



LFL, Canada's Largest Home Furnishings Retailer, Releases Record Financial Results for Q3 2020, a 14.3% Increase to its Quarterly Dividend and a \$0.30 Special Dividend

TORONTO, ONTARIO November 10, 2020 – Leon's Furniture Limited ("LFL" or the "Company") (TSX: LNF), today announced record financial results for the third quarter of 2020.

Financial Highlights – Q3-2020

- Total system wide sales⁽¹⁾ increased 7% to \$762.8 million in Q3-2020 compared to \$712.6 million in Q3-2019.
- Achieved record revenue in the quarter of \$630.8 million compared to \$601.4 million in Q3-2019, an increase of 4.9%. With increases across all product categories.
- Same-store sales⁽¹⁾ increased 4.5% in Q3-2020 compared to Q3-2019.
- Continued triple digit sales growth of 235% in the quarter from our eCommerce properties.
- Gross profit margin improved across all product categories to 44.20% in Q3-2020 from 43.13% in Q3-2019.
- Net income increased by 47.9% to \$49.1 million in Q3-2020 compared to Q3-2019.
- Diluted earnings per share grew by 50% to \$0.60 in Q3-2020 from \$0.40 in Q3-2019.
- Opened 3 new corporate stores in the quarter, 2 Leon's banner stores and 1 Brick store location.
- Available and unrestricted liquidity is approximately \$638 million which is made up of the Company's \$464 million in cash and investments and \$174 million in undrawn credit facilities as at September 30, 2020.

Edward Leon, Chief Executive Officer of LFL Group commented, "In an environment that remains challenging for many retailers in Canada, Q3 was a record quarter across the board for LFL. The efforts of our dedicated team generated a same store sales increase of 4.5%, derived from creating an enhanced customer experience and increased value. Our consistent focus on operating efficiency and returns on advertising spend enabled us to leverage single-digit revenue growth into diluted earnings per share growth of 50% compared to Q3 of last year. We continue to selectively expand our footprint, with two Leon's stores in Calgary, Alberta and Kelowna, British Columbia celebrating their grand openings during the quarter, as well as a new full-line Brick store in Fredericton, New Brunswick which will be supported beginning in Q1-2021 by our second state of the art distribution centre, located in Dartmouth, Nova Scotia. The financial results generated this quarter highlight the power of our long-term model of financial conservatism and value creation accompanied with a relentless pursuit of exceeding our customers' needs; ensuring that they can shop where, when and how they want."

Mr. Leon added, "The strategic steps we took in 2018 to strengthen our eCommerce platform to enhance the customer experience and ensure scalability, continue to pay off. We have observed a meaningful improvement in engagement and sales initiation through our online channels over the past several quarters, with Q3 eCommerce-initiated sales up 235% quarter-over-quarter across leons.ca, thebrick.com and furniture.ca. Despite the uncertainty we face in today's world, LFL is uniquely positioned as one of the strongest omnichannel retailers in Canada today. Our retail banners are supported by a strong foundation, which includes a strategic coast-to-coast distribution footprint, one of Canada's largest last-mile delivery operations, a leading portfolio of value-added service businesses, a rock solid balance sheet with \$638 million in unrestricted liquidity and outright ownership of many of our large, strategically-located, national real estate properties."

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

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

For the	Three months ended			
	September 30, 2020	September 30, 2019	\$ Increase	% Increase
<i>(C\$ in millions except %, share and per share amounts)</i>				
Total system wide sales ⁽¹⁾	762.8	712.6	50.2	7.0%
Franchise sales ⁽¹⁾	132.0	111.2	20.8	18.7%
Revenue	630.8	601.4	29.4	4.9%
Same store sales ⁽¹⁾	616.6	590.0	26.6	4.5%
Gross profit margin as a percentage of revenue	44.20%	43.13%		
SG&A ⁽²⁾⁽³⁾	210.6	209.3	1.3	0.6%
SG&A ⁽²⁾⁽³⁾ as a percentage of revenue	33.39%	34.80%		
Adjusted EBITDA	96.0	80.5	15.5	19.3%
Adjusted net income ⁽¹⁾	49.3	33.0	16.3	49.4%
Adjusted diluted earnings per share ⁽¹⁾	\$0.61	\$0.40	\$0.21	52.5%
Net income	49.1	33.2	15.9	47.9%
Common share dividends declared	\$0.14	\$0.14	-	-

(1) Refer to the "Non-IFRS Financial Measures" section of this press release for additional information on these measures.

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

(3) SG&A as a percentage of revenue for the three months ended September 30, 2020, includes the impact of the Canada Emergency Wage Subsidy ("CEWS") of \$2 million. Therefore, excluding the impact of the CEWS, the total SG&A as a percentage of revenue in the quarter amounted to 33.70%

Revenue

For the three months ended September 30, 2020, revenue was \$630.8 million compared to \$601.4 million in the third quarter 2019. Revenue increased \$29.4 million or 4.9% as compared to the prior year quarter due to increases in all product categories which was driven by increased consumer demand during the quarter. The Company's continued focus on eCommerce, including its live chat initiative, generated a year over year 235% increase in eCommerce initiated sales during the quarter.

The ongoing strength in eCommerce sales in the quarter also continue to validate that the Company's digital platform is quite scalable and capable of significantly contributing higher operating profit margin percentages due to its current operating cost structure. The digital platform is key to allowing 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.

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

SG&A as a percentage of revenue in the current quarter was down by 141 basis points due to effectively managing overall SG&A expenses throughout the quarter while at the same time adjusting advertising spend to drive traffic to both the retail stores and to the Company's websites.

Net Income and Diluted Earnings Per Share

Net income for the third quarter of 2020 was \$49.1 million, or \$0.60 per diluted earnings per share as compared to the net income of \$33.2 million in the prior year's quarter, or \$0.40 per diluted earnings per share.

Summary financial highlights for the nine months ended September 30, 2020 and September 30, 2019

For the	Nine months ended			
	September 30, 2020	September 30, 2019	\$ Increase (Decrease)	% Increase (Decrease)
<i>(C\$ in millions except %, share and per share amounts)</i>				
Total system wide sales ⁽¹⁾	1,870.6	1,977.4	(106.8)	(5.4%)
Franchise sales ⁽¹⁾	325.6	315.4	10.2	3.2%
Revenue	1,545.0	1,662.0	(117.0)	(7.0%)
Same store sales ⁽¹⁾	1,504.6	1,630.3	(125.7)	(7.7%)
Gross profit margin as a percentage of revenue	43.71%	43.30%		
SG&A ⁽²⁾⁽³⁾	520.2	610.1	(89.9)	(14.7%)
SG&A ⁽²⁾⁽³⁾ as a percentage of revenue	33.67%	36.71%		
Adjusted EBITDA	238.2	202.6	35.6	17.6%
Adjusted net income ⁽¹⁾	110.4	67.5	42.9	63.6%
Adjusted diluted earnings per share ⁽¹⁾	\$1.34	\$0.82	\$0.52	63.4%
Net income	110.0	67.6	42.4	62.7%
Common share dividends declared	\$0.42	\$0.42	-	-

(1) Refer to the "Non-IFRS Financial Measures" section of this press release for additional information on these measures.

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

(3) SG&A as a percentage of revenue for the nine months ended September 30, 2020, includes the impact of the CEWS of \$31.8 million or 2.1% as a percentage of revenue in the nine-month period. Therefore, excluding the impact of the CEWS, the total SG&A as a percentage of revenue in the nine-month period amounted to 35.73%.

Revenue

For the nine months ended September 30, 2020, revenue was \$1,545 million compared to \$1,662 million in the prior year 2019, a decrease of \$117 million or 7% as compared to the prior year nine months ended. This reduction in revenue 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. As all of the Company's physical stores reopened across Canada in early June 2020, total written merchandise sales increased significantly as compared to the same prior year period.

Selling, General and Administrative Expenses

As a result of COVID-19, and the ensuing rapid deterioration of customer traffic that began quickly near the end of March 2020 and continued during most of the second quarter, the Company undertook the necessary steps to right-size its operations and preserve its liquidity.

In the second quarter, the Government of Canada announced the Canadian Emergency Wage Subsidy (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 by the end of the third quarter.

Excluding the CEWS, the Company's SG&A as a percentage of revenue for the nine months ended September 30, 2020 was 35.73%, a decrease of 98 basis points over the prior year nine months ended of 36.71%. Including the CEWS, the Company's SG&A as a percentage of revenue was 33.67%, an improvement of 304 basis points over the prior year nine months.

Net Income and Diluted Earnings Per Share

Including the mark-to-market impact of the Company's financial derivatives, net income for the third quarter of 2020 was \$110 million, \$1.33 per diluted earnings per share (net income \$67.6 million, \$0.82 per diluted earnings per share in 2019).

Dividends

As previously announced, the Company paid a quarterly dividend of \$0.14 on Thursday, October 8, 2020. Today the Directors have declared an increase to the Company's quarterly dividend of \$0.02 to \$0.16 per common share payable on the 7th day of January 2021 to shareholders of record at the close of business on the 7th day of December 2020. In addition, the annual dividend on the convertible non-voting preferred shares of \$0.29 will be payable on the 7th day of January 2021 to the shareholders of record at the close of business on the 7th day of December 2020. In addition, due to our cash position, the Directors are pleased to declare a special dividend of \$0.30 per common share payable on 7th day of January 2021 to shareholders of record at the close of business on the 7th day of December 2020. 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

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 have directly led to uncertainty regarding customer demand. 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:

- The 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.
- Rapid scalability of our eCommerce business. The Company's eCommerce initiated sales have continued to grow significantly in the third quarter. 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 4.4 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.
- A strong balance sheet as evidenced by the Company's commitment to deleveraging over \$440 million in various forms of debt. The Company has unrestricted liquidity of approximately \$638 million as at September 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 sites and our 305 store locations across Canada.

Store Network

The Company has 305 retail stores in Canada at September 30, 2020. The following table illustrates the Company's store count continuity from December 31, 2019 to September 30, 2020 by retail banner:

Banner	Number of stores as at At December 31, 2019	Opened	Closed	Number of stores as at September 30, 2020
Corporate Stores				
Leon's	52	2	-	54
Appliance Canada	5	-	-	5
The Brick ⁽¹⁾	115	4	(2)	117
The Brick Mattress Store	24	-	(2)	22
Brick Outlet	9	-	(2)	7
Corporate Subtotal	205	6	(6)	205
Franchise Stores				
Leon's	34	1	-	35
The Brick	65	1	(1)	65
Franchise Subtotal	99	2	(1)	100
Total Corporate & Franchise Stores	304	8	(7)	305

(1) Includes the Midnorthern Appliance banner.

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. 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. 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 LFL'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.

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.

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 305 retail stores from coast to coast in Canada under various banners. The Company operates three websites: leons.ca, thebrick.com and furniture.ca.

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 the COVID-19 coronavirus 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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