

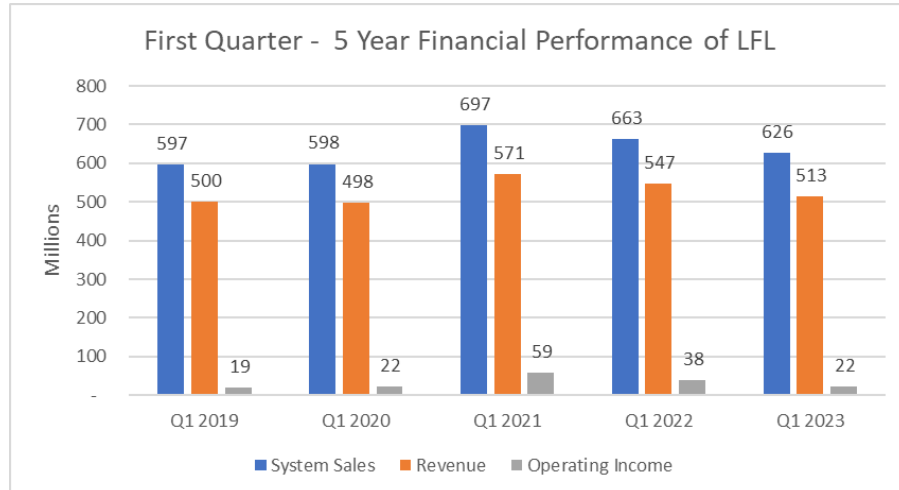


LFL, Canada's Largest Home Retailer, Releases Financial Results for the First Quarter Ended March 31, 2023

TORONTO, ONTARIO May 11, 2023 – Leon's Furniture Limited ("LFL" or the "Company") (TSX: LNF), today announced financial results for the quarter ended March 31, 2023.

Financial Highlights – Q1-2023

- Total system sales in the quarter were \$625.6 million, compared to \$662.9 million in Q1 2022.
- Revenue for the first quarter 2023 was \$513.0 million, a decrease of 6.3% compared to Q1 2022.
- Gross profit margin in the quarter increased 64 basis points to 43.35%, in comparison to Q1 2022.
- Adjusted EBITDA decreased from \$65.6 million to \$48.1 million in the period, in comparison to Q1 2022.
- Adjusted net income for the quarter totaled \$12.9 million, a decrease of 50% over the prior year's quarter.
- Adjusted diluted earnings per share⁽¹⁾ decreased by 50.0% to \$0.19 in Q1 2023 from \$0.38 in Q1 2022.
- Cash provided by operating activities was a positive \$8.9 million for the first quarter 2023 in comparison to an outflow of \$114.5 million in the prior year quarter.
- The Company repaid \$10 million in long-term debt during the period, resulting in a net debt balance of \$36 million as at March 31, 2023.
- As at March 31, 2023, unrestricted liquidity is \$291.1 million, comprised of cash, cash equivalents, debt and equity instruments and the undrawn revolving credit facility.



Announces intention to create a Real Estate Investment Trust (the "REIT")

On May 4, 2023, LFL announced that it intended to create a REIT. LFL has an attractive real estate portfolio of approximately 5.2 million square feet of wholly-owned real estate from which it will vend in a significant portfolio of assets to the REIT. The Company intends to maintain a majority ongoing ownership interest in the REIT. Timing of the transaction will be subject to prevailing market conditions and receipt of required regulatory approvals including approval to list the units on the Toronto Stock Exchange.

LFL expects the creation of the REIT to:

- Unlock value for LFL shareholders by surfacing the market value of the Company's significant portfolio of cash flow generating real estate properties;

- Create a vehicle that will have a cost of capital advantage, a built-in growth pipeline of future property vend-ins from LFL, and an independent management team focused on growing and optimizing the portfolio; and
- Lower the cost of capital for LFL and provide capital to invest in growth opportunities.

Mike Walsh, President and CEO of LFL commented, “Q1 was a challenging period for retailers across Canada and LFL was no exception. During the quarter, lower retail sales combined with higher retail financing costs drove lower bottom-line results compared to the same period last year, despite strong gross margins. While we are not happy with this result on an absolute basis, LFL is very well-positioned, and we are optimistic looking forward through the remainder of the year. Our team successfully reduced higher cost inventory during Q4, and as a result we are currently sourcing better pricing on our lineup of products,

with freight costs continuing to decrease. This enables us to be nimble, leveraging our national omnichannel presence and marketing expertise to do what we do best – generate revenue within the context of the market, manage gross margins, drive efficiencies and produce bottom line results. LFL has a long-term track record of thriving through cycles. The Company’s scale gives it a unique competitive advantage to continue offering customers value on the items they need. We have a clean balance sheet with minimal net debt, and a portfolio of ancillary businesses including insurance, warranty and real estate, which continue to perform strongly. We are positioned to continue gaining share and leveraging our national scale and distribution into unique, profitable deals like the one we signed with Resident in December 2022 and launched during Q1, which outperformed our expectation and theirs, during the quarter.”

LFL Management Appointments

The Company is pleased to announce the appointment of four executives to key leadership roles within the Company that are effective May 12, 2023. These appointments are designed to support the future growth of the Company.

- **Mr. Lewis Leon** has been appointed President of the Leon’s Furniture Division. Mr. Leon joined the Company full-time in 2005 within the Marketing department and was most recently in the role of Associate Vice President of Marketing for the Leon’s Furniture Division. He will be reporting to Mr. Mike Walsh, President and Chief Executive Officer of the LFL Group.
- **Mr. Luke Leon** has been appointed Vice-President, Operations and Corporate Strategy of the LFL Group. Mr. Leon joined the Company full-time in 2005. He was most recently in the role of Associate Vice President of IT, Systems & Procedures, Internal Audit and eCommerce. He will be reporting to Mr. Mike Walsh, President and Chief Executive Officer of the LFL Group.
- **Mr. Moe Assaf** has been appointed Vice-President, Financial Services of the LFL Group. Mr. Assaf joined the Company’s Brick Division in 2002 and has worked in several senior management roles since then, most recently as the Associate Vice President of Financial Services of the LFL Group. He will be reporting to Mr. Constantine Pefanis, Chief Financial Officer of the LFL Group.
- **Mr. Victor Diab** will be joining the Company as Vice-President, Finance of the LFL Group. Mr. Diab has many years of experience as a financial executive from a large Canadian retailer and was most recently the Chief Financial Officer of a publicly traded fast casual food Company. He will be reporting to Mr. Constantine Pefanis, Chief Financial Officer of the LFL Group.

Summary financial highlights for the three months ended March 31, 2023 and March 31, 2022

For the	Three months ended			
(C\$ in millions except %, share and per share amounts)	March 31, 2023	March 31, 2022	\$ Increase (Decrease)	% Increase (Decrease)
Total system-wide sales ⁽¹⁾	625.6	662.9	(37.3)	(5.6%)
Franchise sales ⁽¹⁾	112.6	115.7	(3.1)	(2.7%)
Revenue	513.0	547.2	(34.2)	(6.3%)
Cost of sales	290.6	313.6	(23.0)	(7.3%)
Gross profit	222.4	233.7	(11.3)	(4.8%)
Gross profit margin as a percentage of revenue	43.35%	42.71%		
Selling, general and administrative expenses ⁽²⁾	200.9	196.0	4.9	2.5%
SG&A as a percentage of revenue	39.16%	35.82%		
Income before net finance costs and income tax expense	21.5	37.7	(16.2)	(43.0%)
Net finance costs	(5.1)	(4.5)	0.6	13.3%
Income before income taxes	16.3	33.2	(16.9)	(50.9%)
Income tax expense	3.4	7.4	(4.0)	(54.1%)
Adjusted net income ⁽¹⁾	12.9	25.8	(12.9)	(50.0%)
Adjusted net income as a percentage of revenue ⁽¹⁾	2.52%	4.71%		
After-tax mark-to-market gain/loss on financial derivative	-	1.0	(1.0)	(100.0%)
Net income	12.9	24.8	(11.9)	(48.0%)
Basic weighted average number of common shares	67,878,902	67,759,043		
Basic earnings per share	\$0.19	\$0.37	\$(0.18)	(48.7%)
Adjusted basic earnings per share ⁽¹⁾	\$0.19	\$0.38	\$(0.19)	(50.0%)
Diluted weighted average number of common shares	68,663,089	68,576,755		
Diluted earnings per share	\$0.19	\$0.36	\$(0.17)	(47.2%)
Adjusted diluted earnings per share ⁽¹⁾	\$0.19	\$0.38	\$(0.19)	(50.0%)
Common share dividends declared	\$0.16	\$0.16	\$0.00	0.0%

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

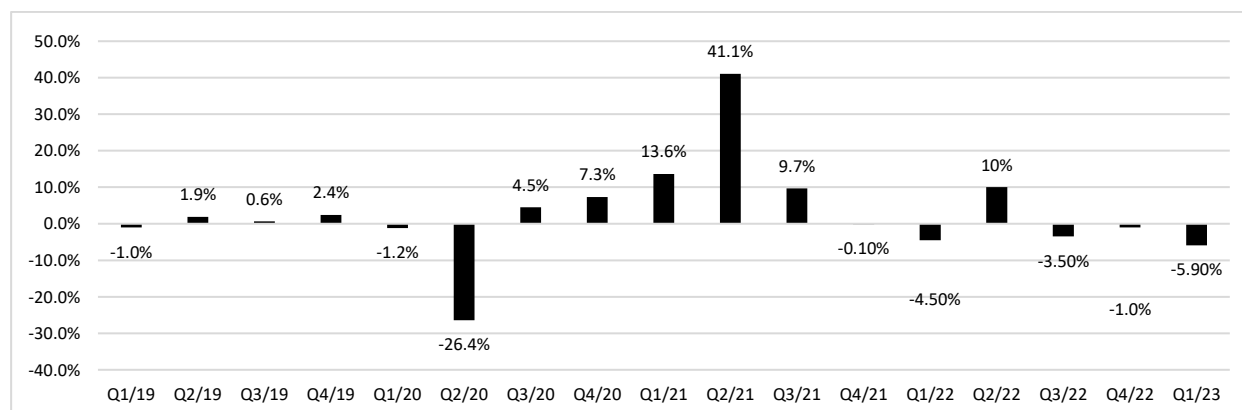
(2) Selling, general and administrative expenses ("SG&A").

Same Store Sales ⁽¹⁾

For the	Three months ended			
(C\$ in millions, except %)	March 31, 2023	March 31, 2022	\$ Decrease	% Decrease
Same store sales ⁽¹⁾	501.4	533.0	(31.6)	(5.9%)

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

Historical Same Store Sales ⁽¹⁾ as previously reported based on comparable quarters



Revenue

For the three months ended March 31, 2023, revenue was \$513.0 million compared to \$547.2 million in the first quarter 2022. Revenue decreased \$34.2 million or 6.3% as compared to the prior year quarter. A softening macro-economic environment primarily in Ontario has led to this reduction in revenue. Despite the overall reduction in revenue, the mattress product category has shown significant strength for the first quarter of 2023, which can in part be attributed to our partnership with Resident, the largest direct-to-consumer mattress company in North America.

Same Store Sales ⁽¹⁾

Same store sales in the quarter decreased by 5.9% compared to the prior year's first quarter.

Gross Profit

The gross profit margin for the first quarter of 2023 was 43.35% compared to 42.71% for the first quarter 2022, an increase of 64 basis points. This increase in gross margin was driven by a relatively strong performance in the furniture and mattress categories. This is partly due to the Company's tight controls in relation to product costs and on-going reductions in freight costs as compared to the first quarter of 2022. In addition, the Company's credit insurance business that is conducted by Trans Global Insurance, has also contributed to an incremental improvement of gross margin dollars in the quarter as insurance premiums have increased due to sales gains created by additional sales channels.

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

The Company's SG&A as a percentage of revenue for the first quarter 2022 was 35.82% compared to 39.16% for the first quarter of 2023, an increase of 334 basis points over the first quarter 2022. The Company's SG&A as a percentage of revenue for the current quarter increased due to the increased cost of point-of-sale retail financing due to the Bank of Canada interest rate increases and the increased marketing costs.

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

Adjusted net income for the quarter totaled \$12.9 million, a decrease of \$12.9 million over the prior year's quarter.

The adjusted diluted earnings per share in the first quarter 2022 was \$0.38 per share, compared to \$0.19 per share in the current quarter, a decrease of \$0.19 per share or 50%.

Net Income and Diluted Earnings Per Share

Net income for the first quarter 2023 was \$12.9 million, or \$0.19 per diluted earnings per share as compared to \$0.36 per diluted earnings per share recorded in the prior year's quarter, a decrease of \$0.17 per share or 47.2% (net income of \$24.8 million in the first quarter of 2022).

(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 6th day of April 2023. Today the Directors have declared a quarterly dividend of \$0.16 per common share payable on the 10th day of July 2023 to shareholders of record at the close of business on the 9th day of June 2023. 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 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

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	
	March 31, 2023	March 31, 2022
(C\$ in millions)		
Net income	12.9	24.8
Income tax expense	3.4	7.1
Net finance costs	5.1	4.5
Depreciation and amortization	26.7	27.8
Mark-to-market gain on financial derivative instruments	-	1.4
Adjusted EBITDA	48.1	65.6

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.

Net Debt

Net debt is calculated as the principal amount of the term loan less cash, cash equivalents and debt and equity instruments. Net debt is a non-IFRS financial measure used by the Company. The Company considers net debt to be an effective measure of the overall debt position and borrowing capacity available to the Company.

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 303 retail stores from coast to coast in Canada under various banners. The Company operates six websites: leons.ca, thebrick.com, furniture.ca, midnothern.com, transglobalservice.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,, 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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