



LFL, Canada's Largest Home Furnishings Retailer, Releases Record Financial Results for Fourth Quarter ended December 31, 2020

TORONTO, ONTARIO February 23, 2021 – Leon's Furniture Limited ("LFL" or the "Company") (TSX: LNF), today announced record financial results for the fourth quarter of 2020.

Financial Highlights – Q4-2020

- Total system wide sales⁽¹⁾ increased 10.6% to a record \$830.9 million in Q4-2020 compared to \$751.3 million in Q4-2019.
- Achieved record revenue in the quarter of \$675.1 million compared to \$621.4 million in Q4-2019, an increase of 8.6%. With increases across all product categories.
- Same-store sales⁽¹⁾ increased 7.3% in Q4-2020 compared to Q4-2019.
- E-commerce sales growth of 227% in the quarter, continuing the trend of triple digit growth in our eCommerce business.
- Gross profit margin improved across all product categories to 45.73% in Q4-2020 from 44.88% in Q4-2019.
- Adjusted EBITDA⁽¹⁾ increased by 20.2% to \$106 million in Q4-2020 compared to Q4-2019.
- Adjusted diluted earnings per share⁽¹⁾ grew by 47.9% to \$0.71 in Q4-2020 from \$0.48 in Q4-2019.

Financial Highlights – Fiscal Year 2020

- Achieved free cash flow⁽¹⁾ of \$467.9 million in 2020 an increase of \$266.2 million over 2019.
- Adjusted EBITDA⁽¹⁾ increased 18.4% to \$344.3 million in 2020 compared to 2019.
- Net income increased by 52.8% to \$163.3 million in 2020 compared to 2019.
- Adjusted diluted earnings per share⁽¹⁾ grew by 56.9% to \$2.04 in 2020 from \$1.30 in 2019.
- Opened a total of 9 new stores in the year, 7 new corporate stores and 2 franchise stores comprised of 3 Leon's banner stores and 6 Brick store locations.
- The Company reached a record \$1 Billion in shareholders' equity, after returning \$118.1 million to its shareholders' with a combination of dividends declared and common share repurchases in 2020.
- Available and unrestricted liquidity is approximately \$661.5 million which is made up of the Company's \$487.5 million in cash and investments and \$174 million in undrawn credit facilities as at December 31, 2020.

Edward Leon, Chief Executive Officer of LFL Group commented, "LFL generated solid financial results during fiscal 2020, while at the same time adapting to the challenges presented by the ongoing COVID-19 pandemic. I am particularly proud of our team's performance in Q4, with targeted advertising spending driving high single digit growth in revenue and same store sales, and eCommerce driven sales growth of more than 200%. Even more importantly, the top line growth during Q4 translated into adjusted diluted earnings per share growth of 47.9%. As we enter 2021, we continue to see momentum across the business, with annualized eCommerce driven sales exiting 2020 up more than five-fold compared to our 2019 exit rate. The investments we made during 2018 to build-out a scalable eCommerce platform continue to pay off, and we are squarely positioned as one of the strongest omnichannel retailers in Canada today. Backed by a coast-to-coast distribution network and one of the country's largest last mile delivery services, LFL gives customers the chance to shop where they want, when they want and how they want and that will continue to deliver great results for our shareholders."

Mr. Leon added, "I would like to personally express my thanks to all of our associates across the country for their dedication and work through a very challenging year. We are steadfast in our commitment to the wellbeing of our people and made the decision again in Q4 to provide both active and temporarily laid-off staff with a special payment in addition to Company-paid benefits. In total for 2020, we have provided just over \$10 million in special payments and additional benefits over and above our customary compensation practices and we very much look forward to welcoming many of our associates back."

⁽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 December 31, 2020 and December 31, 2019

For the	Three months ended			
(C\$ in millions except %, share and per share amounts)	December 31, 2020	December 31, 2019	\$ Increase	% Increase
Total system wide sales ⁽¹⁾	830.9	751.3	79.6	10.6%
Franchise sales ⁽¹⁾	155.8	129.8	26.0	20.0%
Revenue	675.1	621.4	53.7	8.6%
Same store sales ⁽¹⁾	653.1	608.8	44.3	7.3%
Gross profit margin as a percentage of revenue	45.73%	44.88%		
SG&A ⁽²⁾	230.8	220.4	10.4	4.7%
SG&A ⁽²⁾ as a percentage of revenue	34.19%	35.47%		
Adjusted EBITDA	106.0	88.2	17.8	20.2%
Adjusted net income ⁽¹⁾	56.3	39.3	17.0	43.3%
Adjusted diluted earnings per share ⁽¹⁾	\$0.71	\$0.48	\$0.23	47.9%
Net income	53.3	39.3	14.0	35.6%
Common share dividends declared	\$0.46	\$0.14	\$0.32	228.6%

(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").

Revenue

For the three months ended December 31, 2020, revenue was \$675.1 million compared to \$621.4 million in the fourth quarter 2019. Revenue increased \$53.7 million or 8.6% as compared to the prior year quarter due to increases in all product categories which was driven by increased consumer demand that began in the second quarter 2020 and continued during most of the remainder of 2020. The Company's continued focus on eCommerce, including its live chat initiatives, generated a year over year 227% increase in eCommerce driven 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.

However, due to the provincially mandated retail showroom closures that began on November 12, 2020, in Manitoba for non-essential items and which then continued to impact the municipalities of Toronto and Peel in the province of Ontario beginning on November 23, 2020, the Company was forced to temporarily restrict or temporarily close its retail showrooms in these affected areas. Notwithstanding these showroom restrictions, the provincial governments continued to allow the Company to offer curbside pickup at our retail showrooms and warehouses and to continue to offer home deliveries to our customers. All the Company's retail showrooms in Ontario and Quebec were temporarily closed to our customers beginning on December 26, 2020, due to province-wide temporary closures of all non-essential retail showrooms. These further closures did not impact curbside pickup at our retail stores and warehouse locations and it did not impact our ability to perform customer deliveries. In addition, it did not restrict our ability to provide sales and service to our customers by phone, to perform repair or installation services at their required locations or to continue to maximize the Company's use of our live chat initiatives online. This continued focus on eCommerce driven sales, has generated a five-fold increase to the annualized run rate in eCommerce sales subsequent to the quarter end December 31, 2020. These activities and results are due to the ongoing dedication and loyalty exhibited by all of our associates across all divisions and subsidiaries of the Company. Subsequent to the fourth quarter ended 2020, the vast majority of these provincial shutdown measures have been lifted and most of the affected retail stores have been reopened as of February 22, 2021, albeit with certain indoor capacity restrictions.

The Company is very pleased that we now can recall and return almost all associates, back to their positions. To financially assist our associates during these unprecedented times, the Company approved special payments related to the fourth quarter totaling several million dollars and distributed these funds to both active and laid-off associates. Since the start of this pandemic, the Company chose to provide special payments, assistance and benefits to both our actively employed and temporarily laid-off associates. The aggregate total of these Company funded amounts for the 2020 fiscal year is approximately \$10 million over and above the Company's customary compensation practices. These extra amounts demonstrate how important our associates financial and physical wellbeing continues to be to the Company.

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

SG&A as a percentage of revenue in the current quarter was down by 128 basis points due to effectively managing overall SG&A expenses throughout the quarter.

Net Income and Diluted Earnings Per Share

Net income for the fourth quarter of 2020 was \$53.3 million, or \$0.67 per diluted earnings per share as compared to net income of \$39.3 million in the prior year's quarter, or \$0.48 per diluted earnings per share.

Dividends

As previously announced, the Company paid a quarterly dividend of \$0.16 and a special dividend of \$0.30 per common share on 7th day of January 2021. Today the Directors have declared a quarterly dividend of \$0.16 per common share payable on the 8th day of April 2021 to shareholders of record at the close of business on the 8th day of March 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, temporary store closures, 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, including:

- The essential nature of some of the Company's products and services. Household appliances that are necessary to cook and clean have been acknowledged as 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 driven sales have continued to grow significantly in the fourth 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 could 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 repayment of over \$440 million in various forms of debt over the last 7 years. The Company has unrestricted liquidity of approximately \$661.5 million as at December 31, 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 304 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

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.

Free Cash Flow

Free cash flow refers to cash provided by operating activities less total capital expenditure. Free cash flow 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 financial performance. We believe that disclosing this measure is meaningful to investors because it serves as an indicator of the financial strength of the Company.

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 304 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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