



LEON'S FURNITURE LIMITED

Management's Discussion and Analysis

For the year ended December 31, 2024

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1. Preface

The following Management's Discussion and Analysis ("MD&A") is prepared as at Tuesday, February 25, 2025 and is based on the consolidated financial position and operating results of Leon's Furniture Limited/Meubles Leon Ltée (the "Company") as of December 31, 2024 and for the years ended December 31, 2024 and 2023. It should be read in conjunction with the fiscal year 2024 consolidated financial statements and the notes thereto. For additional detail and information relating to the Company, readers are referred to the fiscal 2024 quarterly financial statements and corresponding MD&As which are published separately and available at www.sedar.com.

Cautionary Statement Regarding Forward-Looking Statements

This MD&A is intended to provide readers with the information that management believes is required to gain an understanding of Leon's Furniture Limited's current results and to assess the Company's future prospects. This MD&A, and in particular the section under heading "Outlook", includes forward-looking statements, which are based on certain assumptions and reflect Leon's Furniture Limited's current plans and expectations. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results and future prospects to differ materially from current expectations. Some of the factors that can cause actual results to differ materially from current expectations are: a drop in consumer confidence; dependency on product from third party suppliers, further changes to the Canadian bank lending rates; tariffs and other external economic changes; and further fluctuations of the Canadian dollar versus the US dollar. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Readers of this report are cautioned that actual events and results may vary.

Financial Statements Governance Practice

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The amounts expressed are in Canadian dollars ("C\$"). Per share amounts are calculated using the weighted average number of shares outstanding before and after considering the potential dilutive effects of the convertible debentures and the relevant management share purchase plans for the applicable period.

The Audit Committee of the Board of Directors of Leon's Furniture Limited reviewed the MD&A and the consolidated financial statements, and recommended that the Board of Directors approve them. Following review by the full Board, the fiscal year 2024 consolidated financial statements and MD&A were approved on Tuesday, February 25, 2025.

2. Business Overview

Leon's Furniture Limited is the largest network of home furniture, appliances, electronics, and mattress stores in Canada. Our retail banners include: Leon's; The Brick; Brick Outlet and The Brick Mattress Store. As well, The Brick's Midnorthern Appliance banner alongside with the Appliance Canada banner, makes the Company the country's largest commercial retailer of appliances to builders, developers, hotels and property management companies. Finally, the Company operates six ecommerce sites: leons.ca, thebrick.com, furniture.ca, midnorthern.com, transglobalservices.com and applicancecanada.com.

The Company's repair service division, Trans Global Services ("TGS"), provides household furniture, electronics and appliance repair services to its customers. TGS has contracts to support several manufacturer's warranty service work in addition to servicing a number of individual programs offered by other dealers. This division also performs work for products sold with extended warranties and is an integral part of the retail offering. These extended warranties, underwritten by the Company's wholly-owned subsidiaries are offered on appliances, electronics and furniture to provide coverage that extends beyond the manufacturer's warranty period by up to five years. The warranty contracts provide both repair and replacement service depending upon the nature of the warranty claim.

The Company's wholly-owned subsidiaries Trans Global Insurance Company ("TGI") and its sister company, Trans Global Life Insurance Company ("TGLI") also offer credit insurance on the customer's outstanding financing balances and third party customer balances. This credit insurance coverage includes life, dismemberment, disability, critical illness, and involuntary unemployment. These credit insurance policies are underwritten by TGI and TGLI as they are licensed as insurance companies in all Canadian provinces and territories.

The Company has foreign operations in Asia and the Caribbean, through its wholly-owned subsidiaries First Oceans Trading Corporation and King & State Limited, respectively. These operations relate to the Company's import and quality control program for sourcing products from Asia for resale in Canada through its retail operations, and the retail banners that sell their extended warranties on appliances and electronics to their customers, respectively.

3. Results of Operations

Summary financial highlights for the three months ended December 31, 2024 and December 31, 2023

For the	Three months ended			
	December 31, 2024	December 31, 2023	\$ Increase (Decrease)	% Increase (Decrease)
<i>(C\$ in millions except %, share and per share amounts)</i>				
Total system-wide sales ⁽¹⁾	806.2	832.5	(26.3)	(3.2%)
Franchise sales ⁽¹⁾	139.5	145.6	(6.1)	(4.2%)
Revenue	666.7	686.9	(20.2)	(2.9%)
Cost of sales	361.0	378.2	(17.2)	(4.5%)
Gross profit	305.7	308.7	(3.0)	(1.0%)
Gross profit margin as a percentage of revenue	45.85%	44.94%		
Selling, general and administrative expenses ⁽²⁾	235.9	239.6	(3.7)	(1.5%)
SG&A as a percentage of revenue	35.38%	34.88%		
Other income ⁽³⁾	(23.4)	-	(23.4)	100.0%
Income before net finance costs and income tax expense	93.2	69.1	24.1	34.9%
Net finance costs	(2.9)	(4.2)	1.3	(31.0%)
Income before income taxes	90.3	64.9	25.4	39.1%
Income tax expense	22.9	16.0	6.9	43.1%
Adjusted net income ⁽¹⁾	67.4	48.9	18.5	37.8%
Adjusted net income as a percentage of revenue ⁽¹⁾	10.11%	7.12%		
After-tax mark-to-market (gain) loss on financial derivative instruments ⁽¹⁾	(0.5)	2.7	(3.2)	(118.5%)
Net income	67.9	46.2	21.7	47.0%
Basic weighted average number of common shares	68,190,953	68,031,796		
Basic earnings per share	\$0.99	\$0.68	\$0.31	45.6%
Adjusted basic earnings per share ⁽¹⁾	\$0.99	\$0.72	\$0.27	37.5%
Diluted weighted average number of common shares	68,646,871	68,646,892		
Diluted earnings per share	\$0.99	\$0.68	\$0.31	45.6%
Adjusted diluted earnings per share ⁽¹⁾	\$0.98	\$0.72	\$0.26	36.1%
Common share dividends declared	\$0.20	\$0.18	\$0.02	11.1%
Convertible, non-voting shares dividends declared	\$0.36	\$0.32	\$0.04	12.5%

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

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

(3) Gain on settlement – please see note 20 of the consolidated financial statements for further detail.

Same Store Sales ⁽¹⁾

For the	Three months ended			
	December 31, 2024	December 31, 2023	\$ Decrease	% Decrease
<i>(C\$ in millions, except %)</i>				
Same store sales ⁽¹⁾	652.2	673.6	(21.4)	(3.2%)

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

Revenue

For the quarter ended December 31, 2024, revenue totalled \$666.7 million compared to \$686.9 million in the fourth quarter of 2023, a decrease of \$20.2 million or 2.9%. The decline was primarily driven by lower furniture inventory due to ongoing offshore shipping delays, reduced electronics sales related to weaker consumer discretionary spending, and the Canada Post strike's impact on promotional flyer distribution before Black Friday and Boxing Day. These declines were partially offset by growth in our commercial sales channel.

Same Store Sales ⁽¹⁾

Same store sales in the quarter decreased by 3.2% compared to the fourth quarter of 2023, driven by factors discussed in the revenue section.

Gross Profit

In the quarter ending December 31, 2024, our gross profit margin was 45.85%, an increase of 91 basis points compared to the fourth quarter of 2023. This was driven by pricing and promotional optimizations in furniture and appliances, partially offset by a decline in electronics margins.

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

The Company's SG&A as a percentage of revenue for the fourth quarter of 2024 was 35.38% compared to 34.88% for the fourth quarter 2023, an increase of 50 basis points. The Company's SG&A as a percentage of revenue for the current quarter increased primarily due to lower year-over-year sales and the resulting deleveraging on fixed costs, timing of variable compensation expenses, stewardship recycling fees, and higher professional fees. These increases were partially offset by point-of-sale retailing financing charges as interest rates decreased.

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

Adjusted net income in the current quarter totaled \$67.4 million, which represents an increase of \$18.5 million over the prior year quarter. The improvement was driven by a one-time \$23.4 million pre-tax net favorable settlement related to a breach of contract legal dispute with CURO Group Holdings Corp ("CURO"). The Company had an agreement with CURO to underwrite insurance for their credit products commencing in 2024. After undergoing voluntary bankruptcy proceedings to restructure their business, CURO elected to not proceed with the agreement which ultimately resulted in a legal settlement in favor of the Company to recover the future profit potential of the agreement. Normalizing for this one-time gain, adjusted net income increased \$1.1 million or 2.2% over the prior year quarter.

Adjusted diluted earnings per share in the fourth quarter of 2024 was \$0.98, an increase of 36.1% over the prior year quarter. Normalizing for this one-time gain, adjusted diluted earnings per share increased \$0.02 or 2.2% over the prior year quarter.

Net Income and Diluted Earnings Per Share

Net income for the fourth quarter of 2024 was \$67.9 million, or \$0.99 per diluted earnings per share compared to the net income of \$46.2 million in the prior year's quarter, or \$0.68 per diluted earnings per share.

(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.

Summary financial highlights for the year ended December 31, 2024, 2023 and 2022

For the	Year ended							
	(C\$ in millions except %, share and per share amounts)	2024	2023	\$ Increase (Decrease)	% Increase (Decrease)	2023	2022	\$ Increase (Decrease)
Total system-wide sales ⁽¹⁾	3,005.9	2,967.5	38.4	1.3%	2,967.5	3,053.0	(85.5)	(2.8%)
Franchise sales ⁽¹⁾	507.4	512.7	(5.3)	(1.0%)	512.7	535.3	(22.6)	(4.2%)
Revenue	2,498.5	2,454.8	43.7	1.8%	2,454.8	2,517.7	(62.9)	(2.5%)
Cost of sales	1,389.3	1,371.6	17.7	1.3%	1,371.6	1,408.2	(36.6)	(2.6%)
Gross profit	1,109.2	1,083.2	26.0	2.4%	1,083.2	1,109.4	(26.2)	(2.4%)
Gross profit margin as a percentage of revenue	44.39%	44.13%			44.13%	44.06%		
Selling, general and administrative expenses ⁽²⁾	917.4	897.7	19.7	2.2%	897.7	854.7	43.0	5.0%
SG&A as a percentage of revenue	36.72%	36.57%			36.57%	33.95%		
Other income ⁽³⁾	(23.4)	(20.0)	(3.4)	17.0%	(20.0)	-	(20.0)	100.0%
Income before net finance costs and income tax expense	215.2	205.5	9.7	4.7%	205.5	254.7	(49.2)	(19.3%)
Net finance costs	(14.4)	(19.5)	5.1	(26.2%)	(19.5)	(21.5)	(2.0)	(9.3%)
Income before income taxes	200.8	186.0	14.8	8.0%	186.0	233.2	(47.2)	(20.2%)
Income tax expense	49.9	44.5	5.4	12.1%	44.5	56.0	(11.5)	(20.5%)
Adjusted net income ⁽¹⁾	150.9	141.5	9.4	6.6%	141.5	177.2	(35.7)	(20.2%)
Adjusted net income as a percentage of revenue ⁽¹⁾	6.04%	5.76%			5.76%	7.04%		
After-tax mark-to-market (gain) loss on financial derivative instruments ⁽¹⁾	(2.8)	2.6	(5.4)	(207.7%)	2.6	(2.2)	4.8	218.2%
Net income	153.7	138.9	14.8	10.7%	138.9	179.4	(40.5)	(22.6%)
Basic weighted average number of common shares	68,142,458	67,962,903			67,962,903	65,512,284		
Basic earnings per share	\$2.26	\$2.04	\$0.22	10.8%	\$2.04	\$2.66	\$(0.62)	(23.3%)
Adjusted basic earnings per share ⁽¹⁾	\$2.21	\$2.08	\$0.13	6.3%	\$2.08	\$2.62	\$(0.54)	(20.6%)
Diluted weighted average number of common shares	68,646,568	68,654,322			68,654,322	68,164,937		
Diluted earnings per share	\$2.24	\$2.02	\$0.22	10.9%	\$2.02	\$2.64	\$(0.62)	(23.5%)
Adjusted diluted earnings per share ⁽¹⁾	\$2.20	\$2.06	\$0.14	6.8%	\$2.06	\$2.60	\$(0.54)	(20.8%)
Common share dividends declared	\$0.76	\$0.66	\$0.10	15.2%	\$0.66	\$0.64	\$0.02	3.1%
Convertible, non-voting shares dividends declared	\$0.36	\$0.32	\$0.04	12.5%	\$0.32	\$0.32	\$-	0.0%

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

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

(3) Gain on settlement – please see note 20 of the consolidated financial statements for further detail.

Same Store Sales ⁽¹⁾

For the	Year ended				
	(C\$ in millions, except %)	December 31, 2024	December 31, 2023	\$ Increase	% Increase
Same store sales ⁽¹⁾		2,437.0	2,400.9	36.1	1.5%

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

Revenue

For the year ended December 31, 2024, revenue was \$2,498.5 million compared to \$2,454.8 million in the prior year, an increase of \$43.7 million or 1.8%. The increase in revenue was driven by strong furniture and appliance sales, partially offset by lower electronics sales. The furniture category grew 2.3% due to strength in the first half of the year, partially offset by industry-wide overseas shipping challenges that reduced furniture inventory levels during the second half of the year.

Same Store Sales ⁽¹⁾

Same store corporate sales increased by 1.5% or \$36.1 million compared to the year ended December 31, 2023 driven by the factors discussed in the revenue section above.

Gross Profit

Gross profit margin increased by 26 basis points from 44.13% for the year ended December 31, 2023 to 44.39% in the year ended December 31, 2024. The gross margin percentage increase was driven by higher furniture margin rates and a greater mix of furniture sales.

Selling, General and Administrative Expenses

SG&A as a percentage of revenue for the year ended December 31, 2024 increased to 36.72%, 15 basis points higher than the 36.57% in the prior year. SG&A as a percentage of revenue increased primarily due to minimum wage increases, stewardship recycling fees, professional fees, and other inflationary pressures.

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

Adjusted net income for the year ended December 31, 2024 totaled \$150.9 million, an increase of \$9.4 million or 6.6% over the prior year. The improvement was driven by a one-time \$23.4 million pre-tax net favorable settlement related to a breach of contract legal dispute with CURO. The Company had an agreement with CURO to underwrite insurance for their credit products commencing in 2024. After undergoing voluntary bankruptcy proceedings to restructure their business, CURO elected to not proceed with the agreement which ultimately resulted in a legal settlement in favor of the Company to recover the future profit potential of the agreement. During 2023, point of sale financing partner FLX Holding Corp ("Flexiti") was acquired by Questrade Financial Group Inc. from CURO. Leon's Furniture Limited entered into an amended agreement with Flexiti, and the Company received a \$20 million one-time pre-tax payment to settle the value of warrant rights negotiated as part of the original agreement with CURO. Normalizing for the one-time gains in both years, adjusted net income increased \$6.8 million or 5.4% over the prior year driven by sales and gross margin rate increase.

Adjusted diluted earnings per share for the Company increased to \$2.20 compared to \$2.06 in the year ended December 31, 2023, an increase of \$0.14 per share. Normalizing for the one-time gain in both years, adjusted diluted earnings per share increased \$0.10 or 5.4% over the prior year.

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, 2024 was \$153.7 million, or \$2.24 per diluted earnings per share (net income of \$138.9 million, \$2.02 per diluted earnings per share in 2023).

(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.

4. Store Network

The Company has 299 retail stores in Canada at December 31, 2024. The following table illustrates the Company's store count continuity from December 31, 2023 to December 31, 2024 by retail banner:

Banner	Number of stores as at			Number of stores as at December 31, 2024
	December 31, 2023	Opened	Closed	
Corporate Stores				
Leon's	52	-	-	52
Appliance Canada	5	-	-	5
The Brick ⁽¹⁾	118	-	-	118
The Brick Mattress Store	21	-	(1)	20
Brick Outlet	6	-	-	6
Corporate Subtotal	202	-	(1)	201
Franchise Stores				
Leon's	35	1	(3)	33
The Brick	66	-	(1)	65
Franchise Subtotal	101	1	(4)	98
Total Corporate & Franchise Stores	303	1	(5)	299

(1) Includes the Midnorthern Appliance banner.

The Company continues to reposition store locations in markets that allow its divisions to expand their market share and support existing locations.

5. Summary of Consolidated Quarterly Results

The table below highlights the variability of quarterly results and the impact of seasonality on the Company's results. The Company's profitability is typically lower in the first half of the year, since retail sales are traditionally higher in the third and fourth quarters.

For the quarter ended	December 31		September 30		June 30		March 31	
	2024	2023	2024	2023	2024	2023	2024	2023
(C\$ in millions except per share amounts)								
Total system-wide sales ⁽¹⁾	806.2	832.5	779.9	791.7	742.1	717.6	677.7	625.6
Franchise sales ⁽¹⁾	139.5	145.6	128.0	130.7	124.4	123.8	115.4	112.6
Revenue	666.7	686.9	651.9	661.0	617.7	593.8	562.3	513.0
Net income	67.9	46.2	36.9	52.3	30.2	27.4	18.8	12.9
Adjusted net income ⁽¹⁾	67.4	48.9	37.2	51.7	29.9	28.0	16.4	12.9
Basic earnings per share	\$0.99	\$0.68	\$0.54	\$0.77	\$0.44	\$0.40	\$0.28	\$0.19
Diluted earnings per share	\$0.99	\$0.68	\$0.54	\$0.76	\$0.44	\$0.40	\$0.27	\$0.19
Adjusted basic earnings per share ⁽¹⁾	\$0.99	\$0.72	\$0.55	\$0.76	\$0.44	\$0.41	\$0.24	\$0.19
Adjusted diluted earnings per share ⁽¹⁾	\$0.98	\$0.72	\$0.54	\$0.75	\$0.44	\$0.41	\$0.24	\$0.19

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

6. Financial Position

As at	December 31, 2024		December 31, 2023	
(C\$ in millions)				
Total assets	2,340.7		2,221.8	
Total non-current liabilities	543.0		571.2	

Assets

Total assets at December 31, 2024 of \$2,340.7 million were \$118.9 million higher than the \$2,221.8 million reported at December 31, 2023. The movement was driven by increases in cash and cash equivalents, debt and equity securities, offset by decreases in trade receivables and inventory.

Non-Current Liabilities

Non-current liabilities of \$543.0 million were \$28.2 million lower than the \$571.2 million reported at December 31, 2023. This is primarily a result of a decrease in the term loan of \$20.0 million, and a decrease in the long-term portion of lease liabilities of \$12.9 million. Long-term debt and lease liabilities are discussed further in notes 14 and 13, respectively, of the consolidated financial statements.

Net Debt

The table below reflects the Company's net cash balances, excluding its lease liabilities and restricted marketable securities as at December 31, 2024.

As at	December 31, 2024	December 31, 2023	\$ Change
(C\$ in millions)			
Term debt	80.0	100.0	(20.0)
Less: cash, cash equivalents, debt and equity instruments	325.4	187.1	138.3
Net cash balance ⁽¹⁾	245.4	87.1	158.3

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

At December 31, 2024, the Company's total net cash balance, excluding its lease liabilities is \$245.4 million. The change in the net debt position is primarily driven by an increase in cash and cash equivalents of \$108.5 million. This increase in cash was mostly generated by changes in operating capital due to an increase in customer deposits and collection of trade receivables. Additionally, the term loan has decreased by \$20 million.

7. Liquidity and Capital Resources

Liquidity Risk Management

The purpose of liquidity risk management is to maintain sufficient amounts of cash and cash equivalents, and authorized credit facilities, to fulfill obligations associated with financial liabilities. To manage liquidity risk, the Company prepares budgets and cash forecasts, and monitors its performance against these. Management also monitors cash and working capital efficiency given current sales levels and seasonal variability. The Company measures and monitors liquidity risk by regularly evaluating its cash inflows and outflows under expected conditions through cash flow reporting such that it anticipates certain funding mismatches and ensures the cash management of the business within certain tolerable levels. These cash flow forecasts are reviewed on a weekly basis by management. The Company mitigates liquidity risk through continuous monitoring of its credit facilities and the diversification of its funding sources, both in the short term as well as the long term. As at December 31, 2024, unrestricted liquidity is \$513.2 million comprised of cash and cash equivalents, debt and equity instruments and its undrawn revolving credit facility.

Consolidated Cash Flow Movements

The following table provides a summarized statement of cash flows for the three months and year ended December 31, 2024 and December 31, 2023:

For the (C\$ in millions)	Three months ended		
	December 31, 2024	December 31, 2023	\$ Increase (Decrease)
Cash provided by operating activities	133.4	82.1	51.3
Cash provided by (used in) investing activities	(18.3)	10.2	(28.5)
Cash used in financing activities	(48.9)	(97.9)	49.0
Increase (decrease) in cash and cash equivalents	66.2	(5.6)	71.8

For the (C\$ in millions)	Year ended		
	December 31, 2024	December 31, 2023	\$ Increase (Decrease)
Cash provided by operating activities	345.0	253.3	91.7
Cash used in investing activities	(67.9)	(5.4)	(62.5)
Cash used in financing activities	(168.6)	(280.3)	111.7
Decrease in cash and cash equivalents	108.5	(32.4)	140.9

	Q4 2024	Year-to-Date
Operating Activities	<p>↑ \$51.3 million change The increase is primarily driven by changes in working capital related to trade receivables and customer deposits, offset by inventory.</p>	<p>↑ \$91.7 million change The increase is mainly due to timing of inventory purchases, increase in customer deposits, timing of credit based point-of-sale transaction settlements and offset by trade and other payables.</p>
Investing Activities	<p>↓ \$28.5 million change The decrease is due to a reduction in proceeds on sale of debt and equity instruments.</p>	<p>↓ \$62.5 million change The decrease is due to increased investment related to the new Edmonton DC and office development and one-time proceeds received in the prior year on settlement of warrant</p>
Financing Activities	<p>↑ \$49.0 million change The increase is primarily due to the movement of long-term debt repayments.</p>	<p>↑ \$111.7 million change The increase is primarily due to the movement of long-term debt repayments as the Company repaid \$100 million more in 2023.</p>

Adequacy of Financial Resources

At December 31, 2024, the Company's current assets exceeded its current liabilities by \$279.7 million and its cash and cash equivalents, restricted marketable securities, and debt and equity instruments were \$325.4 million compared to \$187.6 million at December 31, 2023. At December 31, 2024, \$187.7 million is available to draw on under the Company's \$200 million revolving credit facility as the borrowing capacity has been reduced by ordinary letters of credit of \$8.5 million and utilizing \$3.8 million of the revolving credit facility. The Company believes that its existing financing resources together with cash flow provided from its current operations and its expanded revolving credit facility will provide a sound liquidity and working capital position throughout the next twelve months.

Contractual Obligations

As at December 31, 2024

(C\$ in millions)

Contractual obligations	Total	Payments Due by Period					
		2025	2026	2027	2028	2029	2030 & Beyond
Long-term debt	84.8	11.0	73.8	-	-	-	-
Lease payments	414.2	95.8	58.8	57.5	54.9	52.5	94.7
Total contractual obligations	499.0	106.8	132.6	57.5	54.9	52.5	94.7

8. 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 299 store locations across Canada.

9. Outstanding Common Shares

At December 31, 2024, there were 68,191,725 common shares issued and outstanding. During the year ended December 31, 2024, 2,184 series 2012 shares, 69,724 series 2013 shares, 36,389 series 2014 shares and 51,400 series 2015 shares were converted into common shares. For details on the Company's commitments related to its redeemable share liability please refer to Note 15 of the consolidated financial statements.

During the year ended December 31, 2024, no common shares were purchased or cancelled.

10. Related Party Transactions

For the year ended December 31, 2024, we had no transactions with related parties as defined in IAS 24, *Related Party Disclosures*, except those pertaining to transactions with key management personnel in the ordinary course of their employment.

11. Critical Assumptions

Use of estimates and judgments

Management has exercised judgment in the process of applying the Company's accounting policies. The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the consolidated statements of financial position dates and the reported amounts of revenue and expenses during the reporting period. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The following discusses the most significant accounting judgments and estimates that the Company has made in the preparation of the consolidated financial statements.

Consolidation and classification of joint arrangements

Assessing the Company's ability to control or influence the relevant financial and operating policies of another entity may, depending on the facts and circumstances, require the exercise of significant judgment to determine whether the Company controls, jointly controls or exercises significant influence over the entity performing the work. This assessment of control impacts how the operations of these entities are reported in the Company's consolidated financial statements (i.e, consolidation, equity investment or proportional share).

The classification of these entities as a subsidiary, joint operation, joint venture, associate or financial instrument requires judgment by management to analyze the various indicators that determine whether control exists. In particular, when assessing whether a joint arrangement should be classified as either a joint operation or a joint venture, management considers the contractual rights and obligations, voting shares, share of board members and the legal structure of the joint arrangement. Subject to reviewing and assessing all the facts and circumstances of each joint arrangement, joint arrangements contracted through agreements and general partnerships would generally be classified as joint operations whereas joint arrangements contracted through corporations would be classified as joint ventures. The application of different judgments when assessing control or the classification of joint arrangements could result in materially different presentations in the consolidated financial statements.

Extended warranty revenue recognition

The Company offers extended warranties on certain merchandise. Management has applied judgment in determining the basis upon and period over which to recognize deferred warranty revenue.

Inventories

The Company estimates the net realizable value as the amount at which inventories are expected to be sold by taking into account fluctuations of retail prices due to prevailing market conditions. If required, inventories are written down to net realizable value when the cost of inventories is estimated to not be recoverable due to obsolescence, damage or declining sales prices. Reserves for slow-moving and damaged inventory are deducted in the Company's valuation of inventories. Management has estimated the amount of reserve for slow-moving inventory based on the Company's historical retail experience.

Impairment of debt instruments

The Company exercises judgment in the determination of whether there are objective indicators of impairment with respect to its debt instruments. The Company's review is based on an expected credit loss ("ECL") approach that employs an analysis of historical data, economic indicators and any past or future events that may influence the recoverability of the debt instruments held.

Impairment of property, plant and equipment and right-of-use assets

The Company exercises judgment in the determination of cash-generating units ("CGUs") for purposes of assessing any impairment of property, plant and equipment and right-of-use assets, as well as in determining whether there are indicators of impairment present. Should indicators of impairment be present, management estimates the recoverable amount of the relevant CGU. This estimation requires assumptions about future cash flows, margins and discount rates.

Impairment of goodwill and intangible assets

The Company tests goodwill and indefinite-life intangible assets at least annually and reviews other long-lived intangible assets for any indication that the asset might be impaired. Significant judgments are required in determining the CGUs or groups of CGUs for purposes of assessing impairment. Significant judgments are also required in determining whether to allocate goodwill to CGUs or groups of CGUs. When performing impairment tests, the Company estimates the recoverable amount of the CGUs or groups of CGUs to which goodwill and indefinite-life intangible assets have been allocated using a discounted cash flow model that requires assumptions about future cash flows, margins and discount rates.

Provisions

The Company exercises judgment in the determination of recognizing a provision. The Company recognizes a provision when it has a present legal or constructive obligation as a result of a past event and a reliable estimate of the obligation can be made. Significant judgments are required to be made in determining the probable outflow of resources that will be required to settle the obligation.

Leases

Management exercises judgment in the process of applying IFRS 16, *Leases* ("IFRS 16") and determining the appropriate lease term on a lease-by-lease basis. Management considers many factors including any events that create an economic incentive to exercise a renewal option including store performance, expected future performance and past business practice. Renewal options are only included if management is reasonably certain that the option will be renewed.

Materiality

In preparing this MD&A and the information contained herein, management considers the likelihood that a reasonable investor's decision would be influenced to buy or not buy, or to sell or hold securities of the Company if such information were omitted, misstated or obscured in any way. This concept of materiality is consistent with the notion of materiality applied to financial statements and contained in IFRS.

Recent Accounting Pronouncements

Adoption of new accounting standards

Amendments to IAS 1, Presentation of Financial Statements

The amendments to IAS 1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least twelve months and make explicit that only rights in place at the end of the reporting period should affect the classification of a liability. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and are to be applied retrospectively. The adoption of this standard did not have a material impact on the consolidated financial statements.

Amendments to IAS 12, IASB issued International Tax Reform – Pillar Two Model Rules

In May 2023, IASB issued International Tax Reform – Pillar Two Model Rule with regards to disclosure requirements for affected entities, including information about an entity's exposure to Pillar Two income taxes and current tax expense related to Pillar Two income taxes. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Company operates. The Company has performed an assessment of the Company's potential exposure to Pillar Two income taxes and determined that there was no material impact. This assessment is based on the most recent information available regarding the financial performance of the constituent entities in the Company.

Accounting standards and amendments issued but not yet adopted***Amendments to IAS 21, The Effects of Changes in Foreign Exchange Rates***

In August 2023, the IASB issued amendments to IAS 21 – The Effects of Changes in Foreign Exchange Rates in relation to Lack of Exchangeability. The amendments require entities to apply a consistent approach in assessing whether a currency can be exchanged into another currency, and in determining the exchange rate to use and the disclosures to provide when it cannot. These amendments are effective for annual reporting periods beginning on or after January 1, 2025, with early adoption permitted. The adoption of this standard will not have a material impact on the consolidated financial statements.

IFRS 18, Presentation and Disclosure in Financial Statements ("IFRS 18")

The IASB issued IFRS 18 "Presentation and Disclosure in the Financial Statements" ("IFRS 18"), which sets out requirements and guidance on presentation and disclosure in financial statements, including:

- Presentation in income statement of income and expenses within five defined categories: operating, investing, financing, income taxes, and discontinued operations
- Presentation in the income statements of new defined subtotals for operating profit and profit before financing and income taxes
- Enhanced guidance on aggregation and disaggregation of information and whether to provide information in the financial statements or in the notes
- Disclosure of specified expenses by nature
- Disclosure of explanations of management-defined performance measures

IFRS 18 will replace IAS 1 "Presentation of Financial Statements" but carries forward many requirements from IAS 1 without any change. The standard is effective for the annual reporting periods beginning on or after January 1, 2027, with early application permitted. The Company is currently assessing the impact of this new standard on its consolidated financial statements.

Amendments to IFRS 9 and IFRS 7, Classification and Measurement of Financial Instruments

In May 2024, the IASB issued amendments to IFRS 9, Financial Instruments, and IFRS 7, Financial Instruments: Disclosures, relating to the classification and measurement requirements of financial instruments recognized within those standards. These amendments include, among others:

- Clarify that a financial liability is to be derecognized on the 'settlement date' and introduces an accounting policy to derecognize financial liabilities settled through an electronic payment system before settlement date if certain conditions are met; and
- Require additional disclosures for financial assets and liabilities with contractual terms that reference a contingent event and equity instruments classified at fair value through other comprehensive income.

These amendments will be effective for annual periods beginning on or after January 1, 2026, and will be applied retrospectively with an adjustment to opening retained earnings. Prior periods will not be required to be restated and can only be restated without using hindsight. The Company does not expect any material impacts from these amendments on its consolidated financial statements.

12. Risks and Uncertainties

Careful consideration should be given to the following risk factors. These descriptions of risks are not the only ones facing the Company. Additional risks and uncertainties not presently known to Leon's, or that the Company deems immaterial, may also impair the operations of the Company. If any of such risks actually occur, the business, financial condition, liquidity, and results of operations of the Company could be materially adversely affected.

Readers of this MD&A are also encouraged to refer to Leon's Annual Information Form ("AIF") dated February 25, 2025, which provides information on the risk factors facing the Company. The February 25, 2025 AIF can be found online at www.sedar.com.

Sensitivity to General Economic Conditions

The household furniture, mattress, appliance and home electronics retailing industry in Canada has historically been subject to cyclical variations in the general economy and to uncertainty regarding future economic prospects. The Company's sales are impacted by the health of the economy in Canada as a whole, and in the regional markets in which the Company operates.

The Company's sales and financial results are subject to numerous uncertainties. Weakness in sales or consumer confidence could result in an increasingly challenging operating environment.

Maintaining Profitability & Managing Growth

There can be no assurance that the Company's business and growth strategy will enable it to sustain profitability in future periods. The Company's future operating results will depend on a number of factors, including (i) the Company's ability to continue to successfully execute its strategic initiatives, (ii) the level of competition in the household furniture, mattress, appliance and home electronics retailing industry in the markets in which the Company operates, (iii) the Company's ability to remain a low-cost retailer, including the effective management of its supply chain, (iv) the Company's ability to realize increased sales and greater levels of profitability through its retail stores, (v) the effectiveness of the Company's marketing programs, (vi) the Company's ability to successfully identify and respond to changes in fashion trends and consumer tastes in the household furniture, mattress, appliance and home electronics retailing industry, (vii) the Company's ability to maintain cost effective delivery of its products, (viii) the Company's ability to hire, train, manage and retain qualified retail store management and sales professionals, (ix) the Company's ability to continuously improve its service to achieve new and enhanced customer benefits and better quality, and (x) general economic conditions and consumer confidence, and (xi) the Company's ability to manage tariffs and other external economic changes with which it may be faced.

Foreign Exchange Risk

The Company has hedged a portion of near-term forecasted USD purchases to minimize the impacts of adverse changes in foreign exchange rates. However, there can be no assurance that these measures will fully mitigate this risk, and sustained changes in foreign exchange rates may impact purchasing costs over time.

Financial Condition of Commercial Sales Customers & Franchisees

Through its commercial sales division, the Company sells products and extends credit to high-rise and condominium builders who purchase large quantities of products. The Company also sells products and extends credit to its franchisees. Negative changes in the financial condition of a significant commercial sales customer or a franchisee could impact on the Company's receivables and ultimately result in the Company having to take a bad-debt write-off in excess of allowance for bad debts. The occurrence of such an event could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

Competition

The household furniture, mattress, appliance and home electronics retailing industry is highly competitive and highly fragmented. The Company faces competition in all regions in which its operations are located by existing stores that sell similar products and also by stores that may be opened in the future by existing or new competitors in such markets. The Company competes directly with many different types of retail stores that sell many of the products sold by the Company. Such competitors include (i) department stores, (ii) specialty stores (such as specialty electronics, appliance, or mattress retailers), (iii) other national or regional chains offering household furniture, mattresses, appliances and home electronics, and (iv) other independent retailers, particularly those associated with larger buying groups. The highly competitive nature of the industry means the Company is constantly subject to the risk of losing market share to its competitors. As a result, the Company may not be able to maintain or to raise the prices of its products in response to competitive pressures. In addition, the entrance of additional competitors to the markets in which the Company operates, particularly large furniture, appliance or electronics retailers from the United States could increase the competitive pressure on the Company and have a material adverse effect on the Company's market share. The actions and strategies of the Company's current and potential competitors could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

13. Controls and Procedures

Disclosure Controls & Procedures

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company is gathered and reported on a timely basis to senior management, including the Chief Executive Officer and Chief Financial Officer so that appropriate decisions can be made by them regarding public disclosure. Based on the evaluation of disclosure controls and procedures, the CEO and CFO have concluded that the Company's disclosure controls and procedures were effective as at December 31, 2024.

Internal Controls over Financial Reporting

Management is also responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company. The control framework used in the design of disclosure controls and procedures and internal control over financial reporting is based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013).

Management, including the CEO and CFO, does not expect that the Company's disclosure controls or internal controls over financial reporting will prevent or detect all errors and all fraud or will be effective under all potential future conditions. A control system is subject to inherent limitations and, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control systems objectives will be met.

As required by the National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), the Company's CEO and CFO evaluated the effectiveness of internal controls over financial reporting under their supervision and concluded that the controls and procedures are effective.

During the year ended December 31, 2024, there have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

14. Non-IFRS and Supplementary Financial Measures

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.

The following is a reconciliation of reported net income to adjusted net income, basic and diluted earnings per share to adjusted basic and diluted earnings per share:

For the	Three months ended		Year ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
(C\$ in millions except per share amounts)				
Net income	67.9	46.2	153.7	138.9
After-tax mark-to-market (gain) loss on financial derivative	(0.5)	2.7	(2.8)	2.6
Adjusted net income	67.4	48.9	150.9	141.5
Basic earnings per share	\$0.99	\$0.68	\$2.26	\$2.04
Diluted earnings per share	\$0.99	\$0.68	\$2.24	\$2.02
Adjusted basic earnings per share	\$0.99	\$0.72	\$2.21	\$2.08
Adjusted diluted earnings per share	\$0.98	\$0.72	\$2.20	\$2.06

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. 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	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
(C\$ in millions)				
Net income	67.9	46.2	153.7	138.9
Income tax expense	23.2	15.1	50.9	43.6
Net finance costs	2.9	4.2	14.4	19.5
Depreciation and amortization	26.6	27.0	106.6	107.8
Gain on settlement	(23.4)	-	(23.4)	(20.0)
Mark-to-market (gain) loss on financial derivative	(0.7)	3.6	(3.8)	3.5
Adjusted EBITDA	96.5	96.1	298.4	293.3

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.

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 consolidated 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.