



La-Z-Boy Reports Second Quarter, First Half Results

11/14/01

MONROE, Mich., Nov 14, 2001 /PRNewswire via COMTEX/ -- La-Z-Boy Incorporated (NYSE: LZB; PCX) announced today it earned \$0.33 per diluted share -- prior to a \$0.13 per share restructuring charge -- for the three months ended October 27, 2001. These results were at the upper end of the company's enhanced earnings guidance issued three weeks ago. In the comparable quarter of last year, earnings were \$0.43 per diluted share, excluding a \$0.05 per share nonrecurring gain resulting from an insurance claim recovery. Sales for this year's October quarter totaled \$559 million compared to \$593 million, a decline of 6 percent.

For the six months ended October 27, 2001, the company earned \$0.38 per diluted share, excluding the \$0.13 per share restructuring charge, versus \$0.64 per diluted share in the first half of fiscal 2001, excluding the \$0.05 per share nonrecurring gain. Sales totaled \$1.018 billion for this year's first half, 8 percent below the year-earlier level of \$1.109 billion.

Upholstery segment sales for the October quarter were essentially unchanged from a year earlier, and for the first six months declined 2 percent -- representing a very favorable showing compared to both the industry and the company's major competitors. Operating profit margin in upholstery, excluding restructuring charges, was 9.2% for the quarter and 6.8% for the six months. "Although below comparable prior-year period margins, these results reflect a positive trend compared to the previous six months, which may prove to have been the bottom of the cycle," according to La-Z-Boy Incorporated president and CEO Jerry Kiser, who continued, "The current trend in our upholstery segment sales is both encouraging and better than many of our competitors, largely as a result of the power of our brand name, and the strength of our proprietary retail distribution. It looks very much as though upholstery sales may have bottomed out, and we would expect to see consecutive quarterly margin improvement going forward as volumes pick up and our previously- announced upholstery capacity reduction initiatives take hold."

Casegoods (wood furniture) segment sales declined 17 percent for the October quarter and fell 20 percent for the first six months. Operating profit margin in casegoods, excluding restructuring charges, was 2.6% for the quarter and 1.4% for the six months. Kiser said, "We anticipate that this segment will be slower to recover, but it has moved from an operating loss to operating profitability over the past two quarters (excluding restructuring charges) and we expect to see continuing consecutive quarterly improvement. We have taken a number of actions to improve this segment's profitability, including facilities restructuring and downsizing to blend imported products and components with our domestically-manufactured furniture.

Commenting on the quarter's operating results, Kiser said, "Considering the severe pressure under which our industry has operated recently, we feel good about our performance. Excluding the restructuring charge, our October quarter gross margin was 24.5%, its highest level in nine quarters -- due in part to our ongoing cost-cutting efforts and actions aimed at streamlining the business. We reduced inventories during the quarter by a total of \$15 million, cut our debt to capitalization ratio to 20.6% and repurchased 418,000 shares of La-Z-Boy's common stock for \$6.6 million. While we're certainly nowhere near where we want to be, we are working hard to improve the company's basic profitability and believe we're heading in the right direction."

Kiser reiterated that the \$0.13 per share restructuring charge, which was announced on October 25th, relates to closing down three of the company's manufacturing facilities and converting two others to warehousing and manufacturing service operations. The charge will primarily cover employee termination costs and the write-down of certain fixed assets and inventories. In total, these efforts will reduce La-Z-Boy Incorporated's U.S. manufacturing operations by about 1.25 million square feet and cut employment by about 570 jobs. "Overall, these restructuring actions are expected to produce savings in the area of \$10 million annually," he said.

Noting that the declining sales trends moderated somewhat during the most recent quarter, Kiser added, "We are encouraged that our business has apparently begun to stabilize, and are cautiously optimistic regarding the outlook for the second half of our April fiscal year." He concluded, "While the current unsettled business conditions make it difficult to predict full year results, we will soon start to benefit from easier year-over-year comparisons. We expect a mid single digit percentage sales decline in our January 2002 quarter, and are looking for earnings in the range of \$0.26 - \$0.30 range per diluted share, versus the \$0.27 we earned in the January quarter of fiscal 2001. Our tentative earnings estimate for the fiscal year ending April 2002 is presently \$1.05 - \$1.12 per diluted share, exclusive of restructuring charges."

Conference Call Information

The dial-in phone number for tomorrow's live conference call (November 15, 2001 at 11 a.m. EST) will be 800-374-1298 for persons calling from within the U.S. or Canada, and the number for international callers will be 706-634-5855. The call will also be webcast live and archived on the Internet, both at www.la-z-boy.com. A telephone replay of the call will be continuously available from approximately 2 p.m. on Thursday, November 15th through noon on Thursday, November 22nd. This replay will be available to callers from the U.S. and Canada at 800-642-1687 and to international callers at 706-645-9291. The replay passcode will be 2171122.

Forward-looking Information:

Any forward-looking statements contained in this report represent management's current expectations, based on present information and current assumptions. Actual results could differ materially from those anticipated or projected due to a number of factors. These factors include, but are not limited to: changes in consumer sentiment or demand, changes in housing sales, the impact of terrorism, the impact of interest rate changes, the impact of imports, changes in currency rates, competitive factors, operating factors, the effect of certain restructuring actions, and other factors identified from time to time in the company's reports filed with the Securities and Exchange Commission. The company undertakes no obligation to update or revise any forward-looking statements, either to reflect new developments, or for any other reason.

La-Z-Boy Background Information

With annual sales in excess of \$2 billion, La-Z-Boy Incorporated is one of the world's largest residential furniture producers, with manufacturing operations in ten states and four foreign countries. The La-Z-Boy Incorporated family of companies produces furniture for every room of the home and office under the brand names Alexvale, American Drew, Bauhaus, Centurion, Clayton Marcus, England, Hammary, HickoryMark, Kincaid, La-Z-Boy, La-Z-Boy Contract Furniture Group, Lea, Pennsylvania House, Pilliod and Sam Moore. And, under the American of Martinsville brand name, La-Z-Boy is also a leading manufacturer of contract furniture for the hospitality and assisted-living markets.

La-Z-Boy Incorporated's vast distribution network of proprietary retailers includes 296 La-Z-Boy Furniture Galleries(R) and 324 La-Z-Boy In-Store Galleries; in-store gallery programs at Kincaid, Pennsylvania House and Clayton Marcus; England's Custom Comfort Centers and Lea's Kid's Generation displays. According to industry trade publication Furniture/Today, the La-Z-Boy Furniture Galleries retail network, by itself, represents the industry's fifth largest U.S. furniture store. La-Z-Boy's stock is traded on the New York and Pacific stock exchanges under the trading symbol: LZB. Additional information on the company is available at www.la-z-boy.com.

LA-Z-BOY INCORPORATED
CONSOLIDATED STATEMENT OF INCOME
(Amounts in thousands, except per share data)

(UNAUDITED)					
SECOND QUARTER ENDED					
	10/27/01	10/28/00	% Over	Percent of Sales	
			(Under)	10/27/01	10/28/00
	(13 Weeks)	(13 Weeks)			
Sales	\$559,189	\$592,700	-6%	100.0%	100.0%
Cost of sales	435,510	450,569	-3%	77.9%	76.0%
Gross profit	123,679	142,131	-13%	22.1%	24.0%
S, G & A	102,073	97,295	5%	18.2%	16.4%
Operating profit	21,606	44,836	-52%	3.9%	7.6%
Interest expense	2,044	4,497	-55%	0.4%	0.8%
Interest income	387	329	18%	0.1%	0.1%
Other income, net	363	5,860	-94%	0.0%	1.0%
Pretax income	20,312	46,528	-56%	3.6%	7.9%
Income tax expense	7,921	17,612	-55%	39.0% *	37.9% *
Net income	\$12,391	\$28,916	-57%	2.2%	4.9%
Basic EPS	\$0.20	\$0.48	-58%		
Diluted avg. shares	61,052	60,684	1%		
Diluted EPS	\$0.20	\$0.48	-58%		
Dividends paid per share	\$0.09	\$0.09	0%		

(UNAUDITED)					
SIX MONTHS ENDED					
	10/27/01	10/28/00	% Over	Percent of Sales	
			(Under)	10/27/01	10/28/00
	(26 Weeks)	(26 Weeks)			
Sales	\$1,018,170	\$1,109,407	-8%	100.0%	100.0%
Cost of sales	796,627	850,935	-6%	78.2%	76.7%
Gross profit	221,543	258,472	-14%	21.8%	23.3%
S, G & A	192,960	189,056	2%	19.0%	17.0%
Operating profit	28,583	69,416	-59%	2.8%	6.3%
Interest expense	5,000	8,849	-43%	0.5%	0.8%
Interest income	745	782	-5%	0.1%	0.1%

Other income, net	626	6,476	-90%	0.1%	0.5%
Pretax income	24,954	67,825	-63%	2.5%	6.1%
Income tax expense	9,732	25,906	-62%	39.0% *	38.2% *
Net income	\$15,222	\$41,919	-64%	1.5%	3.8%
Basic EPS	\$0.25	\$0.69	-64%		
Diluted avg. shares	60,994	60,957	0%		
Diluted EPS	\$0.25	\$0.69	-64%		
Dividends paid per share	\$0.18	\$0.17	6%		

* As a percent of pretax income, not sales.

LA-Z-BOY INCORPORATED
CONSOLIDATED BALANCE SHEET

(Amounts in thousands)	Unaudited				Audited 4/28/01
	10/27/01	10/28/00	Increase/(Decrease) Dollars	Percent	
Current assets					
Cash and equivalents	\$24,797	\$16,741	\$8,056	48%	\$23,565
Receivables - net	377,744	402,603	(24,859)	-6%	380,867
Inventories					
Raw materials	82,045	100,948	(18,903)	-19%	90,381
Work-in-progress	60,250	67,934	(7,684)	-11%	62,465
Finished goods	113,010	114,199	(1,189)	-1%	115,425
FIFO inventories	255,305	283,081	(27,776)	-10%	268,271
Excess of FIFO over LIFO	(10,850)	(7,703)	(3,147)	-41%	(10,384)
Total inventories	244,455	275,378	(30,923)	-11%	257,887
Deferred income taxes	19,771	18,769	1,002	5%	26,168
Income taxes - current	2,944	5,655	(2,711)	-48%	2,944
Other current assets	16,133	14,059	2,074	15%	17,345
Total current assets	685,844	733,205	(47,361)	-6%	708,776
Property, plant and equipment	219,656	226,922	(7,266)	-3%	230,341
Goodwill	110,497	116,224	(5,727)	-5%	112,755
Trade names	118,876	124,101	(5,225)	-4%	120,981
Other long-term assets	55,503	58,130	(2,627)	-5%	52,944
Total assets	\$1,190,376	\$1,258,582	(\$68,206)	-5%	\$1,225,797
Current liabilities					
Lines of credit	\$0	\$0	\$0	N/M	\$10,380
Current portion of long-term debt	6,559	1,622	4,937	304%	5,304
Current portion					

of capital leases	488	457	31	7%	541
Accounts payable	88,604	108,305	(19,701)	-18%	92,830
Payroll and other compensation	69,694	67,139	2,555	4%	78,550
Income taxes	10,423	9,808	615	6%	11,490
Other current liabilities	56,816	51,282	5,534	11%	50,820
Total current liabilities	232,584	238,613	(6,029)	-3%	249,915
Long-term debt	171,477	255,818	(84,341)	-33%	196,923
Capital leases	2,278	2,868	(590)	-21%	2,496
Deferred income taxes	46,236	52,493	(6,257)	-12%	45,709
Other long-term liabilities	39,380	32,385	6,995	22%	35,608
Contingencies and commitments					
Shareholders' equity					
Common shares, \$1 par value	60,763	60,227	536	1%	60,501
Capital in excess of par value	211,138	211,035	103	0%	210,924
Retained earnings	434,348	408,221	26,127	6%	427,616
Accum. other comprehensive loss	(7,828)	(3,078)	(4,750)	-154%	(3,895)
Total shareholders' equity	698,421	676,405	22,016	3%	695,146
Total liabilities and shareholders' equity	\$1,190,376	\$1,258,582	(\$68,206)	-5%	\$1,225,797

LA-Z-BOY INCORPORATED
CONSOLIDATED STATEMENT OF CASH FLOWS
(Amounts in thousands)

	(Unaudited)		(Unaudited)	
	Second Quarter Ended 10/27/01	10/28/00	Six Months Ended 10/27/01	10/28/00
Cash flows from operating activities				
Net income	\$12,391	\$28,916	\$15,222	\$41,919
Adjustments to reconcile net income to cash provided by operating activities				
Depreciation and amortization	10,700	11,473	21,621	22,038
Change in receivables	(72,396)	(52,267)	3,602	(6,651)
Change in inventories	15,723	(9,407)	13,432	(29,575)
Change in payables	11,759	25,098	(4,226)	17,913
Change in other assets and liabilities	33,257	4,350	77	(22,638)

Proceeds from insurance recovery		5,116		5,116
Change in deferred taxes	3,465	2,412	6,924	5,818
Total adjustments	2,508	(13,225)	41,430	(7,979)
Cash provided by operating activities	14,899	15,691	56,652	33,940
Cash flows from investing activities				
Proceeds from disposals of assets	304	253	843	439
Capital expenditures	(5,871)	(9,678)	(11,956)	(17,073)
Change in other long-term assets	(3,973)	(818)	(737)	2,330
Cash used for investing activities	(9,540)	(10,243)	(11,850)	(14,304)
Cash flows from financing activities				
Proceeds from debt	6,206	15,000	41,576	77,000
Payment of debt	(21,050)	(7,857)	(76,147)	(66,617)
Capital leases	(134)	(134)	(271)	712
Stock issued for stock options & 401(k) plans (net)	4,580	3,495	9,528	5,915
Repurchase of common stock	(6,586)	(11,241)	(6,586)	(23,249)
Dividends paid	(5,492)	(5,432)	(10,956)	(10,338)
Cash used for financing activities	(22,476)	(6,169)	(42,856)	(16,577)
Effect of exchange rate changes on cash	(533)	(563)	(714)	(671)
Change in cash and equivalents	(17,650)	(1,284)	1,232	2,388
Cash and equivalents at beginning of period	42,447	18,025	23,565	14,353
Cash and equivalents at end of period	\$24,797	\$16,741	\$24,797	\$16,741
Cash paid during period				
- Income taxes	\$5,437	\$18,278	\$8,500	\$24,726
- Interest	\$2,954	\$3,992	\$5,216	\$6,249

MAKE YOUR OPINION COUNT - [Click Here](#)
<http://tbutton.prnewswire.com/prn/11690X48977641>

SOURCE La-Z-Boy Incorporated

CONTACT: Mark Stegeman of La-Z-Boy Incorporated, +1-734-241-4418,
mark.stegeman@la-z-boy.com

URL: <http://www.la-z-boy.com>
<http://www.prnewswire.com>

