UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended July 30, 2022
or
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ______ to ______
COMMISSION FILE NUMBER 1-9656

LA-Z-BOY INCORPORATED
(Exact name of registrant as specified in its charter)

Michigan	38-0751137
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One La-Z-Boy Drive, Monroe, Michigan	48162-5138
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (734) 242-1444
None
(Former name, former address and former fiscal year, if changed since last report.)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $1.00 Par Value	LZB	New York Stock Exchange

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).
Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at August 16, 2022
Common Stock, $1.00 Par Value	43,036,194

LA-Z-BOY INCORPORATED
FORM 10-Q FIRST QUARTER OF FISCAL 2023
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PART I - FINANCIAL INFORMATION (UNAUDITED)

ITEM 1. FINANCIAL STATEMENTS

LA-Z-BOY INCORPORATED
CONSOLIDATED STATEMENT OF INCOME

	Quarter Ended	
(Unaudited, amounts in thousands, except per share data)	7/30/2022	7/24/2021
Sales	$ 604,091	$ 524,783
Cost of sales	362,631	322,701
Gross profit	241,460	202,082
Selling, general and administrative expense	188,817	167,711
Operating income	52,643	34,371
Interest expense	(159)	(311)
Interest income	474	117
Other income (expense), net	45	(93)
Income before income taxes	53,003	34,084
Income tax expense	14,063	8,818
Net income	38,940	25,266
Net income attributable to noncontrolling interests	(452)	(700)
Net income attributable to La-Z-Boy Incorporated	$ 38,488	$ 24,566
Basic weighted average common shares	43,092	45,072
Basic net income attributable to La-Z-Boy Incorporated per share	$ 0.89	$ 0.54
Diluted weighted average common shares	43,142	45,404
Diluted net income attributable to La-Z-Boy Incorporated per share	$ 0.89	$ 0.54

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

LA-Z-BOY INCORPORATED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Quarter Ended	
(Unaudited, amounts in thousands)	7/30/2022	7/24/2021
Net income	$ 38,940	$ 25,266
Other comprehensive income (loss)		
Currency translation adjustment	(2,160)	(1,242)
Net unrealized gain on marketable securities, net of tax	86	448
Net pension amortization, net of tax	36	62
Total other comprehensive income (loss)	(2,038)	(732)
Total comprehensive income before noncontrolling interests	36,902	24,534
Comprehensive (income) loss attributable to noncontrolling interests	67	(270)
Comprehensive income attributable to La-Z-Boy Incorporated	$ 36,969	$ 24,264

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

LA-Z-BOY INCORPORATED
CONSOLIDATED BALANCE SHEET

(Unaudited, amounts in thousands, except par value)	7/30/2022	4/30/2022
Current assets		
Cash and equivalents	$ 238,170	$ 245,589
Restricted cash	3,267	3,267
Receivables, net of allowance of $3,665 at 7/30/2022 and $3,406 at 4/30/2022	156,027	183,747
Inventories, net	331,846	303,191
Other current assets	190,516	215,982
Total current assets	919,826	951,776
Property, plant and equipment, net	262,620	253,144
Goodwill	201,679	194,604
Other intangible assets, net	37,929	33,971
Deferred income taxes – long-term	10,041	10,632
Right of use lease assets	409,051	405,755
Other long-term assets, net	77,839	82,207
Total assets	$ 1,918,985	$ 1,932,089
Current liabilities		
Accounts payable	$ 123,832	$ 104,025
Lease liabilities, short-term	77,300	75,271
Accrued expenses and other current liabilities	437,930	496,393
Total current liabilities	639,062	675,689
Lease liabilities, long-term	357,468	354,843
Other long-term liabilities	78,363	81,935
Shareholders' equity		
Preferred shares – 5,000 authorized; none issued	—	—
Common shares, $1.00 par value – 150,000 authorized; 43,036 outstanding at 7/30/22 and 43,089 outstanding at 4/30/22	43,036	43,089
Capital in excess of par value	343,475	342,252
Retained earnings	456,067	431,181
Accumulated other comprehensive loss	(7,316)	(5,797)
Total La-Z-Boy Incorporated shareholders' equity	835,262	810,725
Noncontrolling interests	8,830	8,897
Total equity	844,092	819,622
Total liabilities and equity	$ 1,918,985	$ 1,932,089

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

LA-Z-BOY INCORPORATED
CONSOLIDATED STATEMENT OF CASH FLOWS

	Quarter Ended	
(Unaudited, amounts in thousands)	**7/30/2022**	**7/24/2021**
Cash flows from operating activities		
Net income	$ 38,940	$ 25,266
Adjustments to reconcile net income to cash provided by operating activities		
(Gain)/loss on disposal of assets	(4)	44
(Gain)/loss on sale of investments	30	(256)
Provision for doubtful accounts	293	(611)
Depreciation and amortization	9,516	8,553
Amortization of right-of-use lease assets	18,845	17,245
Equity-based compensation expense	1,417	2,460
Change in deferred taxes	544	370
Change in receivables	25,098	(1,783)
Change in inventories	(25,954)	(38,921)
Change in other assets	(1,229)	(10,380)
Change in payables	22,113	24,767
Change in lease liabilities	(19,256)	(17,263)
Change in other liabilities	(37,249)	(3,328)
Net cash provided by operating activities	33,104	6,163
Cash flows from investing activities		
Proceeds from disposals of assets	46	8
Capital expenditures	(20,999)	(19,343)
Purchases of investments	(2,176)	(9,900)
Proceeds from sales of investments	4,421	9,716
Acquisitions	(7,230)	—
Net cash used for investing activities	(25,938)	(19,519)
Cash flows from financing activities		
Payments on debt and finance lease liabilities	(31)	(30)
Stock issued for stock and employee benefit plans, net of shares withheld for taxes	(1,703)	(2,228)
Repurchases of common stock	(5,004)	(35,640)
Dividends paid to shareholders	(7,097)	(6,777)
Net cash used for financing activities	(13,835)	(44,675)
Effect of exchange rate changes on cash and equivalents	(750)	(446)
Change in cash, cash equivalents and restricted cash	(7,419)	(58,477)
Cash, cash equivalents and restricted cash at beginning of period	248,856	394,703
Cash, cash equivalents and restricted cash at end of period	$ 241,437	$ 336,226
Supplemental disclosure of non-cash investing activities		
Capital expenditures included in payables	$ 7,130	$ 3,957

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

LA-Z-BOY INCORPORATED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited, amounts in thousands)	Common Shares	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Non-Controlling Interests	Total
At April 30, 2022	$ 43,089	$ 342,252	$ 431,181	$ (5,797)	$ 8,897	$ 819,622
Net income	—	—	38,488	—	452	38,940
Other comprehensive loss	—	—	—	(1,519)	(519)	(2,038)
Stock issued for stock and employee benefit plans, net of cancellations and withholding tax	151	(194)	(1,660)	—	—	(1,703)
Repurchases of 204 shares of common stock	(204)	—	(4,800)	—	—	(5,004)
Stock option and restricted stock expense	—	1,417	—	—	—	1,417
Dividends declared and paid ($0.165/share)	—	—	(7,097)	—	—	(7,097)
Dividends declared not paid ($0.165/share)	—	—	(45)	—	—	(45)
At July 30, 2022	$ 43,036	$ 343,475	$ 456,067	$ (7,316)	$ 8,830	$ 844,092

(Unaudited, amounts in thousands)	Common Shares	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interests	Total
At April 24, 2021	$ 45,361	$ 330,648	$ 399,010	$ (1,521)	$ 8,648	$ 782,146
Net income	—	—	24,566	—	700	25,266
Other comprehensive loss	—	—	—	(302)	(430)	(732)
Stock issued for stock and employee benefit plans, net of cancellations and withholding tax	181	291	(2,700)	—	—	(2,228)
Repurchases of 919 shares of common stock	(919)	(530)	(34,191)	—	—	(35,640)
Stock option and restricted stock expense	—	2,460	—	—	—	2,460
Dividends declared and paid ($0.15/share)	—	—	(6,777)	—	—	(6,777)
Dividends declared not paid ($0.15/share)	—	—	(46)	—	—	(46)
At July 24, 2021	$ 44,623	$ 332,869	$ 379,862	$ (1,823)	$ 8,918	$ 764,449

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

LA-Z-BOY INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1: Basis of Presentation

The accompanying consolidated financial statements include the consolidated accounts of La-Z-Boy Incorporated and our majority-owned subsidiaries (collectively, the "Company"). We derived the April 30, 2022 balance sheet from our audited financial statements. We prepared the interim financial information in conformity with generally accepted accounting principles, which we applied on a basis consistent with those reflected in our fiscal 2022 Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC"), but the information does not include all of the disclosures required by generally accepted accounting principles. In management's opinion, the interim financial information includes all adjustments and accruals, consisting only of normal recurring adjustments (except as otherwise disclosed), that are necessary for a fair statement of results for the respective interim periods. The interim results reflected in the accompanying financial statements are not necessarily indicative of the results of operations that will occur for the full fiscal year ending April 29, 2023.

At July 30, 2022, we owned investments in two privately-held companies consisting of non-marketable preferred shares, warrants to purchase common shares, and convertible notes. Each of these companies is a variable interest entity and we have not consolidated their results in our financial statements because we do not have the power to direct those activities that most significantly impact their economic performance and, therefore, are not the primary beneficiary.

Accounting pronouncements adopted in fiscal 2023

We did not adopt any Accounting Standards Updates ("ASUs") in fiscal 2023.

Accounting pronouncements not yet adopted

The following table summarizes additional accounting pronouncements which we have not yet adopted, but we believe will not have a material impact on our accounting policies or our consolidated financial statements and related disclosures.

ASU	Description	Adoption Date
ASU 2021-08	Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities From Contracts With Customers	Fiscal 2024

Note 2: Acquisitions

The acquisition noted below was not significant to our consolidated financial statements and, therefore, pro-forma financial information is not presented. All of our provisional purchase accounting estimates for this acquisition are based on the information and data available to us as of the time of the issuance of these financial statements, and in accordance with Accounting Standard Codification Topic 805-10-25-15, are subject to change within the first 12 months following the acquisition as we gain additional data.

Denver, Colorado acquisition

On July 18, 2022, we completed our acquisition of the Denver, Colorado business that operates five independently owned La-Z-Boy Furniture Galleries® stores and one distribution center for $10.2 million, subject to customary adjustments. We paid $7.2 million of cash during the first quarter of fiscal 2023 and the remaining consideration includes forgiveness of accounts receivable and future payments based on final working capital adjustments. This acquisition reflects a core component of our strategic priorities, which is to grow our company-owned retail business and leverage our integrated retail model (where we earn a combined profit on both the wholesale and retail sales) in suitable geographic markets, alongside the existing La-Z-Boy Furniture Galleries® network.

Prior to this acquisition, we licensed to the counterparty the exclusive right to own and operate La-Z-Boy Furniture Galleries® stores (and to use the associated trademarks and trade name) in the Denver, Colorado market, and we reacquired these rights when we consummated the transaction. The reacquired rights are indefinite-lived because our Retailer Agreements are perpetual agreements that have no specific expiration date and no renewal options. The effective settlement of these arrangements resulted in no settlement gain or loss as the contractual terms were at market. We recorded an indefinite-lived intangible asset of $4.3 million related to these reacquired rights. We also recognized $7.7 million of goodwill in our Retail segment related primarily to synergies we expect from the integration of the acquired stores and future benefits of these synergies. For federal income tax purposes, we will amortize and appropriately deduct all of the indefinite-lived intangible assets and goodwill assets over 15 years.

Note 3: Cash and Restricted Cash

We have restricted cash on deposit with a bank as collateral for certain letters of credit. All our letters of credit have maturity dates within the next twelve months, but we expect to renew some of these letters of credit when they mature.

(Unaudited, amounts in thousands)	7/30/2022	7/24/2021
Cash and cash equivalents	$ 238,170	$ 332,960
Restricted cash	3,267	3,266
Total cash, cash equivalents and restricted cash	$ 241,437	$ 336,226

Note 4: Inventories

A summary of inventories is as follows:

(Unaudited, amounts in thousands)	7/30/2022	4/30/2022
Raw materials	$ 153,299	$ 146,896
Work in process	32,671	36,834
Finished goods	209,895	185,870
FIFO inventories	395,865	369,600
Excess of FIFO over LIFO	(64,019)	(66,409)
Total inventories	$ 331,846	$ 303,191

Note 5: Goodwill and Other Intangible Assets

We have goodwill on our consolidated balance sheet as follows:

Reportable Segment/Unit	Reporting Unit	Related Acquisition
Wholesale Segment	La-Z-Boy United Kingdom	Wholesale business in the United Kingdom and Ireland
Wholesale Segment	La-Z-Boy United Kingdom Manufacturing	La-Z-Boy United Kingdom Manufacturing (Furnico)
Retail Segment	Retail	La-Z-Boy Furniture Galleries® stores
Corporate & Other	Joybird	Joybird

The following table summarizes changes in the carrying amount of our goodwill by reportable segment:

(Unaudited, amounts in thousands)	Wholesale Segment	Retail Segment	Corporate and Other	Total Goodwill
Balance at April 30, 2022 (1)	$ 20,207	$ 118,951	$ 55,446	$ 194,604
Acquisitions	—	7,688	—	7,688
Translation adjustment	(630)	17	—	(613)
Balance at July 30, 2022 (1)	$ 19,577	$ 126,656	$ 55,446	$ 201,679

(1) Includes $26.9 million of accumulated impairment losses in Corporate and Other.

We have intangible assets on our consolidated balance sheet as follows:

Reportable Segment/Unit	Intangible Asset	Useful Life
Wholesale Segment	Primarily acquired customer relationships from our acquisition of the wholesale business in the United Kingdom and Ireland	Amortizable over useful lives that do not exceed 15 years
Wholesale Segment	American Drew® trade name	Indefinite-lived
Retail Segment	Reacquired rights to own and operate La-Z-Boy Furniture Galleries® stores	Indefinite-lived
Corporate & Other	Joybird® trade name	Amortizable over eight-year useful life

The following summarizes changes in our intangible assets:

(Unaudited, amounts in thousands)	Indefinite-Lived Trade Names	Finite-Lived Trade Name	Indefinite-Lived Reacquired Rights	Other Intangible Assets	Total Intangible Assets
Balance at April 30, 2022	$ 1,155	$ 3,392	$ 27,319	$ 2,105	$ 33,971
Acquisitions	—	—	4,262	—	4,262
Amortization	—	(200)	—	(53)	(253)
Translation adjustment	—	—	13	(64)	(51)
Balance at July 30, 2022	$ 1,155	$ 3,192	$ 31,594	$ 1,988	$ 37,929

We test indefinite-lived intangibles and goodwill for impairment on an annual basis in the fourth quarter of each fiscal year, and more frequently if events or changes in circumstances indicate that an asset might be impaired. We test amortizable intangible assets for impairment if events or changes in circumstances indicate that the assets might be impaired.

Note 6: Investments

We have current and long-term investments intended to enhance returns on our cash as well as to fund future obligations of our non-qualified defined benefit retirement plan, our executive deferred compensation plan, and our performance compensation retirement plan. We also hold investments of two privately-held companies consisting of non-marketable preferred shares, warrants to purchase common shares, and convertible notes (refer to Note 15, Fair Value Measurements). Our short-term investments are included in other current assets and our long-term investments are included in other long-term assets on our consolidated balance sheet.

The following summarizes our investments:

(Unaudited, amounts in thousands)	7/30/2022	4/30/2022
Short-term investments:		
Marketable securities	$ 14,787	$ 16,022
Held-to-maturity investments	1,267	1,337
Total short-term investments	16,054	17,359
Long-term investments:		
Marketable securities	25,332	26,599
Cost basis investments	7,579	7,579
Total long-term investments	32,911	34,178
Total investments	$ 48,965	$ 51,537
Investments to enhance returns on cash	$ 24,914	$ 27,239
Investments to fund compensation/retirement plans	13,972	14,219
Other investments	10,079	10,079
Total investments	$ 48,965	$ 51,537

The following is a summary of the unrealized gains, unrealized losses, and fair value by investment type:

(Unaudited, amounts in thousands)	7/30/2022			4/30/2022		
	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Equity securities	$ 1,415	$ (95)	$ 13,909	$ 1,448	$ (86)	$ 13,905
Fixed income	39	(705)	30,944	28	(809)	33,521
Other	1,228	—	4,112	1,250	—	4,111
Total securities	$ 2,682	$ (800)	$ 48,965	$ 2,726	$ (895)	$ 51,537

The following table summarizes sales of marketable securities:

	Quarter Ended	
(Unaudited, amounts in thousands)	7/30/2022	7/24/2021
Proceeds from sales	$ 4,246	$ 9,715
Gross realized gains	27	267
Gross realized losses	(56)	(11)

The following is a summary of the fair value of fixed income marketable securities, classified as available-for-sale securities, by contractual maturity:

(Unaudited, amounts in thousands)	7/30/2022
Within one year	$ 14,784
Within two to five years	13,595
Within six to ten years	717
Thereafter	1,848
Total	$ 30,944

Note 7: Accrued Expenses and Other Current Liabilities

(Unaudited, amounts in thousands)	7/30/2022	4/30/2022
Payroll and other compensation	$ 44,557	$ 62,373
Accrued product warranty, current portion	17,066	16,436
Customer deposits	164,474	183,233
Deferred revenue	108,351	139,006
Other current liabilities	103,482	95,345
Accrued expenses and other current liabilities	$ 437,930	$ 496,393

Note 8: Product Warranties

We accrue an estimated liability for product warranties when we recognize revenue on the sale of warrantied products. We estimate future warranty claims on product sales based on our historical claims experience and periodically adjust the provision to reflect changes in actual experience. We incorporate repair costs into our liability estimates, including materials, labor and overhead amounts necessary to perform repairs, and any costs associated with delivering repaired product to our customers. Over 90% of our warranty liability relates to our Wholesale reportable segment as we generally warrant our products against defects for one to three years on fabric and leather, from one to ten years on cushions and padding, and provide a limited lifetime warranty on certain mechanisms and frames, unless otherwise noted in the warranty. Additionally, our Wholesale segment warranties cover labor costs relating to our parts for one year. We provide a limited lifetime warranty against defects on a majority of Joybird products, which are a part of our Corporate and Other results. For all our manufacturer warranties, the warranty period begins when the consumer receives our product. We use considerable judgment in making our estimates, and we record differences between our actual and estimated costs when the differences are known.

A reconciliation of the changes in our product warranty liability is as follows:

	Quarter Ended	
(Unaudited, amounts in thousands)	7/30/2022 (1)	7/24/2021
Balance as of the beginning of the period	$ 27,036	$ 23,636
Accruals during the period	7,826	7,214
Settlements during the period	(7,346)	(6,417)
Balance as of the end of the period	$ 27,516	$ 24,433

(1) $17.1 million and $16.4 million is recorded in accrued expenses and other current liabilities as of July 30, 2022, and April 30, 2022, respectively, while the remainder is included in other long-term liabilities.

We recorded accruals during the periods presented in the table above, primarily to reflect charges that relate to warranties issued during the respective periods.

Note 9: Stock-Based Compensation

The table below summarizes the total stock-based compensation expense we recognized for all outstanding grants in our consolidated statement of income:

	Quarter Ended	
(Unaudited, amounts in thousands)	7/30/2022	7/24/2021
Equity-based awards expense	$ 1,417	$ 2,460
Liability-based awards expense (1)	128	(684)
Total stock-based compensation expense	$ 1,545	$ 1,776

(1) Liability-based awards are comprised primarily of deferred stock units granted to non-employee directors. Compensation expense for these awards is based on the market price of our common stock on the grant date and is remeasured each reporting period based on the market value of our common shares on the last day of the reported period.

Stock Options. We granted 318,411 stock options to employees during the first quarter of fiscal 2023 and we have stock options outstanding from previous grants. We account for stock options as equity-based awards because when they are exercised, they will be settled in common shares. We recognize compensation expense for stock options over the vesting period equal to the fair value on the date the Compensation and Talent Oversight Committee of our Board approved the awards. The vesting period for our stock options ranges from one to four years, with accelerated vesting upon retirement. The vesting date for retirement-eligible employees is the later of the date they meet the criteria for retirement or the end of the fiscal year in which the grant was made. We accelerate the expense for options granted to retirement-eligible employees over the vesting period, with expense recognized from the grant date through their retirement eligibility date or over the ten months following the grant date, whichever period is longer. We have elected to recognize forfeitures as an adjustment to compensation expense in the same period as the forfeitures occur.

We estimate the fair value of the employee stock options at the grant date using the Black-Scholes option-pricing model, which requires management to make certain assumptions. The fair value of stock options granted during the first quarter of fiscal 2023 was calculated using the following assumptions:

(Unaudited)	Fiscal 2023 grant	Assumption
Risk-free interest rate	2.87%	U.S. Treasury issues with term equal to expected life at grant date
Dividend rate	2.70%	Estimated future dividend rate and common share price at grant date
Expected life	5.0 years	Contractual term of stock option and expected employee exercise trends
Stock price volatility	42.78%	Historical volatility of our common shares
Fair value per option	$ 7.90	

Restricted Stock. We granted 239,883 shares of restricted stock units to employees during the first quarter of fiscal 2023 and we also have restricted stock awards outstanding from previous grants. We issue restricted stock at no cost to employees and account for restricted stock awards as equity-based awards because when they vest, they will be settled in common shares. We recognize compensation expense for restricted stock over the vesting period equal to the fair value on the date the Compensation and Talent Oversight Committee of our Board approved the awards. Restricted stock awards generally vest at 25% per year, beginning one year from the grant date over a term of four years, with continued vesting upon retirement with respect to the fiscal 2023 grants. The vesting date for retirement-eligible employees is the later of the date they meet the criteria for retirement or ten months after the grant date. We accelerate the expense for restricted stock granted to retirement-eligible employees over the vesting period, with expense recognized from the grant date through their retirement eligibility date or over the ten months following the grant date, whichever period is longer. We have elected to recognize forfeitures as an adjustment to compensation expense in the same period as the forfeitures occur. The weighted-average fair value of the restricted stock that was awarded in the first quarter of fiscal 2023 was $24.44 per share, the market value of our common shares on the dates of grant.

Performance Shares. During the first quarter of fiscal 2023, we granted 240,833 performance-based shares and we also have performance-based share awards outstanding from previous grants. Payouts of these grants depend on our financial performance (50%) and a market-based condition based on the total return our shareholders receive on their investment in our stock relative to returns earned through investments in other public companies (50%). The performance share opportunity ranges from 50% of the employee's target award if minimum performance requirements are met to a maximum of 200% of the target award based on the attainment of certain financial and shareholder-return goals over a specific performance period, which is generally three fiscal years.

We account for performance-based shares as equity-based awards because when they vest, they will be settled in common shares. In the event of an employee's termination during the vesting period, the potential right to earn shares under this program is generally forfeited and we have elected to recognize forfeitures as an adjustment to compensation expense in the same period in which the forfeitures occur. For shares that vest based on our results relative to the performance goals, we expense as compensation cost the fair value of the shares as of the day we granted the awards recognized over the performance period, taking into account the probability that we will satisfy the performance goals. The fair value of each share of the awards we granted in fiscal 2023 that vest based on attaining performance goals was $22.43, the market value of our common shares on the date we granted the awards less the value of the dividends we expect to pay shareholders before the shares vest. For shares that vest based on market conditions, we use a Monte Carlo valuation model to estimate each share's fair value as of the date of grant. The Monte Carlo valuation model uses multiple simulations to evaluate our probability of achieving various stock price levels to determine our expected performance ranking relative to our peer group. For shares that vest based on market conditions, we expense compensation cost over the vesting period regardless of whether the market condition is ultimately satisfied. Based on the Monte Carlo model, the fair value as of the grant date of the fiscal 2023 grant of shares that vest based on market conditions was $36.63.

Note 10: Accumulated Other Comprehensive Income (Loss)

The activity in accumulated other comprehensive income (loss) for the quarters ended July 30, 2022, and July 24, 2021, is as follows:

(Unaudited, amounts in thousands)	**Translation adjustment**	**Unrealized gain (loss) on marketable securities**	**Net pension amortization and net actuarial loss**	**Accumulated other comprehensive income (loss)**
Balance at April 30, 2022	$ (1,961)	$ (298)	$ (3,538)	$ (5,797)
Changes before reclassifications	(1,641)	55	—	(1,586)
Amounts reclassified to net income	—	59	48	107
Tax effect	—	(28)	(12)	(40)
Other comprehensive income (loss) attributable to La-Z-Boy Incorporated	(1,641)	86	36	(1,519)
Balance at July 30, 2022	$ (3,602)	$ (212)	$ (3,502)	$ (7,316)
Balance at April 24, 2021	$ 3,041	$ 370	$ (4,932)	$ (1,521)
Changes before reclassifications	(812)	591	—	(221)
Amounts reclassified to net income	—	4	75	79
Tax effect	—	(147)	(13)	(160)
Other comprehensive income (loss) attributable to La-Z-Boy Incorporated	(812)	448	62	(302)
Balance at July 24, 2021	$ 2,229	$ 818	$ (4,870)	$ (1,823)

We reclassified both the unrealized gain (loss) on marketable securities and the net pension amortization from accumulated other comprehensive loss to net income through other income (expense), net.

The components of non-controlling interest were as follows:

	Quarter Ended	
(Unaudited, amounts in thousands)	7/30/2022	7/24/2021
Balance as of the beginning of the period	$ 8,897	$ 8,648
Net income	452	700
Other comprehensive loss	(519)	(430)
Balance as of the end of the period	$ 8,830	$ 8,918

Note 11: Revenue Recognition

Our revenue is primarily derived from product sales. We report product sales net of discounts and recognize them when control (rights and obligations associated with the product) passes to the customer. For sales to furniture retailers or distributors, control typically transfers when we ship the product. In cases where we sell directly to the end consumer, control of the product is generally transferred upon delivery.

For shipping and handling activities, we have elected to apply the accounting policy election permitted in ASC 606-10-25-18B, which allows an entity to account for shipping and handling activities as fulfillment activities (rather than as a promised good or service) when the activities are performed even if those activities are performed after the control of the good has been transferred. We expense shipping and handling costs at the time we recognize revenue in accordance with this election.

For sales tax, we have elected to apply the accounting policy election permitted in ASC 606-10-32-2A, which allows an entity to exclude from the measurement of the transaction price all taxes imposed on and concurrent with a specific revenue-producing transaction and collected by the entity from a customer, including sales, use, excise, value-added, and franchise taxes (collectively referred to as sales taxes). This allows us to present revenue net of these certain types of taxes.

We have elected the practical expedient permitted in ASC 606-10-32-18, which allows an entity to recognize the promised amount of consideration without adjusting for the effects of a significant financing component if the contract has a duration of one year or less. As our contracts typically are less than one year in length and do not have significant financing components, we have not adjusted consideration.

The following table presents our revenue disaggregated by product category and by segment or unit:

	Quarter Ended July 30, 2022				Quarter Ended July 24, 2021			
(Unaudited, amounts in thousands)	Wholesale	Retail	Corporate and Other	Total	Wholesale	Retail	Corporate and Other	Total
Motion Upholstery Furniture	$ 225,544	$ 135,304	$ 30	$ 360,878	$ 226,612	$ 102,504	$ 154	$ 329,270
Stationary Upholstery Furniture	104,934	59,800	51,212	215,946	91,409	42,365	47,347	181,121
Bedroom Furniture	10,664	1,870	5,008	17,542	11,925	1,985	3,248	17,158
Dining Room Furniture	6,275	3,180	1,509	10,964	6,986	3,249	1,100	11,335
Occasional Furniture	11,067	7,100	1,212	19,379	12,599	6,022	995	19,616
Delivery	56,237	7,054	1,902	65,193	38,829	6,840	1,767	47,436
Other (1)	27,097	21,713	(12,143)	36,667	5,139	18,882	(10,977)	13,044
Total	$ 441,818	$ 236,021	$ 48,730	$ 726,569	$ 393,499	$ 181,847	$ 43,634	$ 618,980
Eliminations				(122,478)				(94,197)
Consolidated Net Sales				$ 604,091				$ 524,783

(1) Primarily includes revenue for advertising, royalties, parts, accessories, after-treatment products, surcharges, discounts and allowances, rebates and other sales incentives.

Motion Upholstery Furniture - Includes gross revenue for upholstered furniture, such as recliners, sofas, loveseats, chairs, sectionals, and modulars that have a mechanism that allows the back of the product to recline or the product's footrest to extend. This gross revenue includes sales to La-Z-Boy Furniture Galleries® stores (including company-owned stores), operators of La-

Z-Boy Comfort Studio® locations, England Custom Comfort Center locations, other major dealers, independent retailers, and the end consumer.

Stationary Upholstery Furniture - Includes gross revenue for upholstered furniture, such as sofas, loveseats, chairs, sectionals, modulars, and ottomans that do not have a mechanism. This gross revenue includes sales to La-Z-Boy Furniture Galleries® stores (including company-owned stores), operators of La-Z-Boy Comfort Studio® locations, England Custom Comfort Center locations, other major dealers, independent retailers, and the end consumer.

Bedroom Furniture - Includes gross revenue for casegoods furniture typically found in a bedroom, such as beds, chests, dressers, nightstands and benches. This gross revenue includes sales to La-Z-Boy Furniture Galleries® stores (including company-owned stores), independent retailers, and the end consumer.

Dining Room Furniture - Includes gross revenue for casegoods furniture typically found in a dining room, such as dining tables, dining chairs, storage units and stools. This gross revenue includes sales to La-Z-Boy Furniture Galleries® stores (including company-owned stores), independent retailers, and the end consumer.

Occasional Furniture - Includes gross revenue for casegoods furniture found throughout the home, such as cocktail tables, chairsides, sofa tables, end tables, and entertainment centers. This gross revenue includes sales to La-Z-Boy Furniture Galleries® stores (including company-owned stores), independent retailers, and the end consumer.

Contract Assets and Liabilities. We receive customer deposits from end consumers before we recognize revenue and in some cases we have the unconditional right to collect the remaining portion of the order price before we fulfill our performance obligation, resulting in a contract asset and a corresponding deferred revenue liability. In our consolidated balance sheet, customer deposits and deferred revenue (collectively, the "contract liabilities") are reported in accrued expenses and other current liabilities while contract assets are reported as other current assets. The following table presents our contract assets and liabilities:

(Unaudited, amounts in thousands)	**7/30/2022**	**4/30/2022**
Contract assets	$ 108,351	$ 139,006
Customer deposits	$ 164,474	$ 183,233
Deferred revenue	108,351	139,006
Total contract liabilities (1)	$ 272,825	$ 322,239

(1) During the quarter ended July 30, 2022, we recognized revenue of $192.4 million related to our contract liability balance at April 30, 2022.

Note 12: Segment Information

Our reportable operating segments include the Wholesale segment and the Retail segment.

Wholesale Segment. Our Wholesale segment consists primarily of three operating segments: La-Z-Boy, our largest operating segment, our England subsidiary, and our casegoods operating segment that sells furniture under three brands: American Drew®, Hammary® and Kincaid®. The Wholesale segment also includes our international wholesale and manufacturing businesses. We aggregate these operating segments into one reportable segment because they are economically similar and meet the other aggregation criteria for determining reportable segments. Our Wholesale segment manufactures and imports upholstered furniture, such as recliners and motion furniture, sofas, loveseats, chairs, sectionals, modulars, ottomans and sleeper sofas and imports casegoods (wood) furniture, such as bedroom sets, dining room sets, entertainment centers and occasional pieces. The Wholesale segment sells directly to La-Z-Boy Furniture Galleries® stores, operators of La-Z-Boy Comfort Studio® locations, England Custom Comfort Center locations, major dealers, and a wide cross-section of other independent retailers.

Retail Segment. Our Retail segment consists of one operating segment comprised of our 166 company-owned La-Z-Boy Furniture Galleries® stores. The Retail segment sells primarily upholstered furniture, in addition to some casegoods and other accessories, to end consumers through these stores.

Corporate & Other. Corporate & Other includes the shared costs for corporate functions, including human resources, information technology, finance and legal, in addition to revenue generated through royalty agreements with companies licensed to use the La-Z-Boy® brand name on various products. We consider our corporate functions to be other business activities and have aggregated them with our other insignificant operating segments, including our global trading company in

Hong Kong and Joybird, an e-commerce retailer that manufactures upholstered furniture, such as sofas, loveseats, chairs, ottomans, sleeper sofas and beds, and also imports casegoods (wood) furniture, such as occasional tables and other accessories. Joybird sells to the end consumer primarily online through its website, www.joybird.com. None of the operating segments included in Corporate & Other meet the requirements of reportable segments.

The following table presents sales and operating income (loss) by segment:

	Quarter Ended	
(Unaudited, amounts in thousands)	7/30/2022	7/24/2021
Sales		
Wholesale segment:		
Sales to external customers	$ 323,728	$ 303,617
Intersegment sales	118,090	89,882
Wholesale segment sales	441,818	393,499
Retail segment sales	236,021	181,847
Corporate and Other:		
Sales to external customers	44,342	39,319
Intersegment sales	4,388	4,315
Corporate and Other sales	48,730	43,634
Eliminations	(122,478)	(94,197)
Consolidated sales	$ 604,091	$ 524,783
Operating Income (Loss)		
Wholesale segment	$ 26,142	$ 18,331
Retail segment	38,152	20,438
Corporate and Other	(11,651)	(4,398)
Consolidated operating income	52,643	34,371
Interest expense	(159)	(311)
Interest income	474	117
Other income (expense), net	45	(93)
Income before income taxes	$ 53,003	$ 34,084

Note 13: Income Taxes

Our effective tax rate was 26.5% for the first quarter ended July 30, 2022, compared with 25.9% for the first quarter ended July 24, 2021. Our effective tax rate varies from the 21% federal statutory rate primarily due to state taxes.

Note 14: Earnings per Share

The following is a reconciliation of the numerators and denominators we used in our computations of basic and diluted earnings per share:

(Unaudited, amounts in thousands, except per share data)	Quarter Ended 7/30/2022	Quarter Ended 7/24/2021
Numerator (basic and diluted):		
Net income attributable to La-Z-Boy Incorporated	$ 38,488	$ 24,566
Income allocated to participating securities (1)	—	(5)
Net income available to common Shareholders	$ 38,488	$ 24,561
Denominator:		
Basic weighted average common shares outstanding	43,092	45,072
Contingent common shares	50	—
Stock option dilution	—	332
Diluted weighted average common shares outstanding	43,142	45,404
Earnings per Share:		
Basic	$ 0.89	$ 0.54
Diluted	$ 0.89	$ 0.54

(1) Prior to fiscal 2019, we granted restricted stock awards that contained non-forfeitable rights to dividends on unvested shares, and we are required to include these participating securities in calculating our basic earnings per common share, using the two-class method.

The values for contingent common shares set forth above reflect the dilutive effect of common shares that we would have issued to employees under the terms of performance-based share awards if the relevant performance period for the award had been the reporting period.

We exclude the effect of options from our diluted share calculation when the weighted average exercise price of the options is higher than the average market price, since including the options' effect would be anti-dilutive. For the quarter ended July 30, 2022, we excluded options to purchase 1.5 million shares from the diluted share calculation. For the first quarter ended July 24, 2021, all outstanding options were included in the diluted share calculation.

Note 15: Fair Value Measurements

Accounting standards require that we put financial assets and liabilities into one of three categories based on the inputs we use to value them:

- Level 1 — Financial assets and liabilities, the values of which are based on unadjusted quoted market prices for identical assets and liabilities in an active market that we have the ability to access.

- Level 2 — Financial assets and liabilities, the values of which are based on quoted prices in markets that are not active or on model inputs that are observable for substantially the full term of the asset or liability.

- Level 3 — Financial assets and liabilities, the values of which are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Accounting standards require that in making fair value measurements, we use observable market data when available. When inputs used to measure fair value fall within different levels of the hierarchy, we categorize the fair value measurement as being in the lowest level that is significant to the measurement. We recognize transfers between levels of the fair value hierarchy at the end of the reporting period in which they occur.

In addition to assets and liabilities that we record at fair value on a recurring basis, we are required to record assets and liabilities at fair value on a non-recurring basis. We measure non-financial assets such as other intangible assets, goodwill, and other long-lived assets at fair value when there is an indicator of impairment, and we record them at fair value only when we recognize an impairment loss.

The following table presents the fair value hierarchy for those assets and liabilities we measured at fair value on a recurring basis at July 30, 2022 and April 30, 2022. There were no transfers into or out of Level 1, Level 2, or Level 3 for any of the periods presented.

At July 30, 2022

	Fair Value Measurements				
(Unaudited, amounts in thousands)	Level 1	Level 2	Level 3	NAV(1)	Total
Assets					
Marketable securities	$ —	$ 31,024	$ 2,500	$ 6,595	$ 40,119
Held-to-maturity investments	1,267	—	—	—	1,267
Cost basis investments	—	—	7,579	—	7,579
Total assets	$ 1,267	$ 31,024	$ 10,079	$ 6,595	$ 48,965
Liabilities					
Contingent consideration liability	$ —	$ —	$ 800	$ —	$ 800

At April 30, 2022

	Fair Value Measurements				
(Unaudited, amounts in thousands)	Level 1	Level 2	Level 3	NAV(1)	Total
Assets					
Marketable securities	$ —	$ 33,578	$ 2,500	$ 6,543	$ 42,621
Held-to-maturity investments	1,337	—	—	—	1,337
Cost basis investment	—	—	7,579	—	7,579
Total assets	$ 1,337	$ 33,578	$ 10,079	$ 6,543	$ 51,537
Liabilities					
Contingent consideration liability	$ —	$ —	$ 800	$ —	$ 800

(1) Certain marketable securities investments are measured at fair value using net asset value per share under the practical expedient methodology.

At July 30, 2022 and April 30, 2022, we held marketable securities intended to enhance returns on our cash and to fund future obligations of our non-qualified defined benefit retirement plan, our executive deferred compensation plan and our performance compensation retirement plan. We also held other fixed income and cost basis investments.

The fair value measurements for our Level 1 and Level 2 securities are based on quoted prices in active markets, as well as through broker quotes and independent valuation providers, multiplied by the number of shares owned exclusive of any transaction costs.

At July 30, 2022 and April 30, 2022, our Level 3 assets included investments in two privately-held companies consisting of non-marketable preferred shares, warrants to purchase common shares, and convertible notes. The fair value of these equity investments (preferred shares and warrants) is not readily determinable and therefore, we estimate the fair value as costs minus impairment, if any, plus or minus adjustments resulting from observable price changes in orderly transactions for identical or similar investments with the same issuer. The convertible notes are recorded at fair value with the net unrealized gains and losses (that are deemed to be temporary) reported as a component of other comprehensive income, consistent with our other available-for-sale debt securities. There were no changes to the fair value of our Level 3 assets during the quarter ended July 30, 2022.

Our Level 3 liability includes our contingent consideration liability resulting from the Joybird acquisition. The fair value of our contingent consideration liability as of July 30, 2022 reflects our expectation that consideration will be owed under the terms of the earnout agreement based on fiscal 2023 projections of Joybird revenue and earnings. The fair value is determined using a variation of the income approach, known as the real options method, whereby revenue and earnings are simulated over the earnout periods in a risk-neutral framework using Geometric Brownian Motion. For each simulation path, the potential earnout payments were calculated based on management’s probability estimates for achievement of the revenue and earnings milestones and then were discounted to the valuation date using a discount rate of 4.5%. There were no changes to the fair value of our Level 3 liabilities during the quarter ended July 30, 2022.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We have prepared this Management's Discussion and Analysis as an aid to understanding our financial results. It should be read in conjunction with the accompanying Consolidated Financial Statements and related Notes to Consolidated Financial Statements. After a cautionary note regarding forward-looking statements, we begin with an introduction to our key businesses and then provide discussions of our results of operations, liquidity and capital resources, and critical accounting policies.

Cautionary Note Regarding Forward-Looking Statements

La-Z-Boy Incorporated and its subsidiaries (individually and collectively, "we," "our," "us," "La-Z-Boy" or the "Company") make "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Generally, forward-looking statements include information concerning expectations, projections or trends relating to our results of operations, financial results, financial condition, strategic initiatives and plans, expenses, dividends, share repurchases, liquidity, use of cash and cash requirements, borrowing capacity, investments, future economic performance, business and industry and the effect of the novel coronavirus ("COVID-19") pandemic on our business operations and financial results.

Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements may include words such as "anticipates," "believes," "continues," "estimates," "expects," "feels," "forecasts," "hopes," "intends," "plans," "projects," "likely," "seeks," "short-term," "non-recurring," "one-time," "outlook," "target," "unusual," or words of similar meaning, or future or conditional verbs, such as "will," "should," "could," or "may." A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. You should not place undue reliance on forward-looking statements, which speak to our views only as of the date of this report. These forward-looking statements are all based on currently available operating, financial, and competitive information and are subject to various risks and uncertainties, many of which are unforeseeable and beyond our control, such as the continuing and developing impact of, and uncertainty caused by, the COVID-19 pandemic. Additional risks and uncertainties that we do not presently know about or that we currently consider to be immaterial may also affect our business operations and financial performance.

Our actual future results and trends may differ materially from those we anticipate depending on a variety of factors, including, but not limited to, the risks and uncertainties discussed in our Annual Report for the year ended April 30, 2022, under Item 1A, "Risk Factors" and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results. Any or all of the forward-looking statements contained in our Annual Report or any other public statement made by us, including by our management, may turn out to be incorrect. We are including this cautionary note to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or for any other reason.

Introduction

Our Business

We are the leading global producer of reclining chairs and the second largest manufacturer/distributor of residential furniture in the United States. The La-Z-Boy Furniture Galleries® stores retail network is the third largest retailer of single-branded furniture in the United States. We manufacture, market, import, export, distribute and retail upholstery furniture products under the La-Z-Boy®, England, Kincaid®, and Joybird® tradenames. In addition, we import, distribute and retail accessories and casegoods (wood) furniture products under the Kincaid®, American Drew®, Hammary®, and Joybird® tradenames.

As of July 30, 2022, our supply chain operations included the following:

- Five major manufacturing locations and nine regional distribution centers in the United States and five facilities in Mexico to support our speed-to-market and customization strategy
- A logistics company that distributes a portion of our products in the United States
- A wholesale sales office that is responsible for distribution of our product in the United Kingdom and Ireland
- An upholstery manufacturing business in the United Kingdom
- A global trading company in Hong Kong which helps us manage our Asian supply chain by establishing and maintaining relationships with our Asian suppliers, as well as identifying efficiencies and savings opportunities

We also participate in two consolidated joint ventures in Thailand that support our international businesses: one that operates a manufacturing facility and another that operates a wholesale sales office. Additionally, we have contracts with several suppliers in Asia to produce products that support our pure import model for casegoods.

We sell our products through multiple channels: to furniture retailers or distributors in the United States, Canada, and approximately 55 other countries, including the United Kingdom, China, Australia, South Korea and New Zealand, directly to consumers through retail stores that we own and operate, and through our websites, www.la-z-boy.com and www.joybird.com.

- The centerpiece of our retail distribution strategy is our network of 348 La-Z-Boy Furniture Galleries® stores and 530 La-Z-Boy Comfort Studio® locations, each dedicated to marketing our La-Z-Boy branded products. We consider this dedicated space to be "proprietary."
  - La-Z-Boy Furniture Galleries® stores help consumers furnish their homes by combining the style, comfort, and quality of La-Z-Boy furniture with our available design services. We own 166 of the La-Z-Boy Furniture Galleries® stores, while the remainder are independently owned and operated.
  - La-Z-Boy Comfort Studio® locations are defined spaces within larger independent retailers that are dedicated to displaying and selling La-Z-Boy branded products. All 530 La-Z-Boy Comfort Studio® locations are independently owned and operated.
  - In total, we have approximately 7.7 million square feet of proprietary floor space dedicated to selling La-Z-Boy branded products in North America.
  - We also have approximately 3.0 million square feet of floor space outside of the United States and Canada dedicated to selling La-Z-Boy branded products.

- Our other brands, England, American Drew, Hammary, and Kincaid enjoy distribution through many of the same outlets, with slightly over half of Hammary's sales originating through the La-Z-Boy Furniture Galleries® store network.
  - Kincaid and England have their own dedicated proprietary in-store programs with 614 outlets and approximately 1.9 million square feet of proprietary floor space.
  - In total, our proprietary floor space includes approximately 12.6 million square feet worldwide.

- Joybird sells product primarily online and has a limited amount of proprietary retail showroom floor space including small-format stores in key urban markets.

Our goal is to deliver value to our shareholders over the long term through executing our strategic initiatives. The foundation of our strategic initiatives is driving profitable sales growth in all areas of our business.

We plan to drive growth in the following ways:

- *Leveraging and reinvigorating our brand with a consumer focus and expanded omni-channel presence.* Our strategic initiatives to leverage and reinvigorate our iconic La-Z-Boy brand center on a renewed focus on leveraging the compelling La-Z-Boy comfort message, accelerating our omni-channel offering, and identifying additional consumer-base growth opportunities. Our marketing platform featuring celebrity brand ambassador Kristen Bell drives brand recognition and injects youthful style and sensibility into our marketing campaign, which enhances the appeal of our brand with a younger consumer base. Further, our goal is to connect with consumers along their purchase journey through multiple means, whether online or in person. We are driving change throughout our digital platforms to improve the user experience, with a specific focus on the ease with which customers browse through our broad product assortment, customize products to their liking, find stores to make a purchase, or purchase at www.la-z-boy.com.

- *Expanding the reach of our branded distribution channels, which include the La-Z-Boy Furniture Galleries® store network and the La-Z-Boy Comfort Studio® locations, our store-within-a-store format*. While the consumer's purchase journey may start digitally, our consumers also demonstrate an affinity for visiting our stores to shop, allowing us to frequently deliver the flagship La-Z-Boy Furniture Galleries® store, or La-Z-Boy Comfort Studio®, experience and provide design services. We expect our strategic initiatives in this area to generate growth in our Retail segment through an increased company-owned store count and in our Wholesale segment as our proprietary distribution network expands. We are not only focused on growing the number of locations, but also on upgrading existing store locations to our new concept designs.

- *Growing our company-owned retail business.* We are focused on growing this business by increasing same-store sales through improved execution at the store level and by opportunistically acquiring existing La-Z-Boy Furniture Galleries® stores and opening new La-Z-Boy Furniture Galleries® stores, primarily in markets that can be serviced through our regional distribution centers, where we see opportunity for growth, or where we believe we have opportunities for further market penetration.

- *Accelerating the growth of the Joybird brand.* During fiscal 2019, we purchased Joybird, a leading e-commerce retailer and manufacturer of upholstered furniture with a direct-to-consumer model. We believe that Joybird is a brand with significant potential and our strategic initiatives in this area focus on fueling profitable growth through an increase in digital marketing spend to drive awareness and customer acquisition, ongoing investments in technology, an expansion of product assortment, and providing additional small-format stores in key urban markets to enhance our consumers' omni-channel experience.

- *Enhancing our enterprise capabilities to support the growth of our consumer brands and enable potential acquisitions for growth.* In addition to our branded distribution channels, approximately 2,200 other dealers sell La-Z-Boy products, providing us the benefit of multi-channel distribution. These outlets include some of the best-known names in the industry, including Slumberland, Nebraska Furniture Mart, Mathis Brothers and Raymour & Flanagan. We believe there is significant growth potential for our consumer brands through these retail channels. Our strategic initiatives focus on enhancing our enterprise capabilities to support the growth of our consumer brands and improving the agility of our supply chain so that it can more broadly support all our consumer brands.

Our reportable operating segments include the Wholesale segment and the Retail segment.

- *Wholesale Segment*. Our Wholesale segment consists primarily of three operating segments: La-Z-Boy, our largest operating segment, our England subsidiary, and our casegoods operating segment that sells furniture under three brands: American Drew®, Hammary® and Kincaid®. The Wholesale segment also includes our international wholesale and manufacturing businesses. We aggregate these operating segments into one reportable segment because they are economically similar and meet the other aggregation criteria for determining reportable segments. Our Wholesale segment manufactures and imports upholstered furniture, such as recliners and motion furniture, sofas, loveseats, chairs, sectionals, modulars, ottomans and sleeper sofas and imports casegoods (wood) furniture, such as bedroom sets, dining room sets, entertainment centers and occasional pieces. The Wholesale segment sells directly to La-Z-Boy Furniture Galleries® stores, operators of La-Z-Boy Comfort Studio® locations, England Custom Comfort Center locations, major dealers, and a wide cross-section of other independent retailers.

- *Retail Segment*. Our Retail segment consists of one operating segment comprised of our 166 company-owned La-Z-Boy Furniture Galleries® stores. The Retail segment sells primarily upholstered furniture, in addition to some casegoods and other accessories, to end consumers through these stores.

- *Corporate & Other.* Corporate & Other includes the shared costs for corporate functions, including human resources, information technology, finance and legal, in addition to revenue generated through royalty agreements with companies licensed to use the La-Z-Boy® brand name on various products. We consider our corporate functions to be other business activities and have aggregated them with our other insignificant operating segments, including our global trading company in Hong Kong and Joybird, an e-commerce retailer that manufactures upholstered furniture, such as sofas, loveseats, chairs, ottomans, sleeper sofas and beds, and also imports casegoods (wood) furniture, such as occasional tables and other accessories. Joybird sells to the end consumer primarily online through its website, www.joybird.com. None of the operating segments included in Corporate & Other meet the requirements of reportable segments.

Results of Operations

Fiscal 2023 First Quarter Compared with Fiscal 2022 First Quarter

La-Z-Boy Incorporated

(Unaudited, amounts in thousands, except percentages)	Quarter Ended 7/30/2022	Quarter Ended 7/24/2021	% Change
Sales	$ 604,091	$ 524,783	15.1%
Operating income	52,643	34,371	53.2%
Operating margin	8.7%	6.5%	

Sales

Consolidated sales increased $79.3 million, or 15.1%, in the first quarter of fiscal 2023 compared with the same period a year ago. After retail and manufacturing locations reopened after COVID-related shutdowns at the beginning of fiscal 2021, we experienced a strong pace of written order trends while facing challenges in the global supply chain. In response to heightened demand, we expanded our manufacturing capacity, increased our strategic raw material reserves, and took pricing and surcharge actions to counteract rising materials and freight costs. The impact of these strategic actions over the last two years and our ability to work through our significant backlog led to a strong sales increase in the first quarter of fiscal 2023 compared with the same period a year ago.

Operating Margin

Operating margin, which is calculated as operating income as a percentage of sales, increased 220 basis points in the first quarter of fiscal 2023 compared with the same period a year ago.

- Gross margin, which is calculated as gross profit as a percentage of sales, increased 150 basis points in the first quarter of fiscal 2023, compared with the same period a year ago.
    - Changes in our consolidated mix improved gross margin by 160 basis points, driven by growth of our Retail segment, which has a higher gross margin than our Wholesale segment.
    - Gross margin was adversely impacted by higher raw material and freight costs caused by global supply chain and availability challenges, along with higher plant production costs resulting from the expansion of our manufacturing capacity and a challenging labor environment.
    - Partially offsetting the item above, gross margin benefited from increased pricing and surcharges
- Selling, general and administrative ("SG&A") expenses as a percentage of sales decreased 70 basis points in the first quarter of fiscal 2023 compared with the same period a year ago, as higher delivered sales volume relative to fixed costs more than offset increased investments in marketing to drive written sales.

We discuss each segment's results in the following section.

Wholesale Segment

(Unaudited, amounts in thousands, except percentages)	Quarter Ended 7/30/2022	Quarter Ended 7/24/2021	% Change
Sales	$ 441,818	$ 393,499	12.3%
Operating income	26,142	18,331	42.6%
Operating margin	5.9%	4.7%	

Sales

The Wholesale segment's sales increased $48.3 million, or 12% in the first quarter of fiscal 2023 compared with the same period a year ago. The increase in sales was primarily driven by the realization of pricing and surcharge actions taken in response to rising manufacturing costs combined with favorable channel and product mix. This was partially offset by a decline in delivered volume primarily the result of external dealers delaying receipt of finished goods due to warehouse constraints.

Operating Margin

The Wholesale segment's operating margin increased 120 basis points in the first quarter of fiscal 2023 compared with the same period a year ago.

- Gross margin increased 120 basis points in the first quarter of fiscal 2023 compared with the same period a year ago.
    - Gross margin increased 610 basis points from pricing and surcharge actions taken in response to rising raw materials and freight costs resulting from global supply challenges, the impact of which caused a 340 basis point decrease in gross margin.
    - Favorable channel and product mix resulted in an 80 basis point improvement to gross margin
    - Higher production costs related to manufacturing capacity expansion and sustained competition in the labor market drove a 180 basis point decrease in gross margin.
    - The first quarter of fiscal 2023 included expenses related to our plans to finalize the closure of our Newton, Mississippi manufacturing facility which had been temporarily reactivated during the second quarter of fiscal 2021 in response to stronger-than-expected demand at that time. This action resulted in a 20 basis point decrease in gross margin in the first quarter of fiscal 2023.

- SG&A expense as a percentage of sales was flat in the first quarter of fiscal 2023 compared with the same period a year ago as increased marketing spend was offset by fixed cost leverage from higher delivered sales.

Retail Segment

	Quarter Ended		
(Unaudited, amounts in thousands, except percentages)	**7/30/2022**	**7/24/2021**	**% Change**
Sales	$ 236,021	$ 181,847	29.8%
Operating income	38,152	20,438	86.7%
Operating margin	16.2%	11.2%	

Sales

The Retail segment’s sales increased $54.2 million, or 30%, in the first quarter of fiscal 2023 compared with the same period a year ago, led by a 25% increase in delivered same-store sales. Additionally, the Retail segment benefited from a $12.2 million increase in sales related to our retail store acquisitions that occurred in fiscal 2022 and fiscal 2023. Written same-store sales decreased 15% in the first quarter of fiscal 2023 compared with the same period a year ago, primarily the result of a return to expected industry-wide seasonal trends and softening demand driven by economic uncertainty and consumer sentiment. Same-store delivered sales include the sales of all currently active stores which have been open and company-owned for each comparable period.

Operating Margin

The Retail segment's operating margin increased 500 basis points in the first quarter of fiscal 2023 compared with the same period a year ago.

- Gross margin decreased 80 basis points in the first quarter of fiscal 2023 compared with the same period a year ago primarily due to the timing difference between higher product costs resulting from the pricing and surcharge actions taken by our manufacturing business and pricing actions taken by the Retail business which are realized upon delivery.

- SG&A expense as a percentage of sales decreased 580 basis points in the first quarter of fiscal 2023 compared with the same period a year ago, primarily due to higher delivered sales relative to selling expenses and fixed costs, mainly occupancy expenses.

Corporate and Other

(Unaudited, amounts in thousands, except percentages)	Quarter Ended 7/30/2022	Quarter Ended 7/24/2021	% Change
Sales	$ 48,730	$ 43,634	11.7%
Intercompany eliminations	(122,478)	(94,197)	(30.0)%
Operating loss	(11,651)	(4,398)	(164.9)%

Sales

Corporate and Other sales increased $5.1 million in the first quarter of fiscal 2023, compared with the same period a year ago, primarily led by Joybird sales which increased 10% to $42.7 million. The growth in Joybird sales was driven by the realization of pricing actions, higher volume resulting from investments in marketing and website enhancements leading to higher online conversion, and the addition of retail store locations. Written sales for Joybird were up 12% in the first quarter of fiscal 2023 compared with the same period a year ago, driven by continued investments in marketing.

Intercompany eliminations increased in the first quarter 2023 compared with the same period a year ago due to higher sales from our Wholesale segment to our Retail segment.

Operating Loss

Our Corporate and Other operating loss increased $7.3 million in the first quarter of fiscal 2023, compared with the same period a year ago primarily due Joybird's operating loss resulting from an increase in freight costs, higher plant costs associated with the opening of a second manufacturing facility, and increased investments in marketing to drive customer acquisition and awareness.

Income Taxes

Our effective tax rate was 26.5% for the first quarter of fiscal 2023, compared with 25.9% for the first quarter of fiscal 2022. Our effective tax rate varies from the 21% federal statutory rate primarily due to state taxes.

Liquidity and Capital Resources

Our sources of liquidity include cash and cash equivalents, short-term and long-term investments, cash from operations, and amounts available under our credit facility. We believe these sources remain adequate to meet our short-term and long-term liquidity requirements, finance our long-term growth plans, and fulfill other cash requirements for day-to-day operations and capital expenditures. We had cash, cash equivalents and restricted cash of $241.4 million at July 30, 2022, compared with $248.9 million at April 30, 2022. In addition, we had investments to enhance our returns on cash of $24.9 million at July 30, 2022, compared with $27.2 million at April 30, 2022.

The following table illustrates the main components of our cash flows:

(Unaudited, amounts in thousands)	Quarter Ended 7/30/2022	Quarter Ended 7/24/2021
Cash Flows Provided By (Used For)		
Net cash provided by operating activities	$ 33,104	$ 6,163
Net cash used for investing activities	(25,938)	(19,519)
Net cash used for financing activities	(13,835)	(44,675)
Exchange rate changes	(750)	(446)
Change in cash, cash equivalents and restricted cash	$ (7,419)	$ (58,477)

Operating Activities

During the first quarter of fiscal 2023, net cash provided by operating activities was $33.1 million. Our cash provided by operating activities was primarily attributable to net income, adjusted for non-cash items, and a $25.1 million decrease in receivables. This was partially offset by a $37.2 million decrease in other liabilities primarily due to a $24.2 million decline in customer deposits as delivered sales outpaced written sales in our Retail segment and the payout of our fiscal 2022 incentive compensation awards during the first quarter of fiscal 2023.

Investing Activities

During the first quarter of fiscal 2023, net cash used for investing activities was $25.9 million, primarily due to the following:

- Cash used for capital expenditures in the period was $21.0 million compared with $19.3 million during the first quarter of fiscal 2022, which primarily related to improvements to our retail stores, new store openings, and plant upgrades to our upholstery manufacturing and distribution facilities in Neosho, Missouri. Spending on these items will continue in fiscal 2023 with full year fiscal 2023 capital expenditures expected to be in the range of $85 to $95 million. We have no material contractual commitments outstanding for future capital expenditures.
- Cash used for acquisitions was $7.2 million, related to the acquisition of the Denver, Colorado retail business.

Financing Activities

On October 15, 2021, we entered into a five-year $200.0 million unsecured revolving credit facility (the "Credit Facility"). Borrowings under the Credit Facility may be used by the Company for general corporate purposes. We may increase the size of the facility, either in the form of additional revolving commitments or new term loans, subject to the discretion of each lender to participate in such an increase, up to an additional amount of $100 million. The Credit Facility will mature on October 15, 2026 and provides us the ability to extend the maturity date for two additional one-year periods, subject to the satisfaction of customary conditions. As of July 30, 2022, we have no borrowings outstanding under the Credit Facility.

The Credit Facility contains certain restrictive loan covenants, including, among others, financial covenants requiring a maximum consolidated net lease adjusted leverage ratio and a minimum consolidated fixed charge coverage ratio, as well as customary covenants limiting our ability to incur indebtedness, grant liens, make acquisitions, merge or consolidate, and dispose of certain assets. As of July 30, 2022, we were in compliance with our financial covenants under the Credit Facility. We believe our cash on hand, in addition to our available Credit Facility, will provide adequate liquidity for our business operations over the next 12 months.

During the first quarter of fiscal 2023, net cash used for financing activities was $13.8 million, primarily due to the following:

- Our board of directors has authorized the repurchase of company stock and we spent $5.0 million in the first quarter of fiscal 2022 to repurchase 0.2 million shares. As of July 30, 2022, 7.3 million shares remained available for repurchase pursuant to this authorization.
- Cash paid to our shareholders in quarterly dividends was $7.1 million. Our board of directors has sole authority to determine if and when we will declare future dividends and on what terms. We expect the board to continue declaring regular quarterly cash dividends for the foreseeable future, but it may discontinue doing so at any time.

Exchange Rate Changes

Due to changes in exchange rates, our cash, cash equivalents, and restricted cash decreased by $0.8 million from the end of fiscal year 2022 to the end of the first quarter of fiscal 2023. These changes impacted our cash balances held in Canada, Thailand, and the United Kingdom.

Other

During the first quarter of fiscal 2023, there were no material changes to the information about our contractual obligations and commitments shown in the table contained in our Annual Report on Form 10-K for the fiscal year ended April 30, 2022. We do not expect our continuing compliance with existing federal, state and local statutes dealing with protection of the environment to have a material effect on our capital expenditures, earnings, competitive position or liquidity.

Critical Accounting Policies

We disclosed our critical accounting policies in our Annual Report on Form 10-K for the fiscal year ended April 30, 2022. There were no material changes to our critical accounting policies or estimates during the quarter ended July 30, 2022.

Recent Accounting Pronouncements

See Note 1, Basis of Presentation, to the consolidated financial statements included in this Quarterly Report on Form 10-Q for a discussion of recently adopted accounting standards and other new accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

During the first quarter of fiscal 2023, there were no material changes from the information contained in Item 7A of our Annual Report on Form 10-K for the fiscal year ended April 30, 2022.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) of the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that such disclosure controls and procedures are effective to ensure that information required to be disclosed in our periodic reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting. There were no changes in our internal controls over financial reporting that occurred during the first quarter of fiscal 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1A. RISK FACTORS

We disclosed our risk factors in our Annual Report on Form 10-K for the fiscal year ended April 30, 2022. There have been no material changes to our risk factors during the first quarter of fiscal 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Our board of directors has authorized the repurchase of company stock. We spent $5.0 million on discretionary repurchases in the first quarter of fiscal 2023 to repurchase 0.2 million shares. As of July 30, 2022, 7.3 million shares remained available for repurchase pursuant to the board authorization. With the operating cash flows we anticipate generating in fiscal 2023, we expect to continue repurchasing company stock.

The following table summarizes our repurchases of company stock during the quarter ended July 30, 2022:

(Unaudited, amounts in thousands, except per share data)	Total number of shares repurchased (1)	Average price paid per share	Total number of shares repurchased as part of publicly announced plan (2)	Maximum number of shares that may yet be repurchased under the plan
Fiscal May (May 1 – June 4, 2022)	—	$ —	—	7,465
Fiscal June (June 5 – July 2, 2022)	153	$ 24.14	82	7,383
Fiscal July (July 3 – July 30, 2022)	122	$ 24.93	122	7,262
Fiscal First Quarter of 2023	275	$ 24.49	204	7,262

(1) In addition to the 203,573 shares we repurchased during the quarter as part of our publicly announced, board-authorized plan described above, this column includes 71,223 shares repurchased from employees to satisfy their withholding tax obligations upon vesting of restricted and performance based shares.

(2) On October 28, 1987, our board of directors announced the authorization of the plan to repurchase company stock. The plan originally authorized 1.0 million shares, and since October 1987, 33.5 million shares have been added to the plan for repurchase. The authorization has no expiration date.

ITEM 6. EXHIBITS

Exhibit Number		Description
(10.1)	*	La-Z-Boy Incorporated 2017 Omnibus Incentive Plan Revised Sample Award Agreement effective June 28, 2022
(31.1)		Certifications of Chief Executive Officer pursuant to Rule 13a-14(a)
(31.2)		Certifications of Chief Financial Officer pursuant to Rule 13a-14(a)
(32)		Certifications of Executive Officers pursuant to 18 U.S.C. Section 1350(b)
(101.INS)		Inline XBRL Instance Document
(101.SCH)		Inline XBRL Taxonomy Extension Schema Document
(101.CAL)		Inline XBRL Taxonomy Extension Calculation Linkbase Document
(101.LAB)		Inline XBRL Taxonomy Extension Label Linkbase Document
(101.PRE)		Inline XBRL Taxonomy Extension Presentation Linkbase Document
(101.DEF)		Inline XBRL Taxonomy Extension Definition Linkbase Document
(104)		The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended July 30, 2022, formatted in Inline XBRL (included in Exhibit 101)

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LA-Z-BOY INCORPORATED
(Registrant)

Date: August 23, 2022

BY: /s/ Jennifer L. McCurry
Jennifer L. McCurry
Vice President, Corporate Controller and Chief Accounting Officer

EXHIBIT 10.1

Fiscal year cycle of the
LA-Z-BOY INCORPORATED 2017 OMNIBUS INCENTIVE PLAN

AWARD AGREEMENT

This Agreement (the “Agreement”) is made effective ___________ (the “Grant Date”) between La-Z-Boy Incorporated (the "Company") and NAME (the "Employee").

This Agreement confirms grants to the undersigned Employee of Restricted Stock Units, an Option award, and Performance Units, and outlines terms of a Short-Term Incentive Award payable to such Employee pursuant to and subject to all terms and conditions of the La-Z-Boy Incorporated 2017 Omnibus Incentive Plan (“Plan”). This Agreement is also subject to the award notification letter dated _____________ (“Notification”) as well as the applicable specific and general conditions set forth in attached Appendix A. Capitalized terms used in this Agreement which are not defined herein shall have the meaning provided in the Plan.

The principal features of the foregoing grants and award are as follows:

Restricted Stock Units

TOTAL RESTRICTED STOCK UNITS: «FYXX_Restricted_Stock_Units»

SCHEDULED VESTING DATES:	NUMBER OF RSUS:
June __, 20__	«Restricted_stock_units_vested_Year_1»
June __, 20__	«Restricted_stock_units_vested_Year_2»
June __, 20__	«Restricted_stock_units_vested_Year_3»
June __, 20__	«Restricted_stock_units_vested_Year_4»

SETTLEMENT: **COMMON STOCK**

Option

“OPTION DATE” is

TOTAL SHARES SUBJECT TO OPTION: «FYXX_Stock_Options_Shares»

SCHEDULED VESTING DATES:	NO. OF SHARES / PRICE PER SHARE:
June __, 20__	«Options_vested_Year_1» / $24.41
June __, 20__	«Options_vested_Year_2» / $24.41
June __, 20__	«Options_vested_Year_3» / $24.41
June __, 20__	«Options_vested_Year_4» / $24.41

EXPIRATION DATE:

Performance Units (2023 - 2025 Cycle)

MAXIMUM PERFORMANCE UNITS* «FYXXX_PBS_Units_at_MAX_wTSR_»
TARGET PERFORMANCE UNITS* «FYXXX_PBS_Units_at_TARGET_wTSR_»

SETTLEMENT: **COMMON STOCK**

Vesting based on attainment of Performance Goals to be established by the Compensation Committee of the Board (the "Committee").

Short-Term Incentive Award

Your short-term incentive payment will be calculated by multiplying (a) your Fiscal Year XXXX **Eligible Earnings** (based on your base salary in effect during Fiscal Year XXXX, calculated in accordance with the Company's payroll system), times (b) your **Target Short-Term Cash Incentive Opportunity** shown below, times (c) the **Company Achievement Percentage**, which will be determined by how the Company performs in comparison to target goals in **net sales (50% weighting) and operating margin (50% weighting)** during the fiscal year. "Eligible Earnings" will be pro-rated for changes in your base salary level during Fiscal Year XXXX and will not include base salary attributable to any period in which you are not eligible to participate in the short-term incentive program, such as due to a change in position during the performance year. In addition, "Eligible Earnings" does not include (a) base salary for any period during which you are on a leave of absence, (b) severance pay, or (c) pay for any unused, accrued vacation time (whether paid due to applicable law, a separation from service, or any other reason).

PERFORMANCE PERIOD: Fiscal Year

TARGET SHORT-TERM CASH INCENTIVE OPPORTUNITY: _____% of Eligible Earnings

COMPANY ACHIEVEMENT PERCENTAGE RANGE: 0% - 200%*

*The Committee shall have the right to reduce or eliminate the amount that would otherwise be payable to you based on the achievement of the performance goals with respect to the Short-Term Incentive Award for Fiscal Year XXXX if the Committee determines, in its sole discretion, that such reduction or elimination is appropriate and in the best interests of the Company based on such other factors considered by the Committee, in its sole discretion, including Company performance on other metrics, macroeconomic factors and/or individual performance.

Your signature below indicates your agreement that the foregoing grants and award are subject to all of the terms and conditions contained in the Plan, in this Agreement, in attached Appendix A and in the accompanying Notification. Your signature below also indicates that you have received and read a copy of the Plan. The terms and provisions of the Plan as it may be amended from time to time are hereby incorporated by reference. In the event of a conflict between any term or provision contained in this Agreement and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

La-Z-Boy Incorporated	**Employee**
Melinda Whittington	______________________
President and Chief Executive Officer	**Name**
	______________________
	Date

AWARD AGREEMENT

APPENDIX A - TERMS AND CONDITIONS

Terms not defined in this Appendix A are, where applicable, defined as in the La-Z-Boy Incorporated 2017 Omnibus Incentive Plan (the "Plan").

1. Stock Options

A. Exercising Options

Subject to the terms of Section 13 (Payment) and Section 18.3 (Withholding Taxes) of the Plan, you may exercise Options that have vested by delivering a notice of exercise as described in Section 7 of this Appendix A or by execution of the stock exercise procedures established on the Merrill Lynch Benefits OnLine® website. When you exercise an Option, you pay the grant price for Company stock. You may retain the stock (and, if you choose, sell it at a later date), or you may direct that the stock be sold immediately, subject to compliance with the Company's insider trading policies. The Company has engaged Merrill Lynch to provide services for exercising Options.

You may exercise Options in one of three ways:

(a) Cash Purchase Exercise

You pay the grant price multiplied by the number of shares covered by the Options you are exercising, plus applicable taxes, by (i) sending a check or wiring funds to Merrill Lynch or (ii) having sufficient funds in your Merrill Lynch account before you deliver notice of exercise. All of the shares covered by the Options being exercised are credited to your Merrill Lynch account.

(b) Cashless Exercise

You may exercise your Options without any initial cash outlay. There are two methods of cashless exercise:

(i) Cashless Hold - Merrill Lynch sells enough shares covered by the Options you are exercising to purchase all of the shares covered by the Options being exercised and to pay the exercise price and applicable taxes, costs, and fees. The remaining shares are credited to your Merrill Lynch account.

(ii) Cashless Sell - Merrill Lynch sells all shares covered by the Options you are exercising, deducts the cost of the stock you purchased plus applicable taxes, costs, and fees, and sends you a check or wires the net proceeds to your bank account.

Certain participants are required to have cashless exercises executed in certain circumstances, including to satisfy tax liabilities.

(c) Stock Swap

You may exercise your Options by delivering to Merrill Lynch shares of Company stock that you have owned for at least six months, duly endorsed for transfer to the Company, having a fair market value on the date you deliver it equal to the grant price multiplied by the number of shares covered by the Options you are exercising, plus applicable taxes.

You have access to the secure Benefits OnLine® website at www.benefits.ml.com. Benefits OnLine provides grant summaries, modeling, and the ability to exercise Options and direct that stock acquired upon exercise be sold. Due to trading restrictions and other equity grant policies applicable to the Company's executive officers, the Company's executive officers and other individuals subject to Section 16 of the Exchange Act are required to conduct equity award transactions through the Merrill Lynch Financial Advisor team designated to service the accounts.

B. Termination of Options

The Options granted by this Agreement will terminate and be of no force or effect at the close of business on the ten-year anniversary of the Option Date, unless they terminate earlier as provided below.

If you cease to be employed by the Company or one of its Affiliates, your Options will terminate or be exercisable as follows:

<u>Termination of employment.</u> If you cease to be an Employee for any reason other than for Cause, Retirement (as defined below), death, Disability or a Change in Control Termination, each as described below, your unvested Options will immediately terminate and your vested Options will automatically terminate ninety (90) days after you cease to be an Employee except for any Options that expire earlier by their terms. For purposes of this Agreement, the following are not deemed to be a termination of employment: (i) a transfer from the Company to one of its Affiliates, from an Affiliate to the Company, or between Affiliates; or (ii) a leave of absence authorized by the Company or an Affiliate. For purposes of the Plan, termination of employment will be deemed to occur on the date on which you are no longer obligated to perform services for the Company or any of its Affiliates and your right to reemployment is not guaranteed either by statute or contract, regardless of whether you continue to receive compensation from the Company or any of its Affiliates.

<u>Cause.</u> If you are terminated for Cause, your Options, whether or not vested, will terminate immediately upon such termination.

<u>Retirement.</u> If you Retire, with the consent of the Company, all of your unvested Options granted at least ten months earlier will immediately fully vest upon such Retirement, and you may exercise your Options during the following 36 months except for Options that expire earlier by their terms. Options granted less than ten months before you Retire will terminate immediately upon your Retirement.

<u>Death or Disability.</u> If you cease to be an Employee because you die or you become Disabled, all of your unvested Options will immediately fully vest upon such death or Disability, and you (or your beneficiary or personal representative) may exercise your Options during the 36 months after you become Disabled or die (whichever occurs first) except for Options that expire earlier by their terms.

<u>Change in Control Termination</u>. In the event of the consummation of any Corporate Transaction and you cease to be an Employee due to (i) a termination by the Company without Cause or (ii) by you due to Good Reason (as defined below), in each case, within two years following the consummation of such Corporate Transaction, your Option will be fully vested and may be exercised in full, beginning on the date of such termination and for the one-year period immediately following such termination.

<u>2. Stock Appreciation Rights</u>

A. **Exercising SARs**

Subject to the terms of Section 9 (Terms and Conditions of Stock Appreciation Rights) and Section 18.3 (Withholding Taxes) of the Plan, when you exercise SARs, you are entitled to receive in cash an amount equal to the number of SARs exercised multiplied by the difference between the fair market value of one share of La-Z-Boy stock on the date of exercise and the SAR grant price. The Company has engaged Merrill Lynch to provide services for exercising SARs.

B. **Termination of Stock Appreciation Rights**

The SARs granted by this Agreement will terminate and be of no force or effect at the close of business on the ten-year anniversary of the date they are granted, unless they terminate earlier as provided below.

If you cease to be employed by the Company or one of its Affiliates, your SARs will terminate or be exercisable as follows:

Termination of employment. If you cease to be an Employee for any reason other than for Cause, Retirement, death, Disability or a Change in Control Termination, each as described below, your unvested SARs will immediately terminate and your vested SARs will automatically terminate thirty (30) days after you cease to be an Employee except for any SARs that expire earlier by their terms. For purposes of this Agreement, the following are not deemed to be a termination of employment: (i) a transfer from the Company to one of its Affiliates, from an Affiliate to the Company, or between Affiliates; or (ii) a leave of absence authorized by the Company or an Affiliate. For purposes of the Plan, termination of employment will be deemed to occur on the date on which you are no longer obligated to perform services for the Company or any of its Affiliates and your right to reemployment is not guaranteed either by statute or contract, regardless of whether you continue to receive compensation from the Company or any of its Affiliates.

Cause. If you are terminated for Cause, your SARs, whether or not vested, will terminate immediately upon such termination.

Retirement. If you Retire, with the consent of the Company, all of your unvested SARs granted at least ten months earlier will immediately fully vest upon such Retirement, and you may exercise your SARs during the following 36 months except for SARs that expire earlier by their terms. SARs granted less than ten months before you Retire will terminate immediately.

Death or Disability. If you cease to be an Employee because you die or you become Disabled, all of your unvested SARs will immediately fully vest upon such death or Disability, and you (or your beneficiary or personal representative) may exercise your SARs during the 36 months after you become Disabled or die (whichever occurs first) except for SARs that expire earlier by their terms.

Change in Control Termination. In the event of the consummation of any Corporate Transaction and you cease to be an Employee due to (i) a termination by the Company without Cause or (ii) by you due to Good Reason, in each case, within two years following the consummation of such Corporate Transaction, your SARs will be fully vested and may be exercised in full, beginning on the date of such termination and for the one-year period immediately following such termination.

3. Restricted Stock and Stock Units

Restricted stock will be settled in Company stock upon the lapse of vesting conditions and Restricted Stock Units will be settled in Company stock except as otherwise provided for in your Award Agreement, with any Restricted Stock Units settled within 60 days following the applicable vesting date or vesting event.

Restricted Stock - Termination of Employment. If you cease to be an Employee other than because you die, become Disabled or due to a Change in Control Termination, you forfeit any Restricted Stock that have not vested, or for which applicable restrictions and conditions have not lapsed, and you have no further rights with respect to your Award of Restricted Stock. If, during the restriction period, you (i) die, (ii) become Disabled or (iii) are terminated by the Company without Cause or by you due to Good Reason within the two-year period following the consummation of a Corporate Transaction, all of your Restricted Stock will immediately vest and all transfer restrictions imposed by the Plan or this Agreement will immediately terminate.

Restricted Stock Units – Termination of Employment. If you cease to be an Employee other than because you die, become Disabled, Retire or due to a Change in Control Termination, you will forfeit any

Restricted Stock Units that have not vested, or for which applicable restrictions and conditions have not lapsed, and you have no further rights with respect to your Award of Restricted Stock Units. If you die during the applicable vesting period, all of your Restricted Stock Units will immediately vest and your Restricted Stock Units will be settled in Company stock (or, if specified in your Award Agreement, cash) within 60 days following such death. If you terminate due to Disability or if you Retire, with the consent of the Company, then the Restricted Stock Units shall remain outstanding and shall be settled in Company stock (or, if specified in your Award Agreement, cash) within 60 days following each applicable vesting date; provided, however, that any Restricted Stock Units granted less than ten months before you Retire will terminate immediately upon your Retirement; provided further, that if you are terminated due to Disability or Retire within the two-year period following a Corporate Transaction, the Restricted Stock Units shall be settled immediately upon such termination to the extent required to comply with Section 409A of the Code. In the event of the consummation of any Corporate Transaction and you cease to be an Employee due to (i) a termination by the Company without Cause or (ii) by you due to Good Reason, in each case, within two years following the consummation of such Corporate Transaction, all of your Restricted Stock Units will immediately vest upon such termination and all transfer restrictions imposed by the Plan or this Agreement will immediately terminate and such Restricted Stock Units will be settled in Company stock (or, if specified in your Award Agreement, cash) within 60 days following such termination of employment; provided, however, if the Corporate Transaction is a not a "change in control event" within the meaning of Section 409A of the Code or the settlement upon such termination of employment would not be permitted under Section 409A of the Code, then the Restricted Stock Units shall vest and shall be settled in Company stock (or, if specified in your Award Agreement, cash) within 60 days following each applicable vesting date or, if earlier, within 60 days following your death.

Restricted Stock Units – Dividend Equivalent Rights. The Restricted Stock Units include a right to dividend equivalents equal to the value of any dividends paid on the Company stock for which the dividend record date (the "Record Date") occurs between the grant date and the date the Restricted Stock Units are settled or forfeited. Each dividend equivalent entitles you to receive the equivalent cash value, without interest, of any such dividends paid on the number of shares of Company stock underlying the Restricted Stock Units that are outstanding on the Record Date. Dividend equivalents shall be subject to the same vesting conditions and payment terms set forth herein as the Restricted Stock Units to which they relate.

4. Performance Units

Performance Units will be settled in Company stock except as otherwise provided for in your Award Agreement. Any payout with respect to Performance Units will occur on **June 30, 20XX**.

Termination of Employment. You will not be entitled to receive any Performance Units if, except in the circumstances described below, you cease to be an Employee before the end of the three-year performance period.

Death, Disability or Retirement. Regardless of the above employment requirement, the Company's Compensation Committee may, in its discretion, determine that you are entitled to a partial payout of an award if, before the expiration of the three-year performance period, (i) you Retire, (ii) you become Disabled, or (iii) you die, then you (or, if applicable, your estate) may receive a partial payout of this Award based on any fiscal years that have been completed at the time you die, Retire, or become Disabled. If the payout will be made, it will be based on the portion of the Award that you were eligible to receive based on targets established for, and limited to, such completed fiscal year or years, and the Company's actual performance against those targets. The Compensation Committee's determination of your entitlement to this partial payout will be made after the conclusion of the performance period. Subject to the Corporate Transactions section below, any payout of this portion of the Award will occur on **June 30, 20XX**, along with the payout of other awards from the Plan's tranche of grants for that time period; provided however, that if you are terminated due to Disability or Retire within the two-year period following a Corporate Transaction, the Performance Units shall be settled immediately upon such termination to the extent required to comply with Section 409A of the Code.

Corporate Transactions. Any Performance Units for unexpired terms shall be converted to a time-based award at the time of such Corporate Transaction based on the best financial information available to the Company of the Company's performance as of the close of business on the day immediately preceding the Corporate Transaction; provided, however, that in determining whether and to what extent performance criteria of such Performance Units have been satisfied, where such performance criteria are based on results that accumulate over the term of such Awards or over one year of such term (e.g., earnings per share), the performance requirement of such performance criteria shall be prorated in accordance with the portion of the term or year that occurred prior to the Corporate Transaction. In the event of the consummation of any Corporate Transaction and you cease to be an Employee due to (i) a termination by the Company without Cause or (ii) by you due to Good Reason, in each case, within two years following the consummation of such Corporate Transaction, all of your Performance Units will immediately vest upon such termination and all transfer restrictions imposed by the Plan or this Agreement will immediately terminate and such Performance Units will be settled in Company stock (or, if specified in your Award Agreement, cash) within 60 days following such termination of employment; provided, however, if the Corporate Transaction is a not a "change in control event" within the meaning of Section 409A of the Code or the settlement upon such termination of employment would not be permitted under Section 409A of the Code, then the Performance Units shall vest and shall be settled in Company stock (or, if specified in your Award Agreement, cash) on **June 30, 20XX**.

5. Short-Term Cash Incentive (Management Incentive Program)

Termination of Employment. Except in the circumstances described below, you must be actively employed on the last day of the Fiscal Year to be eligible to receive payment of the short-term cash incentive for such Fiscal Year under the Management Incentive Program, or "MIP".

Disability or Retirement. If you Retire, with the consent of the Company, or became Disabled during the Fiscal Year, you will be entitled to receive payment based on your eligible earnings (as determined by the Committee) during the year.

Death. If you die during or after the Fiscal Year before receiving a MIP payment that you would otherwise receive, payment based on your eligible earnings will be made to your estate.

Approved Leave of Absence. Being on an approved leave of absence (including workers compensation leave, military leave, or leave approved pursuant to the Family and Medical Leave Act), does not affect your eligibility to receive a MIP payment based on your eligible earnings during the fiscal year.

6. Forfeiture or Return of Awards

If the Company is required to prepare a material accounting restatement, you may be required to forfeit any Award you earned within three years of when the financial statements that were later restated were filed, if the Board or Committee, in its sole discretion, determines that you engaged in misconduct, the amount of the Award was based on achieving performance goals, and it is later determined that those goals were not achieved. In addition, if, within one year after you receive payment of an Award or exercise an Option, the Board determines in its discretion that you have materially harmed the Company, then you will be required to pay the Company any gain you realized. Additionally, if the Company is required to prepare an accounting restatement due to material noncompliance, the Company will be entitled to, and may be required to, seek recovery of an Award paid to any participant where the misstatement caused an error in incentive-based compensation.

7. Notices

Any notice under this Agreement to the Company should be addressed to La-Z-Boy Incorporated in care of its Secretary at One La-Z-Boy Drive, Monroe, Michigan 48162, and, if to you, it will be addressed to your address appearing in the Company's personnel records, or to either party at a different address that the party designates in writing to the other party. Any such notice will be deemed effective when received.

8. Section 409A.

The Company intends that the Awards granted under this Award Agreement comply with Code Section 409A or be exempt from Code Section 409A to the maximum extent possible and each payment hereunder shall be considered a separate payment under Code Section 409A. If any Award granted hereunder constitutes “deferred compensation” under Code Section 409A of the Code and you are a “specified employee” for purposes of Code Section 409A, no distribution or payment of any amount that is due because of a “separation from service” (as defined in Code Section 409A without regard to alternative definitions thereunder) will be issued or paid before the date that is six months following the date of your “separation from service” (as defined in Code Section 409A without regard to alternative definitions thereunder) or, if earlier, the date of your death, unless such distribution or payment can be made in a manner that complies with Code Section 409A, and any amounts so deferred will be paid in a lump sum on the day after such six month period elapses, with the balance paid thereafter on the original schedule.

9. Definitions.

“Good Reason” means termination by you of your employment based on:

A. an adverse change in your status or position(s) as a corporate officer of the Company as in effect immediately prior to the Corporate Transaction, including, without limitation, any adverse change in your status or position as a result of a material diminution in your duties or responsibilities (other than, if applicable, any such change directly attributable to the fact that the Company is no longer publicly-owned) or the assignment to you of any duties or responsibilities which, in your reasonable judgment, are inconsistent with such status or position(s), or any removal of you from or any failure to reappoint or reelect you to such position(s) (except in connection with the termination of your employment for Cause or Disability or as a result of your death or by you other than for Good Reason);
B. a reduction by the Company in your compensation as in effect immediately prior to the Corporate Transaction;
C. the failure by the Company to continue in effect any Benefit Plan (as hereinafter defined) in which you are participating at the time of the Corporate Transaction (or Benefit Plans providing you with at least substantially similar benefits) other than as a result of the normal expiration of any such Benefit Plan in accordance with its terms as in effect at the time of the Corporate Transaction, or the taking of any action, or the failure to act, by the Company which would adversely affect your continued participation in any of such Benefit Plans on at least as favorable a basis to you as is the case on the date of the Corporate Transaction or which would materially reduce your benefits in the future under any of such Benefit Plans or deprive you of any material benefit enjoyed by you at the time of the Corporate Transaction;
D. the failure by the Company to provide and credit you with the number of paid vacation days to which you are then entitled in accordance with the Company's normal vacation policy as in effect immediately prior to the Corporate Transaction;
E. the Company's requiring you to be based anywhere other than where your office is located immediately prior to the Corporate Transaction except for required travel on the Company's business to an extent substantially consistent with the business travel obligations which you undertook on behalf of the Company prior to the Corporate Transaction;
F. any refusal by the Company to continue to allow you to attend to matters or engage in activities not directly related to the business of the Company which, prior to the Corporate Transaction, you were permitted by the Board to attend to or engage in, including without limiting the foregoing, serving on the Boards of Directors of other companies or entities;

provided, however, that the occurrence of any such condition shall not constitute Good Reason unless (1) you provide written notice to the Company of the existence of such condition not later than 60 days after you know or reasonably should know of the existence of such condition, (2) the Company fails to remedy such condition within 30 days after receipt of such notice and (3) you resign due to the existence of such condition within 60 days after the expiration of the remedial period described in clause (2) hereof.

For purposes of this definition, "Benefit Plan" shall mean any compensation plan such as an incentive, stock option or restricted stock plan or any employee benefit plan such as a savings, pension, profit sharing, medical, disability, accident, life insurance plan or a relocation plan or policy or any other plan, program or policy of the Company intended to benefit employees.

Notwithstanding anything in the Plan to the contrary, "Retired" or "Retirement" means the termination of your employment relationship with the Company and all of its Affiliates on or after the date on which the sum of your age and Years of Service equals or exceeds 65, with a minimum age of 55.

Exhibit 31.1

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a)

I, Melinda D. Whittington, certify that:

1. I have reviewed this quarterly report on Form 10-Q of La-Z-Boy Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 23, 2022

/s/ Melinda D. Whittington
Melinda D. Whittington
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a)

I, Robert G. Lucian, certify that:

1. I have reviewed this quarterly report on Form 10-Q of La-Z-Boy Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 23, 2022

/s/ Robert G. Lucian
Robert G. Lucian
Senior Vice President and Chief Financial Officer

EXHIBIT 32

CERTIFICATION OF EXECUTIVE OFFICERS*

Pursuant to 18 U.S.C. section 1350, each of the undersigned officers of La-Z-Boy Incorporated (the “Company”) hereby certifies, to such officer’s knowledge, that the Company’s Quarterly Report on Form 10-Q for the period ended July 30, 2022 (the “Report”) fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Melinda D. Whittington

Melinda D. Whittington
President and Chief Executive Officer
August 23, 2022

/s/ Robert G. Lucian

Robert G. Lucian
Senior Vice President and Chief Financial Officer
August 23, 2022

*The foregoing certification is being furnished solely pursuant to 18 U.S.C. section 1350 and is not being filed as part of the Report or as a separate disclosure document.