



## La-Z-Boy Reports Third-Quarter Operating Results

02/13/07

MONROE, Mich., Feb. 13 /PRNewswire-FirstCall/ -- La-Z-Boy Incorporated (NYSE: LZB) today reported its operating results for its fiscal 2007 third quarter ended January 27, 2007. Net sales for the quarter were \$403.9 million, down 9.6%, compared with the prior-year period. The company posted a per-share loss of \$0.15, which included an after-tax \$0.28 per-share loss from discontinued operations, most of which was attributable to the non-cash write-down of intangible assets of businesses held for sale. Income from continuing operations was \$0.13 per share. The per-share amounts also included an after-tax restructuring charge of \$0.03 per share relating to the company-owned retail operation, non-cash stock option expense of \$0.01 per share after tax and income per share of \$0.04 after tax related to anti-dumping duties received on bedroom furniture imported from China. In last year's third quarter, the company reported earnings per share from continuing operations of \$0.19, which included an after-tax per share restructuring charge of \$0.01.

For the nine months ended January 27, 2007, net sales were \$1.2 billion, a decrease of 2.8% compared with the prior-year period. The company posted a per-share loss of \$0.07 for the nine-month period, including an after-tax loss of \$0.28 per share for discontinued operations, most of which is attributable to the write-down of intangible assets of businesses held for sale. Income from continuing operations was \$0.21 per share. The per-share amounts also included an after-tax restructuring charge of \$0.06 relating to the company-owned retail operation, non-cash stock option expense of \$0.02 per share after tax, and income per share of \$0.04 after tax related to anti-dumping duties. These results compare with last year's earnings per share from continuing operations of \$0.13 per share, which included after-tax restructuring charges of \$0.10 per share.

Kurt L. Darrow, President and CEO, said, "Despite the challenging sales environment pervasive throughout our industry, we were able to improve margins in our wholesale businesses while doing an excellent job managing our inventory, reducing our debt and generating cash. In our company-owned retail segment, we continued to execute against our strategy to strengthen our performance and, therefore, expect meaningful improvement in our next fiscal year. We also took a number of steps to strategically align our portfolio of companies for the future and will strive diligently towards a smooth transition for both our customers and employees of Sam Moore, Pennsylvania House and Clayton Marcus. We appreciate their dedication to the brands and their continued support as we go through this process and are in discussions with potential buyers who would be suitable long-term partners for those businesses."

### Upholstery

For the fiscal 2007 third quarter, the company achieved an operating margin of 7.6% on a year-over-year sales decrease of 11.8%. Darrow stated, "On significantly lower volume, we were able to hold our margin against last year's third quarter and increase it sequentially from our fiscal 2007 second quarter. This performance continues to demonstrate the success of our cost-containment initiatives, which are focused on increased global sourcing as well as the conversion of our La-Z-Boy branded facilities to the cellular production process, which will improve our speed to market and quality while lowering costs."

During the quarter, the company signed a letter of intent to sell its Sam Moore upholstered chair operations to Hooker Furniture and results from Sam Moore are included in discontinued operations. A separate press release announcing the pending transaction was distributed simultaneously with this news release.

Darrow continued, "We are also working to broaden our distribution and further strengthen the La-Z-Boy Furniture Galleries(R) store system." For the quarter, the La-Z-Boy Furniture Galleries(R) store system, which includes both company-owned and independent-licensed stores, opened eight new stores, relocated and/or remodeled eight and closed three, bringing the total store count to 340, of which 187 are in the New Generation format. Darrow noted, "We are on track to open, relocate or remodel approximately 45 New Generation stores in the overall network in fiscal 2007 and plan in the fiscal fourth quarter to add four new stores to the system, relocate or convert four and close eight."

System-wide, for the fourth calendar quarter, including company-owned and independent-licensed stores, same-store written sales, which the company tracks as an indicator of retail activity, were down 8.3% and total sales, which includes new stores, decreased 5.1%.

### Casegoods

In the third quarter, casegoods sales were \$63.1 million, down 14.6% from last year's third quarter. The segment's operating margin was 9.1%, versus last year's third-quarter margin of 7.9%. Darrow stated, "As a result of transitioning our business to primarily an import model with a heavily variable cost structure, we posted solid operating margins."

Darrow added, "During the quarter we continued to evaluate the various companies within our portfolio and our Board approved a plan to sell our Pennsylvania House/Clayton Marcus operation and their results are included in discontinued operations. Pennsylvania House has very strong consumer brand recognition and, together with Clayton Marcus, we will explore alternatives to maximize returns to our shareholders. Looking ahead in our casegoods business, we will maintain our focus on competitive new product introductions, with superior design and quality, while improving our service levels to our customers."

During the quarter, our petitioning casegoods companies collectively received \$3.4 million in Continued Dumping and Subsidy Offset Act of 2000 (CDSOA) payments, net of legal expenses, in duties collected in connection with the dumping of wooden bedroom furniture imported from China and is not included in the segment's operating income.

### Retail

For the quarter, retail sales were \$61.1 million compared with \$57.4 million in last year's third quarter. On an operating basis, the segment incurred a loss, primarily as a result of the difficult retail environment, transition costs and its high fixed-cost structure relative to current volume.

Darrow commented, "We continued to make significant changes to our company-owned retail operation this quarter. We opened four new company-owned stores, relocated one and converted two stores into the New Generation format. Our strategy for company-owned stores remains focused on the top 25 markets in North America where we can have a large enough store system in the right locations to further leverage our retail fixed cost structure. After evaluating our company-owned network of stores, we made the decision to exit the Pittsburgh, Pennsylvania market in order to focus on the larger markets with greater potential. We are in the process of closing four stores and a warehouse which will be completed at the end of our fourth quarter."

Darrow added, "La-Z-Boy Incorporated owns 72 stores, including 44 in the New Generation format. For the fourth quarter, the company plans to add four New Generation stores to its retail segment: two new stores and two relocations/conversions, and will close six. This would bring the total number of company-owned stores opened, remodeled and/or relocated during fiscal 2007 to 19, with the total number of stores in the new format to 48, representing 71% of the 68 stores anticipated at fiscal year end. Our retail group continues to make progress in three key areas. We are increasing sales by adding stores, converting and relocating existing stores to the new format and achieving economies of scale through better penetration in our markets. Second, we are reducing redundancies and costs by consolidating individual market operations and have already implemented a new operating system in our Northeast region which will be rolled out to our other markets with completion expected this Fall. Third, we are improving gross margins as we re-merchandise the operations acquired over the past two years.

#### Restructuring

During the quarter, a pre-tax restructuring charge of \$2.9 million, or \$0.03 after-tax per share, was recorded and principally relates to the store closings in the Pittsburgh, Pennsylvania market and related contract termination costs for leases, severance and benefits, the write-down of certain leasehold improvements and other restructuring costs.

#### Balance Sheet

For the quarter, the company's debt-to-capitalization ratio stood at 25.4%, a decrease from fiscal 2006 year end's ratio of 26.5%. The company did not repurchase any shares in the third quarter and has approximately 5.4 million shares remaining in its program.

#### Business Outlook

Commenting on the company's business outlook, Darrow noted: "Although we have made strides in our wholesale divisions from a margin perspective, the challenging retail environment persists and we believe the industry, overall, will continue to go through a difficult period. For the fiscal 2007 fourth quarter, we expect sales to be down 8% to 10% compared with last year's fourth quarter and expect earnings per share to be in the range of \$0.03 to \$0.07, including up to a \$0.01 per share charge for stock option expense. In last year's fourth-quarter, we reported a loss per share of \$0.20, which included a \$0.44 write-down of intangibles."

#### Forward-looking Information

Any forward-looking statements contained in this news release are based on current information and assumptions and represent management's best judgment at the present time. Actual results could differ materially from those anticipated or projected due to a number of factors. These factors include, but are not limited to: (a) changes in consumer confidence; (b) changes in demographics; (c) changes in housing sales; (d) the impact of terrorism or war; (e) continued energy price changes; (f) the impact of logistics on imports; (g) the impact of interest rate changes; (h) the potential disruptions from Chinese imports; (i) inventory supply price fluctuations; (j) the impact of imports as it relates to continued domestic production; (k) changes in currency exchange rates; (l) competitive factors; (m) operating factors, such as supply, labor or distribution disruptions including changes in operating conditions or costs; (n) effects of restructuring actions; (o) changes in the domestic or international regulatory environment; (p) not fully realizing cost reductions through restructurings; (q) ability to implement global sourcing organization strategies; (r) the impact of new manufacturing technologies; (s) the future financial performance and condition of independently operated dealers that we are required to consolidate into our financial statements or changes requiring us to consolidate additional independently operated dealers; (t) fair value changes to our intangible assets due to actual results differing from projected; (u) the impact of adopting new accounting principles; (v) the impact from natural events such as hurricanes, earthquakes and tornadoes; (w) the ability to turn around under-performing retail stores; (x) the impact of retail store relocation costs, the success of new stores or the timing of converting stores to the New Generation format; (y) the ability to procure fabric rolls or cut and sewn fabric sets domestically or abroad; (z) the ability to sell the discontinued operations for their recorded fair value; and (aa) factors relating to acquisitions and other factors identified from time to time in our reports filed with the Securities and Exchange Commission. We undertake no obligation to update or revise any forward-looking statements, either to reflect 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 [http://www.la-z-boy.com/about/investorRelations/sec\\_filings.aspx](http://www.la-z-boy.com/about/investorRelations/sec_filings.aspx). 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: [http://www.la-z-boy.com/about/investorRelations/IR\\_email\\_alerts.aspx](http://www.la-z-boy.com/about/investorRelations/IR_email_alerts.aspx).

#### 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 La-Z-Boy Upholstery Group companies are Bauhaus, Centurion, England and La-Z-Boy. The La-Z-Boy Casegoods Group companies are American Drew, Hammery, Kincaid and Lea.

The corporation's proprietary distribution network is dedicated exclusively to selling La-Z-Boy Incorporated products and brands, and includes 340 stand-alone La-Z-Boy Furniture Galleries(R) stores and 307 La-Z-Boy In-Store Galleries, in addition to in-store gallery programs at the company's Kincaid, England and Lea operating units. According to industry trade publication In Furniture, the La-Z-Boy Furniture Galleries retail network is North America's largest single-brand furniture retailer. Additional information is available at <http://www.la-z-boy.com/>.

CONSOLIDATED STATEMENT OF OPERATIONS  
(Unaudited, amounts in thousands, except per share data)

	Third Quarter Ended			Percent of Sales	
	1/27/07	1/28/06	% Over (Under)	1/27/07	1/28/06
Sales	\$403,874	\$446,614	-9.6%	100.0%	100.0%
Cost of sales					
Cost of goods sold	291,225	331,684	-12.2%	72.1%	74.3%
Restructuring	--	594	100.0%	--	0.1%
Total cost of sales	291,225	332,278	-12.4%	72.1%	74.4%
Gross profit	112,649	114,336	-1.5%	27.9%	25.6%
Selling, general and administrative	100,704	96,648	4.2%	24.9%	21.6%
Restructuring	2,855	--	N/M	0.7%	--
Operating income	9,090	17,688	-48.6%	2.3%	4.0%
Interest expense	2,750	2,965	-7.3%	0.7%	0.7%
Income from Continued Dumping and Subsidy Offset Act, net	3,430	--	N/M	0.8%	--
Other income, net	1,998	1,390	43.7%	0.5%	0.3%
Income from continuing operations before income taxes	11,768	16,113	-27.0%	2.9%	3.6%
Income tax expense	4,823	6,132	-21.3%	41.0%*	38.1%*
Income from continuing operations	6,945	9,981	-30.4%	1.7%	2.2%
Income (loss) from discontinued operations (net of tax)	(14,766)	487	N/M	-3.7%	0.1%
Net income (loss)	\$(7,821)	\$10,468	-174.7%	-1.9%	2.3%
Basic average shares	51,367	51,673			
Basic income from continuing operations per share	\$0.14	\$0.19			
Discontinued operations (net of tax)	\$(0.29)	\$0.01			
Basic net income (loss) per share	\$(0.15)	\$0.20			
Diluted average shares	51,609	51,857			
Diluted income from continuing operations per share	\$0.13	\$0.19			
Discontinued operations (net of tax)	\$(0.28)	\$0.01			
Diluted net income					

(loss) per share	\$ (0.15)	\$ 0.20
Dividends paid per share	\$ 0.12	\$ 0.11

\*As a percent of pretax income, not sales.  
N/M = not meaningful

LA-Z-BOY INCORPORATED  
CONSOLIDATED STATEMENT OF OPERATIONS  
(Unaudited, amounts in thousands, except per share data)

	Nine Months Ended			Percent of Sales	
	1/27/07	1/28/06	% Over (Under)	1/27/07	1/28/06
Sales	\$1,210,353	\$1,245,636	-2.8%	100.0%	100.0%
Cost of sales					
Cost of goods sold	893,431	941,684	-5.1%	73.8%	75.6%
Restructuring	(400)	8,411	-104.8%	--	0.7%
Total cost of sales	893,031	950,095	-6.0%	73.8%	76.3%
Gross profit	317,322	295,541	7.4%	26.2%	23.7%
Selling, general and administrative	294,098	277,488	6.0%	24.3%	22.3%
Restructuring	5,120	--	N/M	0.4%	--
Operating income	18,104	18,053	0.3%	1.5%	1.4%
Interest expense	7,890	8,796	-10.3%	0.7%	0.7%
Income from Continued Dumping and Subsidy Offset Act, net	3,430	--	N/M	0.3%	--
Other income, net	3,487	1,953	78.5%	0.3%	0.2%
Income from continuing operations before income taxes	17,131	11,210	52.8%	1.4%	0.9%
Income tax expense	6,348	4,423	43.5%	37.1%*	39.5%*
Income from continuing operations	10,783	6,787	58.9%	0.9%	0.5%
Income (loss) from discontinued operations (net of tax)	(14,355)	442	N/M	-1.2%	--
Net income (loss)	\$ (3,572)	\$ 7,229	-149.4%	-0.3%	0.6%
Basic average shares	51,509	51,819			
Basic income from continuing operations per share	\$ 0.21	\$ 0.13			
Discontinued operations (net of tax) per share	\$ (0.28)	\$ 0.01			
Basic net income (loss) per share	\$ (0.07)	\$ 0.14			

Diluted average shares 51,743 51,950

Diluted income from  
continuing operations  
per share \$0.21 \$0.13  
Discontinued operations  
(net of tax) \$(0.28) \$0.01  
Diluted net income  
(loss) per share \$(0.07) \$0.14  
Dividends paid per share \$0.36 \$0.33

\*As a percent of pretax income, not sales.  
N/M = not meaningful

LA-Z-BOY INCORPORATED  
CONSOLIDATED BALANCE SHEET  
(Unaudited, amounts in thousands)

	1/27/07	1/28/06	Increase/(Decrease)		4/29/06
			Dollars	Percent	
Current assets					
Cash and equivalents	\$17,484	\$20,508	\$(3,024)	-14.7%	\$24,089
Receivables, net	217,103	274,001	(56,898)	-20.8%	270,578
Inventories, net	214,151	246,547	(32,396)	-13.1%	238,826
Deferred income taxes	31,369	29,385	1,984	6.8%	27,276
Assets of discontinued operations	39,354	--	39,354	N/M	--
Other current assets	24,847	24,734	113	0.5%	23,790
Total current assets	544,308	595,175	(50,867)	-8.5%	584,559
Property, plant and equipment, net	192,382	210,798	(18,416)	-8.7%	209,986
Goodwill	55,409	79,770	(24,361)	-30.5%	56,926
Trade names	9,472	18,794	(9,322)	-49.6%	18,794
Other long-term assets	87,339	86,096	1,243	1.4%	100,909
Total assets	\$888,910	\$990,633	\$(101,723)	-10.3%	\$971,174
Current liabilities					
Short-term borrowings	\$15,702	\$13,718	\$1,984	14.5%	\$8,000
Current portion of long-term debt	3,312	2,566	746	29.1%	2,844
Accounts payable	60,236	77,479	(17,243)	-22.3%	85,561
Liabilities of discontinued operations	5,681	--	5,681	N/M	--
Accrued expenses and other current liabilities	105,636	129,203	(23,567)	-18.2%	128,112
Total current liabilities	190,567	222,966	(32,399)	-14.5%	224,517
Long-term debt	147,117	193,978	(46,861)	-24.2%	173,368
Deferred income taxes	9,605	4,946	4,659	94.2%	14,548
Other long-term liabilities	54,961	57,723	(2,762)	-4.8%	48,396
Contingencies and					

commitments	--	--	--	--	--
Shareholders' equity					
Common shares, \$1					
par value	51,372	51,713	(341)	-0.7%	51,782
Capital in excess					
of par value	207,184	211,273	(4,089)	-1.9%	210,826
Retained earnings	222,601	261,272	(38,671)	-14.8%	246,387
Unearned compensation	--	(3,448)	3,448	100.0%	(3,083)
Accumulated other					
comprehensive income					
(loss)	5,503	(9,790)	15,293	156.2%	4,433
Total shareholders'					
equity	486,660	511,020	(24,360)	-4.8%	510,345
Total liabilities					
and shareholders'					
equity	\$888,910	\$990,633	\$(101,723)	-10.3%	\$971,174

N/M = not meaningful

LA-Z-BOY INCORPORATED  
CONSOLIDATED STATEMENT OF CASH FLOWS  
(Unaudited, amounts in thousands)

	Third Quarter Ended		Nine Months Ended	
	1/27/07	1/28/06	1/27/07	1/28/06
Cash flows from operating				
activities				
Net income (loss)	\$(7,821)	\$10,468	\$(3,572)	\$7,229
Adjustments to reconcile				
net income (loss) to cash				
provided by operating				
activities				
Write-down of assets of				
businesses held for sale				
(net of tax)	13,674	--	13,674	--
Gain on sale of discontinued				
operations (net of tax)	--	--	(1,280)	--
Restructuring	2,855	594	4,720	8,411
Change in allowance for				
doubtful accounts	(1,130)	293	(263)	444
Depreciation and				
amortization	6,233	7,499	20,122	21,675
Stock option and restricted				
stock expense	479	--	3,211	--
Change in receivables	23,847	(13,132)	22,842	15,267
Change in inventories	2,808	20,773	(14,309)	17,411
Change in payables	(9,849)	4,082	(19,228)	(5,822)
Change in other assets				
and liabilities	106	4,296	(15,464)	(5,688)
Change in deferred taxes	(2,270)	(1,791)	(9,036)	(7,049)
Total adjustments	36,753	22,614	4,989	44,649
Net cash provided by				
operating activities	28,932	33,082	1,417	51,878
Cash flows from investing				
activities				
Proceeds from disposals of assets	314	905	25,276	8,625

Proceeds from sale of discontinued operations	--	--	33,166	--
Capital expenditures	(5,984)	(6,196)	(20,994)	(20,479)
Purchases of investments	(5,069)	(6,420)	(13,461)	(21,980)
Proceeds from sales of investments	3,817	5,047	11,834	9,115
Change in other long-term assets	539	841	343	(2,460)
Net cash provided by (used for) investing activities	(6,383)	(5,823)	36,164	(27,179)
Cash flows used for financing activities				
Proceeds from debt	12,577	14,334	91,252	86,471
Payments on debt	(32,540)	(31,406)	(111,220)	(103,525)
Stock issued for stock and employee benefit plans	567	909	1,333	2,954
Repurchases of common stock	--	--	(6,947)	(10,889)
Dividends paid	(6,212)	(5,728)	(18,674)	(17,200)
Net cash used for financing activities	(25,608)	(21,891)	(44,256)	(42,189)
Effect of exchange rate changes on cash and equivalents	14	103	70	293
Change in cash and equivalents	(3,045)	5,471	(6,605)	(17,197)
Cash and equivalents at beginning of period	20,529	15,037	24,089	37,705
Cash and equivalents at end of period	\$17,484	\$20,508	\$17,484	\$20,508
Cash paid (net of refunds) during period - income taxes	\$558	\$47	\$17,655	\$1,638
Cash paid during period - interest	\$2,911	\$3,456	\$7,769	\$8,766

LA-Z-BOY INCORPORATED  
Segment Information  
(Unaudited, amounts in thousands)

	Third Quarter Ended		Nine Months Ended	
	1/27/07	1/28/06	1/27/07	1/28/06
Sales				
Upholstery Group	\$292,738	\$331,805	\$890,675	\$924,149
Casegoods Group	63,127	73,926	198,317	218,299
Retail Group	61,149	57,432	165,838	159,332
VEEs/Eliminations	(13,140)	(16,549)	(44,477)	(56,144)
Consolidated	\$403,874	\$446,614	\$1,210,353	\$1,245,636
Operating income (loss)				
Upholstery Group	\$22,286	\$25,147	\$59,344	\$51,625
Casegoods Group	5,721	5,830	15,163	12,967
Retail Group	(6,738)	(5,987)	(23,222)	(17,469)
Corporate and Other*	(9,324)	(6,708)	(28,461)	(20,659)
Restructuring	(2,855)	(594)	(4,720)	(8,411)

Consolidated	\$9,090	\$17,688	\$18,104	\$18,053
--------------	---------	----------	----------	----------

Prior Quarters Ended in Fiscal 2007

	7/29/06	10/28/06
Sales		
Upholstery Group	\$294,325	\$303,612
Casegoods Group	61,026	74,164
Retail Group	52,204	52,485
VIEs/Eliminations	(14,704)	(16,633)
Consolidated	\$392,851	\$413,628
Operating income (loss)		
Upholstery Group	\$17,260	\$19,798
Casegoods Group	3,242	6,200
Retail Group	(7,715)	(8,769)
Corporate and Other*	(9,920)	(9,217)
Restructuring	--	(1,865)
Consolidated	\$2,867	\$6,147

Prior Quarters Ended in Fiscal 2006

	7/30/05	10/29/05	1/28/06	4/29/06
Sales				
Upholstery Group	\$294,071	\$298,273	\$331,805	\$341,803
Casegoods Group	70,617	73,756	73,926	74,254
Retail Group	52,655	49,245	57,432	54,106
VIEs/Eliminations	(20,648)	(18,947)	(16,549)	(20,787)
Consolidated	\$396,695	\$402,327	\$446,614	\$449,376
Operating income (loss)				
Upholstery Group	\$14,645	\$11,833	\$25,147	\$31,535
Casegoods Group	3,694	3,443	5,830	4,158
Retail Group	(5,408)	(6,074)	(5,987)	(8,537)
Corporate and Other*	(6,168)	(7,783)	(6,708)	(7,906)
Write-down of intangibles	--	--	--	(22,695)
Restructuring	--	(7,817)	(594)	(68)
Consolidated	\$6,763	\$(6,398)	\$17,688	\$(3,513)

\*Variable Interest Entities ("VIEs") are included in corporate and other.

SOURCE La-Z-Boy Incorporated

-0-

02/13/2007

/CONTACT: Mark Stegeman, +1-734-241-4418, or mark.stegeman@la-z-boy.com, or Kathy Liebmann, +1-734-241-2438, or kathy.liebmann@la-z-boy.com, both of La-Z-Boy Incorporated/

/Web site: <http://www.la-z-boy.com/>

[http://www.la-z-boy.com/about/investorRelations/sec\\_filings.aspx](http://www.la-z-boy.com/about/investorRelations/sec_filings.aspx)

[http://www.la-z-boy.com/about/investorRelations/IR\\_email\\_alerts.aspx](http://www.la-z-boy.com/about/investorRelations/IR_email_alerts.aspx) /

(LZB)

CO: La-Z-Boy Incorporated

ST: Michigan

IN: HOU REA

SU: ERN ERP



JE-MM

-- CLTU139 --

6724 02/13/2007 16:15 EST <http://www.prnewswire.com>