

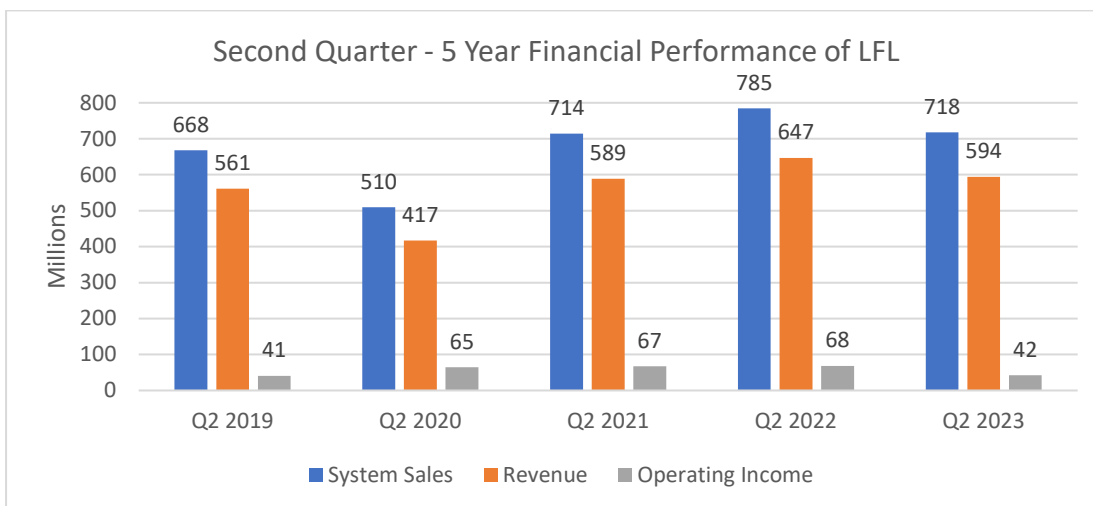


LFL, Canada’s Largest Home Retailer, Releases Financial Results for the Second Quarter Ended June 30, 2023

TORONTO, ONTARIO August 9, 2023 – Leon’s Furniture Limited (“LFL” or the “Company”) (TSX: LNF), today announced financial results for the quarter ended June 30, 2023.

Financial Highlights – Q2-2023 *(All comparisons are made to Q2-2022 unless otherwise indicated)*

- Total system sales in the quarter were \$717.6 million, a decrease of 8.5%.
- Revenue for the quarter was \$593.8 million, a decrease of 8.2%.
- Gross profit margin in the quarter increased 12 basis points to 43.94% due to a favorable product mix and reduced inbound freight.
- Adjusted EBITDA⁽¹⁾ decreased from \$95.9 million to \$68.1 million in the period, primarily due to lower sales.
- Adjusted net income⁽¹⁾ for the quarter totaled \$28.0 million, a decrease of 41.1%.
- Adjusted diluted earnings per share⁽¹⁾ decreased by 41.4% to \$0.41 in Q2 2023.
- Cash provided by operating activities was \$54.7 million for the second quarter in comparison to a cash outflow of \$13.2 million.
- The Company repaid \$14.4 million in long-term debt during the period, resulting in a net debt balance of \$26.9 million as at June 30, 2023.
- At June 30, 2023, unrestricted liquidity was \$306.2 million, comprised of cash, cash equivalents, debt and equity instruments and the undrawn revolving credit facility.
- Subsequent to the quarter ended June 30, 2023, the Company completed an amendment to its existing credit agreement to improve various terms and extend the term to May 31, 2025.



⁽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, “While macro-pressures remain and have impacted our results in the quarter including lower sales and higher financing costs, they seem to be stabilizing. Exiting Q2 we began to see some improvement in consumer demand, which has carried over into early Q3, giving us a more positive outlook for the second half of the year. LFL is very well positioned going into the balance of 2023. Our team’s efforts to manage the cost of incoming inventory despite continued inflationary pressures contributed to solid gross margins while allowing us to offer value to our customers. Our organization has a long history of leveraging challenging environments to gain share, emerge stronger and drive results as cyclical pressures abate. This proven operating expertise along with our national scale, nimble omnichannel model, portfolio of synergistic, profitable ancillary businesses, and a rock-solid balance sheet underpinned by a portfolio of real estate coast-to-coast, gives us the flexibility and strength to rise above short-term pressures to generate sustainable long-term results and value for shareholders.”

Summary financial highlights for the three months ended June 30, 2023 and June 30, 2022

For the	Three months ended			
	June 30, 2023	June 30, 2022	\$ Increase (Decrease)	% Increase (Decrease)
(C\$ in millions except %, share and per share amounts)				
Total system-wide sales ⁽¹⁾	717.6	784.6	(67.0)	(8.5%)
Franchise sales ⁽¹⁾	123.8	137.6	(13.8)	(10.0%)
Revenue	593.8	647.0	(53.2)	(8.2%)
Cost of sales	332.9	363.5	(30.6)	(8.4%)
Gross profit	260.9	283.5	(22.6)	(8.0%)
Gross profit margin as a percentage of revenue	43.94%	43.82%		
Selling, general and administrative expenses ⁽²⁾	219.5	215.2	4.3	2.0%
SG&A as a percentage of revenue	36.97%	33.26%		
Income before net finance costs and income tax expense	41.5	68.4	(26.9)	(39.3%)
Net finance costs	(5.2)	(5.2)	-	0.0%
Income before income taxes	36.3	63.2	(26.9)	(42.6%)
Income tax expense	8.3	15.6	(7.3)	(46.8%)
Adjusted net income ⁽¹⁾	28.0	47.5	(19.5)	(41.1%)
Adjusted net income as a percentage of revenue ⁽¹⁾	4.72%	7.34%		
After-tax mark-to-market loss (gain) on financial derivative	0.6	(2.6)	3.2	123.1%
Net income	27.4	50.1	(22.7)	(45.3%)
Basic weighted average number of common shares	67,908,619	67,223,964		
Basic earnings per share	\$0.40	\$0.75	\$(0.35)	(46.7%)
Adjusted basic earnings per share ⁽¹⁾	\$0.41	\$0.71	\$(0.30)	(42.3%)
Diluted weighted average number of common shares	68,646,167	68,037,315		
Diluted earnings per share	\$0.40	\$0.74	\$(0.34)	(46.0%)
Adjusted diluted earnings per share ⁽¹⁾	\$0.41	\$0.70	\$(0.29)	(41.4%)
Common share dividends declared	\$0.16	\$0.16	\$0.00	0.0%

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

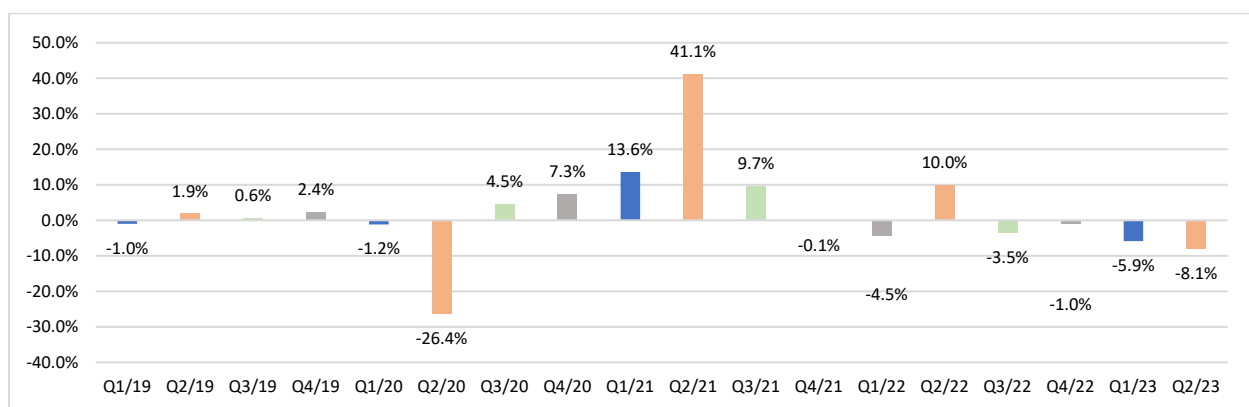
(2) Selling, general and administrative expenses ("SG&A").

Same Store Sales ⁽¹⁾

For the	Three months ended			
	June 30, 2023	June 30, 2022	\$ Decrease	% Decrease
(C\$ in millions, except %)				
Same store sales ⁽¹⁾	581.7	633.3	(51.6)	(8.1%)

(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 June 30, 2023, revenue was \$593.8 million compared to \$647.0 million in the second quarter of 2022. Revenue decreased \$53.2 million or 8.2% as compared to the prior year quarter. The decline is primarily driven by a macro-economic environment that has continued to pressure consumer household spend, along with comparing to a very strong quarter in Q2 2022 where same-store sales were up 10%.

Same Store Sales ⁽¹⁾

Same store sales in the quarter decreased by 8.1% compared to the prior year's second quarter driven by factors discussed in the revenue section.

Gross Profit

The gross profit margin for the second quarter 2023 was 43.94% compared to 43.82% for the second quarter of 2022, an increase of 12 basis points. This gross margin increase was driven mainly by a favorable product mix and reduced inbound freight costs.

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

The Company's SG&A as a percentage of revenue for the second quarter of 2023 was 36.97%, an increase of 371 basis points over the second quarter of 2022. The Company's SG&A as a percentage of revenue for the current quarter increased due to a decline in sales, increase in point-of-sale retail financing fees due to the continuing Bank of Canada interest rate increases and marketing spend to drive balance of year revenue.

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

Adjusted net income for the quarter totaled \$28.0 million, a decrease of \$19.5 million over the prior year's quarter.

The adjusted diluted earnings per share in the second quarter of 2022 was \$0.70 per share, compared to \$0.41 per share in the current quarter, a decrease of \$0.29 per share or 41.4%.

Net Income and Diluted Earnings Per Share

Net income for the second quarter 2023 was \$27.4 million, or \$0.40 per diluted earnings per share as compared to \$0.74 per diluted earnings per share recorded in the prior year's quarter, a decrease of \$0.34 per share or 46.0% (net income of \$50.1 million in the second quarter of 2022).

(1) Supplementary financial measure. Refer to section 14 in this MD&A for additional information.

(2) Non-IFRS financial measure. Refer to section 14 in this MD&A for additional information.

Dividends

As previously announced, the Company paid a quarterly dividend of \$0.16 per common share on 10th day of July 2023. Today the Directors have declared a quarterly dividend of \$0.16 per common share payable on the 10th day of October 2023 to shareholders of record at the close of business on the 8th day of September 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

Despite the prevailing consumer environment during the second quarter, the market is showing resilience and the Company began to see a more constructive demand picture emerge during the final weeks of Q2 that has continued into early Q3, giving the Company a more positive outlook for the second half of 2023. Over the long-term, we remain focused on our commitment to effectively manage our costs but to also continuously invest in the business to drive growth initiatives that 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

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		Six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
(C\$ in millions)				
Net income	27.4	50.1	40.3	74.9
Income tax expense	8.1	16.5	11.5	23.6
Net finance costs	5.2	5.2	10.4	9.7
Depreciation and amortization	26.7	27.6	53.4	55.4
Mark-to-market gain on financial derivative instruments	0.7	(3.5)	0.8	(2.1)
Adjusted EBITDA	68.1	95.9	116.4	161.5

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 304 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, 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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