

LA-Z-BOY INCORPORATED

February 2018

Providing comfort to America for 90 years



FORWARD-LOOKING DISCLAIMER

- This presentation contains “forward-looking” statements that involve uncertainties and risks as detailed in our regular filings with the SEC
- They may differ materially from actual results due to a wide range of factors
- We undertake no obligation to update any forward-looking statements



LA BOY
Live Life Comfortably

COMPANY OVERVIEW



LA BOY
Live Life Comfortably.

LA-Z-BOY OVERVIEW

VERTICALLY INTEGRATED RETAILER AND MANUFACTURER

- The most recognized brand in a \$100 billion industry
- Largest reclining chair manufacturer worldwide
- **Second-largest** manufacturer/distributor of residential furniture in the U.S.; **third-largest** retailer of single-source home furnishings networks*

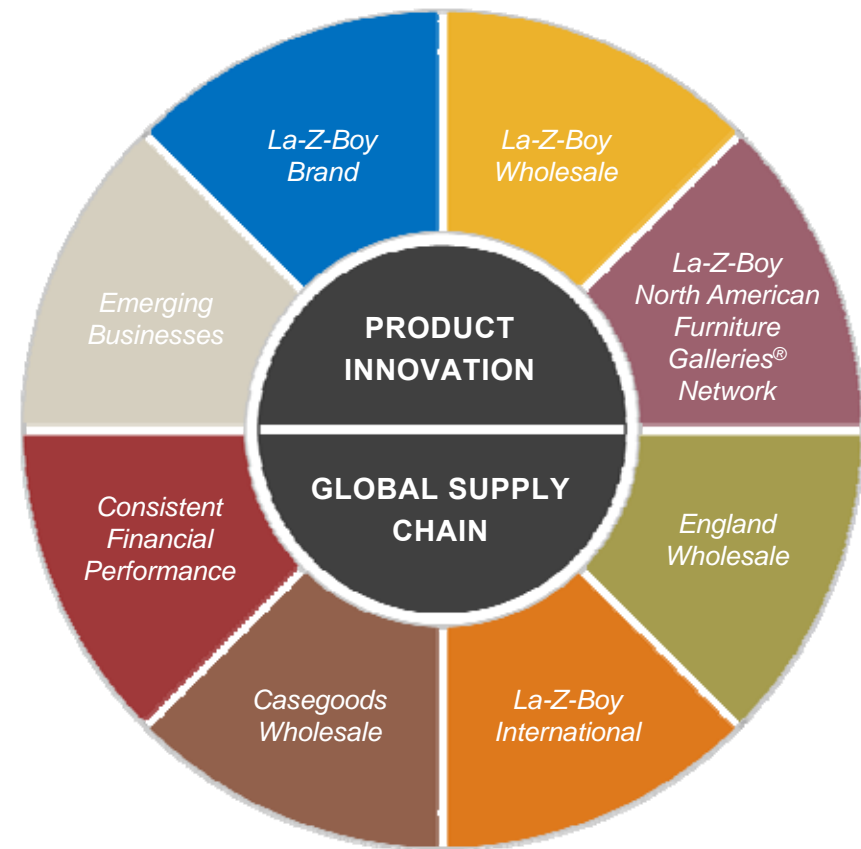
FISCAL 2017 SALES: \$1.52 BILLION

**Furniture Today, May 2017*



LA-Z-BOY OVERVIEW

- What makes La-Z-Boy different?
- Go-to-market strategies



LA-Z-BOY
Have life Comfortably.

WHAT MAKES LA-Z-BOY DIFFERENT?



WHAT MAKES LA-Z-BOY DIFFERENT?

PRODUCT INNOVATION

- Founded with an innovative spirit in 1927
- 90 years later, innovation permeates every aspect of the business
- Recent innovations include:
 - duo™
 - Power product with dual mechanisms and articulating headrests

duo™



WHAT MAKES LA-Z-BOY DIFFERENT?

PRODUCT INNOVATION

- In addition to world-famous motion furniture, parallel offering of great-looking, on-trend stationary upholstered product
- Committed to being the most capable innovator in the industry
 - Opening new *La-Z-Boy Innovation Center* in 2018
 - Continuing to expand engineering talent and capabilities



WHAT MAKES LA-Z-BOY DIFFERENT?

GLOBAL SUPPLY CHAIN

Belief that our supply chain is the most capable in the furniture industry

- Global sourcing
 - On-the-ground team in Asia to procure, manage and flow component parts and product
- Domestic plants with world-class efficiency, flexibility, **scale** and speed
 - ERP system fueling efficiencies and improving service to customers
- Mexico cut-and-sew center provides quick delivery for custom orders



WHAT MAKES LA-Z-BOY DIFFERENT?

GLOBAL SUPPLY CHAIN

Tremendous competitive advantage

- Mass customization, **scale** and speed
 - Approximately 175 styles with almost 1,000 cover choices in fabric and leather
- *The Brand Promise* – Custom furniture delivered in four weeks

Supply chain, combined with efficient domestic manufacturing footprint, provides a solid platform for future growth in the industry

**STRONG ANNUAL CONVERSION ON
INCREMENTAL SALES: 20% – 30%**



GO-TO-MARKET MODELS

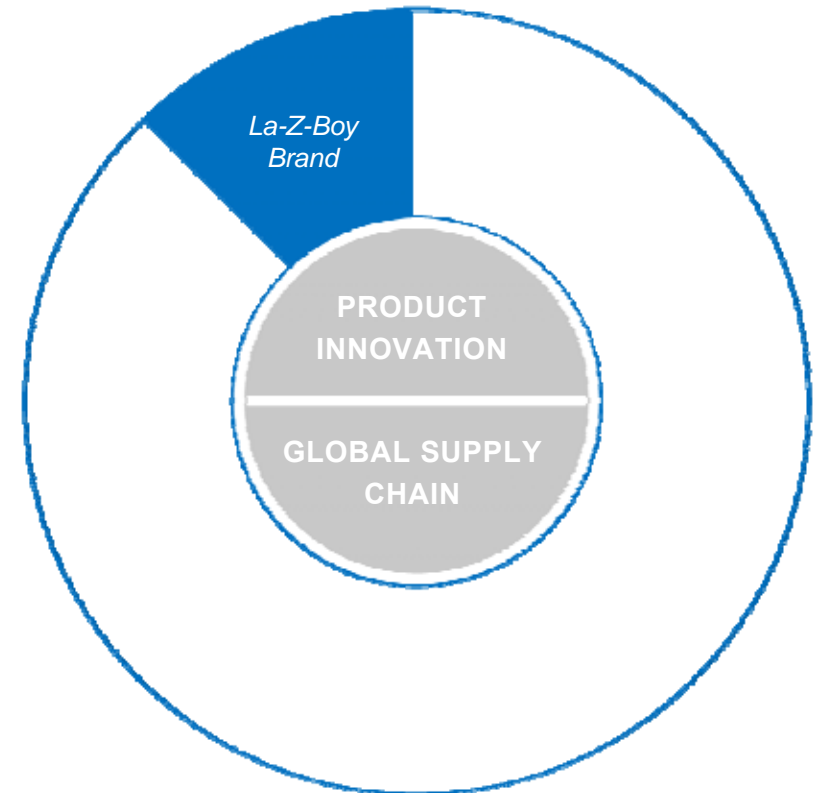


L A B O Y
Live Life Comfortably

GO-TO-MARKET MODELS: LA-Z-BOY BRAND

MOST RECOGNIZED BRAND

Largest differentiator in an industry with little brand power;
attributes of comfort and quality



LA Z BOY
Have life Comfortably.

GO-TO-MARKET MODELS: LA-Z-BOY BRAND

MOST RECOGNIZED BRAND

Live Life Comfortably® marketing campaign featuring Brooke Shields as brand ambassador – **tested and proven**

- Increase brand relevance
- Wide selection of great-looking furniture
- Resonates with our target female consumer and increases consideration for brand
- Reaches more potential shoppers, increases store traffic and ultimately delivers sales
- Significant opportunity to expand share in stationary upholstery category



GO-TO-MARKET MODELS: LA-Z-BOY BRAND

Expand share in the stationary upholstery category

- Largest segment of the upholstery market
- Capitalize on brand recognition, marketing strategies and merchandising expertise
- Urban Attitudes® successful
- Stationary upholstery business has been growing at a faster rate than our core recliner business
- Significant opportunity to gain share and be creative with how we go to market



LA Z BOY
Live Life Comfortably.

GO-TO-MARKET MODELS: LA-Z-BOY BRAND

OMNI-CHANNEL APPROACH

Engaging Digital Hub

- Always accessible, informative and engaging digital hub that enables exploration of products and services

Personalized Communication

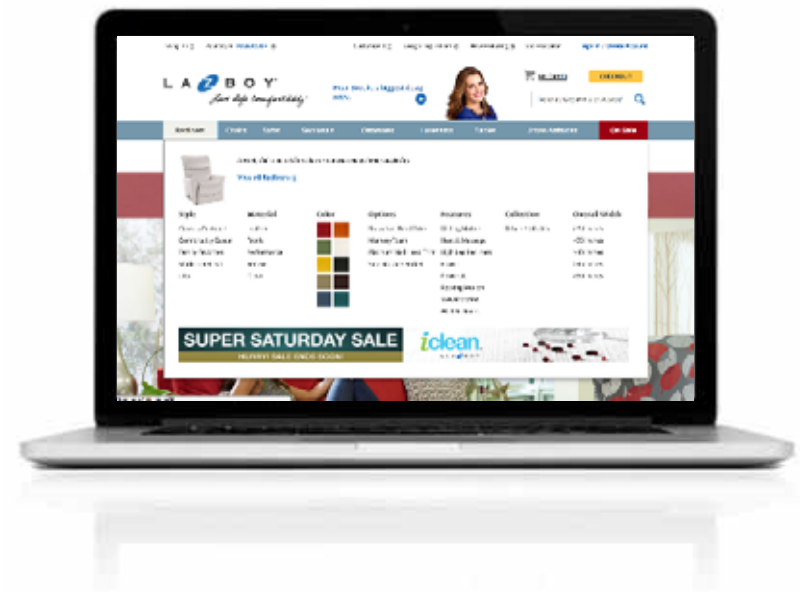
- Attract and engage consumers with relevant messaging throughout the purchase journey and across channels

Compelling Storytelling

- United, continuous, compelling storytelling for the people, products and heritage that make La-Z-Boy unique both in-store and online

Unmatched Store Experience

- An exceptional in-store service experience defined by interactivity, personalization and convenience throughout the sales process

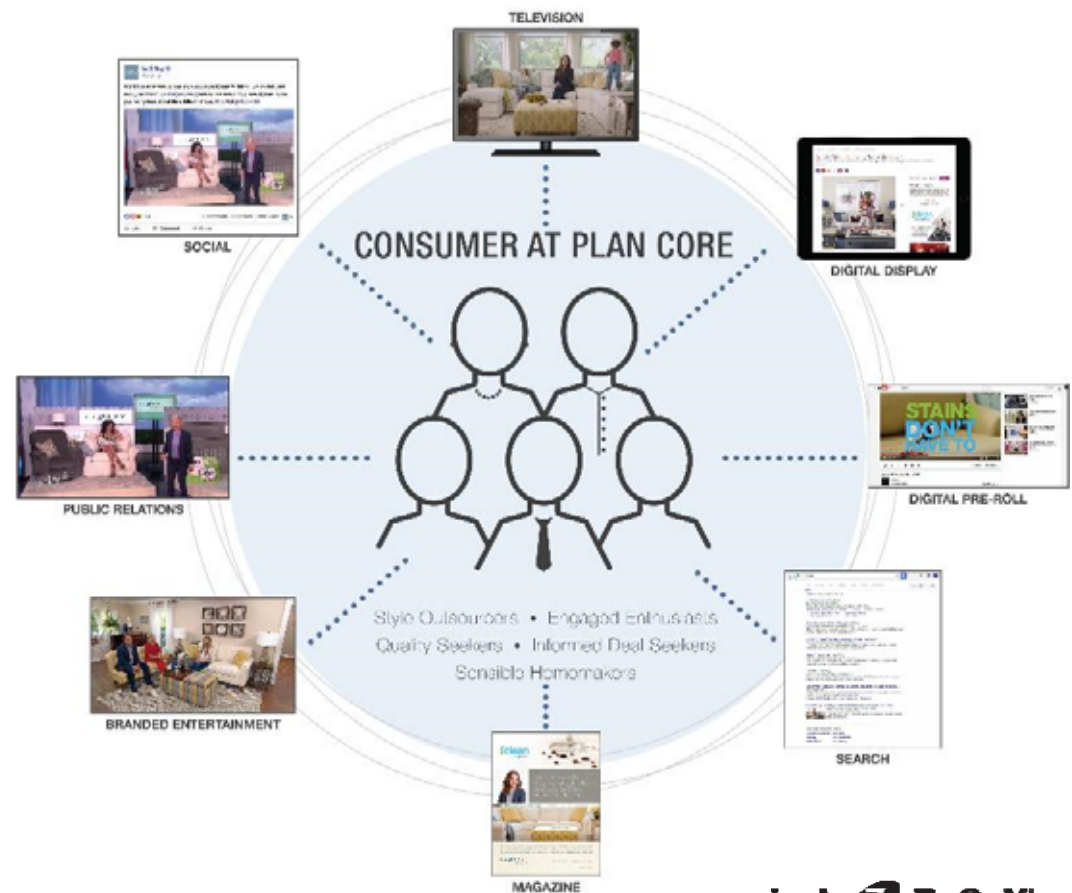


LA Z BOY
Live Life Comfortably.

GO-TO-MARKET MODELS: LA-Z-BOY BRAND

INTEGRATED MEDIA

- Always-on media plan engages consumers across multiple channels and throughout their shopping journey
- Heavy reliance on research to refine media selection and partners
- Presence across media channels that reinforce brand pillars
- Media spend strategically allocated across media channels to effectively reach all target consumers



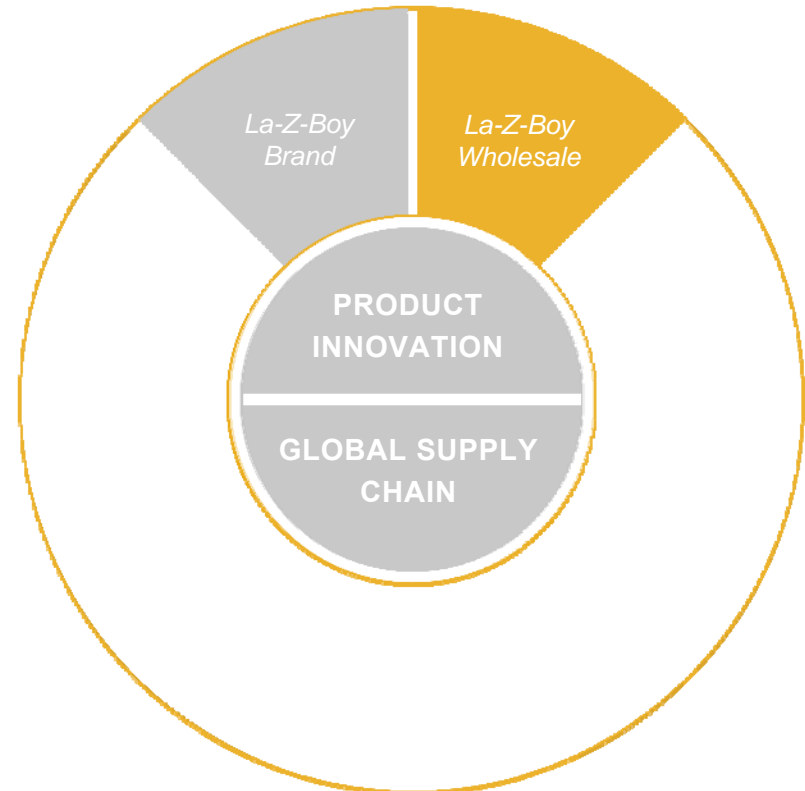
LA-Z-BOY
Have Life Comfortably.

GO-TO-MARKET MODELS: LA-Z-BOY WHOLESALE

The La-Z-Boy branded product is sold through a network of about 2,400 dealers throughout North America beyond the La-Z-Boy Furniture Galleries® store network

- General dealers represent 40% to 50% of La-Z-Boy branded wholesale business
- Hybrid-distribution strategy – not solely dependent on one channel to deliver growth
- Partnered with some of the largest furniture dealers in the country
- Expansion of our customer base provides growth opportunities for La-Z-Boy

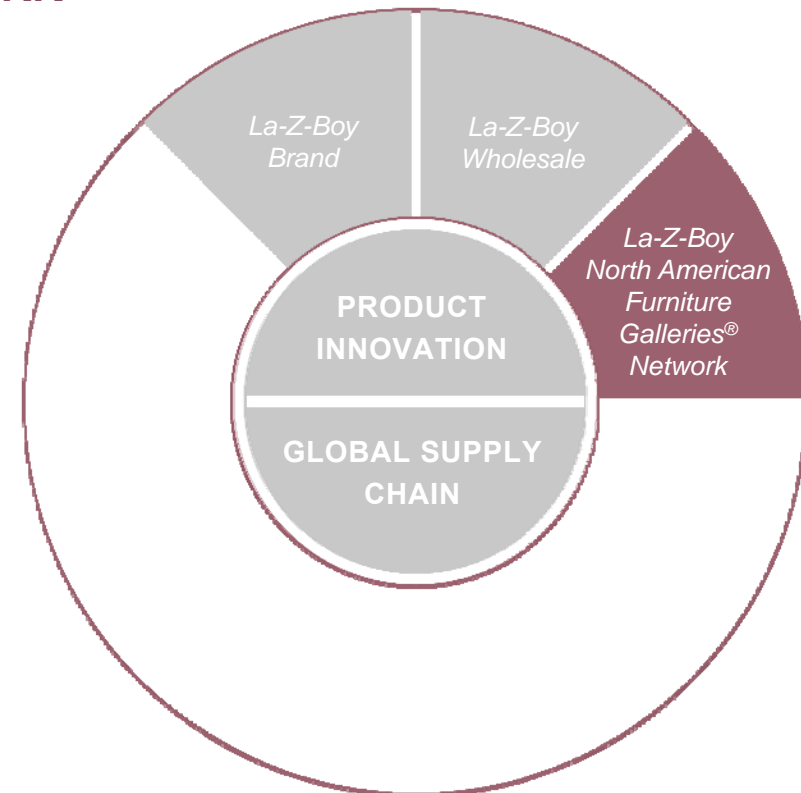
HYBRID-DISTRIBUTION STRATEGY



LA Z BOY
Have life Comfortably.

GO-TO-MARKET MODELS: LA-Z-BOY FURNITURE GALLERIES® NETWORK

- La-Z-Boy Furniture Galleries® stores provide consumers with the flagship La-Z-Boy experience
- Making ongoing investments to strengthen the importance of the experience
 - Design services
- Company is increasing ownership percentage of network – potential to own approximately half of store system
- Opportunity to leverage fixed-cost structure of plants with volume as we grow distribution through stores and other dealers



LA Z BOY
Have life Comfortably.

GO-TO-MARKET MODELS: LA-Z-BOY FURNITURE GALLERIES® NETWORK

4-4-5 GROWTH STRATEGY

Potential for \$1.6+ Billion Retail Store Network

- Fiscal 2018 is year five of 4-4-5
- Will not achieve all 400 stores by the end of FY18 due to challenging real estate markets (NY, Boston and Miami)
- Ultimate objective is to deliver a \$1.6 billion retail enterprise; with growth in average-store revenue performance over time, it is possible to reach that number with fewer stores

**Fiscal 2018 is year five of the five-year growth plan; projects will extend beyond fiscal 2019.*



GO-TO-MARKET MODELS: LA-Z-BOY FURNITURE GALLERIES® NETWORK

	FY15	FY16	FY17	FY18	FY19
<i>NEW CONCEPT</i>	61	89	112	133	152
<i>NEW GENERATION</i>	224	218	213	202	192
<i>OLD FORMAT</i>	40	31	22	15	12
<i>TOTAL</i>	325	338	347	350	356
<i>NUMBER OF PROJECTS</i>	30	28	23	22	19



GO-TO-MARKET MODELS: LA-Z-BOY FURNITURE GALLERIES® NETWORK

NEW CONCEPT DESIGN STORES

- Higher dollars-per-square-foot performance
- Increased average ticket
- Increased design sales
- 129 New Concept Design stores throughout the La-Z-Boy Furniture Galleries® network as of FY18Q3
 - More modern look and feel
 - Organized by style categories
 - Smaller footprint
 - Highlighting customization
 - Improve ability to engage the consumer with design and other personalized service



GO-TO-MARKET MODELS: LA-Z-BOY FURNITURE GALLERIES® NETWORK

INCREASING OWNERSHIP OF LA-Z-BOY FURNITURE GALLERIES® NETWORK

- Benefit from combined-margin opportunity on sales through company-owned stores
 - Low double-digit wholesale upholstery operating margin combined with mid-single-digit retail operating margin
- Acquiring stores from independent dealers
 - Acquired stores are profitable
 - Expect to further improve performance of acquired stores through streamlined retail segment operating platform
 - 36 stores acquired since start of 4-4-5

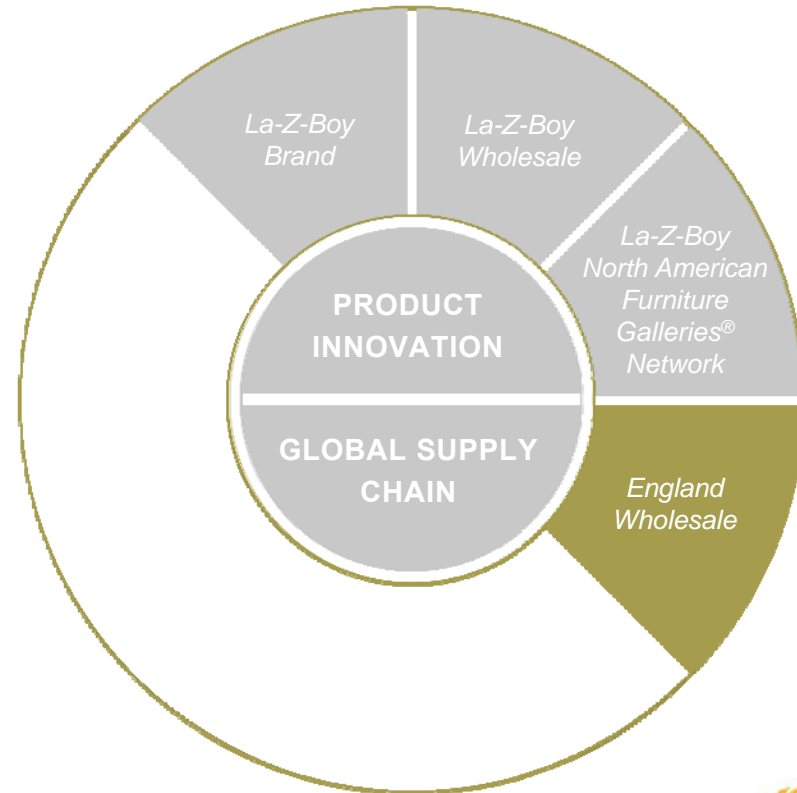
DRIVING MARGIN EXPANSION:

MID-TEEN COMBINED WHOLESALE/RETAIL OPERATING MARGIN



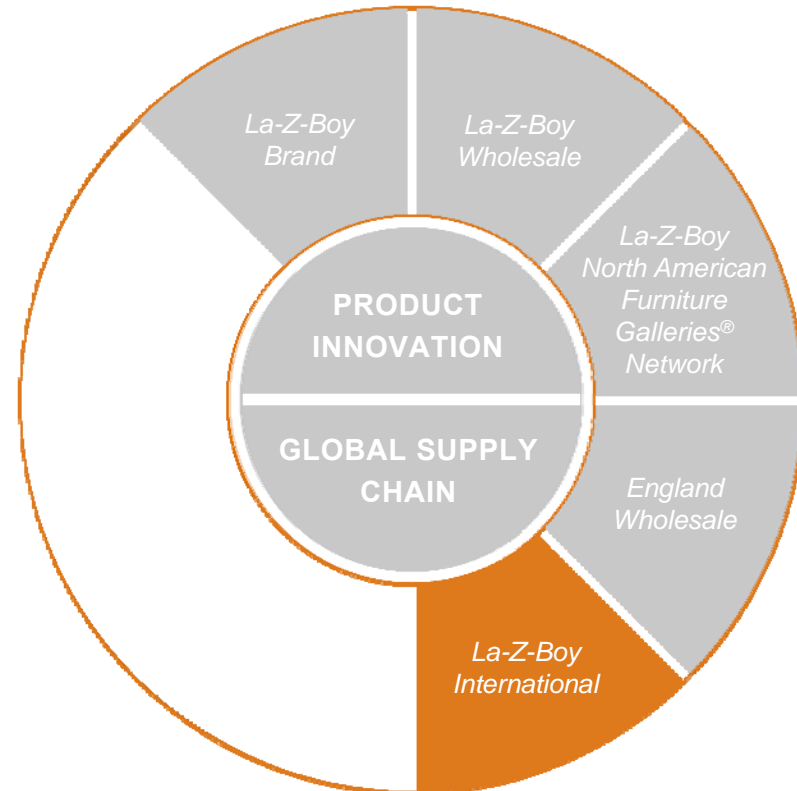
GO-TO-MARKET MODELS: ENGLAND WHOLESALE

- England leverages the company's powerful supply chain
- Unique model that is unparalleled in the industry
 - Custom furniture in 21 days or less
 - Extremely attractive to retailers
- Exhibiting consistent sales growth
- Expanding its growth with existing dealers and growing its presence across the Western portion of the U.S.



GO-TO-MARKET MODELS: INTERNATIONAL

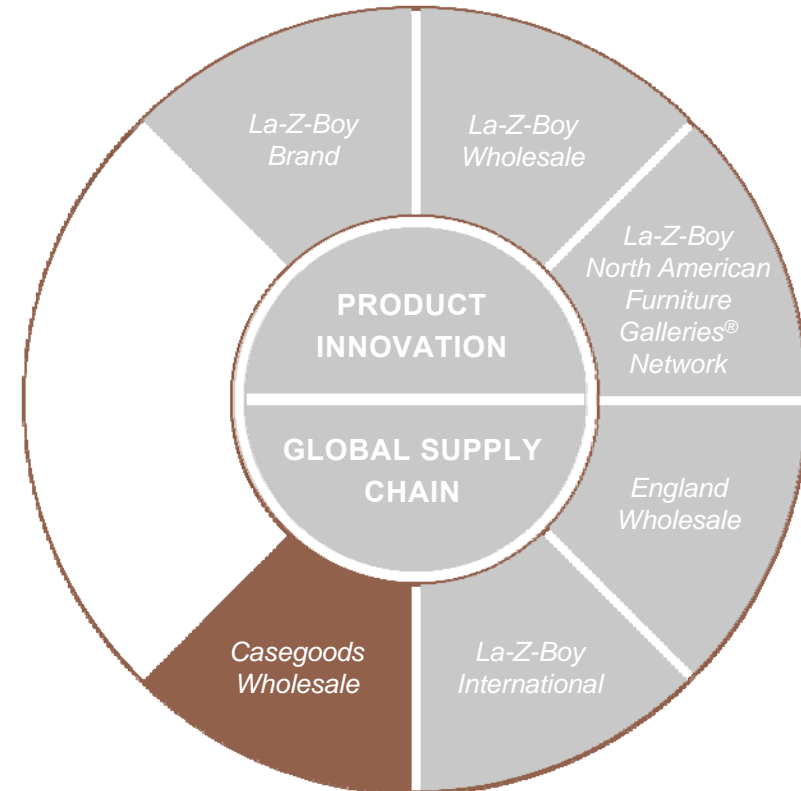
- The La-Z-Boy brand has significant worldwide appeal
- Sold in about 60 countries through direct ownership, licensing agreements and partnerships
- Manufacturing JV in Thailand, which distributes furniture in Australia, New Zealand, Thailand and other countries throughout Asia
- January 2017 acquisition of the La-Z-Boy wholesale business in the U.K. and Ireland
 - Annual wholesale revenue of approximately \$42 million (were already capturing half the volume with the licensing agreement that was in place prior to the acquisition)
- Potential opportunities to monetize the brand's value in other markets



LA Z BOY®
THE WINDSOR ROYAL RECLINER

GO-TO-MARKET MODELS: CASEGOODS WHOLESALE

- Three casegoods brands leverage the global supply chain and domestic distribution capabilities
 - Significantly improved in-stock position on best-selling groups and service to dealers
- Supply La-Z-Boy Furniture Galleries® stores and approximately 700 other retailers
- Product portfolio balanced with more transitional collections
- Recent improvements have improved the profitability of the segment
- Opportunity for growth with a new platform

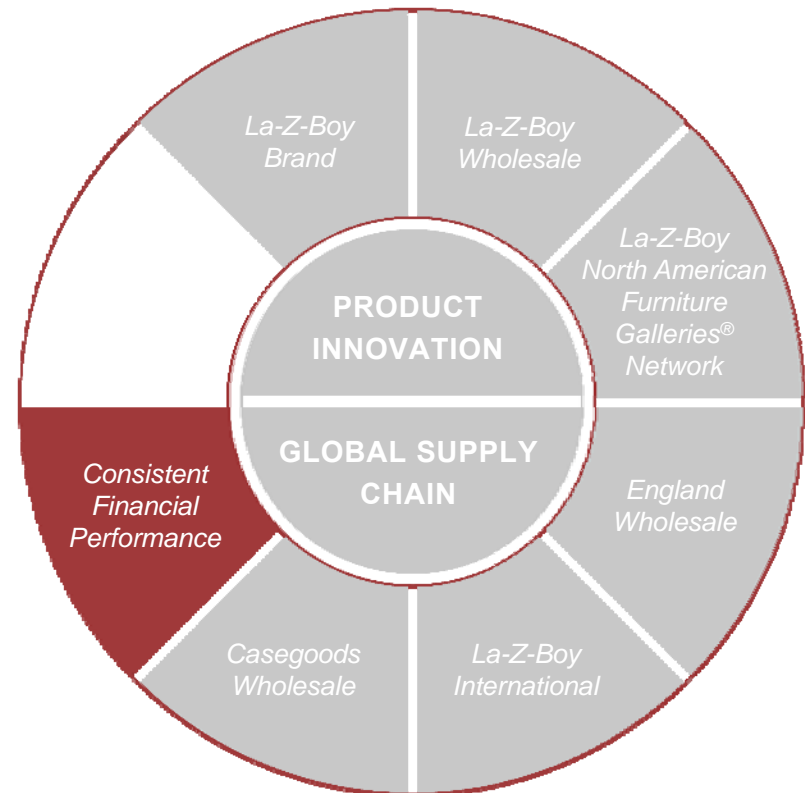


american  drew®
a LA-Z-BOY company

KINCAID
furniture company, inc.

 **HAMMARY**®
a LA-Z-BOY company

CONSISTENT FINANCIAL PERFORMANCE

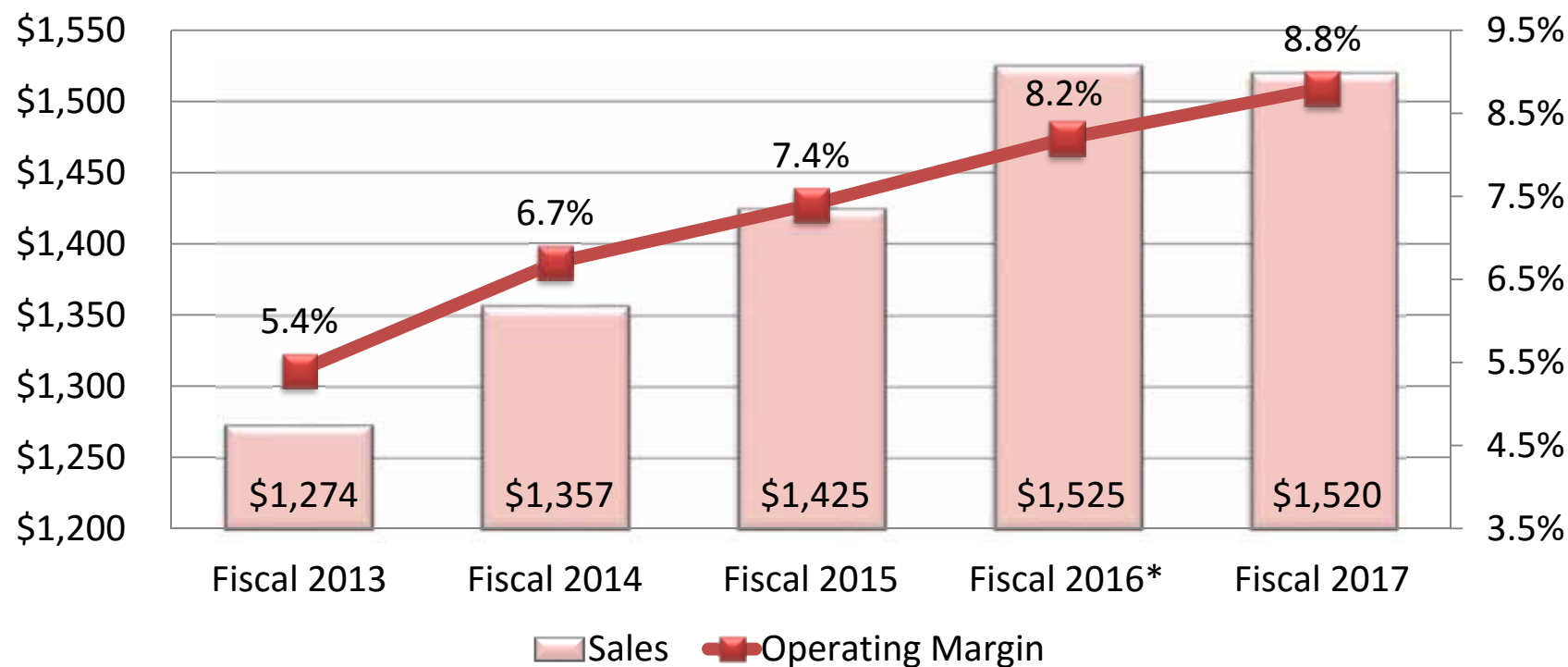


LA-Z-BOY
Have life Comfortably.

CONSISTENT FINANCIAL PERFORMANCE

CREATE AND RETURN VALUE: 5-YEAR SALES AND OPERATING MARGIN

(\$ in Millions)



*Fiscal 2016 includes 53 weeks, while all other years include 52 weeks. The one additional week in fiscal 2016, resulted in approximately \$29 million of additional sales in fiscal 2016 based on the

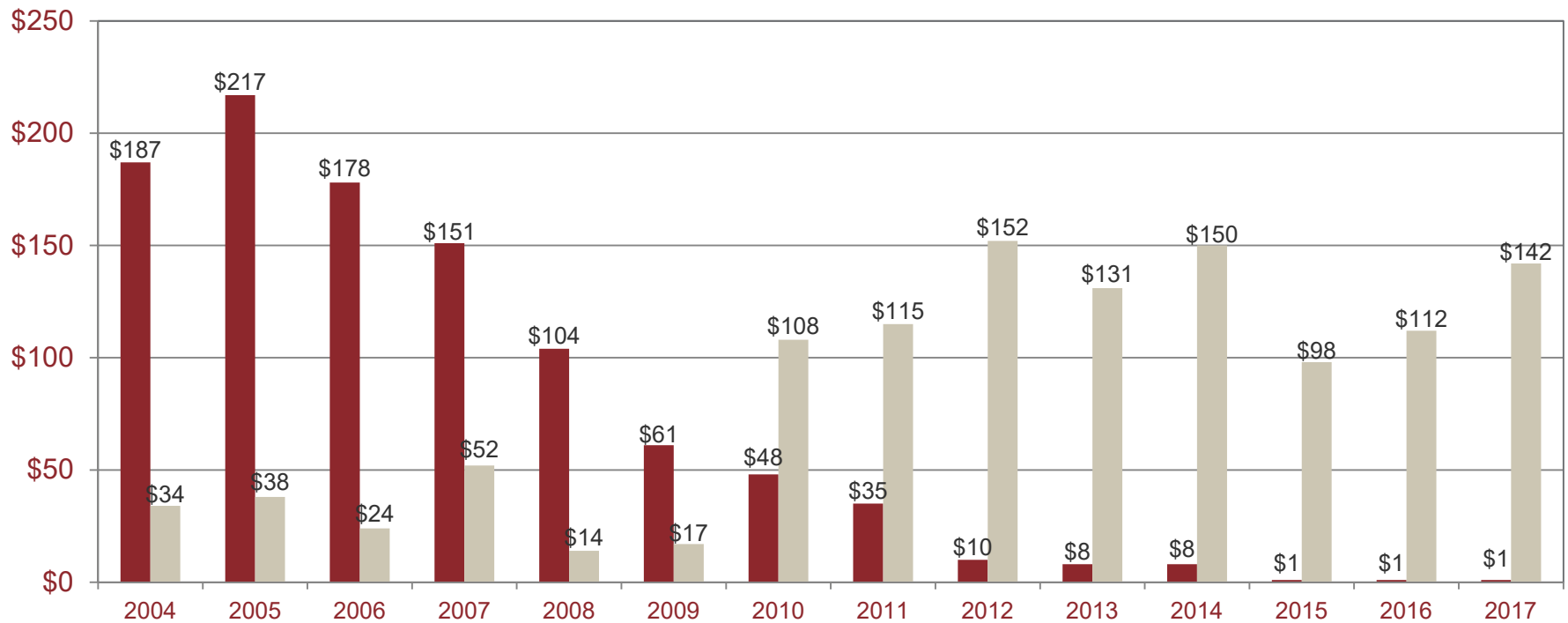
27 average weekly sales for the year.

CONSISTENT FINANCIAL PERFORMANCE

CREATE AND RETURN VALUE: STRONG BALANCE SHEET

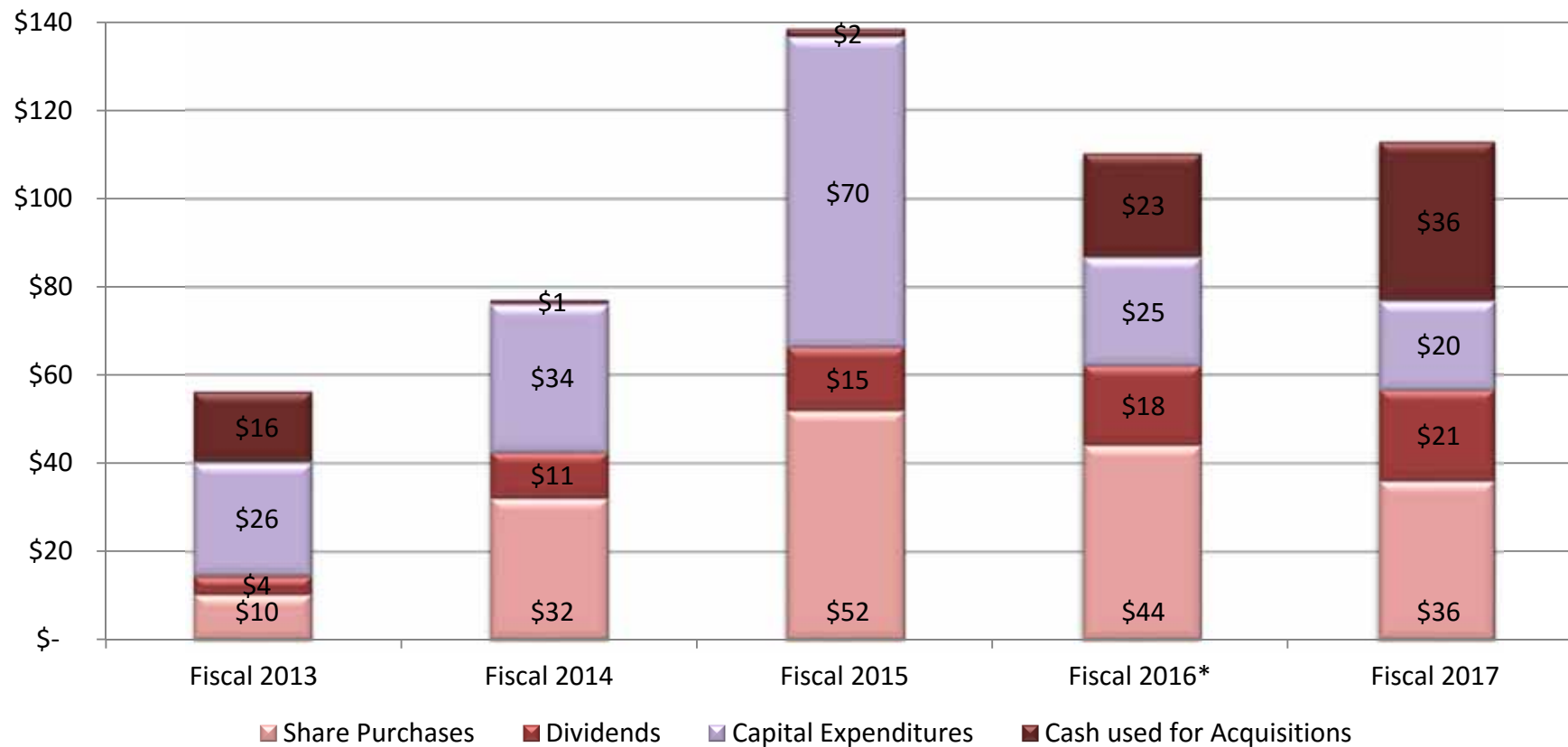
(\$ in Millions)

■ Debt ■ Cash



CONSISTENT FINANCIAL PERFORMANCE

Capital Allocation: Business Investments and Returns to Shareholders (\$ in Millions)



*Fiscal 2016 includes 53 weeks, while all other years include 52 weeks.

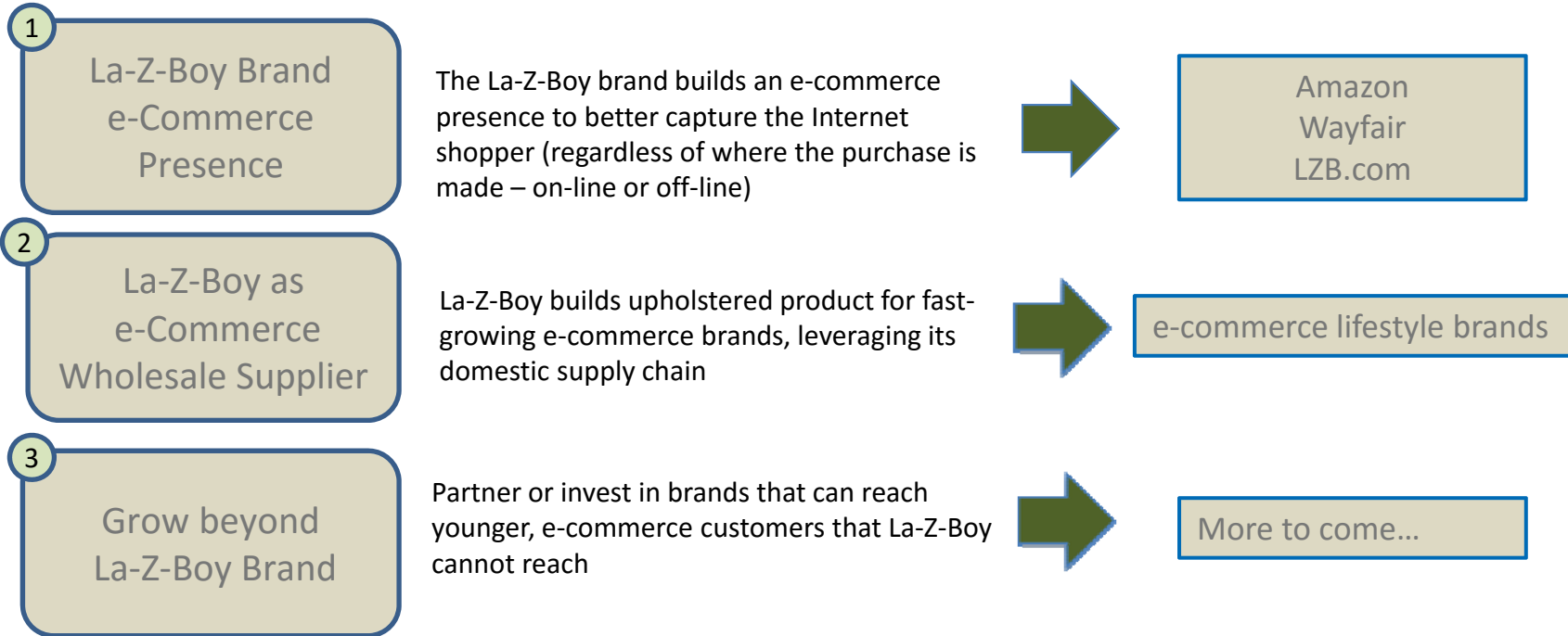
GO-TO-MARKET MODELS: EMERGING BUSINESS

- Opportunity to more fully tap the power of our product innovation and global supply chain capabilities, particularly for younger and more urban consumers
 - Exploring the potential of second brand/second retail concept
 - Exploring the potential to buy or build brands using alternative go-to-market models



LA-Z-BOY
Have life Comfortably.

GO-TO-MARKET MODELS: EMERGING BUSINESS



Take a diversified portfolio approach to ensure flexibility and to participate in the consumer shift to digital shopping and purchasing

FY18 THIRD-QUARTER RESULTS



LA BOY
Live Life Comfortably.

FISCAL 2018 THIRD-QUARTER RESULTS

- Consolidated sales were \$413.6 million in the third quarter of fiscal 2018, a 6.1% increase over the prior-year third quarter
- Earnings per diluted share attributable to La-Z-Boy Incorporated were \$0.25 in the third quarter of fiscal 2018 versus \$0.47 in the prior-year period
 - \$0.20 per share net charge related to the 2017 Tax Cut and Jobs Act, or tax reform
 - \$0.06 per share charge related to the legal settlement
- Consolidated operating margin declined in the third quarter of fiscal 2018 to 8.0% from 8.6% in the fiscal 2017 third quarter
 - Gross margin decline driven by higher raw material costs
 - The legal settlement reduced operating margin by 1.0%
 - SG&A as a percentage of sales lower due to improved absorption of fixed costs on higher sales volume, a reduction in discretionary spending compared with the prior-year quarter



CAPITAL ALLOCATION

- Generated cash from operating activities of \$40.0 million in the fiscal 2018 third quarter
 - Returned \$21.1 million to shareholders in the third quarter of fiscal 2018 through share purchases and dividends
 - Invested \$7.8 million on capital spending
- Ended the quarter with \$135.3 million in cash and cash equivalents, \$35.4 million in investments to enhance returns on cash, and \$2.4 million in restricted cash
- 7.0 million shares available as part of our board-authorized share purchase program; based on cash flows and other capital needs to invest in the business to drive growth, plan to continue to be opportunistic in the market with share purchase activity



L A B O Y
Have Life Comfortably.

2017 Tax Cut and Jobs Act

- December 22, 2017, the 2017 Tax Cuts and Jobs Act, or “Tax Reform,” was enacted into law
- Tax Reform resulted in a blended federal rate of 30.4% for fiscal 2018, as compared with the previous 35%. The federal tax rate will be reduced to 21% in subsequent fiscal years.
- The total effect of the Tax Reform was a charge of \$9.5 million in the third quarter of fiscal 2018, including:
 - \$9.8 million charge for the provisional re-measurement of certain deferred taxes and related amounts
 - \$1.9 million provisional charge for the estimated effects of the transition tax
 - Partly offset by a benefit of \$2.2 million primarily related to the lower blended federal tax rate
- We made reasonable estimates to record provisional adjustments during the third quarter of fiscal 2018. We believe our estimates may change during fiscal 2018 and potentially into fiscal 2019. We are also analyzing other provisions of the 2017 Tax Cut and Jobs Act to determine if they will impact our effective tax rate in fiscal 2018 or in the future. We will continue to refine such amounts within the measurement period allowed, which is not to extend beyond one year of the enactment date.



LOOKING AHEAD



LOOKING AHEAD

- Working on a number of initiatives to expand through a dual strategy to reach both our core customer as well as a new and younger consumer through a multi-faceted e-commerce strategy
- Capitalizing on the strength of our brand, vast distribution, a vibrant and growing store system and world-class supply chain
- Investing in the business; four capital projects in fiscal 2018
- Strong balance sheet provides financial flexibility to invest in growth initiatives
- Developing next set of strategic initiatives to continue to drive long-term, sustainable returns for shareholders



La-Z-Boy Incorporated



LA Z BOY
Live Life Comfortably.