



LEON'S FURNITURE LIMITED

LFL, Canada's Largest Home Furnishings Retailer, Releases Record Financial Results for the First Quarter ended March 31, 2021

"Ecommerce will remain a central piece of our omnichannel approach which will offer customers the best of both worlds."

TORONTO, ONTARIO May 13, 2021 – Leon's Furniture Limited ("LFL" or the "Company") (TSX: LNF), today announced record financial results for the first quarter of 2021.

Financial Highlights – Q1-2021

- System wide sales⁽¹⁾ increased 16.6% to a record \$697.1 million in Q1-2021 compared to \$598.1 million in Q1-2020.
- Record revenue in the quarter of \$571.1 million compared to \$497.6 million in Q1-2020, an increase of 14.8%.
- Same-store sales⁽¹⁾ increased 13.6% in Q1-2021 compared to Q1-2020.
- Ecommerce sales growth of 374% in the quarter, continuing the triple digit growth in our eCommerce business.
- Gross profit margin improved to 43.79% in Q1-2021 from 43.11% in Q1-2020.
- Adjusted EBITDA⁽¹⁾ increased by 76.5% to \$87.2 million in Q1-2021 compared to Q1-2020.
- Net income increased by 198.5% to \$40.9 million in Q1-2021 compared to Q1-2020.
- Adjusted diluted earnings per share⁽¹⁾ grew by 218.8% to \$0.51 in Q1-2021 from \$0.16 in Q1-2020.

Edward Leon, Chief Executive Officer of LFL Group commented, "The consistent and dedicated efforts of our national team generated strong financial results through the first quarter, in what continues to be a challenging environment for consumers and retailers across the country. During the quarter, our omnichannel sales platform, supported by one of the largest last mile delivery services in Canada, drove double-digit same-store sales growth and a 14.8% increase in revenue compared to the same period last year. Even more importantly, the flexibility and scalability built into the continuously improving eCommerce platform enabled our team to focus advertising spend toward eCommerce sales during ongoing provincial store closures, which, in combination with our top line results, led to a more than tripling of adjusted diluted earnings per share."

Mr. Leon continued, "The strategic decisions we have made over the past several years to maintain financial conservatism, focus on value creation and invest in the tools and infrastructure to ensure that customers have the ability to shop where, when and how they want to, have continued to pay off. LFL is solidly positioned as one of the strongest omnichannel retail groups in Canada. Our performance in Q1 was enabled by the same factors that will continue to drive long-term returns: the relentless customer-service focus of our national team of associates, a coast-to-coast bricks and mortar network of some of the most recognizable retail banners in Canada, a solid and rapidly growing eCommerce platform, unencumbered ownership of over 4.8 million square feet of real estate, and a rock-solid balance sheet with almost \$560 million of available unrestricted liquidity."

The Company also announced today the retirement of Mr. Edward F. Leon, the current Chief Executive Officer of the Company, effective July 1, 2021. He will continue his role as a Director of the Company. We wish to sincerely thank Edward for forty-five (45) years of service and leadership. Mr. Mike Walsh has been appointed to the role of Chief Executive Officer of the Company, in addition to his role as President. Mike has been President and Chief Operating Officer since October 2020 and was President of the Leon's Furniture Division for the prior five years. We congratulate Mike on his upcoming appointment.

⁽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 March 31, 2021 and March 31, 2020

For the	Three months ended			
	March 31, 2021	March 31, 2020	\$ Increase (Decrease)	% Increase (Decrease)
(C\$ in millions except %, share and per share amounts)				
Total system wide sales ⁽¹⁾	697.1	598.1	99.0	16.6%
Franchise sales ⁽¹⁾	126.0	100.5	25.5	25.4%
Revenue	571.1	497.6	73.5	14.8%
Same store sales ⁽¹⁾	541.3	476.4	64.9	13.6%
Gross profit margin as a percentage of revenue	43.79%	43.11%		
SG&A ⁽²⁾	191.2	192.7	(1.5)	(0.8%)
SG&A ⁽²⁾ as a percentage of revenue	33.48%	38.73%		
Adjusted EBITDA	87.2	49.4	37.8	76.5%
Adjusted net income ⁽¹⁾	41.2	13.9	27.3	196.4%
Adjusted diluted earnings per share ⁽¹⁾	\$0.51	\$0.16	\$0.35	218.8%
Net income	40.9	13.7	27.2	198.5%
Common share dividends declared	\$0.16	\$0.16	-	-

(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 March 31, 2021, revenue was \$571.1 million compared to \$497.6 million in the first quarter 2020. Revenue increased \$73.5 million or 14.8% as compared to the prior year quarter due to double-digit increases in most product categories. The Company's continued focus on eCommerce, including its live chat initiatives, generated a year over year 374% 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, both virtually in stores that have been temporarily closed and in-person for stores that remained open in the quarter.

Same Store Sales ⁽¹⁾

The company was able to achieve a 13.6% increase in same store sales in the quarter compared to the first quarter 2020. This was despite the fact that during a majority of this period there were on-going store closures due to restrictions imposed by the provincial governments of Ontario and Quebec.

Gross Profit

The gross profit margin of 43.79% in the quarter increased by 68 basis points from the first quarter 2020. This was due to increases in gross profit margin percentages across most of the Company's product categories.

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

SG&A as a percentage of revenue in the current quarter was down by 525 basis points due to effectively managing overall SG&A expenses throughout the quarter while at the same time adjusting advertising spend towards eCommerce sales during the on-going provincial closures.

The Company's SG&A expenses in the current quarter and the prior year quarter, do not include any subsidy income related to the Federal Government's Canada Emergency Wage Subsidy program, that was introduced last year at the beginning of April 2020.

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

As a result of the above and a continued reduction in net finance costs, adjusted net income in the current quarter totaled \$41.2 million, an increase of \$27.3 million over the prior year's quarter. This resulted in adjusted diluted earnings per share to increase to \$0.51 per share in the current quarter, an increase of 218.8% over the prior year's quarter.

Net Income and Diluted Earnings Per Share

Net income for the first quarter of 2021 was \$40.9 million, or \$0.51 per diluted earnings per share as compared to the net income of \$13.7 million in the prior year's quarter, or \$0.17 per diluted earnings per share.

(1) Non-IFRS financial measure. Refer to section 14 in this MD&A for additional information.

Dividends

As previously announced, the Company paid a quarterly dividend of \$0.16 per common share on April 8, 2021. Today the Directors have declared a quarterly dividend of \$0.16 per common share payable on the 8th day of July 2021 to shareholders of record at the close of business on the 8th day of June 2021. 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.

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 303 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.

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 303 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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