LEON'S FURNITURE LIMITED

LFL, Canada's Largest Home Retailer, Releases Record Financial Results of $3.1 Billion in Total System Wide Sales and Net Income of $207.2 Million for the year ended December 31, 2021

TORONTO, ONTARIO February 23, 2022 – Leon's Furniture Limited ("**LFL**" or the "**Company**") (**TSX: LNF**), today announced **record** financial results for the year ended December 31, 2021.

Financial Highlights – year ended December 31, 2021

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

- Total system wide sales increased 13.2% to a record $3.1 billion.
- Achieved record revenue of $2.5 billion, an increase of $292.5 million or 13.2%.
- Same store sales(1) increased by 13.6%.
- Adjusted EBITDA(1) increased by 16.5% to $401.2 million
- Net income increased by 26.9% to $207.2 million.
- Adjusted diluted earnings per share(1) grew by 27.5% to $2.60 from $2.04 in the prior year.
- Opened 4 new stores in the year, 2 new corporate stores and 2 franchise stores comprised of 1 Leon's banner store and 3 Brick banner store locations.
- The Company generated approximately $300 million in free cash flow(1).
- The Company returned $210.6 million to its shareholders in the form of dividends declared and common share repurchases as compared to $118.1 million in the prior year.
- Available and unrestricted liquidity is approximately $613.6 million which is made up of the Company's $486.6 million in cash and investments and $127 million in undrawn credit facilities as at December 31, 2021.

Financial Highlights – Q4 -2021

- Total system sales achieved in the quarter was $820.5 million, compared to $830.9 million in Q4-2020.
- Revenue of $669.8 million in comparison to quarterly revenue of $675.1 million in Q4-2020.
- Achieved net income in the quarter of $56.5 million, an increase of 6% in comparison to Q4-2020.
- Adjusted diluted earnings per share(1) grew by 4.2% to $0.74 in Q4-2021 from $0.71 in Q4-2020.
- The Company carried out a substantial issuer bid to purchase for cancellation $200 million of its common shares in Q4-2021, which closed subsequent to year end. At that time 7,999,993 shares, representing approximately 10.4% of outstanding shares, were repurchased and cancelled.

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

Mike Walsh, President and CEO of LFL commented, "We are generally pleased with the performance of our team during 2021. Against a backdrop of turmoil and uncertainty for Canadian retailers, LFL continued to demonstrate the power of its omnichannel retail and distribution platform, generating record total system-wide sales of over $3 billion in fiscal 2021, and growing revenue and same store sales by 13.2% and 13.6%, respectively. Furthermore, our team's consistent focus on cost discipline drove a full year 123 basis point improvement in operating cost efficiency, which translated into 27.5% growth in adjusted diluted earnings per share. Supported by these strong results and a rock-solid balance sheet, LFL returned over $400 million in capital to its shareholders, through a combination of regular and special dividends, share buybacks and a substantial issuer bid."

"During the fourth quarter, well-publicized global supply chain disruptions led to increased freight costs for all retailers, including LFL. However, the Company's network of warehouses and efficient distribution centers across the country gave our team the flexibility to more effectively manage inventory flows to minimize the impact during the quarter, while still providing our customers with access to a market-leading breadth and depth of product. The LFL platform was built not only to weather difficult environments, but to generate profitable growth in challenging conditions and gain market share. Quarter after quarter, our team has proven its ability to leverage the strength and agility of the Company's scalable, rapidly growing eCommerce platform, national retail footprint and dominant national distribution system, to drive results for shareholders. I would like to personally thank our associates coast-to-coast for their dedication and hard work over the past year. 2022 will be an exciting year for LFL, and I look forward to continuing to update our loyal shareholders."

Summary of Consolidated Results

For the	Three months ended			
(C$ in millions except %, share and per share amounts)	**December 31, 2021**	**December 31, 2020**	**$ Increase (Decrease)**	**% Increase (Decrease)**
Total system-wide sales [1]	**820.5**	830.9	(10.4)	(1.3%)
Franchise sales [1]	**150.7**	155.8	(5.1)	(3.3%)
Revenue	**669.8**	675.1	(5.3)	(0.8%)
Cost of sales	**373.2**	366.5	6.7	1.8%
Gross profit	**296.7**	308.7	(12.0)	(3.9%)
Gross profit margin as a percentage of revenue	**44.30%**	45.73%		
Selling, general and administrative expenses [2]	**218.6**	230.8	(12.2)	(5.3%)
SG&A as a percentage of revenue	**32.64%**	34.19%		
Income before net finance costs and income tax expense	**78.0**	77.9	0.1	0.1%
Net finance costs	**(2.9)**	(3.9)	(1.0)	(25.6%)
Income before income taxes	**75.1**	74.0	1.1	1.5%
Income tax expense	**18.1**	17.7	0.4	2.3%
Adjusted net income [1]	**57.0**	56.3	0.7	1.2%
Adjusted net income as a percentage of revenue [1]	**8.51%**	8.34%		
After-tax mark-to-market loss on financial derivative instruments [1]	**0.5**	3.0	(2.5)	(83.3%)
Net income	**56.5**	53.3	3.2	6.0%
Basic weighted average number of common shares	**76,818,991**	78,356,607		
Basic earnings per share	**$0.74**	$0.68	$0.06	8.8%
Adjusted basic earnings per share [1]	**$0.74**	$0.72	$0.02	2.8%
Diluted weighted average number of common shares	**77,662,535**	80,285,965		
Diluted earnings per share	**$0.73**	$0.67	$0.06	9.0%
Adjusted diluted earnings per share [1]	**$0.74**	$0.71	$0.03	4.2%
Common share dividends declared	**$0.16**	$0.46	$(0.30)	(65.2%)
Convertible, non-voting shares dividends declared	**$0.32**	$0.29	$0.03	10.3%

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

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

Same Store Sales [1]

For the	Three months ended			
(C$ in millions, except %)	**December 31, 2021**	**December 31, 2020**	**$ Decrease**	**% Decrease**
Same store sales [1]	**652.4**	653.1	(0.7)	(0.1%)

(1) Refer to the supplementary financial measures section for additional information.

Revenue

For the three months ended December 31, 2021, revenue was $669.8 million compared to $675.1 million in the fourth quarter 2020. The decrease in revenue of $5.3 million or 0.8% as compared to the prior year quarter was driven by a decrease in the sale of furniture in the quarter, primarily due to disruptions occurring from global supply chain delays. Despite these inventory supply delays that significantly affected imported furniture from Asia, consumer demand for all product categories remained strong in the quarter, as evidenced by the Company's robust open order book of customer deposits which at the end of the fourth quarter remained at historical highs. In addition, the decrease in furniture sales in the quarter was offset by an increase in sales of all other product categories.

Furthermore, the Company's continued focus on eCommerce, including its live chat initiatives, generated a quarter over quarter 37% increase in eCommerce driven sales during the quarter, which is on top of the growth in eCommerce sales of 227% in the fourth quarter of 2020 as compared to the fourth quarter of 2019. The digital platform is a key component 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. The increase in eCommerce-initiated sales during the quarter was also achieved despite all the Company's retail stores being open, as compared to the prior year quarter's provincially mandated retail showroom closures that began on November 12, 2020, in Manitoba. This then continued to impact the municipalities of Toronto and Peel in the province of Ontario which began on November 23, 2020, ultimately leading to all retail showrooms being closed in Ontario and Quebec on December 26, 2020, and remaining so for the balance of the prior year's quarter and into the first quarter of fiscal year 2021.

Same Store Sales (1)

Same store sales in the quarter remained flat compared to the fourth quarter 2020.

Gross Profit

The gross profit margin of 44.30% in the quarter decreased by 143 basis points from the fourth quarter 2020. This was due to higher cost of sales which can be attributed to increased freight costs due to the ongoing disruptions of the global supply chain and increased product costs that are directly the result of increased tariffs implemented by the Canada Border Services Agency ("CBSA") in relation to upholstered product being sourced from China and Vietnam. In order to retain the Company's gross margin in the fourth quarter, it was necessary to determine the trade-off between having product available for sale in Canada for the Company's customers and determining the Company's tolerance to pay significantly higher freight costs.

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

The Company's SG&A as a percentage of revenue for the fourth quarter 2020 was 34.19% compared to 32.64% for the fourth quarter of 2021, an improvement of 155 basis points over the fourth quarter 2020. This improvement in operating costs leverage and continued cost reduction initiatives in the quarter are due to effectively managing the Company's payroll expenses and eCommerce spend while continuing to drive traffic to both the Company's retail stores and websites.

Net Income and Diluted Earnings Per Share

Net income for the fourth quarter of 2021 was $56.5 million, or $0.73 per diluted earnings per share as compared to the net income of $53.3 million in the prior year's quarter, or $0.67 per diluted earnings per share.

(1) Refer to the supplementary financial measures section for additional information.

Summary financial highlights for the year ended December 31, 2021 and December 31, 2020

For the	Year ended			
(C$ in millions except %, share and per share amounts)	December 31, 2021	December 31, 2020	$ Increase (Decrease)	% Increase (Decrease)
Total system-wide sales [(1)]	**3,057.6**	2,701.6	356.0	13.2%
Franchise sales [(1)]	**544.9**	481.4	63.5	13.2%
Revenue	**2,512.7**	2,220.2	292.5	13.2%
Cost of sales	**1,404.4**	1,236.3	168.1	13.6%
Gross profit	**1,108.2**	983.9	124.3	12.6%
Gross profit margin as a percentage of revenue	**44.10%**	44.32%		
Selling, general and administrative expenses [(2) (3)]	**819.1**	751.0	68.1	9.1%
SG&A as a percentage of revenue [(3)]	**32.60%**	33.83%		
Income before net finance costs and income tax expense	**289.1**	233.0	56.1	24.1%
Net finance costs	**(15.0)**	(17.9)	(2.9)	(16.2%)
Income before income taxes	**274.1**	215.1	59.0	27.4%
Income tax expense	**68.7**	48.4	20.3	41.9%
Adjusted net income [(1)]	**205.5**	166.7	38.8	23.3%
Adjusted net income as a percentage of revenue [(1)]	**8.18%**	7.51%		
After-tax mark-to-market (gain)/loss on financial derivative instruments [(1)]	**(1.7)**	3.4	(5.1)	(150.0%)
Net income	**207.2**	163.3	43.9	26.9%
Basic weighted average number of common shares	**77,623,382**	79,798,908		
Basic earnings per share	**$2.67**	$2.05	$0.62	30.2%
Adjusted basic earnings per share [(1)]	**$2.65**	$2.09	$0.56	26.8%
Diluted weighted average number of common shares	**79,062,376**	82,113,879		
Diluted earnings per share	**$2.62**	$1.99	$0.63	31.7%
Adjusted diluted earnings per share [(1)]	**$2.60**	$2.04	$0.56	27.5%
Common share dividends declared	**$1.89**	$0.88	$1.01	114.8%
Convertible, non-voting shares dividends declared	**$0.32**	$0.29	$0.03	10.3%

(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 year ended December 31, 2020, includes the impact of the Canada Emergency Wage Subsidy (CEWS) of $31.6 million. Therefore, excluding the impact of the CEWS, the total SG&A as a percentage of revenue in the twelve-month period amounted to 35.25%.

Revenue

For the year ended December 31, 2021, revenue was $2,512.7 million compared to $2,220.2 million in the prior year, an increase of $292.5 million or 13.2% as compared to the prior year due to increases in all product categories driven by continuing customer demand. This increase was achieved despite being impacted by COVID related factors in the first half of the year related primarily to provincially mandated retail store closures, ongoing global supply chain issues in relation to importing product to Canada and significant product cost increases primarily due to CBSA tariffs on certain upholstered seating products that are imported by the Company from Asia.

Gross Profit

The gross profit margin remained relatively flat from 44.32% for the year ended December 31, 2020 to 44.10% in the year ended December 31, 2021. This slight decrease was due to higher cost of sales with the ongoing supply chain issues and increased freight costs.

Selling, General and Administrative Expenses

The Company’s SG&A as a percentage of revenue for the year ended December 31, 2021 improved to 32.60%, a decrease of 123 basis points over the prior year of 33.83%. This reduction in SG&A percentage was due to effectively managing payroll and advertising spend.

In addition, in the second quarter 2020, the Government of Canada announced the CEWS in order to help employers return and keep their employees on their payrolls. Excluding the CEWS, the Company's SG&A as a percentage of revenue for the year ended December 31, 2020 was 35.25%. This results in a decrease of SG&A costs of 265 basis points for the year ended December 31, 2021. No CEWS was received by the Company in 2021.

Net Income and Diluted Earnings Per Share

Including the mark-to-market impact of the Company's financial derivatives, net income for the year ended December 31, 2021 was $207.2 million, or $2.62 per diluted earnings per share (net income $163.3 million, $1.99 per diluted earnings per share in 2020).

Dividends

As previously announced, the Company paid a quarterly dividend of $0.16 per common share on 7th day of January 2022. Today the Directors have declared a quarterly dividend of $0.16 per common share payable on the 8th day of April 2022 to shareholders of record at the close of business on the 8th day of March 2022. 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.

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. This cautious optimism is predicated on taking a measured approach as it relates to striking the correct balance of driving revenue growth and finding incremental efficiencies. 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 306 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 Leon'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.

The following is a reconciliation of reported net income to adjusted EBITDA:

For the	Three months ended		Year ended	
(C$ in millions)	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Net income	**56.5**	53.3	**207.2**	163.3
Income tax expense	**17.9**	16.6	**69.2**	47.2
Net finance costs	**2.9**	3.9	**15.0**	17.9
Depreciation and amortization	**27.7**	28.1	**112.0**	111.3
Mark-to-market (gain)/loss on financial derivative instruments	**0.7**	4.1	**(2.2)**	4.6
Adjusted EBITDA	**105.7**	106.0	**401.2**	344.3

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 is calculated as net cash flows from operating activities less additions to property, plant and equipment. The Company uses free cash flow as an indicator of the financial strength and performance of its business, indicating the amount of cash the Company can generate from operations and after capital expenditures. Free cash flow is a non-IFRS financial measure used by the Company. The Company believes free cash flow is useful in assessing the Company's cash available for additional financing and investing activities.

Supplementary Financial Measures

The Company uses supplementary financial measures to disclose financial measures that are not (a) presented in the financial statements and (b) is, or is intended to be, disclosed periodically to depict the historical or expected future financial performance, financial position or cash flow, that is not a non-IFRS financial measure as detailed above.

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 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.

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 306 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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