



La-Z-Boy Reports Fourth-Quarter and Year-End Results

06/21/11

MONROE, Mich., June 21, 2011 /PRNewswire via COMTEX/ --

La-Z-Boy Incorporated (NYSE: LZB) today reported its operating results for the fiscal fourth quarter and year ended April 30, 2011.

Fiscal 2011 fourth quarter:

- Sales for the fourth quarter increased 9.1% compared with the fiscal 2010 fourth quarter, of which approximately 7 percentage points were due to the quarter including one additional week. Additionally, the deconsolidation of the company's Toronto VIE resulted in a decrease in sales for the quarter of \$5.5 million, net of eliminations. The remaining sales increase of approximately 3.4% was volume related;
- Net income attributable to La-Z-Boy Incorporated for the fiscal 2011 fourth quarter was \$10.3 million or \$0.19 per diluted share, which includes a \$0.05 per share impairment of long-lived assets, primarily related to certain stores in the company's retail segment versus \$0.26 per share in last year's fourth quarter, which included a \$0.01 per share restructuring charge;
- The upholstery segment's sales increased 9.8%, of which approximately 8 percentage points related to the additional week, and its operating margin was 10.3% versus 11.9% in last year's fourth quarter;
- The casegoods segment's sales increased 8.6%, of which approximately 8 percentage points related to the additional week, and its operating margin was 5.2% compared with (0.6%) in the previous year's fourth quarter;
- The retail segment's sales increased 48.6%, of which approximately 8 percentage points related to the additional week and 24 percentage points was a result of the 15 Southern California stores added to the company-owned segment in the fourth quarter. The sales increase of the core 68 stores was 16 percentage points and the segment's operating margin improved to (5.2%) compared with (12.0%) in last year's fourth quarter;
- The company generated \$17.1 million of cash from operations during the quarter.

Fiscal 2011 full year:

- Sales for the full year increased 0.7% compared with fiscal 2010, reflecting macroeconomic challenges. The fiscal 2011 period included 53 weeks with the additional week having an approximate 2 percentage point impact. The deconsolidation of the company's Toronto VIE resulted in a decrease in sales for the year of \$20.4 million, net of eliminations. After considering these two factors, sales for the year were essentially flat;
- Net income attributable to La-Z-Boy Incorporated for the full year was \$24.0 million or \$0.45 per diluted share, including a \$0.01 per share restructuring charge, a \$0.05 per share impairment of long-lived assets, primarily relating to certain stores in the company's retail segment, and \$0.01 per share in anti-dumping duties received on wood bedroom furniture imported from China;
- The upholstery segment's operating margin was 7.9% compared with 10.6% in fiscal 2010;
- The casegoods segment posted a 4.4% operating margin compared with (0.2%) in fiscal 2010;
- The retail segment's performance continued to improve, with its operating loss of \$15.1 million reduced by 24%, or \$4.7 million, compared with a loss of \$19.8 million in fiscal 2010;
- The company generated \$27.8 million of cash from operating activities; and
- The company increased its cash position to \$115.3 million, had \$108.2 million of availability on its revolving line of credit and reduced its debt to \$35.1 million at year end.

Net sales for the 14-week fourth quarter were \$339 million, up 9.1% compared with the prior year's fourth quarter. The additional week accounted for approximately 7 percentage points of the increase. The company reported net income attributable to La-Z-Boy Incorporated of \$10.3 million, or \$0.19 per diluted share, compared with \$14.0 million, or \$0.26 per diluted share in the fiscal 2010 fourth quarter. The fiscal 2011 fourth quarter included a \$0.05 per share impairment of long-lived assets, primarily related to certain stores in the company's retail segment. The impairment also included a charge of \$1.8 million related to the company's California VIE, which is not included in the company's per-share amount, due to the adjustment for noncontrolling interests. Last year's fourth quarter included a \$0.01 per share restructuring charge, primarily related to costs associated with the consolidation of the company's casegoods facilities.

Kurt L. Darrow, President and Chief Executive Officer of La-Z-Boy, said, "Although the overall macroeconomic environment remains challenging, we experienced sales momentum in the fourth quarter across all three segments, particularly in our retail segment where sales increased significantly over last year's quarter, even without the additional week. Our upholstery group achieved a double-digit operating margin and we continue to be encouraged by the La-Z-Boy Furniture Galleries® store network's same-store sales comparison of 11.8% for the quarter. Although headwinds remain throughout the industry, particularly as we go into the slower summer period, we will continue to execute against our strategic initiatives and believe we are well positioned to capture market share and grow our business profitably as the environment improves."

Wholesale Segments

For the fiscal 2011 fourth quarter, sales in the company's upholstery segment increased 9.8% to \$264.8 million, of which approximately 8 percentage points related to the additional week. This compares with sales of \$241.1 million in the prior year's fourth quarter. The operating margin for the 2011 quarter was 10.3% compared with 11.9% in last year's comparable quarter and up sequentially from 8.2% in the third quarter. In the casegoods segment, sales for the fiscal fourth quarter were \$40.7 million, up 8.6% from \$37.5 million in the fiscal 2010 fourth quarter, and the segment's operating margin was 5.2% compared with (0.6%). The additional week accounted for approximately 8 percentage points of the casegoods' sales increase.

Darrow commented, "We are encouraged by the increase in upholstery sales for the quarter and believe it reflects a combination of new product introductions, smart merchandising and the successful launch of our new brand platform, featuring Brooke Shields. Sequentially, from the third quarter, with an increase in volume, our operating margin improved, demonstrating the leverage we achieve with our efficient operating platform. Further, we continued to improve the efficiency at our cut-and-sew facility in Mexico. Higher raw material costs continued to impact our margin for the quarter, but a price increase effective May 1st is expected to absorb the recent additional increased costs."

Darrow added, "We experienced a slight sales increase on the casegoods side of the business and improved our operating margin significantly. The improvement was primarily the result of last year's consolidation of two manufacturing facilities and the transition from a leased warehouse to a company-owned building, as well as combining our American Drew, Lea and Hammary operations. On the sales side, the increase was a reflection of our success in selling higher-priced product lines, opening new accounts and being in a better inventory position while enhancing our service capabilities."

Retail Segment

For the quarter, retail sales were \$58.3 million, up 48.6% compared with the prior-year period, of which approximately 8 percentage points related to the additional week in the quarter and 24 percentage points a result of the 15 stores the company assumed in the Southern California market in February. The retail group continued to make progress in its operating performance, posting an operating loss of \$3.0 million, with an operating margin of (5.2%) compared with a loss of \$4.7 million, or an operating margin of (12.0%) in last year's fourth quarter.

Darrow stated, "Excluding the additional sales provided by the quarter's 14th week and the Southern California stores, delivered sales for the period increased by \$6.4 million, or 16% over the last year, fueled by a moderate increase in traffic and, importantly, improved conversion on store traffic. We believe a combination of better promotions and our new marketing platform is driving a more qualified consumer to our stores. Additionally, the increase in the conversion rate, coupled with the lower cost structure throughout the business, is continuing to strengthen the segment's operating results. We are in the process of making changes throughout the 15 stores in Southern California to ensure that sales, marketing and operational processes reflect the platform established throughout the other 68 stores in the segment, and we are already achieving improved results throughout the Southern California store system."

La-Z-Boy Furniture Galleries® Stores Network

System-wide, for the fourth quarter of fiscal 2011, including company-owned and independent-licensed stores, same-store written sales, which the company tracks as an indicator of retail activity, were up 11.8%. Total written sales, which include new and closed stores, were up 12%. At the end of the fourth quarter, 304 stand-alone stores comprised the La-Z-Boy Furniture Galleries® store system.

Balance Sheet

During the quarter, the company generated \$17.1 million in cash provided by operating activities and ended the quarter with \$115.3 million in cash and \$108.2 million of availability under its revolving line of credit. At quarter end, La-Z-Boy's debt-to-capitalization ratio was 8.8% compared with 12.3% at the end of fiscal 2010 and 11.2% at the end of the fiscal 2011 third quarter.

Business Outlook

Darrow stated, "In light of the difficult operating environment, we are encouraged by the sales performance for the quarter in each of our three operating segments as well as our same-store sales improvement. Importantly, our efficient operating structure will allow us to show profitable conversion rates on any increase in volume. Going forward, our industry-leading brand, coupled with our network of La-Z-Boy Furniture Galleries® stores and Comfort Studios®, position us well to further capitalize on a strengthening of the economy, particularly as it relates to consumer confidence and housing. We believe our new brand platform will continue to drive qualified traffic to our dealer network and, importantly, we will continue to invest in our business.

"Although the spring period showed some strength, from a seasonality perspective, the industry experiences weaker demand throughout the summer period and, as a result, our plants shut down for one week of vacation and maintenance during the first quarter, which ends in July. Accordingly, our first quarter is typically the weakest in terms of sales and profits because we ship product for 12 weeks instead of the normal 13 weeks."

Conference Call

La-Z-Boy will hold a conference call with the investment community on Wednesday, June 22, 2011, 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 recovery from the recent economic recession or the emergence of a second wave of the 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 or product recalls; (i) restructuring actions; (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, 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 system failures; (p) effects of our brand awareness and marketing programs; (q) our ability to locate new La-Z-Boy Furniture Galleries® stores owners and negotiate favorable lease terms for new or existing locations; and (r) those matters discussed in Item 1A of our fiscal 2011 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=irol-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=irol-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 Group companies are Bauhaus, England and La-Z-Boy. The operating units in the Casegoods Group consist of two groups, one including American Drew, Lea and Hammary, and the second being Kincaid. The company-owned retail segment includes 83 of the 304 La-Z-Boy Furniture Galleries® stores.

The corporation's proprietary distribution network is dedicated exclusively to selling La-Z-Boy Incorporated products and brands, and includes 304 stand-alone La-Z-Boy Furniture Galleries® stores and 526 independent Comfort Studios®, 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 OPERATIONS

	Unaudited		Unaudited	
	For the Quarter Ended	For the Quarter Ended	For the Year Ended	For the Year Ended
	4/30/2011	4/24/2010	4/30/2011	4/24/2010
	(14 weeks)	(13 weeks)	(53 weeks)	(52 weeks)
<i>(Amounts in thousands, except per share data)</i>				
Sales	\$338,905	\$310,740	\$1,187,143	\$1,179,212
Cost of sales				
Cost of goods sold	230,862	209,300	832,962	803,945
Restructuring	(15)	350	(163)	2,141
Total cost of sales	230,847	209,650	832,799	806,086
Gross profit	108,058	101,090	354,344	373,126
Selling, general and administrative	91,280	85,059	323,314	331,405
Restructuring	78	271	650	1,293
Write-down of long-lived assets	4,471	--	4,471	--
Operating income	12,229	15,760	25,909	40,428
Interest expense	603	584	2,346	2,972
Interest income	228	109	944	724
Income from Continued Dumping and Subsidy Offset Act, net	151	--	1,054	4,436
Other income (expense), net	221	236	405	480
Income before income taxes	12,226	15,521	25,966	43,096
Income tax expense	5,466	1,709	8,593	11,737
Net income (loss)	6,760	13,812	17,373	31,359
Net loss attributable to noncontrolling interests	3,548	192	6,674	1,342
Net income attributable to La-Z-Boy Incorporated	<u>\$10,308</u>	<u>\$14,004</u>	<u>\$24,047</u>	<u>\$32,701</u>
Basic average shares	51,890	51,579	51,849	51,533
Basic net income per share attributable to La-Z-Boy Incorporated	\$0.20	\$0.27	\$0.46	\$0.63
Diluted average shares	52,359	52,101	52,279	51,732
Diluted net income per share attributable to La-Z-Boy Incorporated	\$0.19	\$0.26	\$0.45	\$0.62
Dividends declared per share	\$--	\$--	\$--	\$--

LA-Z-BOY INCORPORATED CONSOLIDATED BALANCE SHEET

Unaudited As of

<i>(Amounts in thousands, except par value)</i>	4/30/2011	4/24/2010
Current assets		
Cash and equivalents	\$115,262	\$108,427
Receivables, net of allowance of \$23,937 in 2011 and \$20,258 in 2010	161,299	165,001
Inventories, net	138,444	132,480
Deferred income taxes - current	--	2,305
Other current assets	17,218	18,862
Total current assets	432,223	427,075
Property, plant and equipment, net	120,603	138,857
Trade names	3,100	3,100
Deferred income taxes - long term	2,883	458
Other long-term assets	34,646	38,293
Total assets	\$593,455	\$607,783
Current liabilities		
Current portion of long-term debt	\$5,120	\$1,066
Accounts payable	49,537	54,718
Accrued expenses and other current liabilities	77,447	91,523
Total current liabilities	132,104	147,307
Long-term debt	29,937	46,917
Other long-term liabilities	67,274	70,445
Contingencies and commitments	--	--
Shareholders' equity		
Common shares, \$1 par value - 150,000 authorized; 51,909 outstanding in 2011 and 51,770 outstanding in 2010	51,909	51,770
Capital in excess of par value	201,589	201,873
Retained earnings	126,622	106,466
Accumulated other comprehensive loss	(18,804)	(20,284)
Total La-Z-Boy Incorporated shareholders' equity	361,316	339,825
Noncontrolling interests	2,824	3,289
Total equity	364,140	343,114
Total liabilities and equity	\$593,455	\$607,783

LA-Z-BOY INCORPORATED
CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(Amounts in thousands)</i>	Unaudited Fiscal Year Ended		
	4/30/2011	4/24/2010	4/25/2009
Cash flows from operating activities			
Net income (loss)	\$17,373	\$31,359	\$(122,413)
Adjustments to reconcile net income (loss) to cash provided by operating activities			
(Gain) loss on sale of assets	201	(538)	(2,813)
Write-down of long-lived assets	4,471	--	7,503
Write-down of trade names	--	--	5,541
Write-down of goodwill	--	--	42,136
Write-down of investments	--	--	5,140
Deferred income tax expense/(benefit)	(120)	(2,693)	39,233
Restructuring	487	3,434	12,460
Provision for doubtful accounts	7,197	6,535	25,254
Depreciation and amortization	24,302	25,246	24,142
Stock-based compensation expense	3,720	5,236	3,819
Pension plan contributions	(4,495)	--	--
Change in receivables	1,599	(17,250)	27,223
Change in inventories	(10,531)	7,074	37,631
Change in other assets	(1,092)	3,225	2,967
Change in payables	(4,429)	13,147	(14,544)
Change in other liabilities	(10,837)	14,884	(40,571)
Total adjustments	10,473	58,300	175,121
Net cash provided by operating activities	27,846	89,659	52,708
Cash flows from investing activities			
Proceeds from disposals of assets	506	3,338	9,060

Capital expenditures	(10,540)	(10,986)	(15,625)
Purchases of investments	(10,200)	(4,933)	(11,330)
Proceeds from sales of investments	10,655	8,833	34,675
Change in restricted cash	--	17,507	(18,207)
Cash effects upon consolidation/(deconsolidation) of VIE	(632)	--	631
Other	(49)	250	(581)
Net cash provided by (used for) investing activities	(10,260)	14,009	(1,377)
Cash flows from financing activities			
Proceeds from debt	30,585	41,817	50,794
Payments on debt	(41,618)	(54,707)	(92,139)
Stock issued for stock and employee benefit plans	270	1,035	--
Dividends paid	--	--	(5,177)
Net cash used for financing activities	(10,763)	(11,855)	(46,522)
Effect of exchange rate changes on cash and equivalents	12	(756)	(901)
Change in cash and equivalents	6,835	91,057	3,908
Cash and equivalents at beginning of period	108,427	17,370	13,462
Cash and equivalents at end of period	<u>\$115,262</u>	<u>\$108,427</u>	<u>\$17,370</u>

LA-Z-BOY INCORPORATED
Segment Information

	Unaudited		Unaudited	
	For the Quarter Ended		For the Year Ended	
	4/30/2011	4/24/2010	4/30/2011	4/24/2010
<i>(Amounts in thousands)</i>	14 weeks	13 weeks	53 weeks	52 weeks
Sales				
Upholstery Group	\$264,842	\$241,137	\$916,867	\$904,871
Casegoods Group	40,749	37,510	152,534	146,706
Retail Group	58,288	39,233	176,987	153,620
VIEs	3,646	13,557	29,105	53,173
Corporate and Other	471	440	1,909	4,583
Eliminations	(29,091)	(21,137)	(90,259)	(83,741)
Consolidated Sales	<u>\$338,905</u>	<u>\$310,740</u>	<u>\$1,187,143</u>	<u>\$1,179,212</u>
Operating income (loss)				
Upholstery Group	\$27,163	\$28,610	\$72,743	\$95,732
Casegoods Group	2,099	(230)	6,698	(243)
Retail Group	(3,035)	(4,721)	(15,078)	(19,825)
VIEs	(1,107)	312	(4,949)	(751)
Corporate and Other	(8,357)	(7,590)	(28,547)	(31,051)
Restructuring	(63)	(621)	(487)	(3,434)
Write-down of long-lived assets	(4,471)	--	(4,471)	--
Consolidated Operating Income (Loss)	<u>\$12,229</u>	<u>\$15,760</u>	<u>\$25,909</u>	<u>\$40,428</u>

LA-Z-BOY INCORPORATED
Unaudited Quarterly Financial Data

<i>(Dollar amounts in thousands, except per share data)</i>	(13 weeks)	(13 weeks)	(13 weeks)	(14 weeks)
Fiscal Quarter Ended	7/24/2010	10/23/2010	1/22/2011	4/30/2011
Sales	\$263,313	\$292,982	\$291,943	\$338,905
Cost of sales				
Cost of goods sold	190,500	207,938	203,662	230,862
Restructuring	(21)	(62)	(65)	(15)
Total cost of sales	190,479	207,876	203,597	230,847
Gross profit	72,834	85,106	88,346	108,058
Selling, general and administrative	74,320	79,657	78,057	91,280
Restructuring	165	110	297	78

Write-down of long-lived assets	--	--	--	4,471
Operating income (loss)	(1,651)	5,339	9,992	12,229
Interest expense	590	592	561	603
Interest income	243	223	250	228
Income from Continued Dumping and Subsidy Offset Act, net	--	--	903	151
Other income (expense), net	351	(418)	251	221
Income (loss) before income taxes	(1,647)	4,552	10,835	12,226
Income tax expense (benefit)	(705)	1,381	2,451	5,466
Net income (loss)	(942)	3,171	8,384	6,760
Net loss attributable to noncontrolling interests	726	774	1,626	3,548
Net income (loss) attributable to La-Z-Boy Incorporated	<u>\$(216)</u>	<u>\$3,945</u>	<u>\$10,010</u>	<u>\$10,308</u>
Diluted weighted average shares	51,785	52,214	52,270	52,359
Diluted net income per share attributable to La-Z-Boy Incorporated	\$--	\$0.07	\$0.19	\$0.19

LA-Z-BOY INCORPORATED
Unaudited Quarterly Financial Data

<i>(Dollar amounts in thousands, except per share data)</i>	(13 weeks)	(13 weeks)	(13 weeks)	(13 weeks)
Fiscal Quarter Ended	7/25/2009	10/24/2009	1/23/2010	4/24/2010
Sales	\$262,671	\$300,707	\$305,094	\$310,740
Cost of sales				
Cost of goods sold	182,113	205,602	206,930	209,300
Restructuring	736	663	392	350
Total cost of sales	182,849	206,265	207,322	209,650
Gross profit	79,822	94,442	97,772	101,090
Selling, general and administrative	77,916	84,619	83,811	85,059
Restructuring	301	520	201	271
Operating income	1,605	9,303	13,760	15,760
Interest expense	980	831	577	584
Interest income	276	199	140	109
Income from Continued Dumping and Subsidy Offset Act, net	--	--	4,436	--
Other income (expense), net	601	236	(593)	236
Income before income taxes	1,502	8,907	17,166	15,521
Income tax expense (benefit)	(3)	3,529	6,502	1,709
Net income	1,505	5,378	10,664	13,812
Net loss attributable to noncontrolling interests	73	588	489	192
Net income attributable to La-Z-Boy Incorporated	<u>\$1,578</u>	<u>\$5,966</u>	<u>\$11,153</u>	<u>\$14,004</u>
Diluted weighted average shares	51,479	51,755	51,845	52,101
Diluted net income per share attributable to La-Z-Boy Incorporated	\$0.04	\$0.11	\$0.21	\$0.26

SOURCE La-Z-Boy Incorporated