



La-Z-Boy Reports Fiscal 2013 Year-End And Fourth-Quarter Results

06/18/13

MONROE, Mich., June 18, 2013 /PRNewswire/ -- La-Z-Boy Incorporated (NYSE: LZB) today reported its operating results for the fiscal 2013 full year and fourth quarter ended April 27, 2013.

Fiscal 2013 fourth-quarter highlights:

- Consolidated sales for the fourth quarter increased 9.8% compared with the fiscal 2012 fourth quarter;
- Same-store written sales for the La-Z-Boy Furniture Galleries® store network increased 11.2% for the fourth quarter on top of a 10% increase in last year's fourth quarter;
- Consolidated operating income increased 55% to \$26.2 million compared with \$16.9 million in the fiscal 2012 fourth quarter;
- The company generated cash from operations of \$35.0 million during the quarter after making a \$20 million discretionary cash contribution to fund its pension plan;
- The upholstery segment posted a 10.7% operating margin versus 10.1% in last year's fourth quarter; and
- The retail segment posted operating income of \$4.0 million, with a 5.4% operating margin, compared with an operating loss of \$1.1 million, or a (2.0%) operating margin, in last year's fourth quarter.

Fiscal 2013 full-year highlights:

- Consolidated sales for the full fiscal 2013 year increased 8.2%, or \$101 million, compared with fiscal 2012;
- Same-store written sales for the La-Z-Boy Furniture Galleries® store network increased 12.7% for the full fiscal 2013 year;
- Consolidated operating income increased 36.3% to \$67.6 million from \$49.6 million in fiscal 2012;
- The company generated cash from operations of \$68.4 million for the year, after \$23.5 million in cash contributions to fund its pension plan;
- The upholstery segment's operating margin was 9.1% compared with 8.4% in fiscal 2012;
- The retail segment turned profitable, posting operating income of \$4.1 million, or a 1.5% operating margin, compared with an operating loss of \$7.8 million, or a (3.6%) operating margin in fiscal 2012; and
- The company reinstated its quarterly dividend, in December 2012, at a rate of \$0.04 per share.

Sales for the fiscal 2013 fourth quarter were \$359.5 million, up 9.8% compared with the prior year's fourth quarter. The company reported net income attributable to La-Z-Boy Incorporated of \$18.3 million, or \$0.33 per diluted share, including a \$0.03 per share benefit due mainly to foreign and state taxes. This compares with last year's fourth quarter results of \$19.6 million, or \$0.37 per diluted share, of which \$0.19 per share related to anti-dumping duties.

Sales for the full fiscal year 2013 were \$1.3 billion, an increase of 8.2% over fiscal 2012. The company reported net income attributable to La-Z-Boy Incorporated of \$46.4 million, or \$0.85 per diluted share, versus \$88.0 million, or \$1.64 per diluted share in fiscal 2012. The fiscal 2013 results include \$0.03 per share in restructuring charges related to the company's casegoods segment, \$0.06 in an after-tax gain related to the sale of investments and a \$0.03 per share benefit due mainly to foreign and state taxes. Last year's full-year results included \$0.88 per share related to a reduction of valuation reserves against the company's deferred tax assets and \$0.21 per share in anti-dumping duties.

Kurt L. Darrow, Chairman, President and Chief Executive Officer of La-Z-Boy, said, "We are pleased with our results for the quarter and full year and believe they demonstrate the successful execution and effectiveness of our strategic plan to operate as an efficient integrated retailer, through which we are enjoying a double-digit wholesale/retail margin. For the year, we increased sales, delivered a significant increase in our consolidated operating income, achieved profitability in our retail segment, strengthened our balance sheet, and reinstated our dividend. We believe many growth opportunities exist to maximize our business model, making for an exciting future in which we plan to leverage the solid strategic and operating platforms we have established over the past several years."

Fiscal 2013 Fourth Quarter -- Wholesale Segments

For the fiscal 2013 fourth quarter, sales in the company's upholstery segment increased 8.4% to \$289.4 million from \$266.9 million in the prior year's fourth quarter. The operating margin for the quarter increased to 10.7% compared with 10.1% in last year's fourth quarter. In the casegoods segment, sales for the fiscal 2013 fourth quarter were \$32.2 million, down 8.7% from \$35.3 million in the fiscal 2012 fourth quarter, and the operating margin for the segment declined to 0.8% from 3.3% in last year's fourth quarter.

Darrow commented, "On the sales side, we continued to experience momentum across the upholstery segment for the quarter, partially driven by the double-digit same-store written sales increase for the La-Z-Boy Furniture Galleries® store network. This comparative follows two years of double-digit increases in same-store sales for the network, which is indicative of our brand strength, the consumer's enhanced appreciation for our product offering and ongoing market share gains. We are increasing our investment in our brand advertising platform to further educate consumers about the breadth of our product offering and the services they can expect to receive throughout our dealer network and are confident the additional spend will deliver results. On the operating side, our margin performance for the quarter and year demonstrate the efficiencies with which we are running our

manufacturing facilities. In terms of growth, we are focused on maximizing the potential of our branded outlets throughout North America, which today number 878, and have an objective of reaching approximately 1,000 locations divided between La-Z-Boy Furniture Galleries® stores and Comfort Studios® in the next few years. The company and our dealers have confidence that pursuing this build-out strategy is the best way to grow the La-Z-Boy branded business and generate increased returns as the additional volume will enable us to further maximize our lean operating structure."

Darrow continued, "New product lines and customers across our various operating companies are helping to drive growth. For example, at the April Furniture Market in High Point, England introduced a new line of furniture to broaden its offering, including a collection of affordably priced motion furniture and a line of more modern, stationary furniture. In our casegoods segment, although sales decreased for the quarter, our variable cost structure allowed us to maintain profitability. Our occasional and wood accent piece business continues to exhibit stronger performance compared with full dining room and bedroom groups in this macroeconomic environment. However, we believe the casegoods industry as a whole is poised to benefit from a strengthening housing market."

Retail Segment

For the fiscal 2013 fourth quarter, retail delivered sales were \$73.6 million, up 32.5% compared with the fourth quarter of last year. Excluding the southern Ohio and other new stores, delivered sales for the core 79 stores included in last year's fourth quarter increased 12.5%. The retail segment posted an operating profit of \$4.0 million, or an operating margin of 5.4% for the quarter. This compares with an operating loss of \$1.1 million, or an operating margin of (2.0%) in last year's fourth quarter. The segment was profitable for the full fiscal 2013 year, with operating income of \$4.1 million.

Darrow stated, "Last quarter, our retail segment turned profitable and the fiscal 2013 fourth quarter marks the 17th consecutive quarterly improvement over prior-year performance. Our results for the quarter were partially driven by increases in traffic and average ticket combined with a more favorable merchandising mix. As volume grows, we should be able to leverage our SG&A expense. We look forward to growing our company-owned store base through a combination of expansion in existing markets and entry into new markets in need of additional distribution outlets."

La-Z-Boy Furniture Galleries® Stores Network

System-wide, for the fourth quarter of fiscal 2013, including company-owned and independent-licensed stores, same-store written sales, which the company tracks as an indicator of retail activity, were up 11.2% versus last year's fourth quarter.

Total written sales, which include new and closed stores, for the fourth quarter, were up 13.0%. At the end of the fourth quarter, the La-Z-Boy Furniture Galleries® store system was composed of 313 stand-alone stores.

For fiscal 2014, the La-Z-Boy Furniture Galleries® store network, including company-owned and independent-licensed stores, is planning for approximately 20 store projects, including openings, remodels and relocations. In fiscal 2013, six stores were opened, five stores were remodeled, three stores were relocated and five stores were closed. At the end of fiscal 2013, 14 stores of the total 313 were in the new concept design format introduced in 2011.

Balance Sheet and Cash Flow

During the quarter, the company generated \$35.0 million in cash from operating activities, after making a discretionary \$20 million cash contribution to fund its pension plan. La-Z-Boy ended the year with \$131.1 million in cash and cash equivalents, \$30 million in investments and \$12.7 million in restricted cash. Total debt stood at \$8.1 million and the company's debt to capital ratio was 1.6%, equal to the prior quarter and down from 2.1% at the end of fiscal 2012. During fiscal 2013, the company purchased 0.7 million shares of stock in the open market under its existing authorized share purchase program, including 0.3 million in the fourth quarter, leaving 4.2 million shares remaining in the program.

Business Outlook

Darrow stated, "We are confident the integrated retail model developed over the last several years is the right strategy to take our company forward to deliver profitable growth. Our operating platform is efficient and that, combined with the strongest brand in the industry, positions us to continue to benefit from a strengthening economy, particularly with an ongoing recovery in the housing market. We have much to look forward to in terms of increasing the value of our enterprise through the build out of La-Z-Boy branded outlets throughout North America and have every intention of aggressively pursuing many and varied growth opportunities. The furniture industry typically experiences weaker demand during the summer months and, as a result, our plants shut down for one week of vacation and maintenance during the first quarter, which ends in July. Accordingly, the first quarter is usually our weakest in terms of sales and earnings. Due to seasonality, we ship product for 12 weeks instead of the usual 13 weeks."

Conference Call

La-Z-Boy will hold a conference call with the investment community on Wednesday, June 19, 2013, at 8:30 a.m. eastern time. The toll-free dial-in number is 877.407.0778; international callers may use 201.689.8565.

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) speed of economic recovery or the possibility of another recession; (c) changes in the real estate and credit markets and their effects on our customers and suppliers; (d) international political unrest, terrorism or war; (e) volatility in energy and other commodities prices; (f) the impact of logistics on imports; (g) interest rate and currency exchange rate changes; (h) operating factors, such as supply, labor or distribution disruptions; (i) any court actions requiring us to return any of the Continued Dumping and Subsidy Offset Act distributions we have received; (j) changes in the domestic or international regulatory environment; (k) adoption of new accounting principles; (l) severe weather or other natural events such as hurricanes, earthquakes, flooding, tornadoes and tsunamis; (m) our ability to procure fabric rolls and leather hides or cut-and-sewn fabric and leather sets domestically or abroad; (n) fluctuations in our stock price; (o) information technology conversions or system failures; (p) effects of our brand awareness and marketing programs; (q) the discovery of defects in our products resulting in delays in manufacturing, recall campaigns, reputational damage, or increased warranty costs; (r) litigation arising out of alleged defects in our products; (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) our ability to successfully integrate acquired businesses and realize the benefit of anticipated synergies; and (u) those matters discussed in Item 1A of our fiscal 2013 Annual Report on Form 10-K 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, 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: <http://investors.la-z-boy.com/phoenix.zhtml?c=92596&p=iro-sec>. 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://investors.la-z-boy.com/phoenix.zhtml?c=92596&p=iro-alerts&t=&id=&>.

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 segment companies are Bauhaus, England and La-Z-Boy. The operating units in the Casegoods segment consist of two groups, one including American Drew, Lea and Hammary, and the second being Kincaid. The company-owned Retail segment includes 94 of the 313 La-Z-Boy Furniture Galleries® stores.

The corporation's branded distribution network is dedicated to selling La-Z-Boy Incorporated products and brands, and includes 313 stand-alone La-Z-Boy Furniture Galleries® stores and 565 independent Comfort Studios® locations, in addition to in-store gallery programs for the company's Kincaid, England and Lea operating units. Additional information is available at <http://www.la-z-boy.com/>.

LA-Z-BOY INCORPORATED

CONSOLIDATED STATEMENT OF INCOME

	Unaudited For the Quarter Ended		Unaudited For the Year Ended	
<i>(Amounts in thousands, except per share data)</i>	4/27/2013	4/28/2012	4/27/2013	4/28/2012
Sales	\$359,535	\$327,388	\$1,332,525	\$1,231,676
Cost of sales	237,966	224,033	907,586	851,819
Gross profit	121,569	103,355	424,939	379,857
Selling, general and administrative expense	95,409	86,465	357,312	330,226
Operating income	26,160	16,890	67,627	49,631
Interest expense	234	297	746	1,384
Interest income	186	124	621	611
Income from Continued Dumping and Subsidy Offset Act, net	—	16,300	—	18,037
Other income (expense), net	713	(214)	3,208	(38)
Income before income taxes	26,825	32,803	70,710	66,857
Income tax expense (benefit)	8,333	12,769	23,528	(22,051)
Net income	18,492	20,034	47,182	88,908
Net (income) loss attributable to noncontrolling interests	(184)	(432)	(793)	(942)

Net income attributable to La-Z-Boy Incorporated	\$18,308	\$19,602	\$46,389	\$87,966
Diluted average shares	53,754	52,609	53,685	52,478
Diluted net income per share attributable to La-Z-Boy Incorporated	\$0.33	\$0.37	\$0.85	\$1.64
Dividends declared per share	\$0.04	\$ —	\$0.08	\$ —

LA-Z-BOY INCORPORATED

CONSOLIDATED BALANCE SHEET

	Unaudited As of	
<i>(Amounts in thousands, except par value)</i>	4/27/2013 4/28/2012	
Current assets		
Cash and equivalents	\$131,085	\$152,370
Restricted cash	12,686	2,861
Receivables, net of allowance of \$21,607 at 4/27/13 and \$22,254 at 4/28/12	160,005	167,232
Inventories, net	146,343	143,787
Deferred income tax assets – current	20,640	19,081
Other current assets	30,121	14,669
Total current assets	500,880	500,000
Property, plant and equipment, net	118,060	114,366
Goodwill	12,837	—
Other intangible assets	4,838	3,028
Deferred income tax assets – long-term	30,572	33,649
Other long-term assets, net	53,184	34,696
Total assets	\$720,371	\$685,739
Current liabilities		
Current portion of long-term debt	\$513	\$1,829

Accounts payable	50,542	56,630
Accrued expenses and other current liabilities	99,108	91,300
Total current liabilities	150,163	149,759
Long-term debt	7,576	7,931
Other long-term liabilities	70,664	80,234
Contingencies and commitments	—	—
Shareholders' equity		
Preferred shares – 5,000 authorized; none issued	—	—
Common shares, \$1 par value – 150,000 authorized; 52,392 outstanding at 4/27/13 and 52,244 outstanding at 4/28/12	52,392	52,244
Capital in excess of par value	241,888	231,332
Retained earnings	226,044	189,609
Accumulated other comprehensive loss	(35,496)	(31,281)
Total La-Z-Boy Incorporated shareholders' equity	484,828	441,904
Noncontrolling interests	7,140	5,911
Total equity	491,968	447,815
Total liabilities and equity	\$720,371	\$685,739

LA-Z-BOY INCORPORATED

CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Fiscal Year Ended		
<i>(Amounts in thousands)</i>	4/27/2013	4/28/2012	4/30/2011
Cash flows from operating activities			
Net income	\$47,182	\$88,908	\$17,373
Adjustments to reconcile net income to cash provided by operating activities			
(Gain) loss on disposal of assets	(659)	45	201
Gain on sale of investments	(3,170)	(519)	(529)
Gain on deconsolidation of VIE	—	(1,125)	—

Write-down of long-lived assets	—	—	4,471
Deferred income tax expense (benefit)	3,198	(42,146)	(120)
Restructuring	2,715	281	487
Provision for doubtful accounts	1,005	4,196	7,197
Depreciation and amortization	23,140	23,486	24,302
Stock-based compensation expense	11,458	5,718	3,720
Pension plan contributions	(23,480)	(5,798)	(4,495)
Change in receivables	7,139	(6,182)	1,599
Change in inventories	391	(7,414)	(10,531)
Change in other assets	(5,407)	3,318	(563)
Change in payables	(6,088)	7,470	(4,429)
Change in other liabilities	11,016	12,610	(10,837)
Net cash provided by operating activities	68,440	82,848	27,846
Cash flows from investing activities			
Proceeds from disposals of assets	4,455	372	506
Capital expenditures	(25,912)	(15,663)	(10,540)
Purchases of investments	(49,589)	(7,944)	(10,200)
Proceeds from sales of investments	18,662	8,649	10,655
Cash effects on deconsolidation of VIE	—	(971)	(632)
Acquisitions, net of cash acquired	(15,832)	—	—
Change in restricted cash	(9,825)	(2,861)	—
Other	—	(676)	(49)
Net cash used for investing activities	(78,041)	(19,094)	(10,260)
Cash flows from financing activities			
Proceeds from debt	—	—	30,585
Payments on debt	(2,511)	(25,936)	(41,618)
Payments for debt issuance costs	—	(568)	—
Stock issued for stock and employee benefit plans	2,901	4,943	270

Excess tax benefit on stock option exercises	2,563	223	—
Purchases of common stock	(10,333)	(5,179)	—
Dividends paid	(4,236)	—	—
Net cash used for financing activities	(11,616)	(26,517)	(10,763)
Effect of exchange rate changes on cash and equivalents	(68)	(129)	12
Change in cash and equivalents	(21,285)	37,108	6,835
Cash and equivalents at beginning of period	152,370	115,262	108,427
Cash and equivalents at end of period	\$131,085	\$152,370	\$115,262

LA-Z-BOY INCORPORATED

SEGMENT INFORMATION

	Unaudited For the Quarter Ended		Unaudited For the Year Ended	
<i>(Amounts in thousands)</i>	4/27/2013	4/28/2012	4/27/2013	4/28/2012
Sales				
Upholstery segment:				
Sales to external customers	\$255,522	\$238,032	\$939,736	\$871,511
Intersegment sales	33,909	28,861	127,311	103,592
Upholstery segment sales	289,431	266,893	1,067,047	975,103
Casegoods segment:				
Sales to external customers	29,911	33,224	125,753	133,479
Intersegment sales	2,335	2,113	8,241	6,160
Casegoods segment sales	32,246	35,337	133,994	139,639
Retail segment sales	73,634	55,578	264,723	215,490
VIEs, net of intercompany sales eliminations	—	—	—	8,840
Corporate and Other	468	554	2,313	2,356
Eliminations	(36,244)	(30,974)	(135,552)	(109,752)
Consolidated sales	\$359,535	\$327,388	\$1,332,525	\$1,231,676

Operating Income (Loss)

Upholstery segment	\$31,019	\$27,032	\$96,762	\$81,753
Casegoods segment	259	1,181	2,640	5,540
Retail segment	3,994	(1,112)	4,099	(7,819)
VIEs	—	—	—	959
Restructuring	1	(59)	(2,715)	(281)
Corporate and Other	(9,113)	(10,152)	(33,159)	(30,521)
Consolidated operating income	\$26,160	\$16,890	\$67,627	\$49,631

LA-Z-BOY INCORPORATED**UNAUDITED QUARTERLY FINANCIAL DATA**

(Dollar amounts in thousands, except per share data)(13 weeks)(13 weeks)(13 weeks)(13 weeks)

Fiscal Quarter Ended	7/28/2012	10/27/2012	1/26/2013	4/27/2013
Sales	\$301,501	\$322,341	\$349,148	\$359,535
Cost of sales	211,889	222,032	235,699	237,966
Gross profit	89,612	100,309	113,449	121,569
Selling, general and administrative expense	81,986	89,746	90,171	95,409
Operating income	7,626	10,563	23,278	26,160
Interest expense	173	191	148	234
Interest income	121	116	198	186
Other income (expense), net	(121)	212	2,404	713
Income before income taxes	7,453	10,700	25,732	26,825
Income tax expense	2,758	3,868	8,569	8,333
Net income	4,695	6,832	17,163	18,492
Net income attributable to noncontrolling interests	(297)	(213)	(99)	(184)
Net income attributable to La-Z-Boy Incorporated	\$4,398	\$6,619	\$17,064	\$18,308

Diluted weighted average shares	53,040	53,268	53,401	53,754
Diluted net income per share attributable to La-Z-Boy Incorporated	\$0.08	\$0.12	\$0.32	\$0.33
Dividends declared per share	\$ —	\$ —	\$0.04	\$0.04

LA-Z-BOY INCORPORATED

UNAUDITED QUARTERLY FINANCIAL DATA

(Dollar amounts in thousands, except per share data) (13 weeks)(13 weeks)(13 weeks)(13 weeks)

Fiscal Quarter Ended	7/30/2011	10/29/2011	11/28/2012	4/28/2012
Sales	\$280,094	\$307,679	\$316,515	\$327,388
Cost of sales	199,166	211,896	216,724	224,033
Gross profit	80,928	95,783	99,791	103,355
Selling, general and administrative expense	77,455	83,535	82,771	86,465
Operating income	3,473	12,248	17,020	16,890
Interest expense	424	389	274	297
Interest income	183	166	138	124
Income from Continued Dumping and Subsidy Offset Act, net ³²²	—	—	1,415	16,300
Other income (expense), net	373	(108)	(89)	(214)
Income before income taxes	3,927	11,917	18,210	32,803
Income tax expense (benefit)	(41,929)	4,245	2,864	12,769
Net income	45,856	7,672	15,346	20,034
Net (income) loss attributable to noncontrolling interests	(320)	198	(388)	(432)
Net income attributable to La-Z-Boy Incorporated	\$45,536	\$7,870	\$14,958	\$19,602
Diluted weighted average shares	52,443	52,475	52,379	52,609
Diluted net income per share attributable to La-Z-Boy Incorporated	\$0.85	\$0.15	\$0.28	\$0.37
Dividends declared per share	\$ —	\$ —	\$ —	\$ —

SOURCE La-Z-Boy Incorporated

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