



## **LFL, Canada’s Largest Home Furnishings Retailer, Releases Record Financial Results for the Third Quarter ended September 30, 2021**

**TORONTO, ONTARIO November 10, 2021** – Leon’s Furniture Limited (“LFL” or the “Company”) (TSX: LNF), today announced record financial results for the third quarter of 2021.

### **Financial Highlights – Q3-2021**

- Total system wide sales<sup>(1)</sup> increased 8.2% to a record \$825.5 million in Q3-2021 compared to \$762.8 million in Q3-2020.
- Achieved record high revenue of \$683.2 million in Q3-2021 compared to \$630.8 million in Q3-2020, an increase of 8.3%.
- Same-store sales<sup>(1)</sup> increased 9.7% in Q3-2021 compared to Q3-2020.
- Ecommerce sales grew 48% as compared to the prior year quarter, which is on top of the 235% growth in eCommerce sales that occurred in the prior year’s quarter as compared to the third quarter of 2019.
- Achieved record net income results in a quarter of \$63.8 million, an increase of 30% in comparison to Q3-2020.
- Adjusted EBITDA<sup>(1)</sup> of \$113.5 million in Q3-2021 compared to \$96.0 million in Q3-2020, an increase of 18.2%.
- Adjusted diluted earnings per share<sup>(1)</sup> grew by 26.2% to \$0.77 in Q3-2021 from \$0.61 in Q3-2020.

### **Financial Highlights – nine months ended September 30, 2021**

On a year-to-date basis as compared to prior year:

- Revenue increased to \$1.8 billion from \$1.5 billion, an increase of \$297.9 million or 19.3%.
- Same store sales<sup>(1)</sup> increased by 19.3%.
- Adjusted EBITDA<sup>(1)</sup> increased by 43.0%<sup>(2)</sup> to \$295.4 million compared to September 2020.
- Net income increased by 73.9%<sup>(2)</sup> to \$150.7 million.
- Adjusted diluted earnings per share<sup>(1)</sup> grew by 76.7% to \$1.87 from \$1.06<sup>(2)</sup> in year to date September 2020.
- On a trailing twelve month basis, adjusted diluted earnings per share<sup>(1)</sup> is at \$2.58 as compared to \$1.54<sup>(2)</sup> in the prior year’s trailing twelve month period, an increase of over 67.5% or \$1.04 per share.
- Year to date the Company has returned \$193.0 million to shareholders in the form of dividends declared and common share repurchases as compared to \$73.1 million in the prior year period.

<sup>(1)</sup> 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”.

<sup>(2)</sup> These financial results exclude the \$31.8 million dollars that was recorded in the Company’s Q3 2020 financial results due to the Canada Emergency Wage Subsidy (“CEWS”) program. The Company’s 2021 financial results do not include any amounts related to the CEWS program since the Company did not receive any CEWS in 2021.

Mike Walsh, President and CEO of LFL commented, “During Q3, our team continued to harness the power of LFL’s national omnichannel retail and distribution platform to generate the best top line results in the Company’s history, as well as record profitability. We are unwavering in our commitment to ensuring that customers can access a wide selection of products and services where, when and how they want to shop, and even more importantly, enabling them to take delivery of those products as quickly and efficiently as possible during these unprecedented times. This commitment, along with effective marketing strategies, translated into 8.3% revenue growth in the quarter and steady gross margins compared to the same period last year. Our team also maintained its focus on cost containment and efficiency, which drove 26.2% growth in adjusted diluted earnings per share.”

Mr. Walsh continued, “This was my first full quarter as the Company’s CEO and I see plenty of opportunity to continue building on our solid Q3 results, leveraging an exceptional combination of retail, e-commerce, wholesale, service and distribution assets, and a rock-solid balance sheet. Our team has a proven track record of delivering financial performance even in challenging environments, and now has more tools at its disposal. One of those tools is the Company’s ecommerce platform, which continues to demonstrate its growth potential and scalability, with 48% growth in Q3 on top of 235% growth in the same period last year. Furthermore, in an environment of widespread supply chain disruptions, LFL is uniquely positioned to continue gaining market share in key product categories, backed by a network of warehouses and efficient distribution centers across the country, and one of the nation’s largest last mile delivery services. We have one of the most dedicated teams I have ever had the pleasure of working with, and I look forward to continuing to work together to delight our customers while delivering profitable growth for shareholders.”

## Summary of Consolidated Results

For the	Three months ended		\$ Increase (Decrease)	% Increase (Decrease)
	September 30, 2021	September 30, 2020		
<i>(C\$ in millions except %, share and per share amounts)</i>				
Total system-wide sales <sup>(1)</sup>	825.5	762.8	62.7	8.2%
Franchise sales <sup>(1)</sup>	142.3	132.0	10.3	7.8%
Revenue	683.2	630.8	52.4	8.3%
Cost of sales	381.3	352.0	29.3	8.3%
Gross profit	301.9	278.8	23.1	8.3%
Gross profit margin as a percentage of revenue	44.19%	44.20%		
Selling, general and administrative expenses <sup>(2) (3)</sup>	216.3	210.6	5.7	2.7%
SG&A as a percentage of revenue <sup>(3)</sup>	31.66%	33.39%		
Income before net finance costs and income tax expense	85.6	68.2	17.4	25.5%
Net finance costs	(4.1)	(4.3)	(0.2)	(4.7%)
Income before income taxes	81.5	63.9	17.6	27.5%
Income tax expense	20.9	14.6	6.3	43.2%
Adjusted net income <sup>(1)</sup>	60.6	49.3	11.3	22.9%
Adjusted net income as a percentage of revenue <sup>(1)</sup>	8.87%	7.82%		
After-tax mark-to-market (gain)/loss on financial derivative instruments <sup>(1)</sup>	(3.2)	0.2	3.3	1650%
<b>Net income</b>	<b>63.8</b>	<b>49.1</b>	<b>14.7</b>	<b>29.9%</b>
Basic weighted average number of common shares	77,026,816	79,412,546		
Basic earnings per share	\$0.83	\$0.62	\$0.21	33.9%
Adjusted basic earnings per share <sup>(1)</sup>	\$0.79	\$0.62	\$0.17	27.4%
Diluted weighted average number of common shares	78,386,090	81,427,770		
Diluted earnings per share	\$0.81	\$0.60	\$0.21	35.0%
Adjusted diluted earnings per share <sup>(1)</sup>	\$0.77	\$0.61	\$0.16	26.2%
Common share dividends declared	\$1.41	\$0.14	\$1.27	907.1%

(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 September 30, 2020 includes the impact of the CEWS of \$2 million or 0.3% as a percentage of revenue for the three-month period.

## Same Store Sales <sup>(1)</sup>

For the (C\$ in millions, except %)	Three months ended			
	September 30, 2021	September 30, 2020	\$ Increase	% Increase
Same store sales <sup>(1)</sup>	676.3	616.6	59.7	9.7%

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

## Revenue

For the three months ended September 30, 2021, revenue was \$683.2 million compared to \$630.8 million in the third quarter 2020. Revenue increased \$52.4 million or 8.3% as compared to the prior year quarter due to increases across all product categories. The Company's continued focus on eCommerce, including its live chat initiatives, generated a quarter over quarter 48% increase in eCommerce driven sales during the quarter, which is on top of the growth in eCommerce sales of 235% in the third quarter of 2020 as compared to the third 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 <sup>(1)</sup>

The Company was able to achieve a 9.7% increase in same store sales in the quarter compared to the third quarter 2020.

## Gross Profit

The gross profit margin of 44.19% in the quarter remained relatively consistent as compared to 44.20% from the third quarter of 2020.

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

During the third quarter of 2021 the Company did not apply or receive any wage subsidies under the CEWS program, as compared to third quarter of 2020, whereby the Company recorded a wage subsidy of \$2 million dollars. Therefore, excluding the impact of CEWS from the prior year third quarter, the Company's SG&A as a percentage of revenue for the third quarter 2020 was 33.70% compared to 31.66% for the third quarter of 2021, an improvement of 204 basis points over the third quarter 2020. This improvement in operating cost leverage and continued cost reduction initiatives in the quarter demonstrate the Company's ability to adjust and monitor its cost structure during the quarter.

## Net Income and Diluted Earnings Per Share

Net income for the third quarter of 2021 was \$63.8 million, or \$0.81 per diluted earnings per share as compared to the \$0.60 per diluted earnings per share recorded in the prior year's quarter, an increase of \$0.21 per share or 35%.

(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 as well as a special dividend of \$1.25 per common share on October 8, 2021. Today the Directors have declared a quarterly dividend of \$0.16 per common share payable on the 7th day of January 2022 to shareholders of record at the close of business on the 7th day of December 2021. In addition, the annual dividend on the convertible non-voting preferred shares of \$0.32 will be payable on the 7th day of January 2022 to the shareholders of record at the close of business on the 7th day of December 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 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 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.

## **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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