



LFL, Canada’s Largest Home Retailer, Releases Financial Results for the Third Quarter Ended September 30, 2023, and has Increased its Dividend by 12.5%

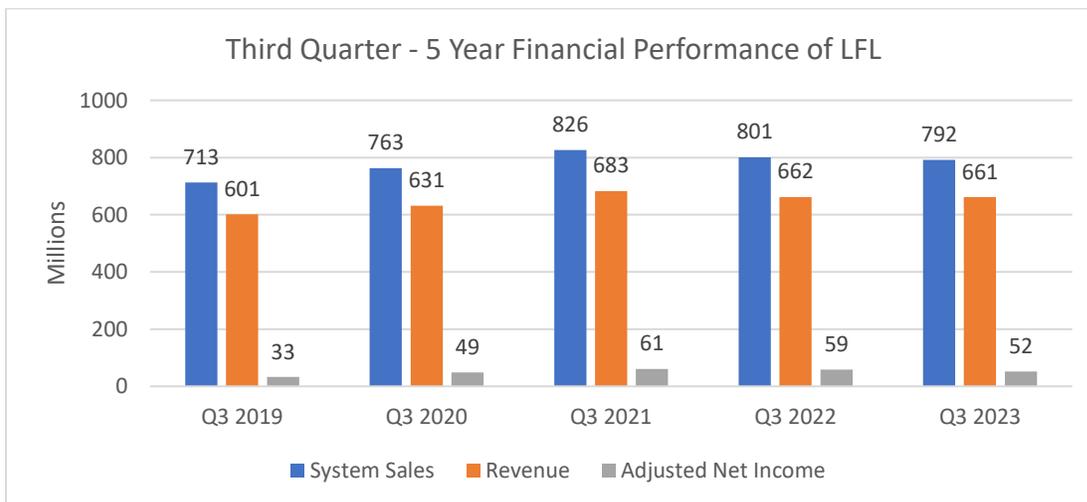
TORONTO, ONTARIO November 8, 2023 – Leon’s Furniture Limited (“LFL” or the “Company”) (TSX: LNF), today announced financial results for the quarter ended September 30, 2023.

Financial Highlights – Q3-2023

All comparisons are made to Q3-2022 unless otherwise indicated

- Revenue for the third quarter 2023 was \$661.0 million, was comparable to the prior year quarter, despite continued macro-economic challenges.
- Gross profit margin in the quarter decreased 188 basis points to 44.04%.
- Adjusted net income⁽¹⁾ for the quarter totaled \$51.7 million, a decrease of 12.7%.
- Adjusted diluted earnings per share⁽¹⁾ of \$0.75, a decrease of 13.8%.
- Reduced inventory levels to \$430 million, down \$72 million or 14.3% from the prior year.
- Cash provided by operating activities was \$107.6 million for the third quarter in comparison to \$49.3 million in the prior year quarter reflecting the strong cash flow generation of the business.
- The Company received \$20 million in proceeds in connection with CURO Intermediate Holding’s sale of Flexiti to Questrade.
- The Company repaid \$50 million in long-term debt during the period.
- At September 30, 2023, unrestricted liquidity was \$385.1 million, comprised of cash, cash equivalents, debt and equity instruments and the undrawn revolving credit facility.

LFL’s Board of Directors approved the Company’s resolution to create a Real Estate Investment Trust (REIT) via initial public offering (IPO). The timing is subject to prevailing market conditions and receipt of required regulatory approvals.



⁽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, “During Q3, the combination of lower cost inventory and targeted marketing enabled us to drive sales momentum while balancing gross margin within an acceptable range. We saw an increase in year-over-year written order activity that has continued early into Q4. We also expect to see better leverage on our operating costs over the next two quarters despite higher ongoing retail point-of-sale finance costs. The third quarter was another example of the strong cash flow generation of the business. We are focused on investing to ensure the company is positioned to both grow share as the consumer environment improves, while generating value for shareholders by paying down debt.”

Mr. Walsh continued, “We are in the early stages of surfacing the significant underlying value in the Company's assets, as we look for additional pathways to better leverage our scale into value for shareholders. The value realized by the company on CURO's sale of Flexiti to Questrade is just one example of the additional returns we can generate by partnering with parties that access our scale, and we see the opportunity for meaningful synergies with Questrade moving forward.”

The Board of Directors of LFL also announces that Mark J. Leon has chosen to retire as Chairman of the Board effective the end of 2023. He will continue to sit on the Board and assume the title of Chairman Emeritus. **Mark J. Leon, Chairman of LFL** issued the following statement, “It has been an honour to serve as the Chairman of Leon's for over 20 years. I am humbled by the faith, loyalty and trust that has been accorded to me by our Company associates, management teams and our Board of Directors. Also, I would be remiss if I didn't acknowledge the unyielding support over many years from the entire Leon family. My heartfelt gratitude goes out to each and everyone one of them. Our Board has decided that Terrence Leon will assume the role of Chairman and Edward Leon will serve as Vice Chairman. For many years, Terrence and Edward have both demonstrated a fervent desire to increase our company's growth and shareholder value. We have every confidence that Leon's will continue to prosper under their stewardship. Our CEO, Mike Walsh and our CFO, Costa Pefanis, lead a truly capable management team. There is no denying we believe the best is yet to come. May God bless this truly great and iconic Canadian success story with continued good fortune.”

Terrence Leon, Vice Chairman of LFL made the following comment, “Mark Leon is a truly inspirational leader for our Company and our family. His strength, wisdom, goodwill and humility are examples we can only hope to emulate. There are no words that can adequately show our deep appreciation for all that he has done, but on behalf of all of us who you have touched, thank you Mark.”

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

For the	Three months ended			
	September 30, 2023	September 30, 2022	\$ Increase (Decrease)	% Increase (Decrease)
<i>(C\$ in millions except %, share and per share amounts)</i>				
Total system-wide sales ⁽¹⁾	791.7	801.0	(9.3)	(1.2%)
Franchise sales ⁽¹⁾	130.7	138.8	(8.1)	(5.7%)
Revenue	661.0	662.2	(1.2)	(0.2%)
Cost of sales	369.9	358.1	11.8	3.3%
Gross profit	291.1	304.1	(13.0)	(4.3%)
Gross profit margin as a percentage of revenue	44.04%	45.92%		
Selling, general and administrative expenses ⁽²⁾	237.7	220.4	17.3	7.8%
SG&A as a percentage of revenue	35.96%	33.28%		
Other income ⁽³⁾	(20.0)	-	(20.0)	100.0%
Income before net finance costs and income tax expense	73.4	83.7	(10.3)	(12.3%)
Net finance costs	(4.9)	(5.9)	(1.0)	(17.0%)
Income before income taxes	68.5	77.8	(9.3)	(12.0%)
Income tax expense	16.8	18.6	(1.8)	(9.7%)
Adjusted net income ⁽¹⁾	51.7	59.2	(7.5)	(12.7%)
Adjusted net income as a percentage of revenue ⁽¹⁾	7.82%	8.94%		
After-tax mark-to-market gain on financial derivative	(0.6)	(2.1)	(1.5)	(71.4%)
Net income	52.3	61.3	(9.0)	(14.7%)
Basic weighted average number of common shares	68,000,714	67,207,530		
Basic earnings per share	\$0.77	\$0.91	\$(0.14)	(15.4%)
Adjusted basic earnings per share ⁽¹⁾	\$0.76	\$0.88	\$(0.12)	(13.6%)
Diluted weighted average number of common shares	68,642,290	68,001,476		
Diluted earnings per share	\$0.76	\$0.90	\$(0.14)	(15.6%)
Adjusted diluted earnings per share ⁽¹⁾	\$0.75	\$0.87	\$(0.12)	(13.8%)
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").

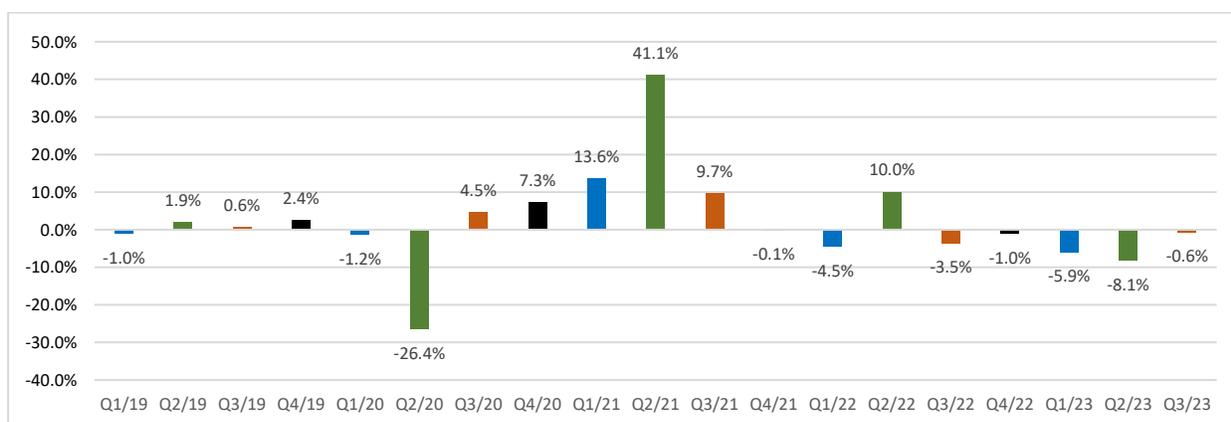
(3) The Company received a \$20 million one-time payment to settle the value of warrant rights negotiated as part of the original agreement with CURO.

Same Store Sales ⁽¹⁾

For the	Three months ended			
	September 30, 2023	September 30, 2022	\$ Decrease	% Decrease
<i>(C\$ in millions, except %)</i>				
Same store sales ⁽¹⁾	645.5	649.4	(3.9)	(0.6%)

(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 September 30, 2023, revenue was \$661.0 million compared to \$662.2 million in the third quarter 2022. Revenue decreased \$1.2 million or 0.2% as compared to the prior year quarter.

While the macro-economic environment continues to be challenging, the company saw improved consumer demand in the third quarter relative to the first half of the year that is expected to continue into the fourth quarter.

Same Store Sales ⁽¹⁾

Same store sales in the quarter decreased by 0.6% compared to the prior year's second quarter driven by factors discussed in the revenue section.

Gross Profit

The gross profit margin for the third quarter 2023 was 44.04% compared to 45.92% for the third quarter of 2022, a decrease of 188 basis points. The decline in the gross profit margin is driven by sales mix due to strong growth in the commercial business, higher promotional activity, along with comparing to an exceptionally strong performance in the third quarter of the prior year.

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

The Company's SG&A as a percentage of revenue for the third quarter of 2023 was 35.96%, an increase of 268 basis points over the third quarter 2022. The Company's SG&A as a percentage of revenue for the current quarter increased primarily because of an 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 \$51.7 million, a decrease of \$7.5 million over the prior year's quarter.

The adjusted diluted earnings per share in the third quarter of 2022 was \$0.87 per share, compared to \$0.75 per share in the current quarter, a decrease of \$0.12 per share or 13.8%.

Net Income and Diluted Earnings Per Share

Net income for the third quarter 2023 was \$52.3 million, or \$0.76 per diluted earnings per share as compared to \$0.90 per diluted earnings per share recorded in the prior year's quarter, a decrease of \$0.14 per share or 15.6% (net income of \$61.3 million in the third 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 October 2023. Today the Directors have declared an increase in the quarterly dividend of \$0.02 to \$0.18 per common share payable on the 8th day of January 2024 to shareholders of record at the close of business on the 8th day of December 2023. In addition, the annual dividend on the convertible non-voting preferred shares of \$0.32 will be payable on the 8th day of January 2024 to the shareholders of record at the close of business on the 8th day of December 2023. A. 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 the business to drive growth initiatives that 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		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
(C\$ in millions)				
Net income	52.3	61.3	92.6	136.2
Income tax expense	17.0	19.3	28.5	42.9
Net finance costs	4.9	5.9	15.3	15.5
Depreciation and amortization	27.4	27.5	80.8	82.9
Gain on settlement of warrant	(20.0)	-	(20.0)	-
Mark-to-market gain on financial derivative instruments	(0.9)	(2.8)	(0.1)	(4.9)
Adjusted EBITDA	80.7	111.2	197.1	272.6

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.

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, 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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