LFL, Canada’s Largest Home Retailer, Reports Record Adjusted Diluted Earnings Per Share of $0.87 for the Third Quarter Ended September 30, 2022

TORONTO, ONTARIO November 09, 2022 – Leon’s Furniture Limited (“**LFL**” or the “**Company**”) (**TSX: LNF**), today announced financial results for the three months ended September 30, 2022.

Financial Highlights – Q3-2022

- Total system sales achieved in the quarter was $801.0 million compared to $825.5 million in Q3-2021, however, comparing to the pre-pandemic quarter ended September 30, 2019, total system sales have increased $88.4 million or 12.4%.
- Revenue decreased 3.1% to $662.2 million in Q3-2022 in comparison to quarterly revenue of $683.2 million in Q3-2021, which was a record quarter for the Company.
- Same store sales[1] decreased 3.5% to $642.5 million, in comparison to Q3-2021.
- The gross profit margin percentage for the third quarter of 2022 was 45.92% compared to 44.19% for the third quarter 2021, an increase of 173 basis points.
- Adjusted diluted earnings per share[1] increased by 13.0% to $0.87 in Q3-2022 from $0.77 in Q3-2021.
- Given that economic conditions over recent years have been impacted by COVID 19, a long term history is more meaningful to illustrate the Company's results as follows:

For the quarter ended September 30

(C$ in millions except %)	2022	2021	2020	2019	2018
Total system-wide sales [1]	**801.0**	825.5	762.8	712.6	707.1
Revenue	**662.2**	683.2	630.8	601.4	592.3
Same store sales [1]	**642.5**	666.1	616.6	590.0	579.7
Gross profit margin as a % of revenue	**45.92%**	44.19%	44.20%	43.13%	43.62%
SG&A as a % of revenue [2]	**33.28%**	31.66%	33.39%	34.80%	35.52%
Income before net finance costs and income tax expense	**83.7**	85.6	68.2	50.1	48.0
Income before net finance costs and income tax expense as a % of revenue	**12.63%**	12.52%	10.81%	8.33%	8.10%

[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”.
[2] Selling, general and administrative expenses (“SG&A”)

Mike Walsh, President and CEO of LFL observed, "Despite a challenging macro and consumer environment, our team continued to execute during the third quarter, delivering solid profitability for shareholders. While revenue was down slightly from a record Q3 last year, a strategic decision to preserve margins in the quarter translated into a 173 basis point increase in gross margins compared to the same period last year. This focus on balancing promotion with profitability, an unwavering culture of efficiency and the Company's $200 million substantial issuer bid that closed earlier this year, led to growth in adjusted diluted EPS of 13% compared to Q3 last year.”

Mr. Walsh continued, “Moving toward year-end, we expect the market to get more promotional as inflationary pressures on discretionary income continue to impact consumer spending. Our results through Q3 provide further evidence that LFL’s scale and coast-to-coast integration put several levers at our disposal to mitigate the impact on the bottom line. With inventory beginning to flow more freely, we will continue to offer our customers a wide breadth of product across categories and price points, however and whenever they want to shop. We will continue to focus on efficiencies across our network and the recent announcement that we will co-develop and co-own a 500,000 square foot DC and head office for The Brick in Edmonton is a large step toward enhanced efficiencies and customer service in the region. While the next several months are likely to be challenging across the retail landscape, LFL is better positioned than ever to deliver results for our customers and shareholders.”

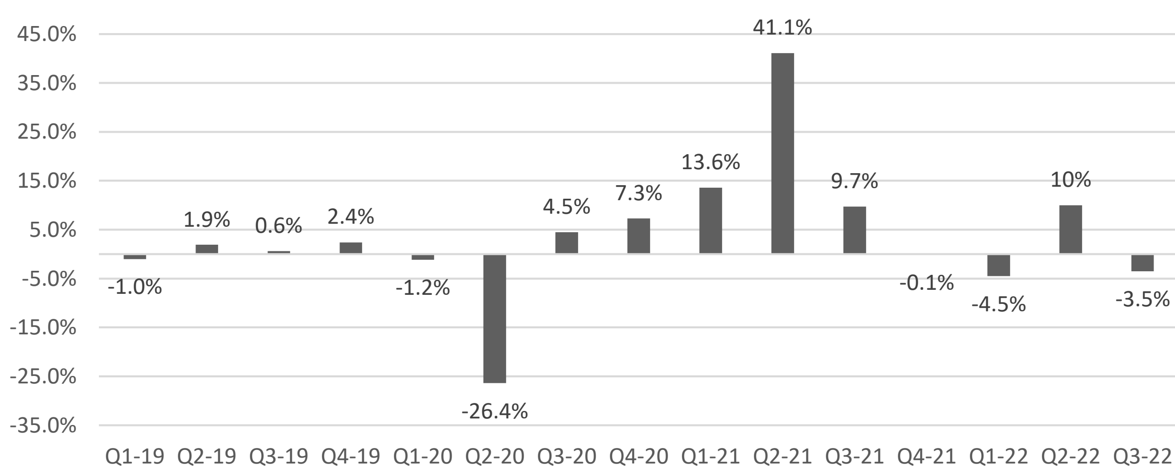
Summary financial highlights for the three months ended September 30, 2022 and September 30, 2021

For the	Three months ended			
(C$ in millions except %, share and per share amounts)	September 30, 2022	September 30, 2021	$ Increase (Decrease)	% Increase (Decrease)
Total system-wide sales [1]	**801.0**	825.5	(24.5)	(3.0%)
Franchise sales [1]	**138.8**	142.3	(3.5)	(2.5%)
Revenue	**662.2**	683.2	(21.0)	(3.1%)
Cost of sales	**358.1**	381.3	(23.2)	(6.1%)
Gross profit	**304.1**	301.9	2.2	0.7%
Gross profit margin as a percentage of revenue	**45.92%**	44.19%		
Selling, general and administrative expenses [2]	**220.4**	216.3	4.1	1.9%
SG&A as a percentage of revenue	**33.28%**	31.66%		
Income before net finance costs and income tax expense	**83.7**	85.6	(1.9)	(2.2%)
Net finance costs	**(5.9)**	(4.1)	1.8	43.9%
Income before income taxes	**77.8**	81.5	(3.7)	(4.5%)
Income tax expense	**18.6**	20.9	(2.3)	(11.0%)
Adjusted net income [1]	**59.2**	60.6	(1.4)	(2.3%)
Adjusted net income as a percentage of revenue [1]	**8.94%**	8.87%		
After-tax mark-to-market gain on financial derivative	**(2.1)**	(3.2)	(1.1)	(34.4%)
Net income	**61.3**	63.8	(2.5)	(3.9%)
Basic weighted average number of common shares	**67,207,530**	77,026,816		
Basic earnings per share	**$0.91**	$0.83	$0.08	9.6%
Adjusted basic earnings per share [1]	**$0.88**	$0.79	$0.09	11.4%
Diluted weighted average number of common shares	**68,001,476**	78,386,090		
Diluted earnings per share	**$0.90**	$0.81	$0.09	11.1%
Adjusted diluted earnings per share [1]	**$0.87**	$0.77	$0.10	13.0%
Common share dividends declared [3]	**$0.16**	$1.41	(1.25)	(88.7%)

Same Store Sales [1]

For the	Three months ended			
(C$ in millions, except %)	September 30, 2022	September 30, 2021	$ Decrease	% Decrease
Same store sales [1]	**642.5**	666.1	(23.6)	(3.5%)

Historical Same Store Sales[1] as previously reported based on comparable quarters



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

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

(3) $1.25 special dividend included in the three-month period ended September 30, 2021.

Revenue

For the three months ended September 30, 2022, revenue was $662.2 million compared to $683.2 million in the third quarter 2021. Revenue decreased $21.0 million or 3.1% as compared to the prior year's quarter. Despite the prior year's quarter being a record for the Company in terms of revenue, the current quarter compares favorably to the Company's historical results before the COVID pandemic began in the early part of the 2020 fiscal year. The Company is continuing to show increases across all product categories for the three months ended September 30, 2022, when compared to pre-pandemic results. Comparing to the pre-pandemic quarter ended September 30, 2019, revenue has increased by $60.8 million or 10.1%.

Same Store Sales (1)

Despite the fact that same store sales decreased 3.5% in the quarter compared to the third quarter 2021 as illustrated in the chart on Page 2, the overall trend is positive.

Gross Profit

The gross profit margin for the third quarter of 2022 was 45.92% compared to 44.19% for the third quarter 2021, an increase of 173 basis points. This increase in margin was driven by strong performances in all product categories. The current quarter compares favourably to the Company's historical results before the COVID pandemic began in early 2020. When comparing the Company's pre-pandemic gross profit margin, it increased 279 basis points as compared to the same quarter in 2019, with increases in all categories. This is primarily due to the Company's tight controls in relation to product costs and reductions in freight costs as compared to the first half of the 2022 fiscal year. Additionally, the Company's retail financing sales programs and promotions during the quarter have also generated higher average sales orders that typically generate higher gross margins both in dollar and percentage terms

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

The Company's SG&A as a percentage of revenue for the third quarter 2021 was 31.66% compared to 33.28% for the third quarter of 2022, an increase of 162 basis points over the third quarter 2021. The Company's SG&A as a percentage of revenue for the current quarter increased due to broad based inflation, the increased cost of retail financing due to the Bank of Canada interest rate increases and the increased costs of marketing in the quarter.

Adjusted Net Income (2) and Adjusted Diluted Earnings Per Share (2)

Adjusted net income for the quarter totaled $59.2 million, a decrease of $1.4 million or 2.3% over the prior year's quarter. In comparison to the third quarter of 2020, adjusted net income increased significantly by $9.9 million, or 20%.

The adjusted diluted earnings per share in the third quarter 2021 was $0.77 per share compared to $0.87 per share in the current quarter, an increase of $0.10 per share or 13%.

Net Income and Diluted Earnings Per Share

Net income for the third quarter of 2022 was $61.3 million, or $0.90 per diluted earnings per share as compared to $0.81 per diluted earnings per share recorded in the prior year's quarter, an increase of $0.09 per share or 11.1% (net income of $63.8 million in the third quarter of 2021).

(1) Refer to the supplementary financial measures section for additional information.
(2) 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 7th day of October 2022. Today the Directors have declared a quarterly dividend of $0.16 per common share payable on the 9th day of January 2023 to shareholders of record at the close of business on the 9th day of December 2022. In addition, the annual dividend on the convertible non-voting preferred shares of $0.32 will be payable on the 9th day of January 2023 to the shareholders of record at the close of business on the 9th day of December 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

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 305 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

The Company 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 the Company'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		Nine months ended	
(C$ in millions)	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Net income	**61.3**	63.8	**136.2**	150.7
Income tax expense	**19.3**	22.0	**42.9**	51.3
Net finance costs	**5.9**	4.1	**15.5**	12.0
Depreciation and amortization	**27.5**	27.9	**82.9**	84.3
Mark-to-market (gain)/loss on financial derivative instruments	**(2.8)**	(4.3)	**(4.9)**	(2.9)
Adjusted EBITDA	**111.2**	113.5	**272.6**	295.4

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.

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 305 retail stores from coast to coast in Canada under various banners. The Company operates five websites: leons.ca, thebrick.com, furniture.ca, midnothern.com and appliancecanada.com.

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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