LFL, Canada's Largest Home Furnishings Retailer, Releases Record Financial Results for the Second Quarter ended June 30, 2021

TORONTO, ONTARIO August 11, 2021 – Leon's Furniture Limited ("**LFL**" or the "**Company**") (**TSX: LNF**), today announced **record** financial results for the second quarter of 2021.

Financial Highlights – Q2-2021

- Record revenue in the quarter of $588.5 million compared to $416.7 million in Q2-2020, an increase of 41.2%, despite approximately half of the Company's retail store locations being temporarily closed due to government mandated pandemic closures that impacted a majority of the quarter.
- Same-store sales[(1)] increased 41.1% in Q2-2021 compared to Q2-2020.
- Ecommerce sales growth in the quarter of 46% as compared to the prior year quarter, which is on top of the 504% growth in eCommerce sales that occurred in the prior year's quarter as compared to the second quarter of 2019.
- Gross profit margin improved to 44.11% in Q2-2021 from 43.65% in Q2-2020, with increases across all product categories.
- Adjusted EBITDA[(1)] of $94.8 million in Q2-2021 compared to $63.1 million[(2)] in Q2-2020, an increase of 50.3%.
- Adjusted diluted earnings per share[(1)] grew by 87.1% to $0.58 in Q2-2021 from $0.31[(2)] in Q2-2020.
- A special dividend of $1.25 was declared by the Board of Directors.
- Under the terms of the Company's share repurchase program announced in September 2020, 3.3 million common shares with an approximate value of $68.7 million have been purchased through June 30, 2021.

Financial Highlights – six months ended June 30, 2021

- System wide sales[(1)] increased by $303.6 million to $1.4 billion, or 27.4%.
- Revenue increased to $1.16 billion from $914.3 million, an increase of $245.4 million or 26.8%.
- Same store sales[(1)] increased 26.3% year to date June 2021.
- Adjusted EBITDA[(1)] increased by 27.8% to $181.9 million year to date June 2021 compared to June 2020.
- Net income increased by 42.7% to $86.9 million year to date June 2021.
- Adjusted diluted earnings per share[(1)] grew by 48.6% to $1.10 in year to date June 2021 from $0.74 in year to date June 2020.
- On a trailing twelve month basis, adjusted diluted earnings per share[(1)] is at $2.41 as compared to $1.62 in the prior year's trailing twelve month period, an increase of over 48% or $0.79 per share.
- Year to date the Company has returned $66.5 million to shareholders in the form of dividends paid and common share repurchases as compared to $29 million in the prior year period.

[(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".
[(2)] These financial results exclude the $29.8 million dollars that was recorded in the Company's Q2 2020 financial results due to the Canada Emergency Wage Subsidy ("CEWS") program. The Company's 2021 financial results do not include amounts related to the CEWS program since the Company did not receive any CEWS in 2021.

Edward Leon, Chief Executive Officer during the quarter, commented, "Our record Q2 2021 financial results reflect the consistent efforts of our associates across the country, solid execution, as well as the power of the omnichannel sales platform we have steadily expanded over the past several years. During the quarter, we achieved double-digit revenue increases in all regions and product categories, with a 41.1% increase in same store sales driven by our scalable eCommerce business in a period where almost half of the Company's retail store locations experienced government-mandated temporary store closures. Importantly, the Company's steady focus on operational execution and profitability, as well as higher operating profit margins in the eCommerce business drove adjusted diluted EPS growth of 87.1% on a CEWS-adjusted basis, in an environment where freight costs were elevated due to COVID-related supply chain disruptions."

Mr. Leon who retired effective July 1, 2021 continued, "I would like to welcome Mike Walsh to the CEO role. Mike joined the business in 2015 and has been a key contributor to the growth we have been able to achieve since that time. LFL is better positioned than ever to continue building shareholder value, leveraging: a scalable, rapidly growing eCommerce platform; a national retail footprint featuring some of the most recognizable banners in the country; a portfolio of industry-leading service businesses; a substantial real estate portfolio; a dominant national distribution infrastructure; and a rock-solid balance sheet with half a billion dollars of unrestricted liquidity. I would like to thank all of our long-term shareholders for their continued support, and express my firm belief that despite the Company's growth since its founding over 100 years ago, the best is yet to come."

Summary of Consolidated Results

In response to the COVID-19 pandemic, in the second quarter of 2020 the federal government announced the Canada Emergency Wage Subsidy ("CEWS") to help employers return and keep their employees on their payrolls. The Company met the eligibility criteria and for the three months ended June 30, 2020, a pre-tax amount of $29.8 million was recognized. As a result, the Company's three months ended June 30, 2020 have been restated in the selected table below to show comparatives for both the excluded and included impact of CEWS, given that the Company has not received for any CEWS amounts in the three months ended June 30, 2021.

Summary financial highlights for the three months ended June 30, 2021 and June 30, 2020

For the	Three months ended			
(C$ in millions except %, share and per share amounts)	**June 30, 2021**	**June 30, 2020**	**$ Increase (Decrease)**	**% Increase (Decrease)**
Total system-wide sales [1]	**714.4**	509.9	204.5	40.1%
Franchise sales [1]	**125.9**	93.2	32.7	35.1%
Revenue	**588.5**	416.7	171.8	41.2%
Cost of sales	**328.9**	234.7	94.2	40.1%
Gross profit	**259.6**	181.9	77.7	42.7%
Gross profit margin as a percentage of revenue	**44.11%**	43.65%		
Selling, general and administrative expenses [2] [3]	**192.9**	146.7	46.2	31.5%
SG&A as a percentage of revenue [3]	**32.78%**	35.21%		
Income before net finance costs and income tax expense	**66.7**	35.3	31.4	89.0%
Net finance costs	**(4.1)**	(4.8)	(0.7)	(14.6%)
Income before income taxes	**62.6**	30.5	32.1	105.2%
Income tax expense	**16.0**	5.2	10.8	207.7%
Adjusted net income [1]	**46.6**	25.3	21.3	84.2%
Adjusted net income as a percentage of revenue [1]	**7.92%**	6.07%		
After-tax mark-to-market loss on financial derivative instruments [1]	**0.6**	-	0.6	100.0%
Net income	**46.0**	25.3	20.7	81.8%
Basic weighted average number of common shares	**78,132,709**	79,662,259		
Basic earnings per share	**$0.59**	$0.32	$0.27	84.4%
Adjusted basic earnings per share [1]	**$0.60**	$0.31	$0.29	93.5%
Diluted weighted average number of common shares	**79,890,784**	81,717,325		
Diluted earnings per share	**$0.58**	$0.32	$0.26	81.3%
Adjusted diluted earnings per share [1]	**$0.58**	$0.31	$0.27	87.1%
Common share dividends declared	**$0.16**	$0.12	$0.04	33.3%

(1) Refer to the Non-IFRS financial measures section for additional information.

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

(3) SG&A for the three months ended June 30, 2020 excludes the impact of the CEWS of $29.8 million or 7.1% as a percentage of revenue for the three-month period.

For the	Three months ended			
(C$ in millions except %, share and per share amounts)	**June 30, 2021**	**June 30, 2020**	**$ Increase (Decrease)**	**% Increase (Decrease)**
Total system-wide sales [1]	**714.4**	509.9	204.5	40.1%
Franchise sales [1]	**125.9**	93.2	32.7	35.1%
Revenue	**588.5**	416.7	171.8	41.2%
Cost of sales	**328.9**	234.7	94.2	40.1%
Gross profit	**259.6**	181.9	77.7	42.7%
Gross profit margin as a percentage of revenue	**44.11%**	43.65%		
Selling, general and administrative expenses [2] [3]	**192.9**	116.9	76.0	65.0%
SG&A as a percentage of revenue [3]	**32.78%**	28.05%		
Income before net finance costs and income tax expense	**66.7**	65.1	1.6	2.5%
Net finance costs	**(4.1)**	(4.8)	(0.7)	(14.6%)
Income before income taxes	**62.6**	60.3	2.3	3.8%
Income tax expense	**16.0**	13.2	2.8	21.2%
Adjusted net income [1]	**46.6**	47.2	(0.6)	(1.3%)
Adjusted net income as a percentage of revenue [1]	**7.92%**	11.33%		
After-tax mark-to-market loss on financial derivative instruments [1]	**0.6**	-	0.6	100%
Net income	**46.0**	47.2	(1.2)	(2.5%)
Basic weighted average number of common shares	**78,132,709**	79,662,259		
Basic earnings per share	**$0.59**	$0.59	-	-
Adjusted basic earnings per share [1]	**$0.60**	$0.59	$0.01	1.7%
Diluted weighted average number of common shares	**79,890,784**	81,717,325		
Diluted earnings per share	**$0.58**	$0.58	-	-
Adjusted diluted earnings per share [1]	**$0.58**	$0.58	-	-
Common share dividends declared	**$0.16**	$0.12	$0.04	33.3%

(1) Refer to the Non-IFRS financial measures section for additional information.

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

(3) SG&A for the three months ended June 30, 2020 includes the impact of the CEWS of $29.8 million or 7.1% as a percentage of revenue for the three-month period.

Same Store Sales [1]

For the	Three months ended			
(C$ in millions, except %)	**June 30, 2021**	**June 30, 2020**	**$ Increase**	**% Increase**
Same store sales [1]	**576.9**	408.9	168.0	41.1%

(1) Refer to the Non-IFRS financial measures section for additional information.

Revenue

For the three months ended June 30, 2021, revenue was $588.5 million compared to $416.7 million in the second quarter of 2020. Revenue increased $171.8 million or 41.2% as compared to the prior year quarter due to double-digit increases across the country and in all product categories but with significant strength in the furniture product category. This notable revenue increase in the second quarter of 2021 was achieved despite almost half of the Company's retail store locations being temporarily closed due to provincial government mandated store closures. The Company's continued focus on eCommerce, including its live chat initiatives, generated a quarter over quarter 46% increase in eCommerce driven sales during the quarter, which is on top of the sales growth in eCommerce sales of 504% in the second quarter of 2020 as compared to the second quarter of 2019. The ongoing strength in eCommerce sales in the quarter also continue to validate that the Company's digital platform is very 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.

Same Store Sales [(1)]

The Company was able to achieve a 41.1% increase in same store sales in the quarter compared to the second quarter of 2020. This was due to strong eCommerce driven sales during the quarter when the Company's retail store closures were on-going. The reopening of all store locations in June had a positive impact on the Company's sales for the last month of the quarter.

Gross Profit

The gross profit margin of 44.11% in the quarter increased by 46 basis points from the second quarter of 2020. This was due to increases in gross profit margin percentages across all of the Company's product categories, notwithstanding increased freight costs due to the pandemic related disruptions of the global supply chain and significant provisional tariffs implemented by the Canada Border Services Agency ("CBSA") that came into effect on May 5, 2021. These provisional tariffs were implemented in response to a formal written complaint filed by Canadian producers of like goods. The complaint contained allegations of dumped and subsidized imports of upholstered domestic seating from China and Vietnam. Despite these significant cost increases, the Company was able to improve its gross profit margin on revenues generated in the quarter. Subsequent to the quarter ended June 30, 2021, the CBSA reevaluated and significantly reduced the provisional tariffs for a majority of the suppliers from which the Company sources upholstery products. The Canadian International Trade Tribunal is currently conducting its inquiry on this matter and expects to issue its ultimate finding on September 2, 2021.

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

The second quarter of 2020 included a wage subsidy of $29.8 million received from the Government of Canada under the CEWS program, however during the second quarter of 2021 the Company did not receive any additional wage subsidy under the CEWS program. Therefore, excluding the impact of CEWS from the prior year second quarter, the Company's SG&A as a percentage of revenue for the second quarter of 2020 was 35.21% compared to 32.78% for the second quarter of 2021, an improvement of 243 basis points over the second quarter of 2020. This improvement in operating costs leverage and continued cost reduction initiatives in the quarter demonstrate the Company's ability to adjust and monitor its cost structure during the provincially mandated and temporary retail store closures.

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

Excluding the impact of CEWS, adjusted net income in the second quarter of 2020 totaled $25.3 million compared to adjusted net income for the second quarter of 2021 of $46.6 million, an increase of $21.3 million or 84.2%. Additionally, excluding the impact of CEWS, the adjusted diluted earnings per share in the second quarter 2020 was $0.31 per share compared to $0.58 per share in the current quarter, an increase of $0.27 per share or 87.1%.

Net Income and Diluted Earnings Per Share

Net income for the second quarter of 2021 was $46.0 million, or $0.58 per diluted earnings per share as compared to the $0.58 per diluted earnings per share recorded in the prior year's quarter which included the CEWS amount as detailed above.

(1) Refer to the Non-IFRS financial measures section for additional information.

Dividends

As previously announced, the Company paid a quarterly dividend of $0.16 per common share on July 8, 2021. Today the Directors have declared a quarterly dividend of $0.16 per common share payable on the 8th day of October 2021 to shareholders of record at the close of business on the 8th day of September 2021. In addition, the Directors have declared a special dividend of $1.25 per common share payable on the 8th day of October 2021 to shareholders of record at the close of business on the 8th day of September 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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