

LEON'S FURNITURE LIMITED

2015 RETAIL & CONSUMER SMALL CAP FORUM – JUNE 18, 2015

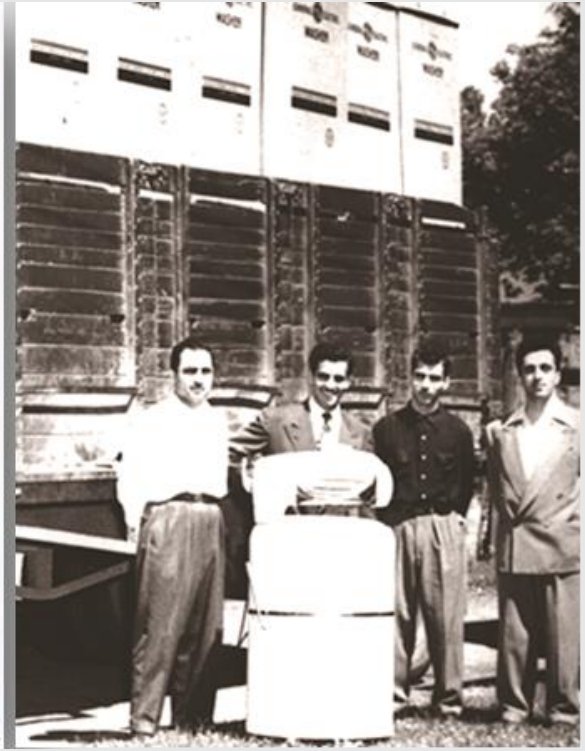
FORWARD LOOKING STATEMENTS

Certain statements in this document and in Leon's Furniture Limited ("the Company's") oral and written public communications may constitute forward-looking statements that reflect management's expectations regarding the Company's future growth, results of operations, performance and business prospects and opportunities as of the date of this presentation. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "anticipate", "believe", "plan", "forecast", "expect", "intend", "would", "could", "if", "may" and similar expressions. All such statements are made pursuant to the "safe harbour" provisions of applicable Canadian securities legislation.

These statements reflect current expectations of management regarding future events and operating performance, and speak only as of the date of this presentation. In addition, forward-looking statements are provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information for other purposes may not be appropriate. By their very nature, forward-looking statements require management to make assumptions and are subject to inherent risks and uncertainties. There is a significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that management's assumptions may not be accurate and that actual results, performance or achievements may differ significantly from such predictions, forecasts, conclusions or projections expressed or implied by such forward-looking statements. We caution readers not to place undue reliance on the forward-looking statements in this presentation as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, outlooks, expectations, goals, estimates or intentions expressed in the forward-looking statements.

OPENING REMARKS









LEON'S FURNITURE LIMITED OVERVIEW
TSX : LNF, LNF.DB

- We have become Canada's largest retailer of home furnishings, appliances and electronics.
  - Over 300 retail locations under various banners serving the public
  - Largest commercial retailer to builders, developers, hotels and property management companies
- Operating from coast to coast in Canada
- FY2014 System Wide Total Revenue $2.35B
- Achieved record earnings in FY2014 as net income rose 10.4% to $75.5M

SUPPORT AND GROWTH

Service TransGLOBAL	Fast growing “service company”
KING & STATE WARRANTY	Leading edge, warranty company for all divisions
FIRSTOCEANS	International “import company”
LEON HOLDINGS (1967) LIMITED	Real estate holding companies
MURLEE HOLDINGS LIMITED	
TGI TRANS GLOBAL INSURANCE	Insurance company offering various products to our customers

INVESTOR HIGHLIGHTS

- Over the last decade have generated an average ROE of 16% driven primarily by high net profit margins.
- Since 2003 have grown the dividend from $0.13/share to $0.40/share, an 11% CAGR.
- Long term history of rewarding shareholders with regular dividends, special dividends and share repurchases, the latter two on an opportunistic basis:
  - Total dividends paid last 10 years $262 million
  - Target dividend payout ratio: 45% of net income
  - Share repurchases last 10 years $70 million

INVESTOR HIGHLIGHTS

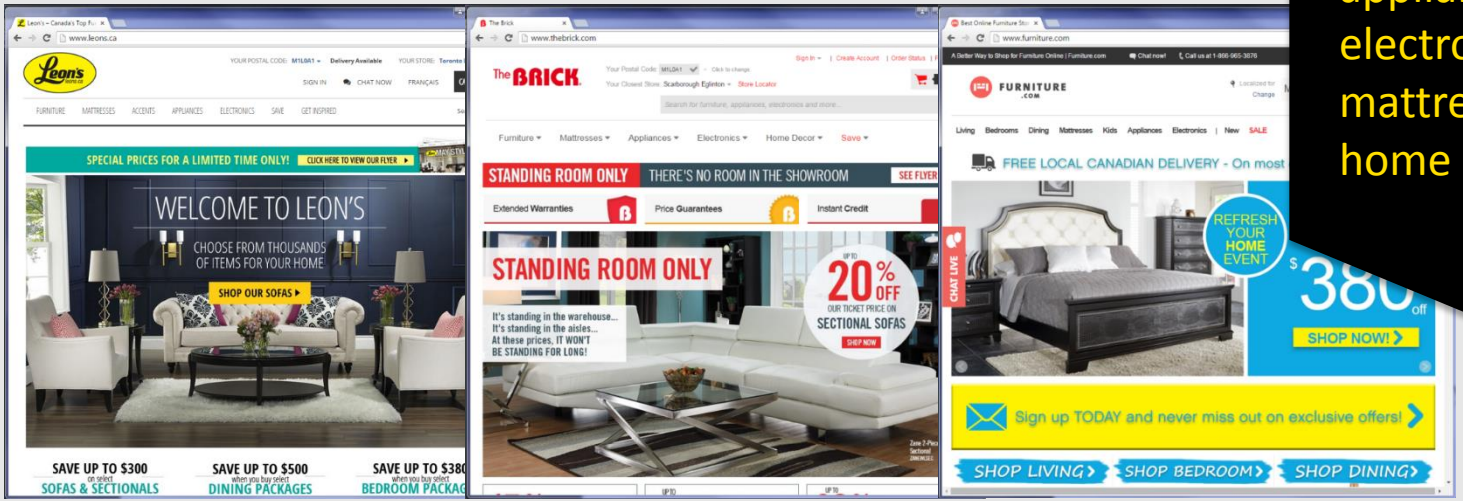
- Significant skin in the game, the executive management team and directors directly and indirectly control approximately 67% of the total o/s shares.
- In addition to its leased premises the Company owns 2.1M SF of retail showroom, 1.8M SF of warehouse and 365K SF of office and other investment property that provides valuable operational flexibility during economic downturns.
- Transformational Brick acquisition has allowed the Company to gain scale in the North American home furnishings industry.

STRATEGIC FOCUS

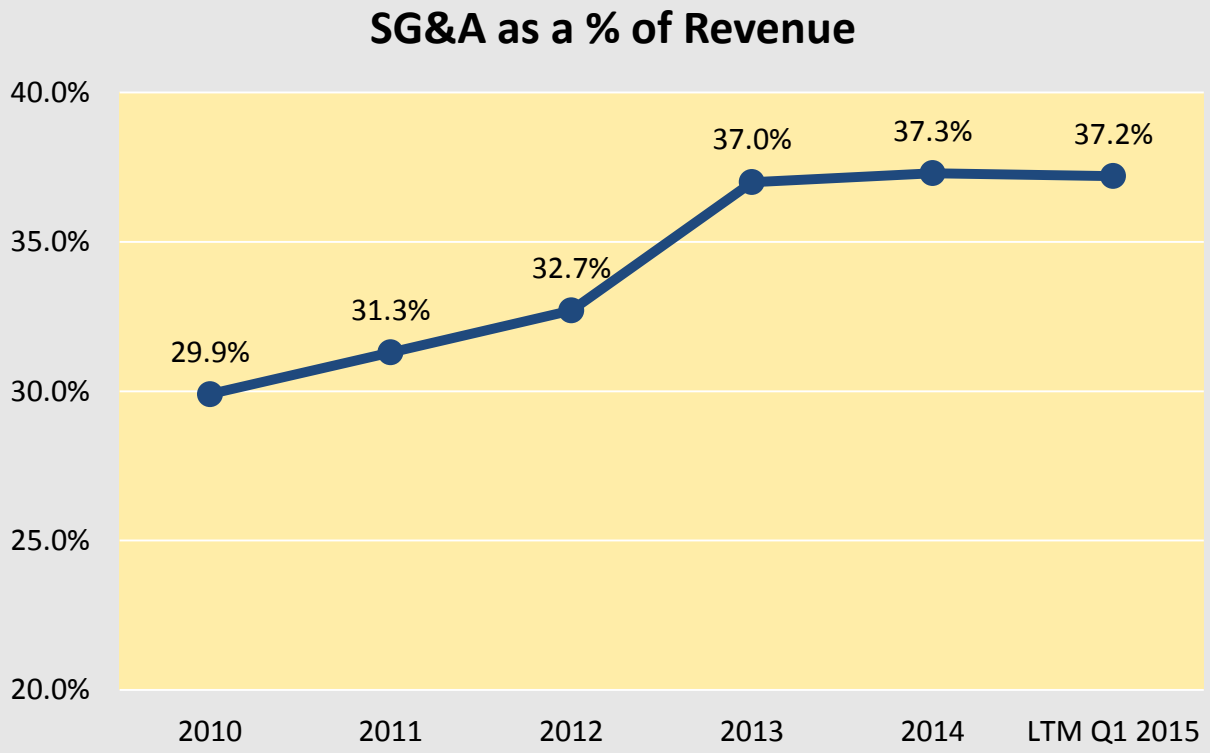
- Growing our consumer and commercial retail businesses
- Segment Leon’s/Brick to address different segments of the population
- Cost reduction
- Continue to integrate the Brick and harvest synergies
- Debt reduction

ECOMMERCE STRATEGY SUPPORTING RETAIL AND DELIVERING GROWTH

We plan to be Canada's largest online provider of furniture, major appliances, home electronics, mattresses and home furnishings



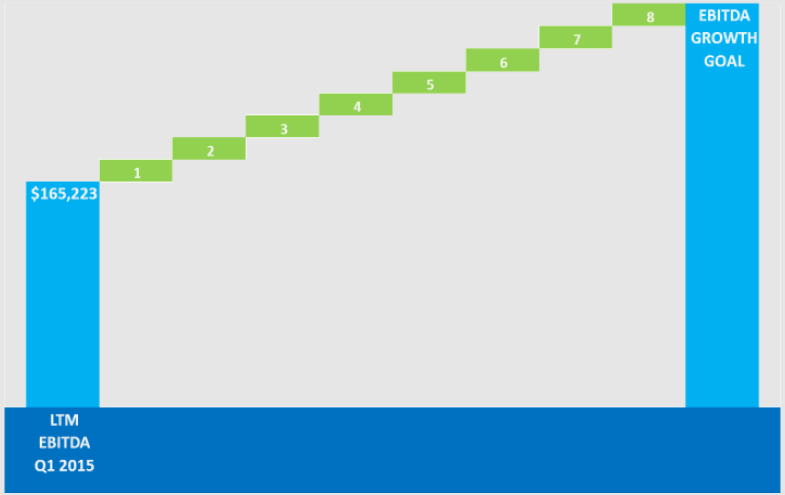
OPTIMIZING SG&A EXPENSES



1% REDUCTION of SG&A as a % of REVENUE = $20 MILLION SG&A SAVINGS

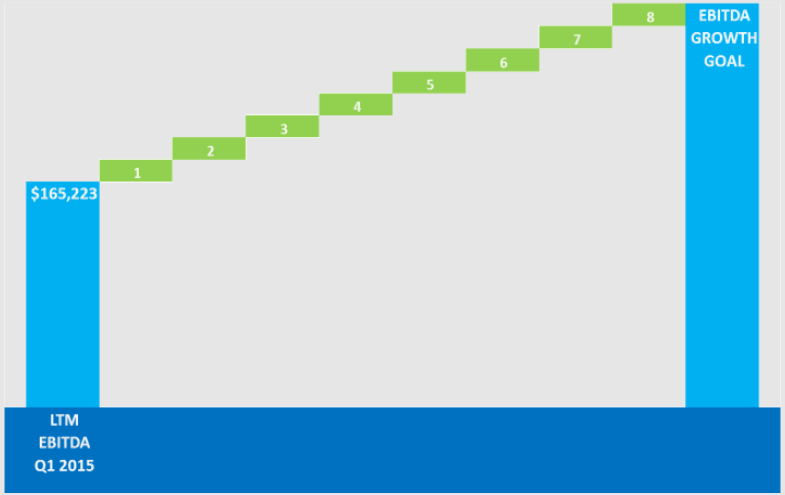
CONTINUED EFFORTS TO IMPROVE SG&A LEVERAGE

1. Single IT platform across banners
2. Rationalize store network/grow franchise divisions
3. Restructure delivery cost model and DC consolidation
4. Leverage BC distribution capabilities for the Leon's banner



CONTINUED EFFORTS TO IMPROVE SG&A LEVERAGE

5. Flex buying power/optimized marketing programs
6. Increase exposure to financial services via acquired insurance companies
7. Reduction of aggressive sales promotion/discounts
8. Cost containment practices across the Company



TERM DEBT REDUCTION SUMMARY

	AT ACQUISITION		NOW
BRICK DEBENTURES	$35	→	$0
LFL TERM LOAN	$400	→	$310
	$435	→	$310

$125 MILLION REDUCTION

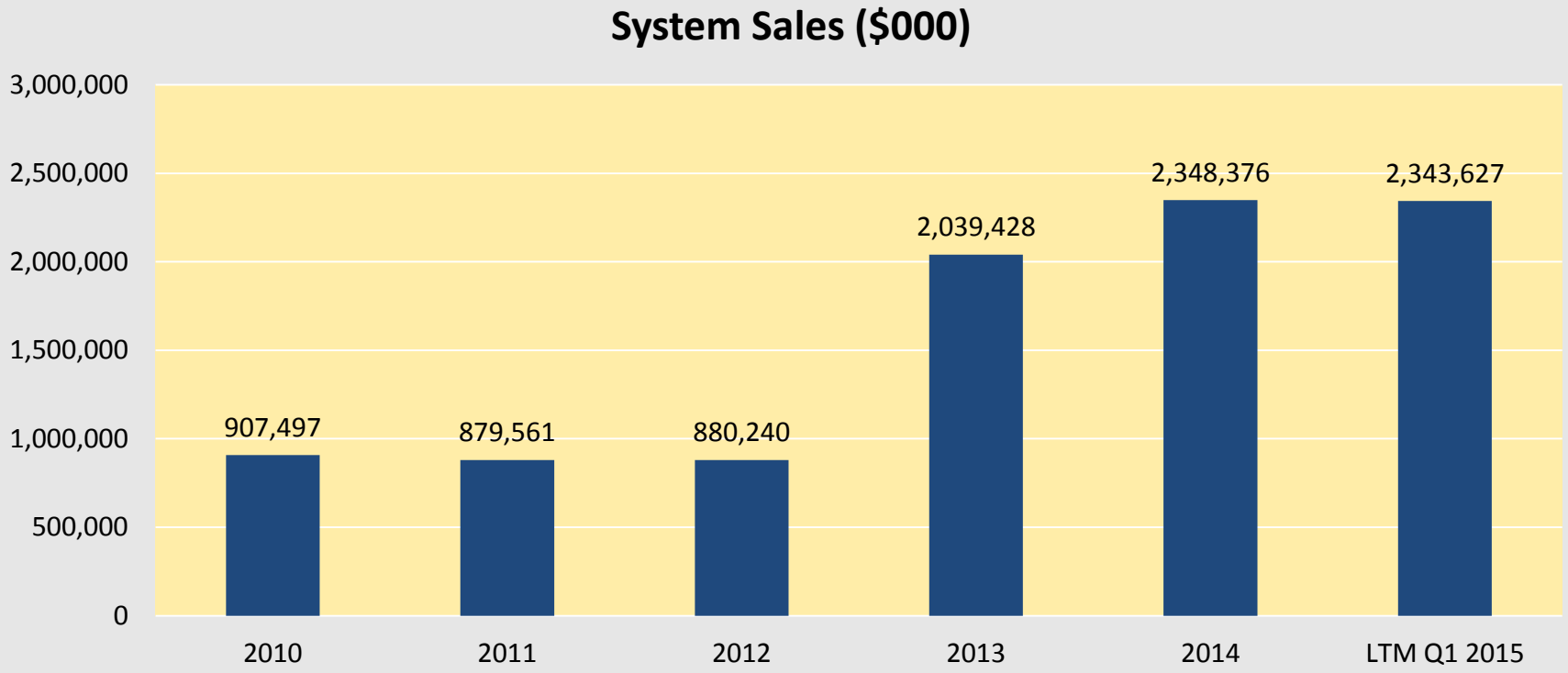
DELEVERAGING THE BALANCE SHEET

Q1 2013 (ACQUISITION DATE)	Q1 2015
Debt to EBITDA	Debt to EBITDA
3.19 : 1.0	2.13 : 1.0
Adjusted debt to EBITDAR	Adjusted debt to EBITDAR
4.49 : 1.0	4.07 : 1.0

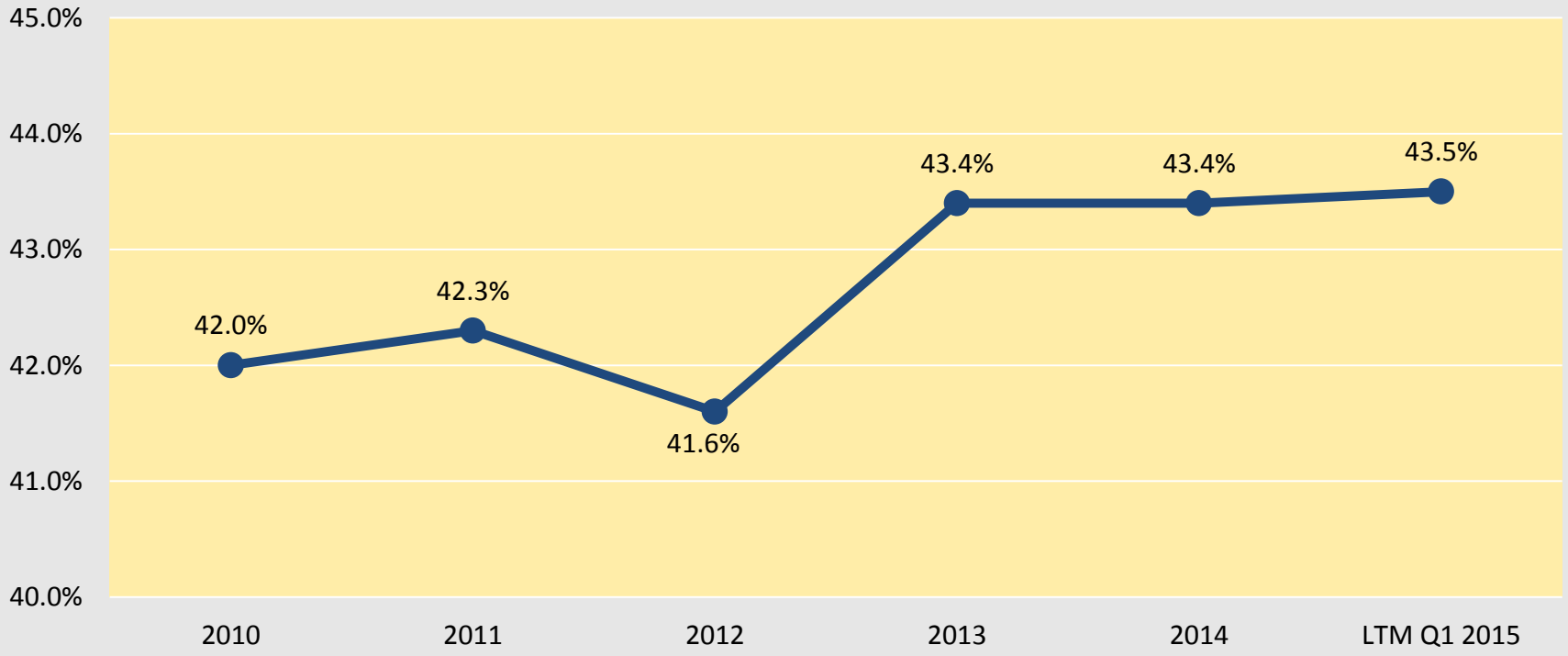
FINANCIAL HIGHLIGHTS

($ in thousands, except per share amounts)	FY2014	FY2013	% Change
SYSTEM SALES	$2,348,376	$2,039,428	15.1%
EBITDA	162,613	143,759	13.1%
INCOME BEFORE TAX	103,134	93,270	10.6%
NET INCOME	75,524	68,392	10.4%
DIVIDENDS PAID	28,328	28,239	-
EPS	$1.07	$0.97	10.3%
FULLY DILUTED EPS	$0.96	$0.89	7.9%
BOOK VALUE PER SHARE	$7.74	$7.05	9.8%

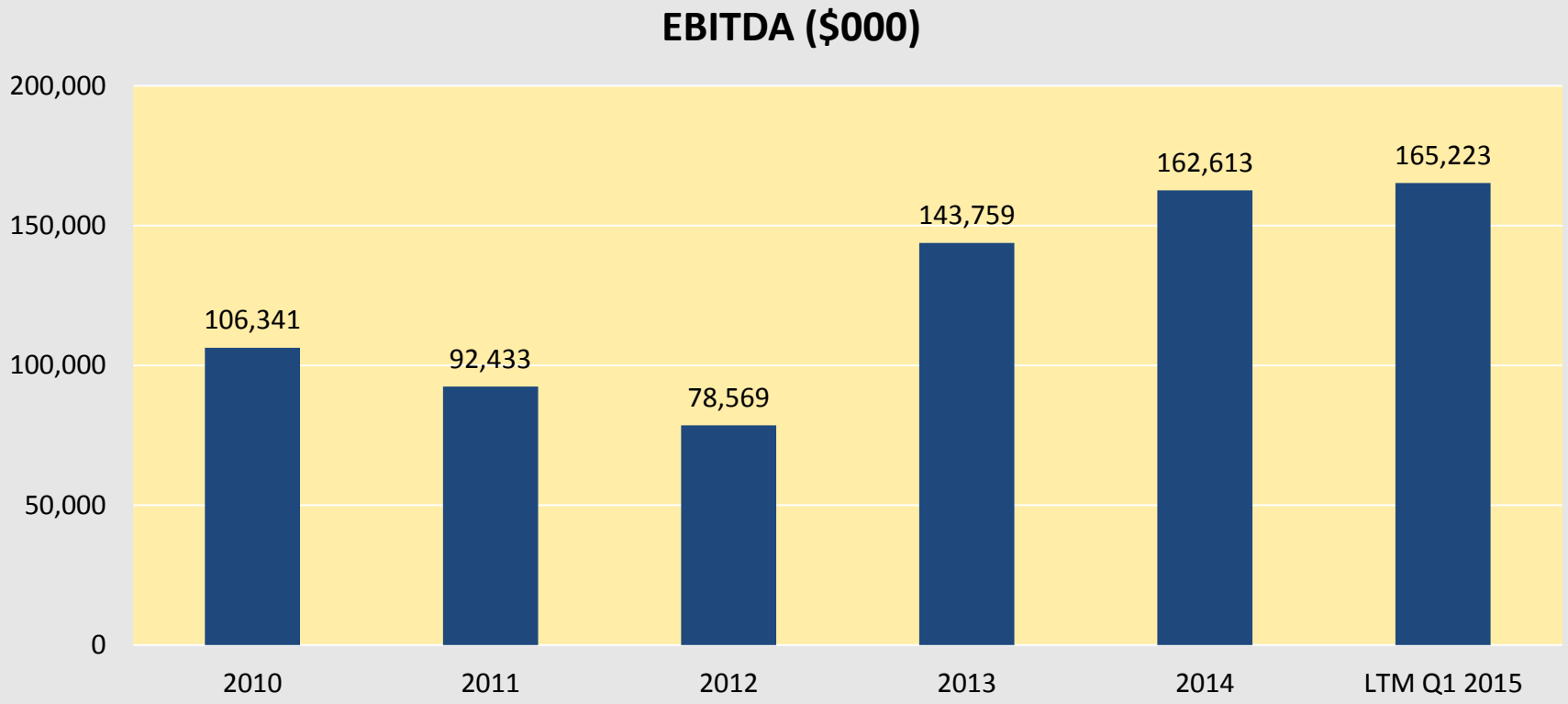
FINANCIAL SUMMARY



GROSS MARGIN HAS GROWN



FINANCIAL SUMMARY

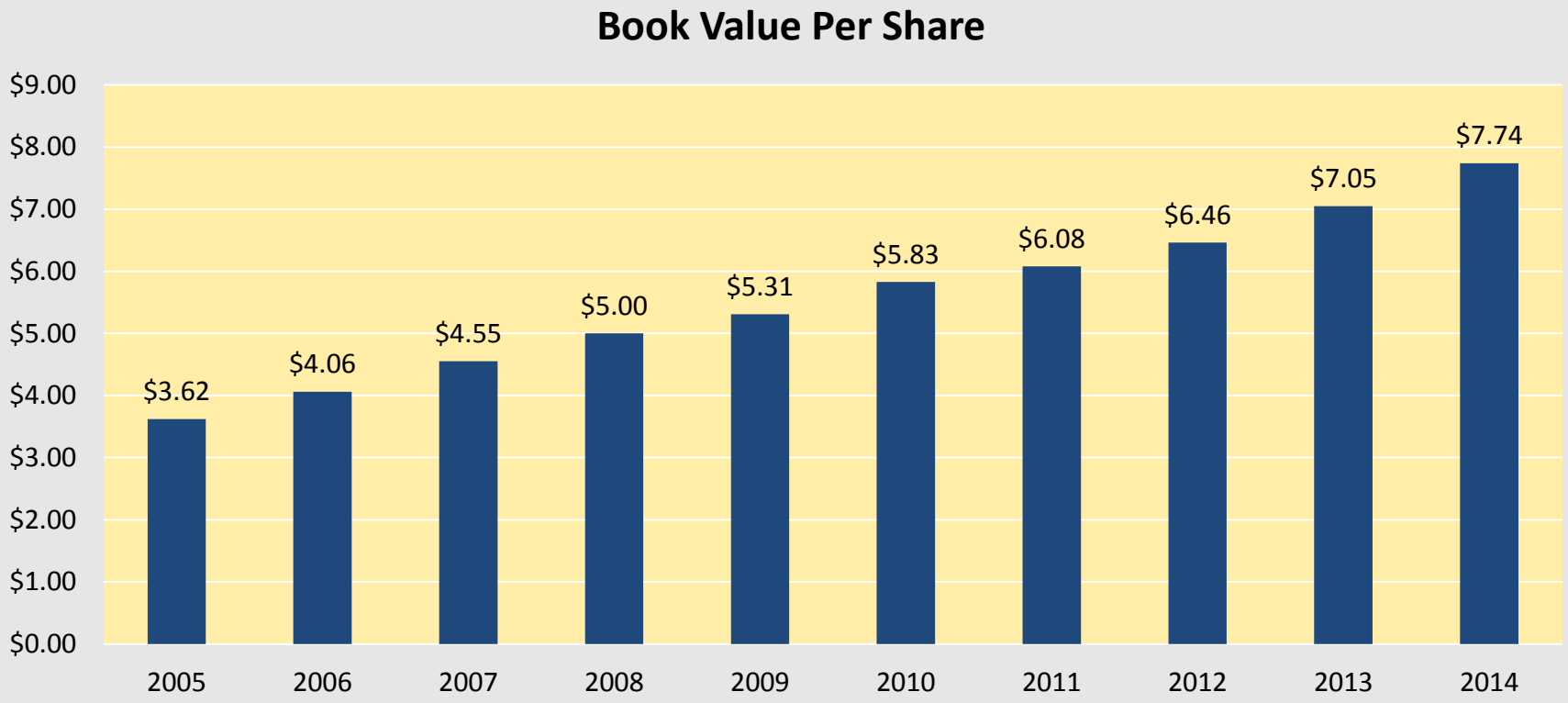


CURRENT LFL DEBT PROFILE

	$	Borrowing Rate
1. Term Credit Facility	310,000	BA + Stamping Fee
2. Revolving Credit Facility	25,000	BA + Stamping Fee
3. Convertible debenture	100,000	3.00%
4. Finance lease	15,000	Implicit to lease
Total	**450,000**	
Less: Available-for-sale financial assets	(40,000)	
Net debt	**410,000**	**3.75%**

These borrowing rates reflect our prudent financial management that has allowed us to accumulate a significant real estate asset base

FINANCIAL SUMMARY



THANK YOU

