

LFL, Canada's Largest Home Retailer, Releases Results for the Quarter Ended March 31, 2025; Record Q1 Revenue and Strong EPS Growth

Toronto, Ontario--(Newsfile Corp. - May 8, 2025) - Leon's Furniture Limited (**TSX: LNF**) ("**LFL**" or the "**Company**"), today announced financial results for the quarter ended March 31, 2025.

Financial Highlights - Q1-2025

These comparisons are with Q1-2024 unless stated otherwise.

- System-wide sales for the quarter were \$696.1 million, an increase of 2.7%.
- Record Q1 Revenue was recorded at \$579.5 million, an increase of 3.1%, driven by strong performance in the furniture category and commercial appliance business.
- Same store sales increase ⁽¹⁾ of 3.0% following a 9.0% increase in the first quarter of the prior year.
- Gross profit margin was 44.59%, a 72-basis point improvement driven by a favourable retail category sales mix, improved furniture margin rate as well as supply chain related cost savings.
- Adjusted net income⁽¹⁾ for the quarter totaled \$24.1 million, an increase of 47.0%.
- Adjusted Diluted EPS for the quarter was \$0.35, an increase of 45.8%.
- On March 31, 2025, unrestricted liquidity was \$469.7 million, comprised of cash, cash equivalents, debt and equity instruments and the undrawn revolving credit facility.

First Quarter - 6 Year Financial Performance of LFL



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

https://images.newsfilecorp.com/files/4576/251235_1q6yearfinancialperformanceoffl.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, "In Q1, our team's efforts to ensure optimal inventory availability enabled us to drive growth including a catch up on delivering sales booked during the fourth quarter of last year, leading to strong top-line results against an already robust comparable quarter. We continued to grow key categories during Q1, with particular strength in higher-margin furniture sales. The diversity of our business model was further demonstrated by another strong period of commercial, warranty and insurance sales growth. Our relentless commitment to cost control and operational efficiencies, combined with lower interest rates and sales growth, delivered exceptional

profitability despite a challenging operating environment."

Mr. Walsh continued, "While macroeconomic challenges persist related to tariff uncertainty across the retail sector, we are well-positioned, with an excellent in-stock inventory position, to continue delivering value to Canadian consumers. Our unmatched scale and rock-solid balance sheet, with \$469.7 million in unrestricted liquidity, positions us to navigate market headwinds while delivering reliable returns to shareholders through our unwavering commitment to customer satisfaction."

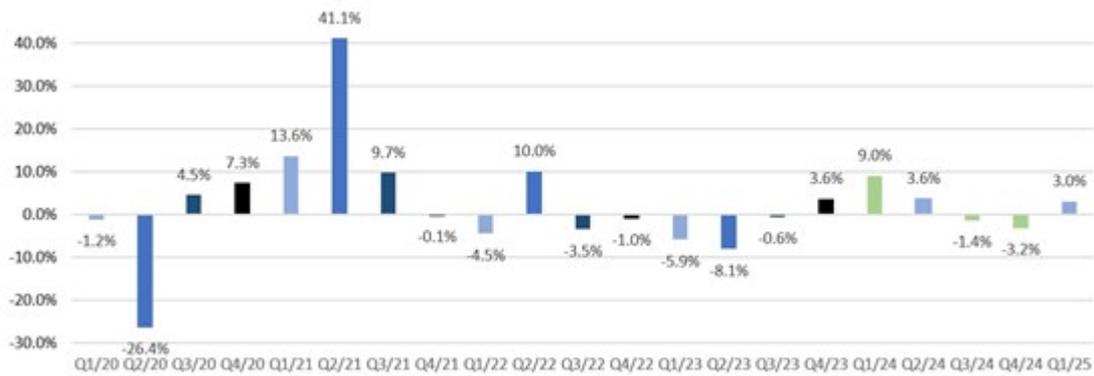
Summary financial highlights for the three months ended March 31, 2025 and March 31, 2024

For the	Three months ended		\$ Increase (Decrease)	% Increase (Decrease)
	March 31, 2025	March 31, 2024		
(C\$ in millions except %, share and per share amounts)				
Total system-wide sales ⁽¹⁾	696.1	677.7	18.4	2.7%
Franchise sales ⁽¹⁾	116.6	115.4	1.2	1.0%
Revenue	579.5	562.3	17.2	3.1%
Cost of sales	321.1	315.5	5.6	1.8%
Gross profit	258.4	246.7	11.7	4.7%
Gross profit margin as a percentage of revenue	44.59%	43.87%		
Selling, general and administrative expenses ⁽²⁾	225.4	221.1	4.3	1.9%
SG&A as a percentage of revenue	38.90%	39.32%		
Other income	(1.4)	-	(1.4)	100.0%
Income before net finance costs and income tax expense	34.4	25.6	8.8	34.4%
Net finance costs	(2.6)	(4.6)	2.0	(43.5%)
Income before income taxes	31.8	21.0	10.8	51.4%
Income tax expense	7.7	4.6	3.1	67.4%
Adjusted net income ⁽¹⁾	24.1	16.4	7.7	47.0%
Adjusted net income as a percentage of revenue ⁽¹⁾	4.16%	2.92%		
After-tax mark-to-market loss (gain) on financial derivative instruments ⁽¹⁾	0.3	(2.4)	2.7	(112.5%)
Net income	23.8	18.8	5.0	26.6%
Basic weighted average number of common shares	68,206,225	68,051,318		
Basic earnings per share	\$ 0.35	\$ 0.28	\$ 0.07	25.0%
Adjusted basic earnings per share ⁽¹⁾	\$ 0.35	\$ 0.24	\$ 0.11	45.8%
Diluted weighted average number of common shares	68,646,568	68,646,657		
Diluted earnings per share	\$ 0.35	\$ 0.27	\$ 0.08	29.6%
Adjusted diluted earnings per share ⁽¹⁾	\$ 0.35	\$ 0.24	\$ 0.11	45.8%
Common share dividends declared	\$ 0.20	\$ 0.18	\$ 0.02	11.1%

Same Store Sales⁽¹⁾

For the	Three months ended		\$ Increase	% Increase
	March 31, 2025	March 31, 2024		
(C\$ in millions, except %)				
Same store sales ⁽¹⁾	564.7	548.1	16.6	3.0%

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/4576/251235_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 March 31, 2025, revenue was \$579.5 million compared to \$562.3 million in the first quarter of 2024 an increase of \$17.2 million or 3.1%. The improvement was primarily driven by a 5.2% increase in furniture sales as a stronger inventory position enabled a catch-up of delivery on written sales from the fourth quarter and continued sales momentum in the first quarter. Additionally, the Company saw strong growth in the commercial appliance, warranty and insurance businesses. The strong overall performance was partially offset by softness in the mattress category.

Same Store Sales (1)

Same store sales in the quarter increased by 3.0% compared to the prior year's first quarter, driven by factors discussed in the revenue section.

Gross Profit

The gross profit margin for the first quarter of 2025 was 44.59% compared to 43.87% for the first quarter of 2024. This increase was primarily driven by favourable retail sales mix with the growth in the furniture category, improved furniture margin rate driven by assortment and sourcing improvements, supply chain efficiencies and sales growth in the higher margin warranty and insurance business. 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 first quarter of 2025 was 38.90%, a decrease of 42 basis points over the first quarter of 2024. The improvement was driven by lower point-of-sale retail financing fees as interest rates have declined, enhanced productivity across our distribution network and lower advertising spend due to the timing of promotions. This was offset by increased professional fees, stewardship recycling fees and minimum wage impacts.

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

Adjusted net income for the quarter totaled \$24.1 million, which represents an increase of \$7.7 million or 47.0% over the prior year's quarter. The improvement is driven by strong sales growth, gross profit rate improvement and effective management of SG&A costs. The Company recognized another \$1.4 million of the remaining legal settlement with CURO Group Holding's Corp ("CURO"), as disclosed in Q4 2024.

The adjusted diluted earnings per share in the first quarter of 2025 was \$0.35 per share, an increase of

45.8% over the prior year's quarter.

Net Income and Diluted Earnings Per Share

Net income for the first quarter of 2025 was \$23.8 million, or \$0.35 per diluted earnings per share as compared to \$0.27 per diluted earnings per share recorded in the prior year's quarter, an increase of \$0.08 per share or 29.6% (net income of \$18.8 million in the first quarter of 2024).

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

Dividends

As previously announced, the Company paid a quarterly dividend of \$0.20 per common share on 7th day of April 2025. Today the Directors have declared a quarterly dividend of \$0.20 per common share payable on the 8th day of July 2025 to shareholders of record at the close of business on the 10th day of June 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.

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 but to also continuously invest in the business with growth initiatives that we expect will lead to increased traffic to both our online eCommerce sites and our 298 store locations across Canada.

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 at the appropriate time.

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 (C\$ in millions)	Three months ended	
	March 31, 2025	March 31, 2024
Net income	23.8	18.8
Income tax expense	7.6	5.5
Net finance costs	2.6	4.6
Depreciation and amortization	27.3	27.2
Gain on settlement	(1.4)	-
Mark-to-market loss (gain) on financial derivative instruments	0.4	(3.2)
Adjusted EBITDA	60.3	52.9

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 298 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, 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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