



La-Z-Boy Reports Fiscal 2020 Third-Quarter Results

02/18/20

Written Same-Store Sales for the La-Z-Boy Furniture Galleries Network® increased 10.5%

MONROE, Mich., Feb. 18, 2020 (GLOBE NEWSWIRE) -- La-Z-Boy Incorporated (NYSE: LZB) today reported its operating results for the fiscal 2020 third quarter ended January 25, 2020.

Fiscal 2020 third quarter versus Fiscal 2019 third quarter:

- Consolidated sales for the third quarter increased 1.8% to \$475.9 million
 - La-Z-Boy Furniture Galleries® stores:
 - Written same-store sales for the La-Z-Boy Furniture Galleries® network increased 10.5%, the fourth consecutive quarterly increase
 - Delivered same-store sales for the company-owned Retail segment increased 5.5%, the seventh consecutive quarterly increase
- Consolidated operating margin:
 - GAAP: 11.0% versus 8.7%
 - Non-GAAP*: 9.4% versus 9.0%
 - Upholstery operating margin:
 - GAAP 13.8% versus 10.3%
 - Non-GAAP 11.2% versus 10.3%
- Net income attributable to La-Z-Boy Incorporated per diluted share (“EPS”):
 - GAAP: \$0.74 versus \$0.61
 - Non-GAAP*: \$0.72 versus \$0.63
 - Fiscal 2020 third quarter excludes a \$0.02 charge for purchase accounting, a \$0.10 impairment charge for one investment in a privately held start-up company, and a net \$0.14 benefit related to the company’s supply chain optimization initiative
 - Fiscal 2019 third quarter excludes a \$0.02 charge for purchase accounting
 - GAAP and Non-GAAP EPS for the fiscal 2019 third quarter included a one-time \$0.07 per share benefit for a redesign of employee benefits programs
- Cash generated from operating activities increased 46% to \$66.1 million on stronger earnings, increased customer deposits and improved working capital management
- The company returned \$18.7 million to shareholders through share purchases and dividends for the quarter

Kurt L. Darrow, Chairman, President and Chief Executive Officer of La-Z-Boy, said, “Our performance for the quarter continues to reflect the strength of the La-Z-Boy brand coupled with a powerful global supply chain that is delivering strong results. During the quarter, our company-owned Retail segment posted its seventh consecutive quarter of increased delivered same-store sales, and our Upholstery segment delivered double-digit profitability. We also generated \$66 million in cash from operations and increased returns to shareholders. With a strong brand, supply chain, distribution network and balance sheet, we are focused on driving long-term profitable growth across the enterprise.”

Consolidated sales in the third quarter of fiscal 2020 increased 1.8% to \$475.9 million, led by growth in the Retail segment. Consolidated GAAP operating margin increased to 11.0% versus 8.7% in the prior-year quarter. Non-GAAP operating margin increased to 9.4% in the current-year quarter versus 9.0% in last year’s third quarter, reflecting improvement in the Upholstery and Retail segments. Non-GAAP results exclude the net benefit of \$8.7 million related to the company’s supply chain optimization initiative announced in August, reflecting a gain on the sale of the company’s Redlands, California upholstery facility, net of ongoing costs associated with the initiative, and exclude \$1.3 million of purchase accounting charges. GAAP and Non-GAAP fiscal 2019 third-quarter results included a one-time benefit of 110 basis points related to a redesign of the company’s employee benefits programs.

For the quarter, sales in the company’s Upholstery segment increased 0.7% to \$336.7 million and GAAP operating margin increased to 13.8% from 10.3% in last year’s third quarter. Non-GAAP operating margin increased to 11.2% versus 10.3%, and excludes income of \$8.7 million related to the supply chain optimization initiative. Operating margin improved as supply chain inflationary pressures were more than offset by efficiencies and lower commodity costs. In the Casegoods segment, sales increased 0.2% to \$28.1 million and operating margin was 9.0% compared with 11.9% in the prior-year period, reflecting the impact of tariffs on the occasional table business and increased freight costs.

Sales in the Retail segment increased 5.1% to \$167.5 million in the third quarter of fiscal 2020. GAAP operating margin for the Retail segment improved to 9.8% from 8.9% in last year’s third quarter. Non-GAAP operating margin increased to 9.8% in the current-year quarter from 9.1% in last year’s third quarter, and excluded purchase accounting charges in each period related to store acquisitions. Operating margin improvement was driven primarily by a 5.5% increase in delivered same-store sales. On the core base of 153 company-owned stores in last year’s third quarter, delivered same-store sales performance reflected improved traffic trends and continued strong execution at the store level.

Fiscal 2020 third-quarter sales for Joybird (reported in the Corporate & Other segment) increased 17.9% to \$21.9 million. Joybird continued to

improve its gross margin, fueled by supply chain synergies. Joybird reduced its loss for the quarter on a year-over-year and sequential basis. The company is continuing to make improvements across the business model with the objective to balance investments in growth with bottom-line performance.

GAAP diluted EPS was \$0.74 for the fiscal 2020 third quarter versus \$0.61 in the prior-year quarter. Non-GAAP diluted EPS was \$0.72 versus \$0.63 in last year's third quarter, with the fiscal 2020 third quarter excluding a \$0.02 per diluted share charge for purchase accounting, a \$0.10 per diluted share impairment charge for one investment in a privately held start-up company, and a \$0.14 per diluted share net benefit related to the company's supply chain optimization initiative. Fiscal 2019 Non-GAAP third-quarter results excluded a \$0.02 per diluted share charge for purchase accounting. GAAP and Non-GAAP fiscal 2019 third-quarter results included a one-time \$0.07 per diluted share benefit for a redesign of employee benefits.

Balance Sheet and Cash Flow

For the third quarter, the company generated \$66.1 million in cash from operating activities, on stronger earnings, increased customer deposits and improved working capital management. La-Z-Boy ended the quarter with \$168.2 million in cash, cash equivalents, and restricted cash, and \$30.1 million in investments to enhance returns on cash. During the period, the company invested \$12.5 million in the business through capital expenditures, paid \$6.5 million in dividends, and spent \$12.2 million purchasing 0.4 million shares of stock in the open market under its existing authorized share purchase program, leaving 4.8 million shares of purchase availability in the program.

**Non-GAAP amounts for the third quarter of fiscal 2020 exclude: pre-tax purchase accounting charges related to the acquisitions completed in prior periods totaling \$1.4 million, or \$0.02 per diluted share, with \$1.3 million included in operating income and \$0.1 million included in interest expense; a pre-tax charge of \$6.0 million, or \$0.10 per diluted share related to an impairment for one investment, and pre-tax income of \$8.7 million, or \$0.14 per diluted share, related to the company's supply chain optimization initiative, including the closure and sale of the company's Redlands, California upholstery manufacturing facility and relocation of its Newton, Mississippi leather cut-and-sew operations. Non-GAAP amounts for the third quarter of fiscal 2019 exclude pre-tax purchase accounting charges of \$1.5 million, or \$0.02 per diluted share, with \$1.3 million included in operating income and \$0.2 million included in interest expense.*

Please refer to the accompanying "Reconciliation of GAAP to Non-GAAP Financial Measures" for detailed information on calculating Non-GAAP measures used in this press release and a reconciliation to the applicable GAAP measure.

Conference Call

La-Z-Boy will hold a conference call with the investment community on Wednesday, February 19, 2020, at 8:30 a.m. eastern time. The toll-free dial-in number is 844.602.0380; international callers may use 862.298.0970.

The call will be webcast live, with corresponding slides, and archived on the Internet. It will be available at <https://lazboy.qcs-web.com/>. A telephone replay will be available for a week following the call. This replay will be accessible to callers from the U.S. and Canada at 877.481.4010 and to international callers at 919.882.2331. Enter Replay Passcode: 58265. The webcast replay will be available for one year.

Forward-looking Information

This news release contains, and oral statements made from time to time by representatives of La-Z-Boy may contain, "forward-looking statements." With respect to all forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Actual results could differ materially from those we anticipate or project due to a number of factors, including: (a) changes in consumer confidence and demographics; (b) the possibility of a recession; (c) changes in the real estate and credit markets and their effects on our customers, consumers and suppliers; (d) international political unrest, terrorism or war; (e) volatility in energy and other commodities prices; (f) the impact of logistics on imports and exports; (g) tax rate, interest rate, and currency exchange rate changes; (h) changes in the stock market impacting our profitability and our effective tax rate; (i) operating factors, such as supply, labor or distribution disruptions (e.g. port strikes); (j) changes in legislation, including the tax code, or changes in the domestic or international regulatory environment or trade policies, including new or increased duties, tariffs, retaliatory tariffs, trade limitations and termination or renegotiation of bilateral and multilateral trade agreements impacting our business; (k) adoption of new accounting principles; (l) fires, severe weather or other natural events such as hurricanes, earthquakes, flooding, tornadoes and tsunamis; (m) our ability to procure, transport or import, or material increases to the cost of transporting or importing, fabric rolls, leather hides or cut-and-sewn fabric and leather sets domestically or abroad; (n) information technology conversions or system failures and our ability to recover from a system failure; (o) effects of our brand awareness and marketing programs; (p) the discovery of defects in our products resulting in delays in manufacturing, recall campaigns, reputational damage, or increased warranty costs; (q) litigation arising out of alleged defects in our products; (r) unusual or significant litigation; (s) our ability to locate new La-Z-Boy Furniture Galleries® stores (or store owners) and negotiate favorable lease terms for new or existing locations; (t) the ability to increase volume through our e-commerce initiatives; (u) the impact of potential goodwill or intangible asset impairments; and (v) those matters discussed in Item 1A of our fiscal 2019 Annual Report on Form 10-K and other factors identified from time to time in our reports filed with the Securities and Exchange Commission (the "SEC"). We undertake no obligation to update or revise any forward-looking statements, whether to reflect new information or new developments or for any other reason.

Additional Information

This news release is just one part of La-Z-Boy's financial disclosures and should be read in conjunction with other information filed with the Securities and Exchange Commission, which is available at: <https://lazboy.qcs-web.com/financial-information/sec-filings>. Investors and others wishing to be notified of future La-Z-Boy news releases, SEC filings and quarterly investor conference calls may sign up at: <https://lazboy.qcs-web.com/>.

Background Information

La-Z-Boy Incorporated is one of the world's leading residential furniture producers, marketing furniture for every room of the home. The Upholstery segment companies are England and La-Z-Boy. The Casegoods segment consists of three brands: American Drew®, Hammary®, and Kincaid®. The company-owned Retail segment includes 155 of the 355 La-Z-Boy Furniture Galleries® stores. Joybird is an e-commerce retailer and manufacturer of upholstered furniture.

The corporation's branded distribution network is dedicated to selling La-Z-Boy Incorporated products and brands, and includes 355 stand-alone La-Z-Boy Furniture Galleries® stores and 559 independent Comfort Studio® locations, in addition to in-store gallery programs for the company's Kincaid and England operating units. Additional information is available at <http://www.la-z-boy.com/>.

Non-GAAP Financial Measures

In addition to the financial measures prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), this press release also includes Non-GAAP financial measures. Management uses these Non-GAAP financial measures when assessing our ongoing performance. This press release contains references to Non-GAAP operating income, Non-GAAP operating margin, Non-GAAP income before income taxes, Non-GAAP net income attributable to La-Z-Boy Incorporated and Non-GAAP net income attributable to La-Z-Boy Incorporated per diluted share, each of which exclude purchase accounting charges, charges for our supply chain optimization initiative, an impairment charge for one investment and impacts from terminating the company's defined benefit pension plan. The purchase accounting charges may include the amortization of intangible assets, incremental expense upon the sale of inventory acquired at fair value, amortization of employee retention agreements, fair value adjustments of future cash payments recorded as interest expense, and adjustments to the fair value of contingent consideration. The charges for our supply chain optimization initiative may include severance costs, accelerated depreciation expense, costs to relocate equipment and inventory, as well as other costs related to the closure, relocation and sale of certain manufacturing operations. These Non-GAAP financial measures are not meant to be considered superior to or a substitute for La-Z-Boy Incorporated's results of operations prepared in accordance with GAAP and may not be comparable to similarly titled measures reported by other companies. Reconciliations of such Non-GAAP financial measures to the most directly comparable GAAP financial measures are set forth in the accompanying tables.

Management believes that presenting certain Non-GAAP financial measures will help investors understand the long-term profitability trends of our business and compare our profitability to prior and future periods and to our peers. Management excludes purchase accounting charges because the amount and timing of such charges are significantly impacted by the timing, size, number and nature of the acquisitions consummated. While the company has a history of acquisition activity, it does not acquire businesses on a predictable cycle, and the impact of purchase accounting charges is unique to each acquisition and can vary significantly from acquisition to acquisition. Similarly, the charges related to the company's supply chain optimization initiative are dependent on the timing, size, number and nature of the operations being moved or closed, and the charges may not be incurred on a predictable cycle. Management also excludes impacts from the termination of the company's defined benefit pension plan and an impairment charge for one investment when assessing the company's operating and financial performance due to the one-time nature of the transactions. Management believes that exclusion of these items facilitates more consistent comparisons of the company's operating results over time. Where applicable, the accompanying "Reconciliation of GAAP to Non-GAAP Financial Measures" tables present the excluded items net of tax calculated using the effective tax rate from operations for the period in which the adjustment is presented.

LA-Z-BOY INCORPORATED CONSOLIDATED STATEMENT OF INCOME

| <i>(Unaudited, amounts in thousands, except per share data)</i> | Quarter Ended | | Nine Months Ended | |
|--|---------------|------------|-------------------|--------------|
| | 1/25/20 | 1/26/19 | 1/25/20 | 1/26/19 |
| Sales | \$ 475,856 | \$ 467,582 | \$ 1,336,701 | \$ 1,291,610 |
| Cost of sales | 276,218 | 277,712 | 786,962 | 778,813 |
| Gross profit | 199,638 | 189,870 | 549,739 | 512,797 |
| Selling, general and administrative expense | 147,325 | 149,027 | 444,403 | 420,294 |
| Operating income | 52,313 | 40,843 | 105,336 | 92,503 |
| Interest expense | (265) | (538) | (891) | (1,143) |
| Interest income | 844 | 540 | 2,093 | 1,534 |
| Other expense, net | (5,998) | (941) | (5,390) | (2,046) |
| Income before income taxes | 46,894 | 39,904 | 101,148 | 90,848 |
| Income tax expense | 12,178 | 10,730 | 25,540 | 22,374 |
| Net income | 34,716 | 29,174 | 75,608 | 68,474 |
| Net income attributable to noncontrolling interests | (204) | (443) | (434) | (1,428) |
| Net income attributable to La-Z-Boy Incorporated | \$ 34,512 | \$ 28,731 | \$ 75,174 | \$ 67,046 |
| Basic weighted average common shares | 46,262 | 46,820 | 46,545 | 46,808 |
| Basic net income attributable to La-Z-Boy Incorporated per share | \$ 0.75 | \$ 0.61 | \$ 1.61 | \$ 1.43 |
| Diluted weighted average common shares | 46,584 | 47,091 | 46,867 | 47,212 |
| Diluted net income attributable to La-Z-Boy Incorporated per share | \$ 0.74 | \$ 0.61 | \$ 1.60 | \$ 1.42 |

LA-Z-BOY INCORPORATED CONSOLIDATED BALANCE SHEET

| <i>(Unaudited, amounts in thousands, except par value)</i> | 1/25/20 | 4/27/19 |
|--|------------|------------|
| Current assets | | |
| Cash and equivalents | \$ 166,272 | \$ 129,819 |
| Restricted cash | 1,973 | 1,968 |
| Receivables, net of allowance of \$2,191 at 1/25/20 and \$2,180 at 4/27/19 | 153,721 | 143,288 |

| | | |
|--|--------------|--------------|
| Inventories, net | 198,567 | 196,899 |
| Other current assets | 82,765 | 69,144 |
| Total current assets | 603,298 | 541,118 |
| Property, plant and equipment, net | 212,851 | 200,523 |
| Goodwill | 185,328 | 185,867 |
| Other intangible assets, net | 29,235 | 29,907 |
| Deferred income taxes – long-term | 19,928 | 20,670 |
| Right of use lease asset | 318,162 | — |
| Other long-term assets, net | 73,831 | 81,705 |
| Total assets | \$ 1,442,633 | \$ 1,059,790 |
| Current liabilities | | |
| Current portion of long-term debt | \$ — | \$ 180 |
| Accounts payable | 68,045 | 65,365 |
| Lease liability, short-term | 65,128 | — |
| Accrued expenses and other current liabilities | 195,349 | 173,091 |
| Total current liabilities | 328,522 | 238,636 |
| Long-term debt | — | 19 |
| Lease liability, long-term | 267,955 | — |
| Other long-term liabilities | 116,674 | 124,159 |
| Shareholders' equity | | |
| Preferred shares – 5,000 authorized; none issued | — | — |
| Common shares, \$1 par value – 150,000 authorized; 46,075 outstanding at 1/25/20 and 46,955 outstanding at 4/27/19 | 46,075 | 46,955 |
| Capital in excess of par value | 316,764 | 313,168 |
| Retained earnings | 353,419 | 325,847 |
| Accumulated other comprehensive loss | (2,361 |) (3,462 |
| Total La-Z-Boy Incorporated shareholders' equity | 713,897 | 682,508 |
| Noncontrolling interests | 15,585 | 14,468 |
| Total equity | 729,482 | 696,976 |
| Total liabilities and equity | \$ 1,442,633 | \$ 1,059,790 |

LA-Z-BOY INCORPORATED
CONSOLIDATED STATEMENT OF CASH FLOWS

| <i>(Unaudited, amounts in thousands)</i> | Nine Months Ended | |
|---|--------------------------|----------------|
| | 1/25/20 | 1/26/19 |
| Cash flows from operating activities | | |
| Net income | \$ 75,608 | \$ 68,474 |
| Adjustments to reconcile net income to cash provided by (used for) operating activities | | |
| (Gain)/loss on disposal of assets | (10,051 |) 41 |
| Change in deferred taxes | 1,238 | 2,538 |
| Provision for doubtful accounts | 210 | 477 |
| Depreciation and amortization | 23,035 | 23,182 |
| Equity-based compensation expense | 7,235 | 8,174 |
| Pension plan contributions | — | (7,000 |
| Change in receivables | (11,178 |) 1,152 |
| Change in inventories | (62 |) (18,950 |
| Change in other assets | 53,620 | (10,103 |
| Change in payables | 659 | 4,954 |
| Change in other liabilities | (20,555 |) 18,509 |
| Net cash provided by operating activities | 119,759 | 91,448 |
| Cash flows from investing activities | | |
| Proceeds from disposals of assets | 11,242 | 447 |
| Proceeds from insurance | 1,080 | 154 |
| Capital expenditures | (35,464 |) (35,766 |
| Purchases of investments | (26,248 |) (14,956 |
| Proceeds from sales of investments | 24,688 | 14,304 |
| Acquisitions | (6,412 |) (78,582 |
| Net cash used for investing activities | (31,114 |) (114,399 |

| | | | |
|---|------------|---|------------|
| Cash flows from financing activities | | | |
| Net proceeds from credit facility | — | | 20,000 |
| Payments on debt and finance lease liabilities | (135 |) | (169 |
| Stock issued for stock and employee benefit plans, net of shares withheld for taxes | 828 | | 4,012 |
| Purchases of common stock | (35,346 |) | (16,726 |
| Dividends paid | (18,641 |) | (17,381 |
| Net cash used for financing activities | (53,294 |) | (10,264 |
| Effect of exchange rate changes on cash and equivalents | 1,107 | | (74 |
| Change in cash, cash equivalents and restricted cash | 36,458 | | (33,289 |
| Cash, cash equivalents and restricted cash at beginning of period | 131,787 | | 136,871 |
| Cash, cash equivalents and restricted cash at end of period | \$ 168,245 | | \$ 103,582 |
| Supplemental disclosure of non-cash investing activities | | | |
| Capital expenditures included in payables | \$ 4,026 | | \$ 2,827 |

**LA-Z-BOY INCORPORATED
SEGMENT INFORMATION**

| <i>(Unaudited, amounts in thousands)</i> | Quarter Ended | | Nine Months Ended | |
|--|---------------|------------|-------------------|--------------|
| | 1/25/20 | 1/26/19 | 1/25/20 | 1/26/19 |
| Sales | | | | |
| Upholstery segment: | | | | |
| Sales to external customers | \$ 262,835 | \$ 265,487 | \$ 746,851 | \$ 759,569 |
| Intersegment sales | 73,861 | 68,961 | 204,116 | 185,370 |
| Upholstery segment sales | 336,696 | 334,448 | 950,967 | 944,939 |
| Casegoods segment: | | | | |
| Sales to external customers | 22,583 | 23,129 | 68,561 | 73,774 |
| Intersegment sales | 5,532 | 4,936 | 16,079 | 14,054 |
| Casegoods segment sales | 28,115 | 28,065 | 84,640 | 87,828 |
| Retail segment sales | 167,494 | 159,417 | 458,894 | 418,331 |
| Corporate and Other: | | | | |
| Sales to external customers | 22,944 | 19,549 | 62,395 | 39,936 |
| Intersegment sales | 2,725 | 3,300 | 8,137 | 9,156 |
| Corporate and Other sales | 25,669 | 22,849 | 70,532 | 49,092 |
| Eliminations | (82,118 |) | (77,197 |) |
| Consolidated sales | \$ 475,856 | \$ 467,582 | \$ 1,336,701 | \$ 1,291,610 |
| Operating Income (Loss) | | | | |
| Upholstery segment | \$ 46,512 | \$ 34,566 | \$ 104,859 | \$ 90,602 |
| Casegoods segment | 2,534 | 3,332 | 7,336 | 10,173 |
| Retail segment | 16,383 | 14,158 | 33,272 | 25,179 |
| Corporate and Other | (13,116 |) | (11,213 |) |
| Consolidated operating income | \$ 52,313 | \$ 40,843 | \$ 105,336 | \$ 92,503 |

**LA-Z-BOY INCORPORATED
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES**

| <i>(Amounts in thousands, except per share data)</i> | Quarter Ended | | Nine Months Ended | |
|---|---------------|------------|-------------------|------------|
| | 1/25/20 | 1/26/19 | 1/25/20 | 1/26/19 |
| GAAP gross profit | \$ 199,638 | \$ 189,870 | \$ 549,739 | \$ 512,797 |
| Add back: Purchase accounting charges - incremental expense upon the sale of inventory acquired at fair value | 88 | 420 | 403 | 2,911 |
| Add back: Supply chain optimization initiative charges | 1,029 | — | 5,292 | — |

| | | | | |
|--|------------|------------|------------|------------|
| Non-GAAP gross profit | \$ 200,755 | \$ 190,290 | \$ 555,434 | \$ 515,708 |
| GAAP SG&A | \$ 147,325 | \$ 149,027 | \$ 444,403 | \$ 420,294 |
| Less: Purchase accounting charges - amortization of intangible assets and retention agreements | (1,194) | (896) | (3,576) | (2,237) |
| Add back: Supply chain optimization initiative gain on sale | 9,745 | — | 9,745 | — |
| Non-GAAP SG&A | \$ 155,876 | \$ 148,131 | \$ 450,572 | \$ 418,057 |
| GAAP operating income | \$ 52,313 | \$ 40,843 | \$ 105,336 | \$ 92,503 |
| Add back: Purchase accounting charges | 1,282 | 1,316 | 3,979 | 5,148 |
| Less: Supply chain optimization initiative gain on sale and charges | (8,716) | — | (4,453) | — |
| Non-GAAP operating income | \$ 44,879 | \$ 42,159 | \$ 104,862 | \$ 97,651 |
| GAAP income before income taxes | \$ 46,894 | \$ 39,904 | \$ 101,148 | \$ 90,848 |
| Add back: Purchase accounting charges recorded as part of gross profit, SG&A, and interest expense | 1,448 | 1,507 | 4,505 | 5,527 |
| Less: Supply chain optimization initiative gain on sale and charges | (8,716) | — | (4,453) | — |
| Add back: Investment impairment | 6,000 | — | 6,000 | — |
| Less: Pension termination refund | — | — | (1,900) | — |
| Non-GAAP income before income taxes | \$ 45,626 | \$ 41,411 | \$ 105,300 | \$ 96,375 |
| GAAP net income attributable to La-Z-Boy Incorporated | \$ 34,512 | \$ 28,731 | \$ 75,174 | \$ 67,046 |
| Add back: Purchase accounting charges recorded as part of gross profit, SG&A, and interest expense | 1,448 | 1,507 | 4,505 | 5,527 |
| Less: Tax effect of purchase accounting | (376) | (439) | (1,138) | (1,360) |
| Less: Supply chain optimization initiative gain on sale and charges | (8,716) | — | (4,453) | — |
| Add back: Tax effect of supply chain optimization initiative gain on sale and charges | 2,263 | — | 1,124 | — |
| Add back: Investment impairment | 6,000 | — | 6,000 | — |
| Less: Tax effect of investment impairment | (1,558) | — | (1,515) | — |
| Less: Pension termination refund | — | — | (1,900) | — |
| Add back: Tax effect of pension termination refund | — | — | 480 | — |
| Non-GAAP net income attributable to La-Z-Boy Incorporated | \$ 33,573 | \$ 29,799 | \$ 78,278 | \$ 71,213 |
| GAAP net income attributable to La-Z-Boy Incorporated per diluted share | \$ 0.74 | \$ 0.61 | \$ 1.60 | \$ 1.42 |
| Add back: Purchase accounting charges, net of tax, per share | 0.02 | 0.02 | 0.07 | 0.09 |
| Less: Supply chain optimization initiative gain on sale and charges, net of tax, per share | (0.14) | — | (0.07) | — |
| Add back: Investment impairment, net of tax, per share | 0.10 | — | 0.10 | — |
| Less: Pension termination refund, net of tax, per share | — | — | (0.03) | — |
| Non-GAAP net income attributable to La-Z-Boy Incorporated per diluted share | \$ 0.72 | \$ 0.63 | \$ 1.67 | \$ 1.51 |

LA-Z-BOY INCORPORATED
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
SEGMENT INFORMATION

| <i>(Amounts in thousands)</i> | Quarter Ended | | 1/26/19 | % of sales |
|---|---------------|------------|-----------|------------|
| | 1/25/20 | % of sales | | |
| GAAP operating income (loss) | | | | |
| Upholstery segment | \$ 46,512 | 13.8% | \$ 34,566 | 10.3% |
| Casegoods segment | 2,534 | 9.0% | 3,332 | 11.9% |
| Retail segment | 16,383 | 9.8% | 14,158 | 8.9% |
| Corporate and Other | (13,116) | N/M | (11,213) | N/M |
| GAAP Consolidated operating income | \$ 52,313 | 11.0% | \$ 40,843 | 8.7% |
| Purchase accounting and supply chain optimization initiative affecting operating income | | | | |
| Upholstery segment | \$ (8,659) |) | \$ (241) |) |
| Casegoods segment | — | | — | |
| Retail segment | 88 | | 420 | |

| | | | | |
|--|-----------|-------|-----------|-------|
| Corporate and Other | 1,137 | | 1,137 | |
| Consolidated Non-GAAP charges affecting operating income | \$ (7,434 |) | \$ 1,316 | |
| Non-GAAP operating income (loss) | | | | |
| Upholstery segment | \$ 37,853 | 11.2% | \$ 34,325 | 10.3% |
| Casegoods segment | 2,534 | 9.0% | 3,332 | 11.9% |
| Retail segment | 16,471 | 9.8% | 14,578 | 9.1% |
| Corporate and Other | (11,979 |) | (10,076 |) |
| Non-GAAP Consolidated operating income | \$ 44,879 | 9.4% | \$ 42,159 | 9.0% |

N/M - Not Meaningful

| <i>(Amounts in thousands)</i> | Nine Months Ended | | | |
|------------------------------------|--------------------------|-------------------|----------------|-------------------|
| | 1/25/20 | % of sales | 1/26/19 | % of sales |
| GAAP operating income (loss) | | | | |
| Upholstery segment | \$ 104,859 | 11.0% | \$ 90,602 | 9.6% |
| Casegoods segment | 7,336 | 8.7% | 10,173 | 11.6% |
| Retail segment | 33,272 | 7.3% | 25,179 | 6.0% |
| Corporate and Other | (40,131 |) | (33,451 |) |
| GAAP Consolidated operating income | \$ 105,336 | 7.9% | \$ 92,503 | 7.2% |

Purchase accounting and supply chain optimization initiative affecting operating income

| | | | | |
|--|-----------|---|----------|---|
| Upholstery segment | \$ (4,288 |) | \$ (37 |) |
| Casegoods segment | — | | — | |
| Retail segment | 403 | | 1,508 | |
| Corporate and Other | 3,411 | | 3,677 | |
| Consolidated Non-GAAP charges affecting operating income | \$ (474 |) | \$ 5,148 | |

| | | | | |
|--|------------|-------|-----------|-------|
| Non-GAAP operating income (loss) | | | | |
| Upholstery segment | \$ 100,571 | 10.6% | \$ 90,565 | 9.6% |
| Casegoods segment | 7,336 | 8.7% | 10,173 | 11.6% |
| Retail segment | 33,675 | 7.3% | 26,687 | 6.4% |
| Corporate and Other | (36,720 |) | (29,774 |) |
| Non-GAAP Consolidated operating income | \$ 104,862 | 7.8% | \$ 97,651 | 7.6% |

N/M - Not Meaningful

Contact:

Kathy Liebmann
(734) 241-2438
kathy.liebmann@la-z-boy.com



Source: La-Z-Boy Incorporated