

LFL Announces Strong Third Quarter Financial Results

Toronto, Ontario--(Newsfile Corp. - November 6, 2025) - Leon's Furniture Limited (**TSX: LNF**) ("**LFL**" or the "**Company**") today announced financial results for the quarter ended September 30, 2025.

Financial Highlights - Q3-2025

These comparisons are with Q3-2024 unless stated otherwise.

- System-wide sales for the quarter were \$808.4 million, an increase of 3.7%.
- Q3 Revenue was \$678.7 million, an increase of 4.1%, driven by strong performance in furniture, combined with strength in appliances led by the commercial channel.
- Same store sales increase ⁽¹⁾ of 3.9%.
- Gross profit margin was 44.59%, a 79-basis point improvement driven by favourable retail category sales mix and improved rate in the furniture category.
- Adjusted net income⁽¹⁾ for the quarter totaled \$44.3 million, an increase of 19.1%.
- Adjusted Diluted EPS for the quarter was \$0.65, an increase of 20.4%.
- On September 30, 2025, unrestricted liquidity was \$549.6 million, comprised of cash, cash equivalents, debt and equity instruments and the undrawn revolving credit facility.

Third Quarter - 3 Year Financial Performance of LFL



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

https://images.newsfilecorp.com/files/4576/273507_thirdquarter3yearfinancialperformanceoffl.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".

⁽²⁾ Q3 2023 includes a \$20 million pre-tax gain recognized on settlement of warrant.

Mike Walsh, President and CEO of LFL commented, "Our team delivered another solid quarter in Q3, and I want to thank all of our associates - from our sales floors to our warehouses and delivery teams - for their continued dedication to driving our business forward and delivering an exceptional customer experience. System-wide sales grew 3.7%, with furniture generating particularly strong results and market share gains. This performance reflected our strategic decisions to focus our assortment and maintain higher in-stock positions on key items, supported by our omnichannel platform's effectiveness in driving more ready-to-buy shoppers across channels. Gross margin expanded 79 basis points, reflecting both the favourable furniture mix and ongoing improvements across the business, including deeper vendor partnerships, enhanced sourcing, and an optimized promotional strategy. The strength of

these results, along with continued operational discipline and favourable cost comparisons, translated to adjusted diluted earnings per share growth of 20.4%."

Mr. Walsh continued, "Looking ahead to Q4 and into early 2026, we expect the industry environment to remain promotional, with Canadians continuing to look for value from retailers they trust. We have a proven track record of navigating dynamic environments, gaining market share and delivering profitability. Our scale, distribution capabilities, sourcing advantages, and rock-solid balance sheet, including \$549.6 million in unrestricted liquidity, give us the tools to execute consistently and continue delivering value for our customers and shareholders."

Summary financial highlights for the three months ended September 30, 2025 and September 30, 2024

| For the (C\$ in millions except %, share and per share amounts) | Three months ended | | \$ Increase (Decrease) | % Increase (Decrease) |
|---|-----------------------|-----------------------|---------------------------|--------------------------|
| | September 30, 2025 | September 30, 2024 | | |
| Total system-wide sales ⁽¹⁾ | 808.4 | 779.9 | 28.5 | 3.7% |
| Franchise sales ⁽¹⁾ | 129.7 | 128.0 | 1.7 | 1.3% |
| Revenue | 678.7 | 651.9 | 26.8 | 4.1% |
| Cost of sales | 376.1 | 366.4 | 9.7 | 2.6% |
| Gross profit | 302.6 | 285.5 | 17.1 | 6.0% |
| Gross profit margin as a percentage of revenue | 44.59% | 43.80% | | |
| Selling, general and administrative expenses ⁽²⁾ | 241.0 | 232.4 | 8.6 | 3.7% |
| SG&A as a percentage of revenue | 35.51% | 35.65% | | |
| Other income | (0.7) | - | (0.7) | 100.0% |
| Income before net finance costs and income tax expense | 62.3 | 53.2 | 9.1 | 17.1% |
| Net finance costs | (3.8) | (3.8) | - | 0.0% |
| Income before income taxes | 58.5 | 49.4 | 9.1 | 18.4% |
| Income tax expense | 14.2 | 12.2 | 2.0 | 16.4% |
| Adjusted net income ⁽¹⁾ | 44.3 | 37.2 | 7.1 | 19.1% |
| Adjusted net income as a percentage of revenue ⁽¹⁾ | 6.53% | 5.71% | | |
| After-tax mark-to-market (gain) loss on financial derivative instruments ⁽¹⁾ | (6.0) | 0.3 | (6.3) | (2100.0%) |
| Net income | 50.3 | 36.9 | 13.4 | 36.3% |
| Basic weighted average number of common shares | 68,415,836 | 68,182,137 | | |
| Basic earnings per share | \$ 0.74 | \$ 0.54 | \$ 0.20 | 37.0% |
| Adjusted basic earnings per share ⁽¹⁾ | \$ 0.65 | \$ 0.55 | \$ 0.10 | 18.2% |
| Diluted weighted average number of common shares | 68,744,325 | 68,646,871 | | |
| Diluted earnings per share | \$ 0.73 | \$ 0.54 | \$ 0.19 | 35.2% |
| Adjusted diluted earnings per share ⁽¹⁾ | \$ 0.65 | \$ 0.54 | \$ 0.11 | 20.4% |
| Common share dividends declared | \$ 0.24 | \$ 0.20 | \$ 0.04 | 20.0% |

Same Store Sales⁽¹⁾

| For the (C\$ in millions, except %) | Three months ended | | \$ Increase | % Increase |
|--|--------------------|--------------------|-------------|------------|
| | September 30, 2025 | September 30, 2024 | | |
| Same store sales ⁽¹⁾ | 661.6 | 636.5 | 25.1 | 3.9% |

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



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

https://images.newsfilecorp.com/files/4576/273507_historicalsamestoresales.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, 2025, revenue was \$678.7 million compared to \$651.9 million in the third quarter of 2024, an increase of \$26.8 million or 4.1%. The improvement was primarily driven by an 11.2% increase in furniture sales and an increase in appliance sales. Furniture performance was driven by a stronger inventory position, improved assortment and more effective promotions. Appliance performance was driven by continued strength in the commercial channel as we continue to deliver on builder projects being finalized, combined with an increased focus on growing the replacement business as the builder pipeline begins to slow down across the industry. This was partially offset by low to mid-single digit declines in mattress and electronics sales as the environment remained highly promotional.

Same Store Sales (1)

Same store sales in the quarter increased by 3.9% compared to the prior year's quarter driven by factors discussed in the revenue section.

Gross Profit

The gross profit margin for the third quarter of 2025 was 44.59% compared to 43.80% for the third quarter of 2024. This increase was primarily driven by a favourable retail sales mix with growth in the higher margin furniture category, as well as improved furniture and appliance category margin rates from assortment and sourcing improvements. This was partially offset by increased sales mix in the lower margin commercial channel.

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

The Company's SG&A as a percentage of revenue for the third quarter of 2025 was 35.51%, a 14 basis point improvement over the third quarter of 2024. The improvement was driven by lower point-of-sale retail financing fees due to the lower Bank of Canada interest rates as compared to the same quarter last year. This was partially offset by higher advertising costs due to a shift in the timing of events, higher occupancy costs driven by the lease commencement of the Edmonton DC and other renewals, higher stewardship recycling fees, and utility costs due to warmer summer weather.

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

Adjusted net income for the quarter totaled \$44.3 million, which represents an increase of \$7.1 million over the prior year's quarter. The improvement was driven by strong sales and gross profit margin as

outlined above and effective controls in SG&A spending. In addition, the Company recognized another \$0.7 million of the remaining legal settlement with CURO Group Holdings Corp ("CURO"), as disclosed in Q4 2024.

The adjusted diluted earnings per share in the third quarter of 2025 was \$0.65 per share, an increase of 20.4% over the prior year's quarter.

Net Income and Diluted Earnings Per Share

Net income for the third quarter of 2025 was \$50.3 million, or \$0.73 per diluted share as compared to \$0.54 per diluted share recorded in the prior year, an increase of \$0.19 per share or 35.2% (net income of \$36.9 million in the third quarter of 2024). During the quarter net income was impacted by an after-tax mark-to-market gain of \$6.0 million on foreign exchange related derivatives, an increase of \$6.3 million over the prior year.

Dividends

As previously announced, the Company paid a quarterly dividend of \$0.24 per common share on 7th day of October 2025. Today the Directors have declared a quarterly dividend of \$0.24 per common share payable on the 6th day of January 2026 to shareholders of record at the close of business on the 9th day of December 2025. In addition, the annual dividend on the convertible non-voting preferred shares of \$0.44 will be payable on the 6th day of January 2026 to shareholders of record at the close of business on the 9th day of December 2025. 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, its principal objective is to increase market share and profitability. LFL remains focused on effectively managing the Company's costs while continuing to invest in growth initiatives that drive more customers to both the Company's online eCommerce sites and its 300 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, 2025 | September 30, 2024 | September 30, 2025 | September 30, 2024 |
| (C\$ in millions) | | | | |
| Net income | 50.3 | 36.9 | 106.0 | 85.8 |
| Income tax expense | 16.2 | 12.1 | 34.6 | 27.7 |
| Net finance costs | 3.8 | 3.8 | 9.6 | 11.5 |
| Depreciation and amortization | 27.9 | 26.1 | 82.5 | 80.1 |
| Gain on settlement | (0.7) | - | (3.5) | - |
| Mark-to-market loss (gain) on financial derivative instruments | (8.0) | 0.6 | 2.5 | (3.1) |
| Adjusted EBITDA | 89.5 | 79.5 | 231.7 | 202.0 |

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 300 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, the ability of the Company to counteract the potential impact of pandemics on factors relevant to the Company's business, 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, tariffs and other external economic changes, 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.

For further information, please contact:

Victor Diab
Chief Financial Officer
Leon's Furniture Limited
Tel: (416) 243-4073
lflgroup.ca

Jonathan Ross
LodeRock Advisors, Leon's Investor Relations
jon.ross@loderockadvisors.com
Tel: (416) 283-0178



To view the source version of this press release, please visit
<https://www.newsfilecorp.com/release/273507>