

LFL, Canada's Largest Home Retailer, Releases Results for the Quarter Ended September 30, 2024

Toronto, Ontario--(Newsfile Corp. - November 7, 2024) - Leon's Furniture Limited (**TSX: LNF**) ("**LFL**" or the "**Company**"), today announced financial results for the quarter ended September 30, 2024.

Financial Highlights - Q3-2024

These comparisons are with the 2023 third quarter unless stated otherwise.

- System-wide sales for the third quarter 2024 were \$779.9 million, a decrease of 1.5%. Year-to-date system-wide sales are up 3.1%.
- Revenue for the third quarter 2024 was \$651.9 million, a decrease of 1.4%.
- Same store sales decrease⁽¹⁾ of 1.4%.
- Gross profit margin in the quarter was 43.80%, lower by 24 basis points entirely due to increased commercial business mix.
- Adjusted net income⁽¹⁾ for the quarter totaled \$37.2 million⁽¹⁾, a decrease of 28.0%. However, adjusted net income excluding the one-time \$20 million pre-tax gain recognized in the prior year on settlement of warrant, is up \$0.7 million or 1.9%.
- On September 30, 2024, unrestricted liquidity was \$438.5 million comprised of cash, cash equivalents, debt and equity instruments and the undrawn revolving credit facility.
- Cash provided by operating activities for the quarter was \$135.4 million, an increase of \$27.8 million.

The Company is working towards creating the previously announced real estate investment trust in respect of some of its real estate holdings and will provide further information when it is permitted to do so at the appropriate time.



To view an enhanced version of this graphic, please visit:

https://images.newsfilecorp.com/files/4576/229109_4844964444ebbbca_001full.jpg

(1) For a full explanation of the Company's use of non-IFRS and supplementary financial measures, please refer to the sections of this press release with the headings "Non-IFRS Financial Measures" and "Supplementary Financial Measures".

Mike Walsh, President and CEO of LFL commented, "The third quarter remained challenging, with continued pressure on Canadian consumers, alongside disruptions to freight and inventory caused by both geopolitical tensions and the rail strike. Severe weather early in the quarter also impacted sales and shipments from several Ontario facilities. Despite these obstacles, our team navigated the quarter effectively, delivering higher retail margins and growth in wholesale, warranty, and insurance. Our disciplined focus on gross margin management and cost control enabled us to maintain stable adjusted EBITDA, even with lower volumes. We expect the consumer and supply chain environments to remain challenging through the end of 2024, with anticipated improvements in 2025. With strong brand recognition, a proven team, and a solid balance sheet, we are well-positioned to grow market share in our core categories while continuing to deliver profitability and reliable returns for shareholders."

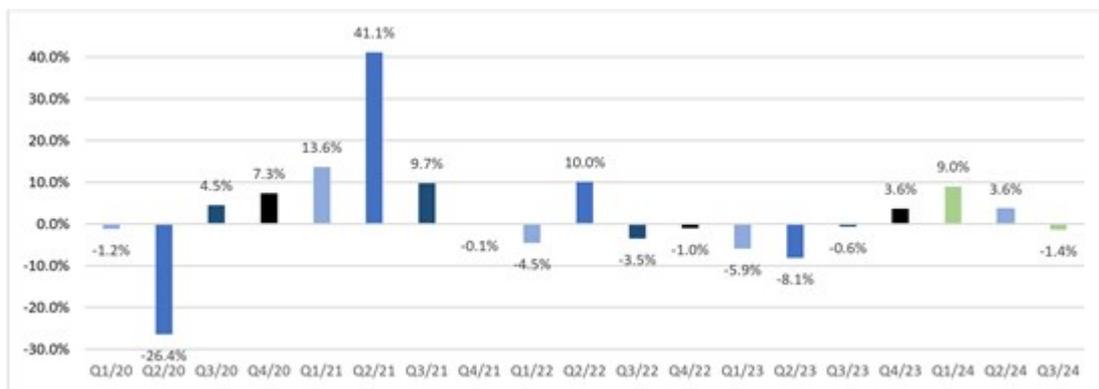
Summary financial highlights for the three months ended September 30, 2024 and September 30, 2023

For the	Three months ended			
	September 30, 2024	September 30, 2023	\$ Increase (Decrease)	% Increase (Decrease)
(C\$ in millions except %, share and per share amounts)				
Total system-wide sales ⁽¹⁾	779.9	791.7	(11.8)	(1.5%)
Franchise sales ⁽¹⁾	128.0	130.7	(2.7)	(2.1%)
Revenue	651.9	661.0	(9.1)	(1.4%)
Cost of sales	366.4	369.9	(3.5)	(0.9%)
Gross profit	285.5	291.1	(5.6)	(1.9%)
Gross profit margin as a percentage of revenue	43.80%	44.04%		
Selling, general and administrative expenses ⁽²⁾	232.4	237.7	(5.3)	(2.2%)
SG&A as a percentage of revenue	35.65%	35.96%		
Other income	-	(20.0)	20.0	(100.0%)
Income before net finance costs and income tax expense	53.2	73.4	(20.2)	(27.5%)
Net finance costs	(3.8)	(4.9)	(1.1)	(22.4%)
Income before income taxes	49.4	68.5	(19.1)	(27.9%)
Income tax expense	12.2	16.8	(4.6)	(27.4%)
Adjusted net income ⁽¹⁾	37.2	51.7	(14.5)	(28.0%)
Adjusted net income as a percentage of revenue ⁽¹⁾	5.71%	7.82%		
After-tax mark-to-market loss (gain) on financial derivative instruments ⁽¹⁾	0.3	(0.6)	0.9	(150.0%)
Net income	36.9	52.3	(15.4)	(29.4%)
Basic weighted average number of common shares	68,182,137	68,000,714		
Basic earnings per share	\$ 0.54	\$ 0.77	\$ (0.23)	(29.9%)
Adjusted basic earnings per share ⁽¹⁾	\$ 0.55	\$ 0.76	\$ (0.21)	(27.6%)
Diluted weighted average number of common shares	68,646,871	68,642,290		
Diluted earnings per share	\$ 0.54	\$ 0.76	\$ (0.22)	(28.9%)
Adjusted diluted earnings per share ⁽¹⁾	\$ 0.54	\$ 0.75	\$ (0.21)	(28.0%)
Common share dividends declared	\$ 0.20	\$ 0.16	\$ 0.04	25.0%

Same Store Sales⁽¹⁾

For the	Three months ended			
	September 30, 2024	September 30, 2023	\$ Decrease	% Decrease
(C\$ in millions, except %)				
Same store sales ⁽¹⁾	638.2	647.1	(8.9)	(1.4%)

Historical Same Store Sales⁽¹⁾ as previously reported based on comparable quarters



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https://images.newsfilecorp.com/files/4576/229109_4844964444ebbbca_002full.jpg

(1) Please refer to the sections of this press release with the headings "Non-IFRS Financial Measures" and "Supplementary Financial Measures".

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

Revenue

For the three months ended September 30, 2024, revenue was \$651.9 million compared to \$661.0 million in the third quarter of 2023 a decrease of \$9.1 million or 1.4%. The decline was primarily driven by the furniture category where inventory levels were lower than planned largely due to the geo-political disruption in ocean freight supply chains which led to increased shipping rates and constrained container supply. In addition, the retail operating environment continues to be challenging as consumers remain cautious about their discretionary spending.

Same Store Sales (1)

Same store sales in the quarter decreased by 1.4% compared to the prior year's third quarter driven by factors discussed in the revenue section.

Gross Profit

The gross profit margin for the third quarter of 2024 was at 43.80% compared to 44.04% for the third quarter 2023 due to a higher mix in the lower margin commercial business.

Selling, General and Administrative Expenses ("SG&A")

The Company's SG&A as a percentage of revenue for the third quarter of 2024 was 35.65%, a decrease of 31 basis points over the third quarter 2023. The improvement was driven by a reduction in delivery expenses, lower amortization expense and cost control around other discretionary line items.

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

Adjusted net income for the quarter totaled \$37.2 million, which represents a decrease of \$14.5 million over the prior year's quarter. The decrease is due to a gain on settlement of warrant recognized in the prior year. The adjusted diluted earnings per share in the third quarter of 2024 was \$0.54 per share, a decrease of 28.0% over the prior year's quarter.

Adjusted net income for the quarter when presented on a like-for-like basis, excluding the one-time gain on settlement of the CURO warrant in the prior year's quarter, would have been up \$0.7 million or 1.9%. The adjusted diluted earnings per share would have been up \$0.01 per share or 1.9%.

Net Income and Diluted Earnings Per Share

Net income for the third quarter of 2024 was \$36.9 million, or \$0.54 per diluted earnings per share as compared to \$0.76 per diluted earnings per share recorded in the prior year's quarter, a decrease of \$0.22 per share or 28.9% (net income of \$52.3 million in the third quarter of 2023).

Dividends

As previously announced, the Company paid a quarterly dividend of \$0.20 per common share on 7th day of October 2024. Today the Directors have declared a quarterly dividend of \$0.20 per common share payable on the 6th day of January 2025 to shareholders of record at the close of business on the 9th day of December 2024. 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.

⁽¹⁾ Please refer to the sections of this press release with the headings "Non-IFRS Financial Measures" and "Supplementary Financial Measures".

Outlook

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 and to also continuously invest in the business to drive growth initiatives that will drive more customers to both our online eCommerce sites and our 299 store locations across Canada.

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

The Company 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. The Company uses derivative instruments to manage its financial risk 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.

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. The Company's Adjusted EBITDA may not be comparable to the Adjusted EBITDA measure of other companies, but in management's view appropriately reflects the Company'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		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
(C\$ in millions)				
Net income	36.9	52.3	85.8	92.6
Income tax expense	12.1	17.0	27.7	28.5
Net finance costs	3.8	4.9	11.5	15.3
Depreciation and amortization	26.2	27.4	80.1	80.8
Gain on settlement of warrant	-	(20.0)	-	(20.0)
Mark-to-market loss (gain) on financial derivative instruments	0.5	(0.9)	(3.1)	(0.1)
Adjusted EBITDA	79.5	80.7	202.0	197.1

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.

Supplementary Financial Measures

The Company uses supplementary financial measures to disclose financial measures that are not (a) presented in the financial statements and (b) is, or is intended to be, disclosed periodically to depict the historical or expected future financial performance, financial position or cash flow, that is not a non-IFRS financial measure as detailed above.

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 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.

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 299 retail stores from coast to coast in Canada under various banners. The Company operates six websites: leons.ca, thebrick.com, furniture.ca, midnorthern.com, transglobalservice.com and appliancecanada.com.

Cautionary Statement

This press release may contain forward-looking statements that are subject to known and unknown risks and uncertainties that could cause actual results to vary materially from targeted results. Such risks and uncertainties include those described in Leon's Furniture Limited's periodic reports including the annual report or in the filings made by Leon's Furniture Limited from time to time with securities regulatory authorities.

This News Release may include certain "forward-looking statements" which are not comprised of historical facts. Forward-looking statements include estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur. Forward-looking statements may be identified by such terms as "believes", "anticipates", "expects", "estimates", "may", "could", "would", "will", or "plan". Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties. Although these statements are based on information currently available to the Company, the Company provides no assurance that actual results will meet management's expectations. Risks, uncertainties and other factors involved with forward-looking information could cause actual events, results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking information. Forward-looking information in this news release includes, but is not limited to, the Company's objectives, goals or future plans, and estimates of market conditions. Factors that could cause actual results to differ materially from such forward-looking information include, but are not limited to failure to identify beneficial business opportunities, failure to convert the potential in the pursued business opportunities to tangible benefits to the Company or its shareholders, delays in obtaining or failures to obtain required shareholder and TSX approvals, changes in equity markets, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects, and those risks set out in the Company's public documents filed on SEDAR. Although the Company believes that the assumptions and factors used in preparing the forward-looking information in this news release are reasonable, undue reliance should not be placed on such information, which only applies as of the date of this news release, and no assurance can be given that such events will occur in the disclosed time frames or at all. The Company disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, other than as required by law.

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