736	22,595	42,661	34,140

(1) The Company implemented IFRS 16, "Leases", on January 1, 2019 using the modified retrospective approach. As a result, the Company's three and six months ended June 30, 2019 reflects lease accounting under IFRS 16, the comparative periods have not been restated.

	For the three months ended June 30				For the six months ended June 30					
	2019 ⁽¹⁾	IFRS 16		2019 ⁽²⁾	2018 ⁽¹⁾	2019	IFRS 16		2019 ⁽²⁾	2018
		Adjustments					Adjustments			
Basic earnings per share	\$ 0.32	\$ 0.05	\$ 0.37	\$ 0.31	\$ 0.44	\$ 0.11	\$ 0.55	\$ 0.50		
Diluted earnings per share	\$ 0.30	\$ 0.04	\$ 0.34	\$ 0.29	\$ 0.41	\$ 0.10	\$ 0.51	\$ 0.47		
Adjusted basic earnings per share	\$ 0.32	\$ 0.05	\$ 0.37	\$ 0.30	\$ 0.44	\$ 0.11	\$ 0.55	\$ 0.45		
Adjusted diluted earnings per share	\$ 0.30	\$ 0.04	\$ 0.34	\$ 0.28	\$ 0.41	\$ 0.10	\$ 0.51	\$ 0.42		

(1) As reported in the Company's Q2 2019 Interim Condensed Consolidated Statements of Income for basic and diluted earnings per share amounts

(2) These amounts exclude the impact of IFRS 16 adjustments in the current quarter

In 2016, the IASB issued IFRS 16, "Leases", replacing IAS 17 and related interpretations. The standard introduces a single, on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. The Company implemented the standard on January 1, 2019 using the modified retrospective approach. As a result, the Company's three and six month periods ended June 30, 2019 results reflected lease accounting under IFRS 16. Prior period results have not been restated. See Section 10, "Recent Accounting Pronouncements", in the Company's MD&A for more information on the implementation of IFRS 16.

The implementation of IFRS 16 significantly increased the assets and liabilities of the Company's balance sheet and changed the timing and presentation of lease-related expenses in the Company's financial results. The Company recorded a right-of-use asset of \$430,480,000 and a lease liability of \$414,940,000 under this new standard. Under IFRS 16, the depreciation expense on leased assets and interest expense on lease liabilities replaced rent expense, which was previously recognized on a straight-line basis in operating income under IAS 17 over the term of a lease.

Adjusted EBITDA

Adjusted earnings before interest, income taxes, depreciation and amortization, mark-to-market adjustment due to the changes in the fair value of the Company's financial derivative instruments and any non-recurring charges to income ("Adjusted EBITDA") is a non-IFRS financial measure used by the Company. The Company considers adjusted EBITDA to be an effective measure of profitability on an operational basis and is currently regarded as an indirect measure of operating cash flow, a significant indicator of success for many businesses. Adjusted EBITDA is a non-IFRS financial measure used by the Company. The Company's Adjusted EBITDA may not be comparable to the Adjusted EBITDA measure of other companies, but in management's view appropriately reflects Leon's specific financial condition. This measure is not intended to replace net income, which, as determined in accordance with IFRS, is an indicator of operating performance.

The following is a reconciliation of reported net income to adjusted EBITDA:

(\$ in thousands)	For the three months ended June 30		For six months ended June 30	
	2019	2018	2019	2018
	Net Income	25,042	23,975	34,376
Income tax expense	8,873	8,683	12,078	13,787
Net finance costs	6,662	1,803	12,959	3,651
Depreciation and amortization	30,793	9,711	62,517	18,871
Mark-to-market (gain)/loss on financial derivative instruments	(7)	(1,881)	103	(5,943)
Adjusted EBITDA	71,363	42,291	122,033	68,867

(1) The Company implemented IFRS 16, "Leases", on January 1, 2019 using the modified retrospective approach. As a result, the Company's three and six month periods ended June 30, 2019 reflects lease accounting under IFRS 16, the comparative periods have not been restated.

Adjusted EBITDA excluding the impact of IFRS 16

(\$ in thousands)	For the three months ended June 30		For six months ended June 30	
	2019	2018	2019	2018
Adjusted EBITDA ⁽¹⁾	71,363	42,291	122,033	68,867
Impact of IFRS 16 (net)	(22,258)	-	(44,187)	-
Adjusted EBITDA excluding the impact of IFRS 16	49,105	42,291	77,846	68,867

(1) The Company implemented IFRS 16, "Leases", on January 1, 2019 using the modified retrospective approach. As a result, the Company's three and six month periods ended June 30, 2019 reflects lease accounting under IFRS 16, the comparative periods have not been restated.

Under IFRS 16, the depreciation and amortization expense on leased assets and interest expense on lease liabilities replaced rent expense, which was previously recognized on a straight-line basis in operating income under IAS 17 over the term of the lease. Normalized for the year-over-year impact of increased depreciation, amortization and lease interest expenses due to the implementation of IFRS 16 on January 1, 2019, adjusted EBITDA increased \$6,814,000 in the quarter, an increase of 16.1% over the three months ended June 30, 2018 and increased \$8,979,000 in the year to date, an increase of 13% increase over the six months ended June 30, 2018.

Same Store Sales

Same store sales are defined as sales generated by stores that have been open for more than 12 months on a fiscal basis. Same store sales is not an earnings measure recognized by IFRS, and does not have a standardized meaning prescribed by IFRS, but it is a key indicator used by the Company to measure performance against prior period results. Same store sales as discussed in this MD&A may not be comparable to similar measures presented by other issuers, however this measure is commonly used in the retail industry. We believe that disclosing this measure is meaningful to investors because it enables them to better understand the level of growth of our business.

Total System Wide Sales

Total system wide sales refer to the aggregation of revenue recognized in the Company's consolidated financial statements plus the franchise sales occurring at franchise stores to their customers which are not included in the revenue figure presented in the Company's consolidated financial statements. Total system wide sales is not a measure recognized by IFRS and does not have a standardized meaning prescribed by IFRS, but it is a key indicator used by the Company to measure performance against prior period results. Therefore, total system wide sales as discussed in this MD&A may not be comparable to similar measures presented by other issuers. We believe that disclosing this measure is meaningful to investors because it serves as an indicator of the strength of the Company's overall store network, which ultimately impacts financial performance.

Franchise Sales

Franchise sales figures refer to sales occurring at franchise stores to their customers which are not included in the revenue figures presented in the Company's consolidated financial statements, or in the same store sales figures in this MD&A. Franchise sales is not a measure recognized by IFRS, and does not have a standardized meaning prescribed by IFRS, but it is a key indicator used by the Company to measure performance against prior period results. Therefore, franchise sales as discussed in this MD&A may not be comparable to similar measures presented by other issuers.

Once again, we believe that disclosing this measure is meaningful to investors because it serves as an indicator of the strength of the Company's brands, which ultimately impacts financial performance.

About Leon's Furniture Limited

Leon's Furniture Limited is the largest retailer of furniture, appliances and electronics in Canada. Our retail banners include: Leon's; The Brick; Brick Outlet; and The Brick Mattress Store. Finally, with The Brick's Midnorthern Appliance banner alongside with Leon's Appliance Canada banner, this makes the Company the country's largest commercial retailer of appliances to builders, developers, hotels and property management companies. The Company has 304 retail stores from coast to coast in Canada under various banners. The Company operates three websites: leons.ca, thebrick.com and furniture.ca.

Forward-Looking Statements

Information in this press release that is not current or historical factual information may constitute forward-looking information within the meaning of securities laws, including future-oriented financial information and financial outlooks. This information is based on certain assumptions regarding expected growth, results of operations, performance, and business prospects and opportunities. While the Company considers these assumptions to be reasonable, based on information currently available, they may prove to be incorrect. Forward-looking information is subject to a number of risks, uncertainties and other factors that could cause actual results to differ materially from what the Company currently expects. These risks, uncertainties and other factors include, but are not limited to: credit, market, currency, operational, liquidity and funding risks, including changes in economic conditions, interest rates or tax rates, the timing and market acceptance of future products, and competition in the Company's markets.

To the extent any forward-looking information in this press release constitutes future-oriented financial information or financial outlooks, within the meaning of securities laws, such information is being provided to demonstrate the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. Future-oriented financial information and financial outlooks, as with forward-looking information generally, are based on assumptions and subject to risks, uncertainties and other factors. Actual results may differ materially from what the Company currently expects. Other than as required under applicable securities laws, the Company does not undertake to update any forward-looking information at any particular time. The reader should not place undue importance on forward-looking information and should not rely upon this information as of any other date. All forward-looking information contained in this press release is expressly qualified in its entirety by this cautionary statement.

SOURCE Leon's Furniture Limited

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