



LEON'S FURNITURE LIMITED

Management's Discussion and Analysis

For the period ended June 30, 2020

Table of Contents

1. Preface	1
2. Business Overview	2
3. Results from Operations	3
4. Store Network	8
5. Summary of Consolidated Quarterly Results	8
6. Financial Position	9
7. Liquidity and Capital Resources	9
8. Outlook	11
9. Outstanding Common Shares	12
10. Related Party Transactions	12
11. Critical Assumptions	12
12. Risks and Uncertainties	14
13. Controls and Procedures	15
14. Non-IFRS Measures	16

1. Preface

The following Management's Discussion and Analysis ("MD&A") is prepared as at August 12, 2020 and is based on the unaudited interim condensed consolidated financial position and operating results of Leon's Furniture Limited/Meubles Leon Ltée (the "Company") as of June 30, 2020 and for the three and six months ended June 30, 2020 and 2019. It should be read in conjunction with the fiscal year 2019 consolidated financial statements and the notes thereto. For additional detail and information relating to the Company, readers are referred to the fiscal 2019 quarterly financial statements and corresponding MD&As which are published separately and available at www.sedar.com.

Cautionary Statement Regarding Forward-Looking Statements

This MD&A is intended to provide readers with the information that management believes is required to gain an understanding of Leon's Furniture Limited's current results and to assess the Company's future prospects. This MD&A, and in particular the section under heading "Outlook", includes forward-looking statements, which are based on certain assumptions and reflect Leon's Furniture Limited's current plans and expectations. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results and future prospects to differ materially from current expectations. Some of the factors that can cause actual results to differ materially from current expectations are: a drop in consumer confidence; dependency on product from third party suppliers, further changes to the Canadian bank lending rates; and further fluctuations of the Canadian dollar versus the US dollar. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Readers of this report are cautioned that actual events and results may vary.

Financial Statements Governance Practice

Leon's Furniture Limited's unaudited interim condensed consolidated financial statements have been prepared in accordance with the requirements of IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"), which is within the framework of International Financial Reporting Standards ("IFRS"). The amounts expressed are in Canadian dollars ("C\$"). Per share amounts are calculated using the weighted average number of shares outstanding before and after considering the potential dilutive effects of the convertible debentures for the applicable period.

The Audit Committee of the Board of Directors of Leon's Furniture Limited reviewed the MD&A and the unaudited interim condensed consolidated financial statements, and recommended that the Board of Directors approve them. Following review by the full Board, the unaudited interim condensed consolidated financial statements and MD&A were approved on August 12, 2020.

2. Business Overview

Leon's Furniture Limited is the largest network of home furniture, appliances, electronics, and mattress stores in Canada. Our retail banners include: Leon's; The Brick; Brick Outlet and The Brick Mattress Store. As well, The Brick's Midnorthern Appliance banner alongside with the Appliance Canada banner, makes the Company the country's largest commercial retailer of appliances to builders, developers, hotels and property management companies. Finally, the Company operates three ecommerce sites: leons.ca, thebrick.com and furniture.ca.

The Company's repair service division, Trans Global Services ("TGS"), provides household furniture, electronics and appliance repair services to its customers. TGS has contracts to support several manufacturer's warranty service work in addition to servicing a number of individual programs offered by other dealers. This division also performs work for products sold with extended warranties and is an integral part of the retail offering. These extended warranties, underwritten by the Company's wholly-owned subsidiaries are offered on appliances, electronics and furniture to provide coverage that extends beyond the manufacturer's warranty period by up to five years. The warranty contracts provide both repair and replacement service depending upon the nature of the warranty claim.

The Company's wholly-owned subsidiaries Trans Global Insurance Company ("TGI") and its sister company, Trans Global Life Insurance Company ("TGLI") also offer credit insurance on the customer's outstanding financing balances and third party customer balances. This credit insurance coverage includes life, dismemberment, disability, critical illness, and involuntary unemployment. These credit insurance policies are underwritten by TGI and TGLI as they are licensed as insurance companies in all Canadian provinces and territories.

The Company has foreign operations in Asia and the Caribbean, through its wholly-owned subsidiaries First Oceans Trading Corporation and King & State Limited, respectively. These operations relate to the Company's import and quality control program for sourcing products from Asia for resale in Canada through its retail operations, and the retail banners that sell their extended warranties on appliances and electronics to their customers, respectively.

COVID-19

On March 11, 2020, the World Health Organization declared the novel coronavirus, which has the potential to cause severe respiratory illness ("COVID-19"), a global pandemic. As an emerging risk, the duration and full financial effect of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty. Accordingly, estimates of the extent to which the COVID-19 pandemic could materially and adversely affect the Company's operations, financial results and condition in future periods, including the use of estimates and judgements described in Note 2 in the fiscal year 2019 consolidated financial statements, are also subject to significant uncertainty.

During the six months ended June 30, 2020, the COVID-19 pandemic was assessed to be an indicator of possible impairment as it increased the uncertainties around key assumptions used by the Company in estimating the recoverable amount for the purpose of testing for impairment of property, plant and equipment, goodwill and intangible assets. These key estimates include future cash flows, margins and discount rates. As a result, these changes in key estimates did not have an impact on the interim condensed consolidated financial statements. The Company continues to actively monitor the situation and will continue to respond as the impact of the COVID-19 pandemic evolves.

3. Results of Operations

Summary financial highlights for the three months ended June 30, 2020 and June 30, 2019

For the	Three months ended		\$ Increase (Decrease)	% Increase (Decrease)
	June 30, 2020	June 30, 2019		
<i>(C\$ in thousands except %, share and per share amounts)</i>				
Total system-wide sales ⁽¹⁾	509.9	667.7	(157.8)	(23.6%)
Franchise sales ⁽¹⁾	93.2	106.8	(13.6)	(12.7%)
Revenue	416.7	560.9	(144.2)	(25.7%)
Cost of sales	234.7	316.7	(82.0)	(25.9%)
Gross profit	181.9	244.2	(62.3)	(25.5%)
Gross profit margin as a percentage of revenue	43.65%	43.53%		
Selling, general and administrative expenses ^{(2) (3)}	116.9	203.6	(86.7)	(42.6%)
SG&A as a percentage of revenue ⁽³⁾	28.05%	36.30%		
Income before net finance costs and income tax expense	65.1	40.6	24.5	60.4%
Net finance costs	(4.8)	(6.7)	1.9	28.4%
Income before income taxes	60.3	33.9	26.4	77.9%
Income tax expense	13.2	8.9	4.3	48.3%
Adjusted net income ⁽¹⁾	47.2	25.0	22.2	88.8%
Adjusted net income as a percentage of revenue ⁽¹⁾	11.33%	4.46%		
Net income	47.2	25.0	22.2	88.8%
Basic weighted average number of common shares	79,662,259	77,570,330		
Basic earnings per share	\$0.59	\$0.32	\$0.27	84.4%
Adjusted basic earnings per share ⁽¹⁾	\$0.59	\$0.32	\$0.27	84.4%
Diluted weighted average number of common shares	81,717,325	83,758,639		
Diluted earnings per share	\$0.58	\$0.30	\$0.28	93.3%
Adjusted diluted earnings per share ⁽¹⁾	\$0.58	\$0.30	\$0.28	93.3%
Common share dividends declared	\$0.12	\$0.14	\$(0.02)	(14.3%)

(1) Non-IFRS financial measure. Refer to section 14 in this MD&A for additional information.

(2) Selling, general and administrative expenses ("SG&A").

(3) SG&A as a percentage of revenue for the three months ended June 30, 2020, includes the impact of the Canada Emergency Wage Subsidy (CEWS) of \$29.8 million or 7.1% as a percentage of revenue in the quarter. Therefore, excluding the impact of the CEWS, the total SG&A as a percentage of revenue in the quarter amounted to 35.20%

Same Store Sales ⁽¹⁾

For the	Three months ended		\$ (Decrease)	% (Decrease)
	June 30, 2020	June 30, 2019		
<i>(C\$ in millions, except %)</i>				
Same store sales ⁽¹⁾	404.3	549.6	(145.3)	(26.4%)

(1) Non-IFRS financial measure. Refer to section 14 in this MD&A for additional information.

Revenue

For the three months ended June 30, 2020, revenue was \$416.7 million compared to \$560.9 million in the second quarter 2019. Revenue decreased \$144.2 million or 25.7% as compared to the prior quarter due to decreases in all product categories which was driven by substantial reductions in physical store traffic due to COVID-19 retail store closures across the country. In order to mitigate the effect on sales due to the drop in store traffic and until all stores reopened in the early part of June, the Company redeployed store headcount to the creation of live chat teams in order to service customers virtually while they navigated the Company's websites and also increased online conversion rates in a meaningful way. The Company's continued focus on eCommerce, including its live chat initiative, generated a 500% increase in eCommerce initiated sales during the quarter, which significantly offset the overall reduction in revenue.

In early June, as all the Company's physical stores reopened across Canada, total merchandise sales increased 1.2% compared to the month of June in the prior year's quarter, with the largest sales increases being generated in furniture and appliance sales. This compares favourably to the month of April and May during the current quarter, as revenues during these two months by 46% and 38%, respectively. With all the Company's retail stores open for business in June, the eCommerce initiated sales orders subsequent to quarter end continue to be up over 250% for the third quarter to date 2020 as compared to the same period last year.

The rapid increase in eCommerce sales in the quarter also continue to validate that the Company's digital platform is infinitely scalable and capable of significantly contributing higher operating profit margin percentages due to its current operating cost structure. The digital platform is key to allow the Company to attract new customers as they begin their shopping experience online and then continue in store to be assisted by our knowledgeable sales associates.

Same Store Sales ⁽¹⁾

Due to COVID-19 and the subsequent retail store closures across the country, same store corporate sales decreased 26.4% compared to the second quarter 2019. Since the Company has over 50% of its retail store count in Ontario and Quebec, the mandatory store closures in these two provinces had a material impact on the Company's ability to generate positive same store corporate sales growth, excluding the rapid increase in eCommerce sales. However, by the end of May, the provincial governments of Ontario and Quebec had lifted their restrictions to open retail storefronts, which had a very positive impact on the Company's sales for the last month of the quarter, as the same store corporate sales for the month of June 2020 were essentially flat as compared to the month of June 2019.

Gross Profit

The gross profit margin increased slightly from the second quarter 2019 of 43.53% to 43.65% in the current quarter. This was due primarily to increases in gross profit margin across all product categories. Notwithstanding a very challenging retail environment, the higher mix of appliance sales in the quarter, the 500% increase in eCommerce initiated sales in the quarter, and the volatility in the foreign exchange market of the Canadian dollar relative to the United States dollar, the Company was able to improve its gross profit margin on revenues generated in the current quarter.

Selling, general and administrative expenses

As a result of COVID-19 and the ensuing rapid deterioration of customer demand that began at the end of the previous quarter, the Company announced that 72 stores would be temporarily closed and over 3,900 associates would be unfortunately temporarily laid off. Given that there continued to be very limited visibility of demand as the second quarter began, the Company undertook the necessary steps to right size its operations and preserve its liquidity by putting in place further cost cutting measures that are summarized below:

- Temporarily laid off an additional 1,900 associates and temporarily closed an additional 92 of stores, which was also attributable to provincially mandated orders to cease operating our retail showrooms that began during the month of April 2020. These additional lay-offs, including the previously announced headcount reductions, represented a total workforce reduction, at its peak, of approximately 70%.
- Immediately reduced advertising and marketing expenses, deferred the receipt of most inventory purchase orders, negotiated rent deferrals and abatements, and worked with all vendor partners to reduce expenditures and adjust the payment cadence of the Company's monthly expenses.

- In April 2020, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") in order to help employers return and keep their employees on their payrolls. During the quarter, the Company determined that it met the eligibility criteria and applied for the CEWS in order to be better positioned to return as many of its valued associates back to work as soon as possible.
- By the end of the second quarter and with the help of this very timely and extremely important government subsidy, the Company was able to return the majority of its temporarily laid off associates back to work. As at June 30, 2020, the Company is entitled to total CEWS installments of \$29.8 million. There are no unfulfilled conditions attached to the CEWS, as such the Company has recorded the full amount of this subsidy as a reduction to its total SG&A expenses.

Therefore, excluding the CEWS, the Company's SG&A as a percentage of revenue in the second quarter was 35.20%, a decrease of 110 basis points over the prior year's quarter SG&A of 36.30%. The cost reduction initiatives in the current quarter continue to demonstrate the Company's ability to adjust and leverage its cost structure even though total revenues were down significantly. When including the CEWS, the Company's SG&A as a percentage of revenue improved significantly, coming in at 28.05%, an improvement of 825 basis points over the prior year's quarter.

On July 17, 2020, the Government of Canada announced that the CEWS program would be redesigned and extended to December 2020. The Company intends to continue its participation in this program, subject to meeting the eligibility requirements.

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

Including the impact of the CEWS, adjusted net income in the current quarter totalled \$47.2 million, an increase of \$22.2 million over the prior year's quarter. Adjusted diluted earnings per share for the Company increased by \$0.28 to \$0.58 per share in the current quarter.

Excluding the impact of the CEWS and coupled with the Company's ability to effectively manage its operating expenses while experiencing rapidly deteriorating sales decreases in the current quarter, adjusted net income in the current quarter totalled \$25.3 million or flat to the prior year's quarter and the adjusted diluted earnings per share in the current quarter was \$0.31 per share compared to \$0.30 per share in the prior year's quarter.

Net Income and Diluted Earnings Per Share

Net income for the second quarter of 2020 was \$47.2 million, or \$0.58 per diluted earnings per share as compared to the net income of \$25.0 million in the prior year's quarter, or \$0.30 per diluted earnings per share.

(1) Non-IFRS financial measure. Refer to section 14 in this MD&A for additional information.

Summary financial highlights for the six months ended June 30, 2020 and June 30, 2019

For the	Six months ended			
	June 30, 2020	June 30, 2019	\$ Increase (Decrease)	% Increase (Decrease)
(C\$ in thousands except %, share and per share amounts)				
Total system-wide sales ⁽¹⁾	1,108.0	1,264.8	(156.8)	(12.4%)
Franchise sales ⁽¹⁾	193.7	204.2	(10.5)	(5.1%)
Revenue	914.3	1,060.6	(146.3)	(13.8%)
Cost of sales	517.8	600.3	(82.5)	(13.7%)
Gross profit	396.5	460.3	(63.8)	(13.9%)
Gross profit margin as a percentage of revenue	43.37%	43.40%		
Selling, general and administrative expenses ^{(2) (3)}	309.6	400.8	(91.2)	(22.8%)
SG&A as a percentage of revenue ⁽³⁾	33.86%	37.79%		
Income before net finance costs and income tax expense	86.9	59.5	27.4	46.1%
Net finance costs	(9.6)	(12.9)	3.3	(25.6%)
Income before income taxes	77.3	46.6	30.7	66.1%
Income tax expense	16.2	12.1	4.1	33.9%
Adjusted net income ⁽¹⁾	61.1	34.5	26.6	77.1%
Adjusted net income as a percentage of revenue ⁽¹⁾	6.68%	3.25%		
After-tax mark-to-market (gain)/loss on financial derivative instruments ⁽¹⁾	0.2	0.1	0.1	100.0%
Net income	60.9	34.4	26.5	77.0%
Basic weighted average number of common shares	80,085,851	77,652,080		
Basic earnings per share	\$0.76	\$0.44	\$0.32	72.7%
Adjusted basic earnings per share ⁽¹⁾	\$0.76	\$0.44	\$0.32	72.7%
Diluted weighted average number of common shares	82,747,266	83,891,054		
Diluted earnings per share	\$0.74	\$0.42	\$0.32	76.2%
Adjusted diluted earnings per share ⁽¹⁾	\$0.74	\$0.42	\$0.32	76.2%
Common share dividends declared	\$0.28	\$0.28	-	-

(1) Non-IFRS financial measure. Refer to section 14 in this MD&A for additional information.

(2) Selling, general and administrative expenses ("SG&A").

(3) SG&A as a percentage of revenue for the six months ended June 30, 2020, includes the impact of the Canada Emergency Wage Subsidy (CEWS) of \$29.8 million or 3.3% as a percentage of revenue in the six-month period. Therefore, excluding the impact of the CEWS, the total SG&A as a percentage of revenue in six-month period amounted to 37.12%.

Same Store Sales ⁽¹⁾

For the	Six months ended			
	June 30, 2020	June 30, 2019	\$ (Decrease)	% (Decrease)
(C\$ in millions, except %)				
Same store sales ⁽¹⁾	888.0	1,038.4	(150.4)	(14.5%)

(1) Non-IFRS financial measure. Refer to section 14 in this MD&A for additional information.

Revenue

For the six months ended June 30, 2020, revenue was \$914.3 million compared to \$1,060.6 million in the prior year 2019, a decrease of \$146.3 million or 13.8% as compared to the prior year six months ended. This was due to decreases in all product categories which was driven by substantial reductions in physical store traffic due to COVID-19 retail store closures across the country during the months of April and May 2020. In early June, as all the Company's physical stores reopened across Canada, total merchandise sales increased 1.2% compared to the month of June 2019, with the largest sales increases being generated in furniture and appliance sales.

Same Store Sales ⁽¹⁾

Same store corporate sales decreased 14.5% compared to the six months ended June 30, 2019. Since the Company has over 50% of its retail store count in Ontario and Quebec, the mandatory store closures in these two provinces had a profound impact on the Company's ability to generate positive same store sales growth. However, by the end of May, the provincial governments of Ontario and Quebec had lifted their restrictions to open retail storefronts, which had a very positive impact on the Company's sales for the last month of the quarter, as the same store corporate sales for the month of June 2020 were essentially flat to June 2019.

Gross Profit

The gross profit margin decreased slightly from 43.40% for the six months ended June 30, 2019 to 43.37% in the six-month period ended June 30, 2020. This small decrease was mostly attributable to the appliance category over indexing relative to the Company's traditional product mix for the first half of the year.

Selling, general and administrative expenses

As a result of COVID-19 and the ensuing rapid deterioration of customer demand that began quickly near the end of March 2020, the Company announced that 72 stores would be temporarily closed and over 3,900 associates would be unfortunately temporarily laid off. Given that there continued to be very limited visibility of demand as the second quarter began, the Company undertook the necessary steps to right size its operations and preserve its liquidity.

In April 2020, the Government of Canada announced the CEWS in order to help employers return and keep their employees on their payrolls. The Company determined that it met the eligibility criteria and applied for the CEWS in order to be better positioned to return most of its valued associates back to work.

Excluding the CEWS, the Company's SG&A as a percentage of revenue for the six months ended June 30, 2020 was 37.12%, a decrease of 67 basis points over the prior year six months ended SG&A percentage of 37.79%. Including the CEWS, the Company's SG&A as a percentage of revenue was 33.86%, an improvement of 393 basis points over the prior year six months ended.

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

Including the impact of the CEWS, adjusted net income for the six months ended June 30, 2020 totalled \$61.1 million an increase of \$26.6 million or 77.1% over the prior year. Adjusted diluted earnings per share for the Company increased by \$0.32 to \$0.74 per share, an increase of 76.2% over the prior year six months ended.

Excluding the impact of the CEWS, adjusted net income for the six months ended June 30, 2020 totalled \$39.2 million an increase of \$4.7 million or 13.6% over the prior year six months ended. Adjusted diluted earnings per share for the Company increased by \$0.06 to \$0.48 per share, an increase of 14.3% over the prior year six months ended.

Net Income and Diluted Earnings Per Share

Including the mark-to-market impact of the Company's financial derivatives, net income for the second quarter of 2020 was \$60.9 million, \$0.74 per diluted earnings per share (net income \$34.4 million, \$0.42 per diluted earnings per share in 2019).

(1) Non-IFRS financial measure. Refer to section 14 in this MD&A for additional information.

4. Store Network

The Company has 304 retail stores in Canada at June 30, 2020. The following table illustrates the Company's store count continuity from December 31, 2019 to June 30, 2020 by retail banner:

Banner	Number of stores as at At December 31, 2019	Opened	Closed	Number of stores as at June 30, 2020
Corporate Stores				
Leon's	52	-	-	52
Appliance Canada	5	-	-	5
The Brick ⁽¹⁾	115	2	(2)	115
The Brick Mattress Store	24	-	-	24
Brick Outlet	9	-	-	9
Corporate Subtotal	205	2	(2)	205
Franchise Stores				
Leon's	34	-	-	34
The Brick	65	1	(1)	65
Franchise Subtotal	99	1	(1)	99
Total Corporate & Franchise Stores	304	3	(3)	304

(1) Includes the Midnorthern Appliance banner.

5. Summary of Consolidated Quarterly Results

The table below highlights the variability of quarterly results and the impact of seasonality on the Company's results. The Company's profitability is typically lower in the first half of the year, since retail sales are traditionally higher in the third and fourth quarters.

For the quarter ended	June 30		March 31		December 31		September 30	
	2020	2019	2020	2019	2019	2018	2019	2018
(C\$ in millions)								
Total system-wide sales ⁽¹⁾	509.9	667.7	598.1	597.2	751.3	726.5	712.5	707.1
Franchise sales ⁽¹⁾	93.2	106.8	100.5	97.4	129.8	124.9	111.2	114.7
Revenue ⁽²⁾	416.7	560.9	497.6	499.7	621.4	601.7	601.4	592.3
Net income	47.2	25.0	13.7	9.3	39.3	38.8	33.2	33.7
Adjusted net income ⁽¹⁾	47.2	25.0	13.9	9.4	39.4	38.3	33.0	34.3
Basic earnings per share	\$0.59	\$0.32	\$0.17	\$0.12	\$0.51	\$0.51	\$0.43	\$0.44
Diluted earnings per share	\$0.58	\$0.30	\$0.17	\$0.12	\$0.48	\$0.48	\$0.40	\$0.41
Adjusted basic earnings per share ⁽¹⁾	\$0.59	\$0.32	\$0.17	\$0.12	\$0.51	\$0.50	\$0.43	\$0.45
Adjusted diluted earnings per share ⁽¹⁾	\$0.58	\$0.30	\$0.16	\$0.12	\$0.48	\$0.47	\$0.40	\$0.42

(1) Non-IFRS financial measure. Refer to section 14 in this MD&A for additional information.

(2) Refer to section 14 - Adjusted net income.

6. Financial Position

As at			
(C\$ in millions)	June 30, 2020	December 31, 2019	June 30, 2019
Total assets	2,159.8	2,129.9	2,061.7
Total non-current liabilities	585.5	643.2	689.9

Assets

Total assets at June 30, 2020 of \$2,159.8 million were \$29.9 million higher than the \$2,129.9 million reported at December 31, 2019. The majority of this change was driven by an increase in cash and cash equivalents which was offset by a decrease in inventory and trade receivables.

Non-Current Liabilities

Non-current liabilities of \$585.5 million were \$57.7 million lower than the \$643.2 million reported at December 31, 2019. This is primarily as a result of the conversion of \$48.7 million of the convertible debenture to 3,854,511 common shares at the holder's option.

Net Debt

The table below reflects the Company's net debt balances, excluding its lease liabilities and restricted marketable securities as at June 30, 2020.

As at			
(C\$ in millions)	June 30, 2020	June 30, 2019	\$ Change
Term debt	90.0	95.0	5.0
Convertible debenture	1.3	48.8	47.5
Total long-term debt (excluding lease liabilities)	91.3	143.8	52.5
Less: Cash, cash equivalents, debt and equity instruments	312.4	197.2	115.2
Net cash balance ⁽¹⁾	221.1	53.4	167.7

(1) Non-IFRS financial measure. Refer to section 14 in this MD&A for additional information.

At June 30, 2020, the Company's total net debt balance, excluding its lease liabilities, continues to reflect a net positive cash position of \$221.1 million. This positive result was achieved in the quarter mainly due to effectively managing costs which generated over \$200 million in free cash flow in the second quarter and due to the conversion of the majority of the convertible debentures into common shares of the Company.

7. Liquidity and Capital Resources

Liquidity Risk Management

The purpose of liquidity risk management is to maintain sufficient amounts of cash and cash equivalents, and authorized credit facilities, to fulfill obligations associated with financial liabilities. To manage liquidity risk, the Company prepares budgets and cash forecasts, and monitors its performance against these. Management also monitors cash and working capital efficiency given current sales levels and seasonal variability. The Company measures and monitors liquidity risk by regularly evaluating its cash inflows and outflows under expected conditions through cash flow reporting such that it anticipates certain funding mismatches and ensures the cash management of the business within certain tolerable levels. These cash flow forecasts are reviewed on a weekly basis by management. The Company mitigates liquidity risk through continuous monitoring of its credit facilities and the diversification of its funding sources, both in the short term as well as the long term. As at June 30, 2020, unrestricted liquidity was \$486.7 million comprised of cash and cash equivalents, debt and equity instruments and its undrawn revolving credit facility.

In response to the COVID-19 pandemic, the Company has taken the following actions to support its current operating environment and its liquidity position:

- In order to protect the health and safety of our customers and associates, the Company introduced several measures in the quarter to provide support to our associates and customers. These measures included: reduced store hours, contactless home delivery and customer pickup protocols, enhanced cleaning protocols and actions to support physical distancing including limiting the number of customers allowed in-store. The Company continued to operate its distribution centres and warehouse locations across the country with enhanced safety protocols.
- The Company applied for the CEWS, which has materially contributed towards its cost savings initiatives and has allowed for the majority of its temporarily laid off associates to return to work.
- On April 27, 2020 the Company exercised its \$125 million credit accordion available under its Senior Secured Credit Agreement, thereby increasing its total revolving credit facility to \$175 million. No amounts have been borrowed under this revolving credit facility. This revolving credit facility will not expire until May 31, 2024. As at June 30, 2020, the Company's unrestricted liquidity is \$486.7 million, excluding its unencumbered real estate portfolio comprising of land and buildings.

Consolidated Cash Flow Movements

The following table provides a summarized statement of cash flows for the three and six months ended June 30, 2020 and June 30, 2019:

For the	Three months ended			Six months ended		
	June 30, 2020	June 30, 2019	\$ Increase (Decrease)	June 30, 2020	June 30, 2019	\$ Increase (Decrease)
(C\$ in millions)						
Cash provided by operating activities before changes in operating working capital items	87.2	59.2	28.0	118.3	98.7	19.6
Changes in operating working capital items	142.9	10.3	132.6	96.9	(70.1)	167.0
Cash provided by operating activities	230.1	69.5	160.6	215.2	28.6	186.6
Cash used in investing activities	(22.2)	(8.1)	(14.1)	(30.9)	(14.5)	(16.4)
Cash provided by/(used in) financing activities	(36.0)	(45.3)	9.3	(79.9)	(83.1)	3.2
Increase/(decrease) in cash and cash equivalents	171.9	16.1	155.8	104.4	(69.0)	173.4

Cash Provided By Operating Activities

Cash from operating activities consist primarily of net income adjusted for certain non-cash items, including depreciation and amortization and the effect of changes in non-cash working capital items, primarily receivables, inventories, deferred acquisition costs, accounts payable, customers' deposits and deferred rent liabilities and lease inducements.

For the three months ended June 30, 2020, cash provided by operating activities increased by \$160.6 million compared to the prior year's quarter. This movement is primarily driven by a decrease in inventories of \$44.9 million and an increase in customers' deposits of \$96.4 million.

For the six months ended June 30, 2020, cash provided by operating activities increased by \$186.6 million compared to the prior year six months ended. This movement is primarily driven by an increase in customers' deposits of \$76.4 million as well as decreases in trade receivables and inventories of \$22.7 million and \$54.1 million respectively.

Cash Used In Investing Activities

Investing activities relate primarily to capital expenditures and the purchase and sale of debt and equity instruments.

For the three months ended June 30, 2020, cash used in investing activities increased by \$14.1 million compared to the prior year's quarter. This change is driven by the increase in the purchasing of property plant and equipment of \$13.2 million.

For the six months ended June 30, 2020, cash used in investing activities increased by \$16.4 million compared to the prior year six months ended. This change is due to the increase in the purchasing of property plant and equipment of \$18 million. This is partly offset by proceeds on the sale of debt and equity instruments of \$2.9 million.

Cash Used in Financing Activities

Financing activities consist primarily of cash used to pay dividends, loans and borrowings and lease liabilities.

For the three months ended June 30, 2020, cash used in financing activities decreased by \$9.3 million compared to the prior year's quarter. The movement is primarily driven by the reduction in the repayment of the term loan of \$10 million.

For the six months ended June 30, 2020, cash used in financing activities decreased by \$3.2 million compared to the prior year six months ended. The movement is driven by a reduction in the repayment of the term loan of \$10 million. This is offset against an increase in the repurchase of common shares of \$4.6 million and an increase in dividends paid of \$2.6 million.

Adequacy of Financial Resources

At June 30, 2020, the Company's current assets exceeded its current liabilities by \$164.3 million and its cash and cash equivalents, restricted marketable securities, and debt and equity instruments were \$314.8 million compared to \$203 million at December 31, 2019. Under the Company's Senior Secured Credit Agreement, we had unused borrowing capacity of \$174.4 million as at June 30, 2020 (\$49.4 million as at December 31, 2019). The Company believes that its existing financing resources together with cash flow provided from its current operations and its expanded revolving credit facility will provide a sound liquidity and working capital position throughout the next twelve months.

Contractual Commitments

As at June 30, 2020

(C\$ in millions)

Contractual Obligations	Total	Under 1 Year	1-3 years	Payments Due by Period	
				3-5 years	More than 5 years
Long-term debt	92.8	1.4	91.4	-	-
Trade and other payables	230.7	230.7	-	-	-
Lease liability	423.4	87.6	135.4	93.1	107.3
Total Contractual Obligations	746.9	319.7	226.8	93.1	107.3

8. Outlook

In the short-term, the duration and full financial effect of COVID-19 is unknown, as is the efficacy of government and central bank interventions to curb the spread of COVID-19 and stimulate the economy. Federal and provincial governments have instituted social distancing requirements, bans on non-essential travel and other measures that directly led to reductions in store traffic and sales figures in the quarter. The Company continues to actively monitor the situation and will continue to respond as the impact of the COVID-19 pandemic evolves, which will depend on a number of factors including the course of the virus, our customer and employee reactions and any further government actions, none of which can be predicted with any degree of certainty.

Management anticipates that actions taken to date have positioned the Company strongly to weather the current crisis and to take advantage of any accretive opportunities that may arise. Several of the Company's existing attributes are expected to function as operating positions of strength which will act as offsets in the current environment:

- Essential nature of some of the Company's products and services. Household appliances that are necessary to cook and clean have been deemed essential by provincial governments. The Company also owns the largest third-party appliance service company in Canada, Transglobal Service, that has been operating across the country with enhanced health and safety protocols to protect both our customers and our technicians.
- Rapidly scaling our eCommerce business. The Company's eCommerce revenue has grown significantly in the second quarter and continues to increase at an annualized rate of more than 250% subsequent to the quarter end of June 30, 2020. Since the Company moved its online stores to the Shopify Plus platform, the eCommerce offering has become a better customer experience and a more interactive offering. The platform has resulted in improved scalability and enabled significant operating leverage, which has and continues to provide a competitive advantage to the Company.
- Unencumbered ownership of substantial real estate assets across the country. The Company owns 4.2 million square feet (office, retail, industrial) of approximately 13 million square feet in use today by the Company. This is a significant competitive advantage in the current environment, resulting in a far lower carrying cost for closed stores or other properties than similar leased properties. In addition, the value inherent in this portfolio would enable the Company to readily access additional liquidity to support existing operations and take advantage of accretive opportunities as they arise.
- Solid balance sheet as evidenced by the Company's commitment to repaying over \$440 million in various forms of debt since 2013. The Company has unrestricted liquidity of approximately \$490 million as at June 30, 2020, with room to expand further if necessary.

On a longer-term basis, we still believe that the underlying Canadian economy remains relatively strong. Although it is difficult to gauge future consumer confidence and what impact it may have on retail, we remain cautiously optimistic that our sales and profitability will increase. Given the Company's strong and continuously improving financial position, our principal objective is to increase our market share and profitability. We remain focused on our commitment to effectively manage our costs but to also continuously invest in digital innovation that we believe will drive more customers to both our online eCommerce presence and our 304 physical locations across Canada.

9. Outstanding Common Shares

At June 30, 2020, there were 80,525,821 common shares issued and outstanding. During the quarter ended June 30, 2020 there were no convertible shares converted into common shares. For details on the Company's commitments related to its redeemable share liability please refer to Note 11 of the of the unaudited interim condensed consolidated financial statements.

10. Related Party Assumptions

For the six months ended June 30, 2020, we had no transactions with related parties as defined in IAS 24, *Related Party Disclosures*, except those pertaining to transactions with key management personnel in the ordinary course of their employment.

11. Critical Assumptions

Use of Estimates and Judgments

Management has exercised judgment in the process of applying the Company's accounting policies. The preparation of interim condensed consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the consolidated balance sheet dates and the reported amounts of revenue and expenses during the reporting period. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The following discusses the most significant accounting judgments and estimates that the Company has made in the preparation of the interim condensed consolidated financial statements.

Extended warranty revenue recognition

The Company offers extended warranties on certain merchandise. Management has applied judgment in determining the basis upon and period over which to recognize deferred warranty revenue.

Inventories

The Company estimates the net realizable value as the amount at which inventories are expected to be sold by taking into account fluctuations of retail prices due to prevailing market conditions. If required, inventories are written down to net realizable value when the cost of inventories is estimated to not be recoverable due to obsolescence, damage or declining sales prices.

Reserves for slow moving and damaged inventory are deducted in the Company's valuation of inventories. Management has estimated the amount of reserve for slow moving inventory based on the Company's historic retail experience.

Impairment of property, plant and equipment

The Company exercises judgment in the determination of cash-generating units ("CGUs") for purposes of assessing any impairment of property, plant and equipment, as well as in determining whether there are indicators of impairment present. Should indicators of impairment be present, management estimates the recoverable amount of the relevant CGU. This estimation requires assumptions about future cash flows, margins and discount rates.

Impairment of goodwill and intangible assets

The Company tests goodwill and indefinite life intangible assets at least annually and reviews other long-lived intangible assets for any indication that the asset might be impaired. Significant judgments are required in determining the CGUs or groups of CGUs for purposes of assessing impairment. Significant judgments are also required in determining whether to allocate goodwill to CGUs or groups of CGUs. When performing impairment tests, the Company estimates the recoverable amount of the CGUs or groups of CGUs to which goodwill and indefinite life intangible assets have been allocated using a discounted cash flow model that requires assumptions about future cash flows, margins and discount rates.

Provisions

The Company exercises judgment in the determination of recognizing a provision. The Company recognizes a provision when it has a present legal or constructive obligation as a result of a past event and a reliable estimate of the obligation can be made. Significant judgments are required to be made in determining what the probable outflow of resources will be required to settle the obligation.

Leases

Management exercises judgment in the process of applying IFRS 16 and determining the appropriate lease term on a lease by lease basis. Management considers many factors including any events that create an economic incentive to exercise a renewal option including store performance, expected future performance and past business practice. Renewal options are only included if Management are reasonably certain that the option will be renewed.

Government Grants

The Company recognizes government grants when there is reasonable assurance that the Company will comply with the conditions of the grant and the grant will be received. Government grants receivable are recorded in prepaid and other assets on the interim condensed consolidated statement of financial position. The Company recognizes government grants in the interim condensed consolidated statement of income in the same period as the expenses for which the grant is intended to compensate. In cases where a government grant becomes receivable as compensation for expenses already incurred in prior periods, the grant is recognized in profit or loss in the period in which it becomes receivable.

Materiality

In preparing this MD&A and the information contained herein, management considers the likelihood that a reasonable investor's decision would be influenced to buy or not buy, or to sell or hold securities of the Company if such information were omitted, misstated or obscured in any way. This concept of materiality is consistent with the notion of materiality applied to financial statements and contained in IFRS.

Recent Accounting Pronouncements

Adoption of new accounting standards and amendments

The Company has adopted the new IFRS accounting standards listed below as at January 1, 2020, in accordance with the transitional provisions outlined in the respective standard.

Amendments to IAS 1, Presentation of Financial Statements ("IAS 1") and IAS 8, Changes in Accounting Estimates and Errors ("IAS 8") – Definition of Material

In October 2018, the IASB issued amendments to IAS 1 and IAS 8 to align the definition of "material" across the standards and to make it easier to understand. The definition of material in IAS 8 has been replaced by a definition of material in IAS 1. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The adoption of this amendment did not have a material impact on the interim condensed consolidated financial statements.

Amendments to IFRS 16, Leases ("IFRS 16")

The amendments to IFRS 16 provide lessees with an optional exemption from assessing whether a COVID-19-related rent concession is a lease modification, and instead require lessees that apply the exemption to account for COVID-19 related rent concessions as if they were not lease modifications. The amendment is effective for annual reporting periods beginning on or after June 1, 2020 and is to be applied retrospectively.

The Company has adopted the amendment effective June 1, 2020 and elected to apply the practical expedient to all rent concessions that have met the criteria under the amendment.

Accounting standards and amendments issued but not yet adopted

IFRS 17, Insurance Contracts ("IFRS 17")

In May 2017, the IASB issued IFRS 17, which replaces IFRS 4, Insurance Contracts ("IFRS 4"). IFRS 17 establishes new principles for the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 applies to all types of insurance contracts regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for annual periods beginning on or after January 1, 2023. Retrospective application is required. The Company plans to adopt the new standard on the effective date. The Company is currently analyzing the impact these standards will have on its financial statements.

Amendments to IAS 1, Presentation of Financial Statements ("IAS 1")

In January 2020, IASB issued Classification of Liabilities as Current or Non-current, which amends IAS 1. The narrow scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of its recognition. The amendments clarify that the classification of liabilities as current or noncurrent should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least twelve months. That classification is unaffected by the likelihood that an entity will exercise its deferral right. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is still assessing the impact of adopting these amendments on its financial statements.

12. Risks and Uncertainties

Careful consideration should be given to the following risk factors. These descriptions of risks are not the only ones facing the Company. Additional risks and uncertainties not presently known to Leon's, or that the Company deems immaterial, may also impair the operations of the Company. If any of such risks actually occur, the business, financial condition, liquidity, and results of operations of the Company could be materially adversely affected.

Readers of this MD&A are also encouraged to refer to Leon's Annual Information Form ("AIF") dated February 26, 2020, which provides information on the risk factors facing the Company. The February 26, 2020 AIF can be found online at www.sedar.com.

For additional potential risks associated with COVID-19 refer to section 2 in this MD&A.

Sensitivity to General Economic Conditions

The household furniture, mattress, appliance and home electronics retailing industry in Canada has historically been subject to cyclical variations in the general economy and to uncertainty regarding future economic prospects. The Company's sales are impacted by the health of the economy in Canada as a whole, and in the regional markets in which the Company operates.

The Company's sales and financial results are subject to numerous uncertainties. Weakness in sales or consumer confidence could result in an increasingly challenging operating environment.

Maintaining Profitability & Managing Growth

There can be no assurance that the Company's business and growth strategy will enable it to sustain profitability in future periods. The Company's future operating results will depend on a number of factors, including (i) the Company's ability to continue to successfully execute its strategic initiatives, (ii) the level of competition in the household furniture, mattress, appliance and home electronics retailing industry in the markets in which the Company operates, (iii) the Company's ability to remain a low-cost retailer, (iv) the Company's ability to realize increased sales and greater levels of profitability through its retail stores, (v) the effectiveness of the Company's marketing programs, (vi) the Company's ability to successfully identify and respond to changes in fashion trends and consumer tastes in the household furniture, mattress, appliance and home electronics retailing industry, (vii) the Company's ability to maintain cost effective delivery of its products, (viii) the Company's ability to hire, train, manage and retain qualified retail store management and sales professionals, (ix) the Company's ability to continuously improve its service to achieve new and enhanced customer benefits and better quality, and (x) general economic conditions and consumer confidence.

Financial Condition of Commercial Sales Customers & Franchisees

Through its commercial sales division, the Company sells products and extends credit to high-rise and condominium builders who purchase large quantities of products. The Company also sells products and extends credit to its franchisees. Negative changes in the financial condition of a significant commercial sales customer or a franchisee could impact on the Company's receivables and ultimately result in the Company having to take a bad-debt write-off in excess of allowance for bad debts. The occurrence of such an event could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

Competition

The household furniture, mattress, appliance and home electronics retailing industry is highly competitive and highly fragmented. The Company faces competition in all regions in which its operations are located by existing stores that sell similar products and also by stores that may be opened in the future by existing or new competitors in such markets. The Company competes directly with many different types of retail stores that sell many of the products sold by the Company. Such competitors include (i) department stores, (ii) specialty stores (such as specialty electronics, appliance, or mattress retailers), (iii) other national or regional chains offering household furniture, mattresses, appliances and home electronics, and (iv) other independent retailers, particularly those associated with larger buying groups. The highly competitive nature of the industry means the Company is constantly subject to the risk of losing market share to its competitors. As a result, the Company may not be able to maintain or to raise the prices of its products in response to competitive pressures. In addition, the entrance of additional competitors to the markets in which the Company operates, particularly large furniture, appliance or electronics retailers from the United States could increase the competitive pressure on the Company and have a material adverse effect on the Company's market share. The actions and strategies of the Company's current and potential competitors could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

13. Controls and Procedures

Disclosure Controls & Procedures

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company is gathered and reported on a timely basis to senior management, including the Chief Executive Officer and Chief Financial Officer so that appropriate decisions can be made by them regarding public disclosure. Based on the evaluation of disclosure controls and procedures, the CEO and CFO have concluded that the Company's disclosure controls and procedures were effective as at June 30, 2020.

Internal Controls over Financial Reporting

Management is also responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company. The control framework used in the design of disclosure controls and procedures and internal control over financial reporting is based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013).

Management, including the CEO and CFO, does not expect that the Company's disclosure controls or internal controls over financial reporting will prevent or detect all errors and all fraud or will be effective under all potential future conditions. A control system is subject to inherent limitations and, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control systems objectives will be met. During the six months ended June 30, 2020, there have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

14. 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:

Non-IFRS Measure	IFRS Measure
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

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 is a reconciliation of reported net income to adjusted net income, basic and diluted earnings per share to adjusted basic and diluted earnings per share:

For the	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
<i>(C\$ in millions except per share amounts)</i>				
Net Income	47.2	25.0	60.9	34.4
After-tax mark-to-market (gain)/loss on financial derivative instruments	-	-	0.2	0.1
Adjusted net income	47.2	25.0	61.1	34.5
Basic earnings per share	\$0.59	\$0.32	\$0.76	\$0.44
Diluted earnings per share	\$0.58	\$0.30	\$0.74	\$0.42
Adjusted basic earnings per share	\$0.59	\$0.32	\$0.76	\$0.44
Adjusted diluted earnings per share	\$0.58	\$0.30	\$0.74	\$0.42

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 commonly 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:

For the	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
(C\$ in millions)				
Net Income	47.2	25.0	60.9	34.4
Income tax expense	13.2	8.9	16.1	12.1
Net finance costs	4.8	6.7	9.6	13.0
Depreciation and amortization	27.8	30.8	55.4	62.5
Mark-to-market (gain)/loss on financial derivative instruments	(0.1)	-	0.3	0.1
Adjusted EBITDA	92.9	71.4	142.3	122.1

Same Store Sales

Same store sales are defined as sales generated by stores, both in store and through online transactions, 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.

Net Debt

Net debt is calculated as the principal amount of the term loan, convertible debentures less cash, cash equivalents and debt and equity instruments. Net debt is a non-IFRS financial measure used by the Company. The Company considers net debt to be an effective measure of the overall debt position and borrowing capacity available to the Company.