

LA-Z-BOY INCORPORATED

LA Z BOY<sup>®</sup>  
*Live Life Comfortably.*

June 2018





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## Forward-Looking Disclaimer

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



## COMPANY OVERVIEW







## Vertically Integrated Manufacturer and Retailer Pursuing Dual-Growth Strategy

- The most recognized brand in a \$110 billion industry
- Largest reclining chair manufacturer worldwide
- Second-largest manufacturer/distributor of residential furniture in the U.S.\*
- Third-largest retailer of single-source home furnishings networks\*
- Emerging and vibrant e-commerce strategy
- Global supply chain delivering operational excellence
- Proven track record of strategic development and execution delivering top-quartile industry operating margin
- Core business generating cash to fuel dual-growth strategy
  - Defend the core
  - Growth through e-commerce and acquisitions
- Returning value to shareholders through share purchases and increased dividends

\*Furniture Today, May 2018



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## Consistent Financial Performance Five-Year Stats\*

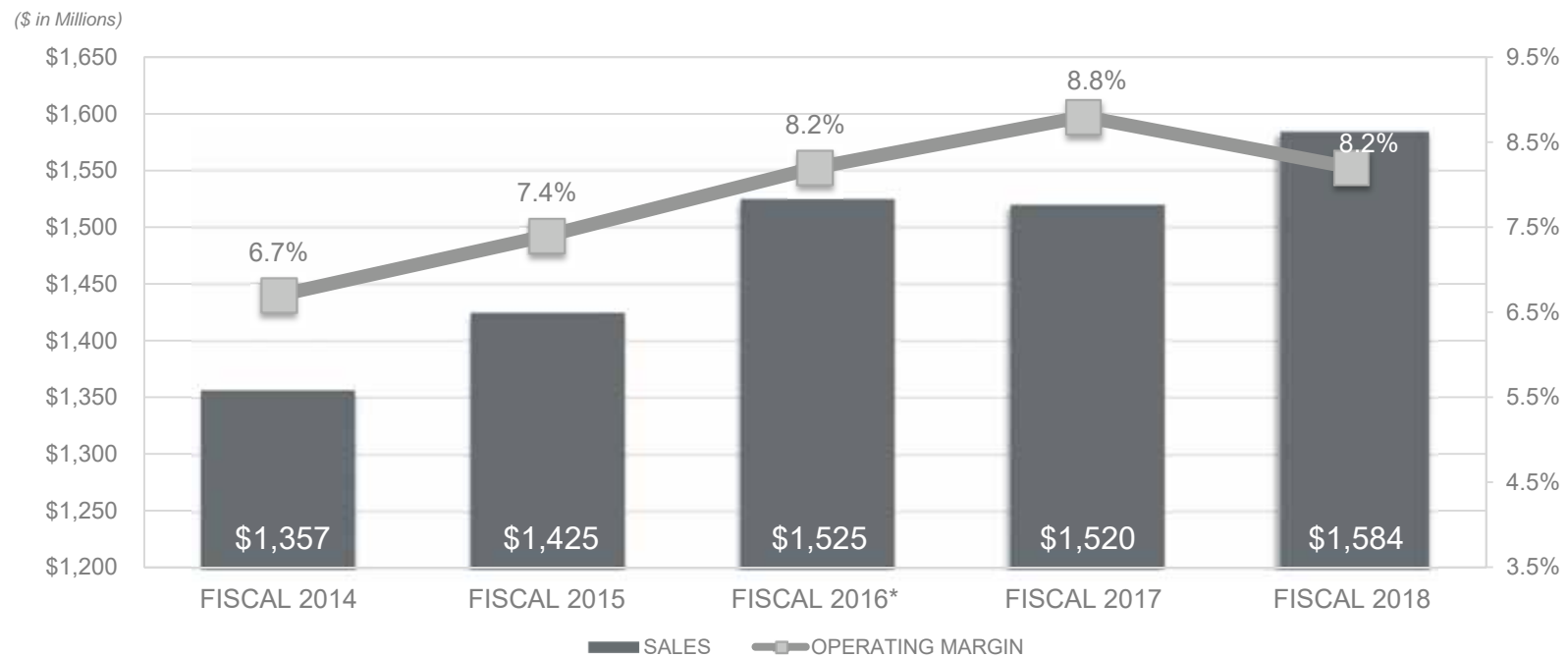
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- \$310 million sales increase
- \$60 million operating income increase
- 66% share price increase
- \$86 million in dividends paid to shareholders
- \$221 million in share purchases
- \$572 million total cash generated from operating activities

\*Five-year period ending Fiscal 2018

## Consistent Financial Performance

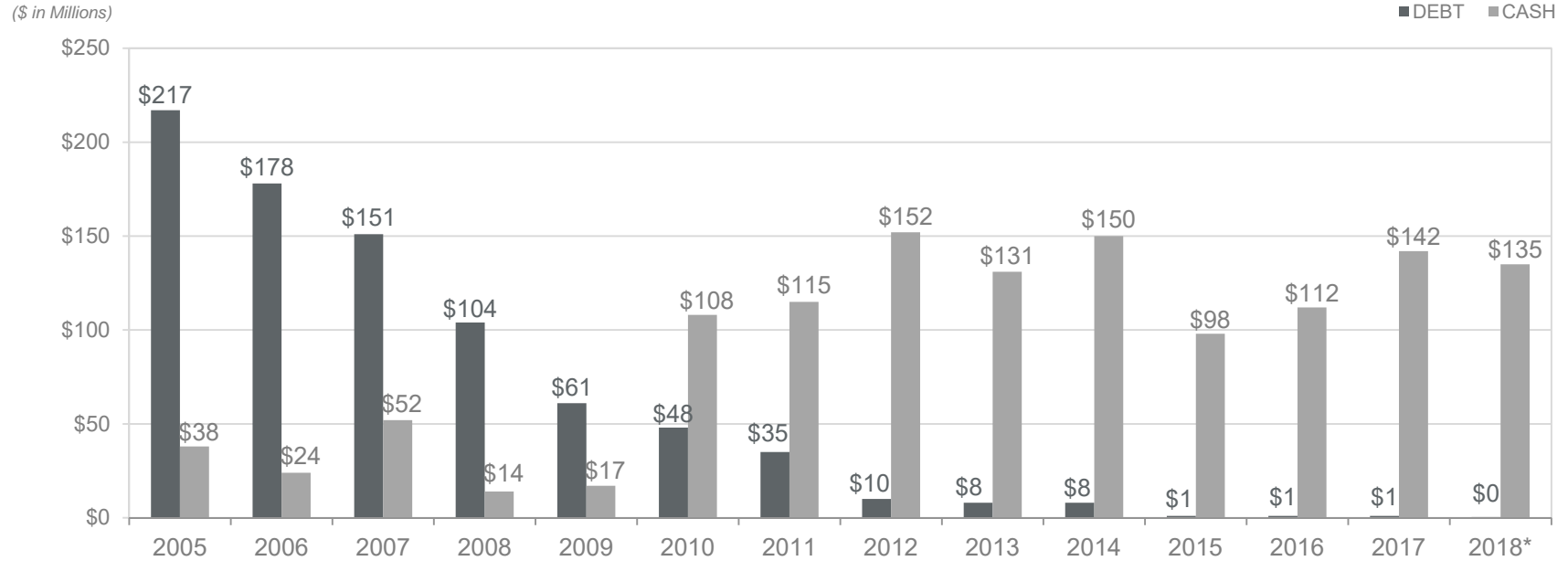
CREATE AND RETURN VALUE: 5-YEAR SALES AND OPERATING MARGIN



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

## Consistent Financial Performance

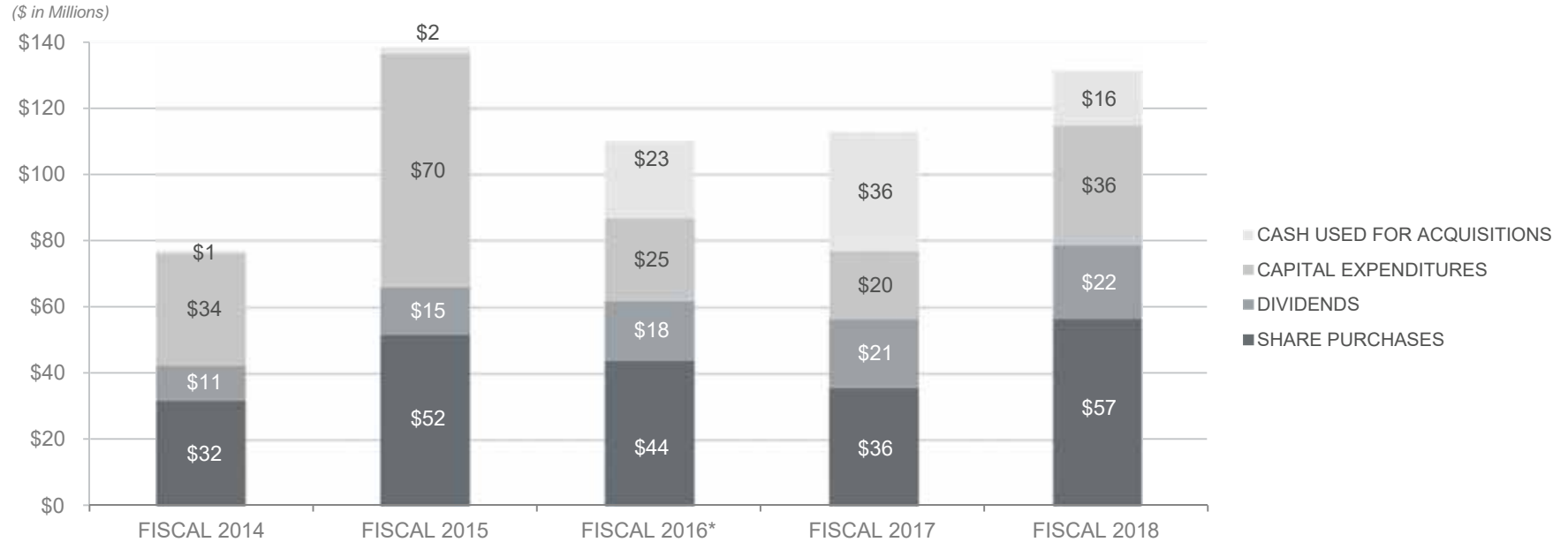
CREATE AND RETURN VALUE: STRONG BALANCE SHEET



\*Fiscal 2018 debt is actually \$422k.

## Consistent Financial Performance

### CAPITAL ALLOCATION: BUSINESS INVESTMENTS AND RETURNS TO SHAREHOLDERS







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## Our Vision and Mission

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- La-Z-Boy enriches people's lives by turning houses into homes.
- Our mission is to be the leading global provider of comfortable, personalized and stylish home furnishings. Our people are passionate about our customers, creating quality products and investing in their communities.

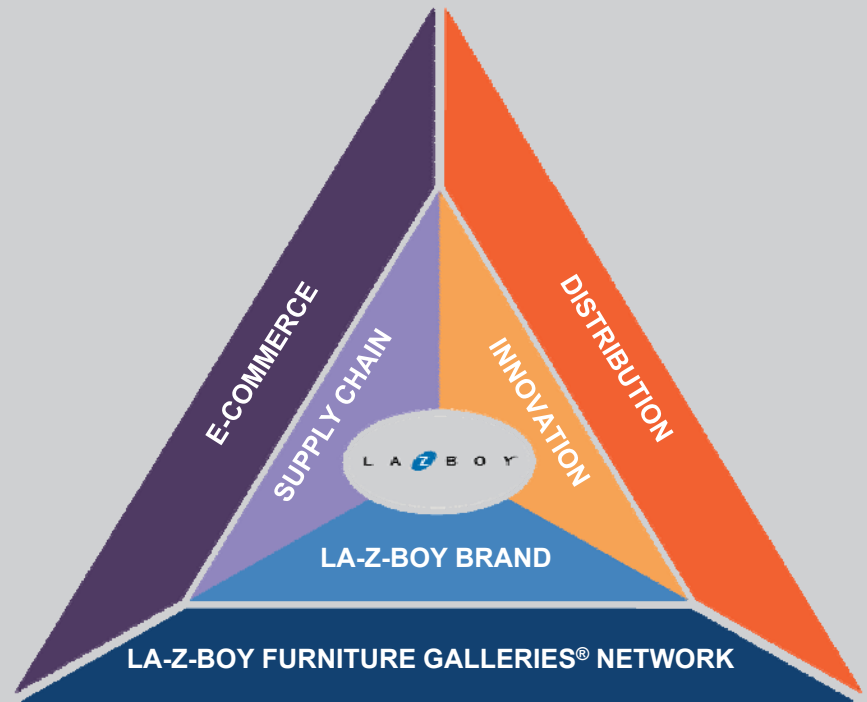
## Dual-Growth Strategy to Reach Two Distinct Consumer Groups

### AT OUR CORE

- Brand power
- Innovative products
- World-class global supply chain

### EVOLVING GO-TO-MARKET MODEL

- La-Z-Boy Furniture Galleries® store system
- Independent dealers
- Multifaceted e-commerce platform





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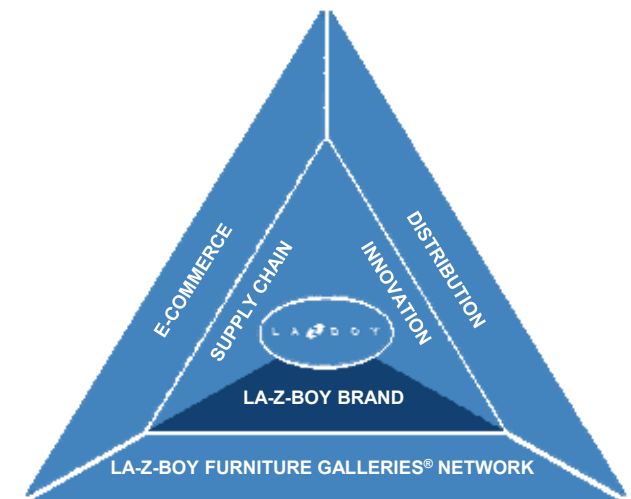
THE LA-Z-BOY BRAND



## A Core Asset

### THE LA-Z-BOY BRAND

- Offers brand strength that is critical in a fragmented industry
- Recognized for core attributes of comfort, quality, craftsmanship and integrity
- Stylish and on trend
- Delivers on three core pillars:
  - La-Z-Boy offers a wide range of furniture to transform an entire room
  - Full customization options to personalize your space
  - Free design services tailored to fit your life, style and budget



## Proven Platform with an Innovative Message

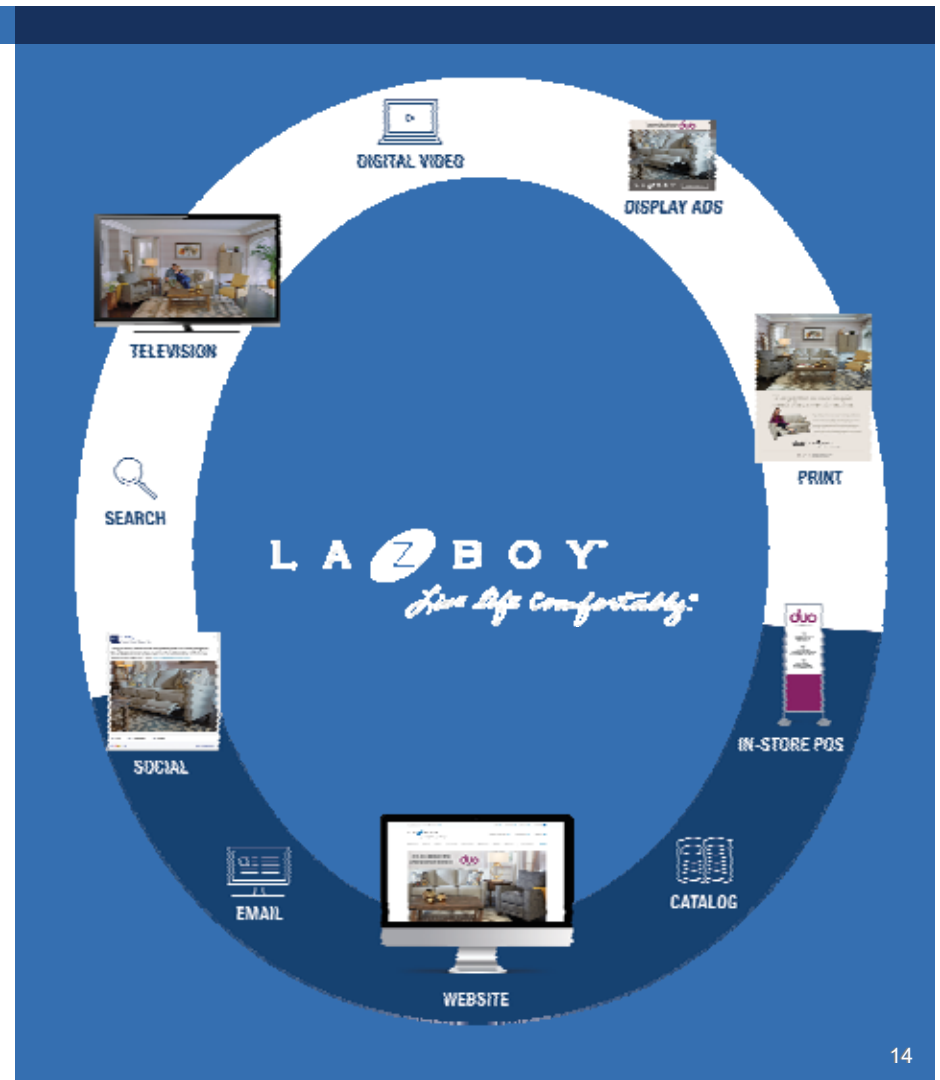
- *Live Life Comfortably*® marketing campaign continues to feature Brooke Shields
  - Omni-channel approach
  - Tested and proven to increase brand relevance
  - Increases consideration for the brand and drives traffic to stores
  - Targets consumers ages 36-64
  - Highlights broad array of stylish furniture, core attributes and La-Z-Boy Furniture Galleries® store experience





## 360° Communication

- Effective communication involves a deep understanding of who our consumers are, what they want and when they want it
- A compelling story is told across La-Z-Boy communication channels and through leading media partners





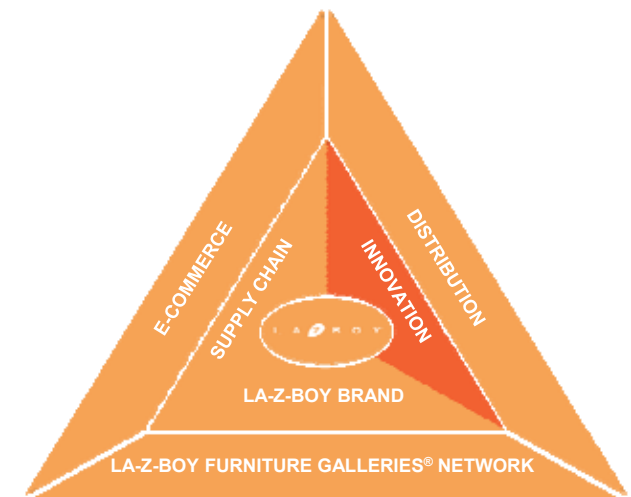
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INNOVATION

## Heritage Steeped in Innovation

### INNOVATION

- Permeates every aspect of the business
- Provides an edge of differentiation in the market
- Investing and creating new styles and brands to reach a new consumer demographic
- Objective to remain one of the most innovative manufacturers
  - Establishing Growth and Innovation process
    - Ensures annual cadence of product introductions at April High Point Furniture Market
    - Drives key projects with major business impact
    - Supports the corporate portfolio
    - Prioritizes consumer and business channel needs





– INNOVATION –

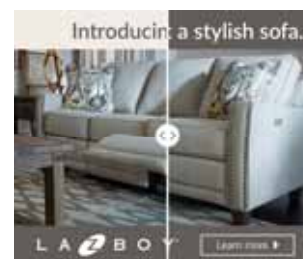
duo™

#### REVOLUTIONARY NEW PRODUCT LINE THAT COMBINES STYLE AND FUNCTION

- Introduced at April 2017 High Point Furniture Market
- Full penetration on retail floors across North America in Fall 2017
- Supported by comprehensive marketing campaign
- Exceeding expectations; adding to the line
- Anecdotal evidence:

*"We've seen an uptick in highly qualified traffic coming into our stores as a result of the marketing ... a couple from Hilton Head came in and asked for the duo, saying they saw the ad and the video on the website. They knew of La-Z-Boy, but had never been a customer. They are now working within our In-Home Design program. The clients coming in are of various demographics, which is also nice." A La-Z-Boy Furniture Galleries® store owner*

## duo™ Marketing







## Bringing Progressive Products to Market; Strengthening Our Legacy

### NEW RESEARCH AND DEVELOPMENT CENTER IN DAYTON, TN

- State-of-the-art Center intended to be LEED certified
- Completion planned for Summer 2018
- Center will house a model shop, test lab, technology center and 3D printing lab
- Engineering and manufacturing teams to work side by side for prototype testing
- Enabling La-Z-Boy to attract premier engineering talent



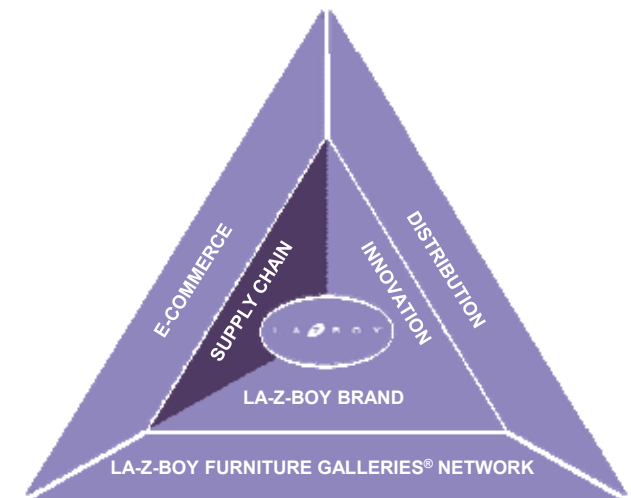
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## SUPPLY CHAIN

## Unmatched Scale and Speed

### WORLD-CLASS GLOBAL SUPPLY CHAIN

- Made in America – five U.S. La-Z-Boy branded upholstery plants bolstered by global procurement
- Mexican-based Cut-and-Sew Center supplies custom kits to U.S. facilities within 48 hours
- On-the-ground team in Asia procuring, managing and flowing component parts and casegoods to North America
  - Designated Social Compliance Leader in Hong Kong
- ERP system improving inventory management, productivity and service to customers
- Excellent service accentuates compelling value proposition
- Annual conversion on incremental sales of 20% to 30%



## La-Z-Boy Manufacturing Plants





## The Brand Promise

### CUSTOM FURNITURE IN FOUR WEEKS OR LESS

- Competitive advantage – mass customization with quick delivery
  - Approximately 175 frame styles; almost 1,000 covers
  - 28 million permutations







## World-Class Manufacturing

### DISTINCTIONS

- La-Z-Boy holds the United States safety record: 13 million hours NLT (no lost time)
- *Industry Week* 2012 North American *Best Plants Award*
- *Assembly Magazine* 2013 *Manufacturing Plant of the Year*

## “Custom for You, Fast by Us!”

### ENGLAND FURNITURE

- Manufacturing and delivery model unique and unparalleled in industry
- Custom furniture in 21 days or less
- Growing footprint across United States
- Plant expansion in New Tazewell, TN, to support consistent sales growth
- Construction of new corporate office to replace one lost in a fire in May 2017; intended to be LEED certified



## Leveraging Global Supply Chain to Provide Best-in-Class Service

### CASEGOODS

- Three companies: American Drew, Hammary and Kincaid
- All-import model; excellent domestic distribution capabilities
  - 95% in-stock position on best sellers
- Revamped product portfolio resonating with consumers
- Expanding floor space with key retailers
- Steady increase in operating margin
- Poised for growth

american  drew®  
a L A B O Y company

**KINCAID**  
furniture company, inc.

 **HAMMARY**  
U.S.A. • 1947



## Global Manufacturing; Capture Greater Value

### INTERNATIONAL FOOTPRINT AND OPPORTUNITIES

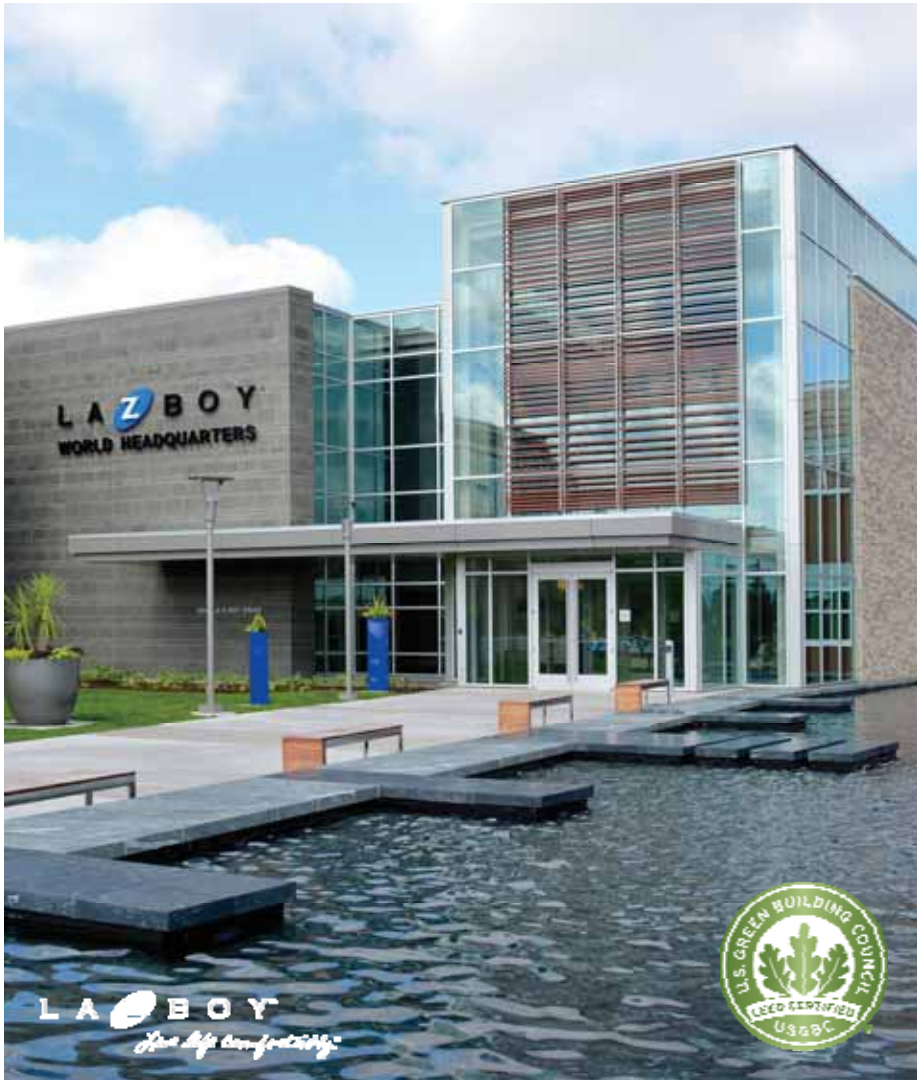
- Manufacturing JV in Thailand, which distributes furniture in Australia, New Zealand, Southeast Asia, China and other international markets
- Leveraging contract and licensee manufacturers in various markets, including China, Chile, South Africa and Eastern Europe to provide efficient access to international markets



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## Committed to Environmentally Sound and Sustainable Business Practices

### ENVIRONMENTAL STEWARDSHIP

- Multi-Facility Participation
  - AHFA EFEC Program
  - Sustainable by Design
- Achieving Results
  - World Headquarters Silver LEED Certified
  - Tennessee Green Star Partnership Award
- Conserving Resources
  - “Zero Waste to the Landfill” initiative
  - Recycling/reusing about 94% of waste
  - Eliminating 11MM lbs. of waste
  - Significantly reduced utilities consumption
- Continuing Initiatives
  - Converting to LED lighting
  - Energy and Sustainability Management Software
  - Social Performance and Compliance Program



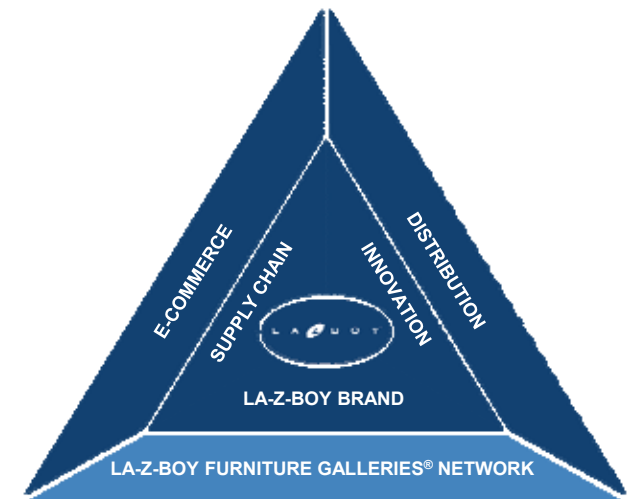


LA-Z-BOY FURNITURE GALLERIES® NETWORK

## The Ultimate Choice for Our Core Consumer

### THE LA-Z-BOY FURNITURE GALLERIES® NETWORK

- 350 stores today
- Represents approximately 50% of the La-Z-Boy branded distribution
- Stable avenue for growth
- Provides consumers with a “flagship” experience
- Company has increased ownership percentage through new stores and those acquired from independent dealers
  - Integrated operating margin opportunity (wholesale and retail) for sales through company-owned stores



4-4-5

## GROWING THE LA-Z-BOY FURNITURE GALLERIES® NETWORK

- Steady cadence of store projects – new, relocations and remodels
- Real estate constraints will extend strategy beyond five years
- Converting stores into the New Concept Design format
  - Latest store format with a more modern look and feel
    - Increased average ticket and design sales
    - Higher dollars per square foot
  - 132 stores throughout the network as of FY18
- Potential for \$1.6 billion store network



## – POTENTIAL FOR \$1.6+ BILLION RETAIL STORE NETWORK –



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

	FY15	FY16	FY17	FY18	FY19
NEW CONCEPT	61	89	112	132	154
NEW GENERATION	224	218	213	202	189
OLD FORMAT	40	31	22	16	12
TOTAL	325	338	347	350	355
NUMBER OF PROJECTS	30	28	23	20	24





## The Flagship Store Experience

### HANDS-ON SERVICE PROVIDED TO CONSUMERS

- Complimentary design services
- Knowledgeable and professional sales team delivering personalized service
- Full array of frame styles and fabric/leather options
- Opportunity to “touch and feel” the furniture
- Tables, lamps, rugs and accessories as well as casegoods to create a complete room





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## Global Distribution

### THE LA-Z-BOY BRAND HAS WORLDWIDE APPEAL

- Sold in about 60 countries through direct ownership, licensing agreements and partnerships
- Fiscal 2017 UK acquisition successfully integrated; ramping up marketing/digital presence in UK; leveraging infrastructure and localized product to drive European growth
- Significant and rapidly growing presence in China through licensee agreement with KUKA (currently more than 250 stores)
- Expanding distribution in multiple countries around the world, including South America and India through new and existing partnerships





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DISTRIBUTION

## Vast Distribution

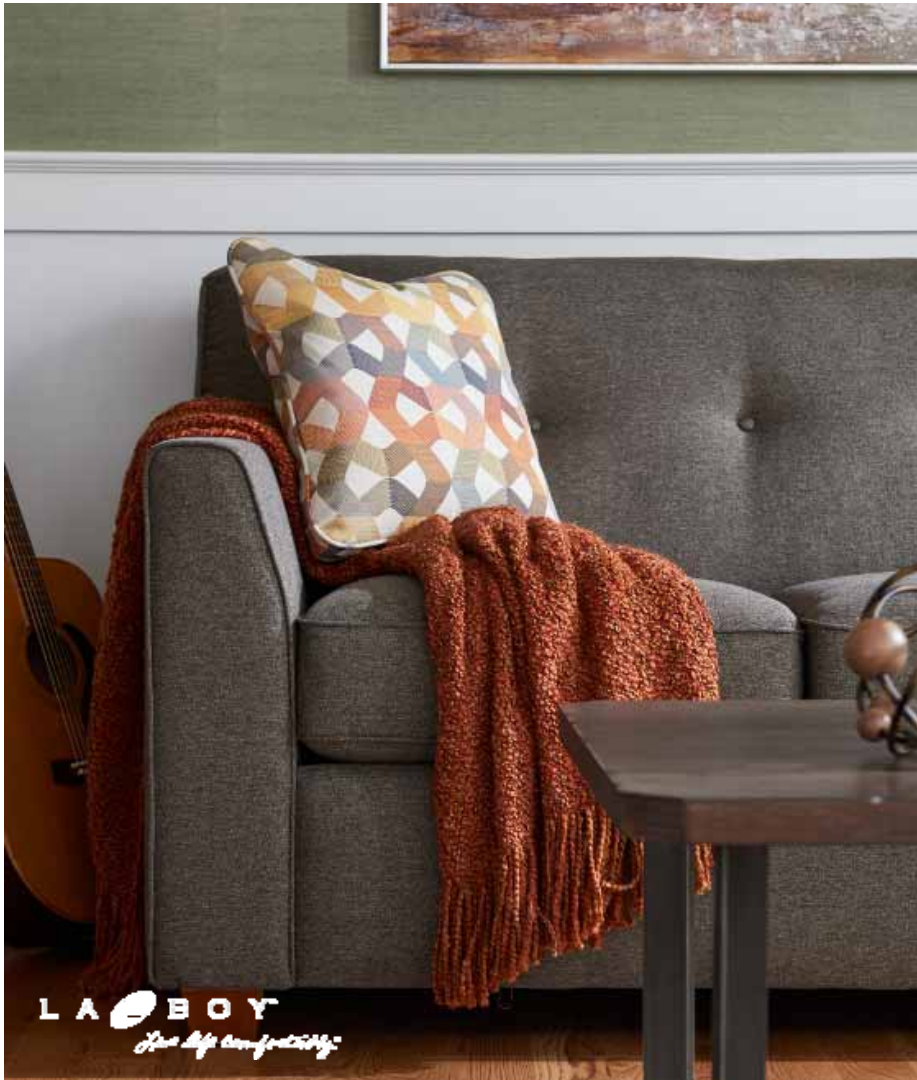
### DUAL DISTRIBUTION STRATEGY FOR THE LA-Z-BOY BRANDED PRODUCT

- Sold through a network of 2,400 dealers outside the La-Z-Boy Furniture Galleries® store network, representing approximately 50% of the La-Z-Boy branded business volume

### ENGLAND AND CASEGOODS

- Selling to 1,400 dealers across North America
- Online distribution through Wayfair.com

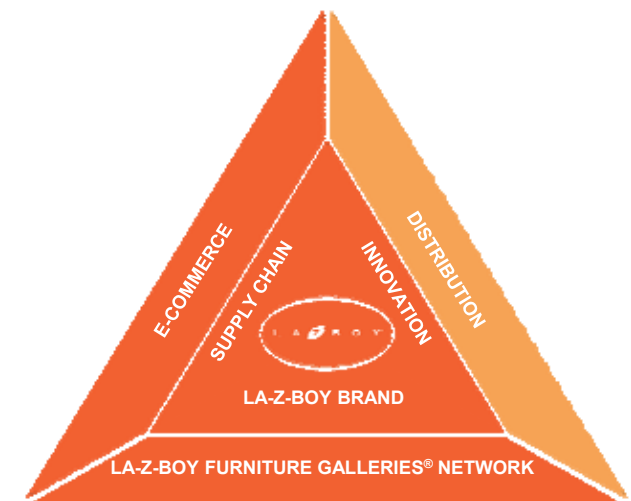
Increasing sales through various avenues enables the company to expand margins as it leverages the fixed-cost structure of its plants

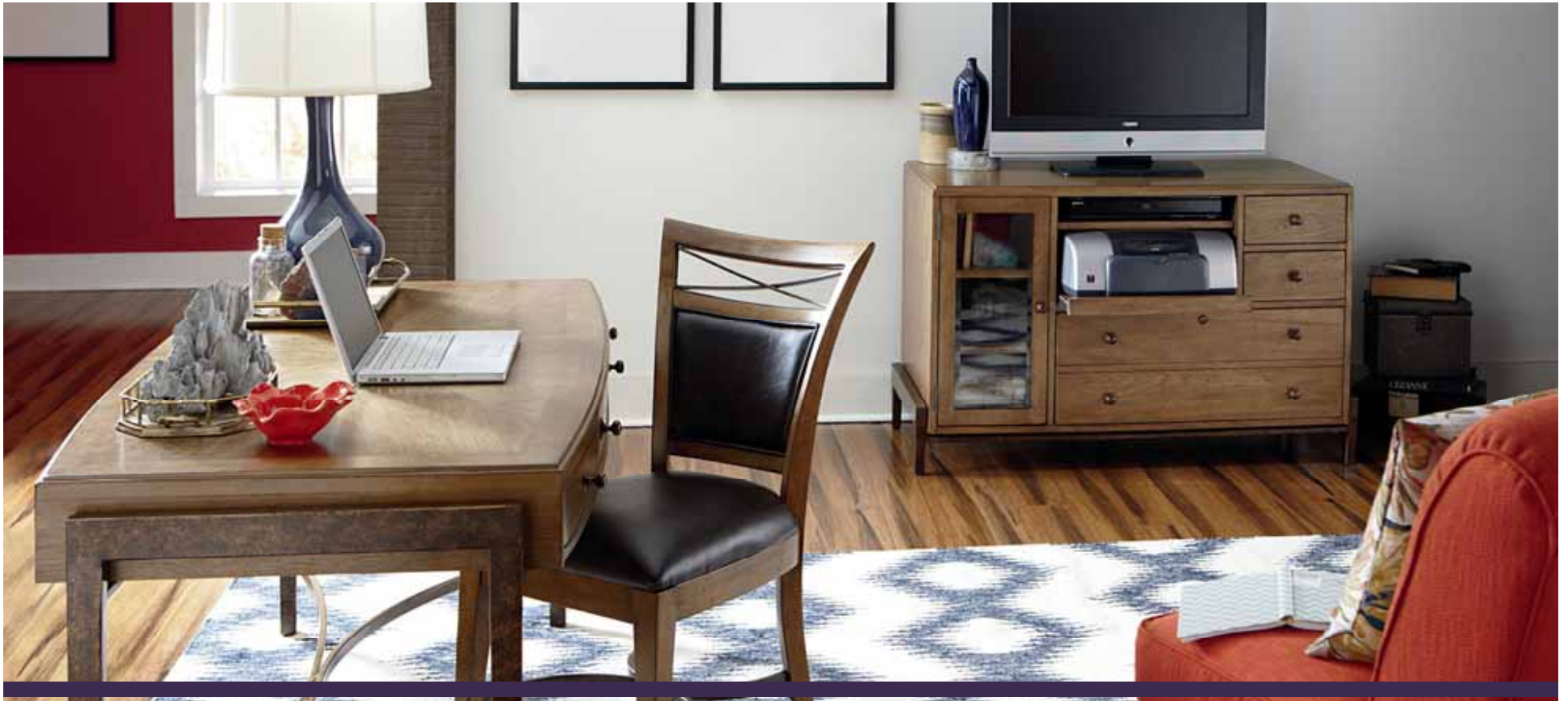


## Final-Mile, White-Glove Delivery

### REGIONAL DISTRIBUTION CENTERS

- Six strategically located RDCs (more than 850,000 square feet) for the La-Z-Boy branded product line that service approximately 175 La-Z-Boy Furniture Galleries® stores (corporate and dealer owned) as well as sales through La-Z-Boy.com for consumers located within the RDCs' delivery radius
- RDC network provides B2B delivery in support of Wayfair and Amazon
- Will deliver approximately 640,000 pieces of furniture and accessories in fiscal 2019
- Quality control from manufacturing to delivery, service and repair
- Relocating Mid-Atlantic RDC; new facility expected to be operational in August 2018, bringing warehouse storage capacity to over 925,000 square feet





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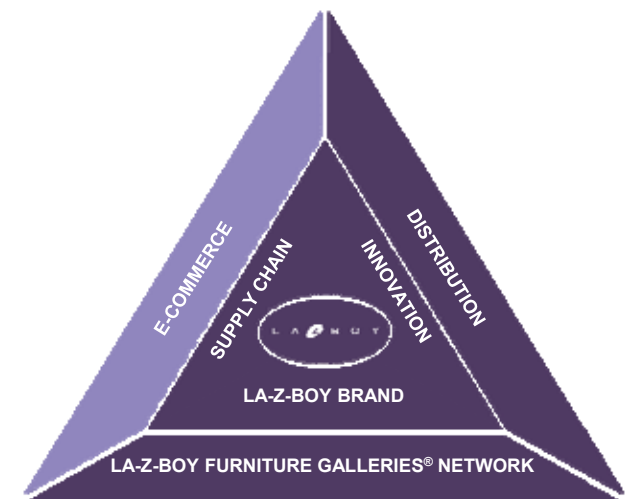
E-COMMERCE



## Go-to-Market Strategy Diversification

### MULTIFACETED E-COMMERCE STRATEGY TO DRIVE GROWTH

- Leverage online shopping trend
- Reach a new consumer
- Increase penetration of millennial and Gen X consumer base
- Provide robust information through La-Z-Boy.com
- Leverage our own global supply chain





## Go-to-Market Modules: Emerging Business

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

LA-Z-BOY BRAND E-COMMERCE PRESENCE	The La-Z-Boy brand builds an e-commerce presence to better capture the internet shopper (regardless of where the purchase is made – online or off-line)	➔	LZB.com Wayfair Amazon
LA-Z-BOY AS E-COMMERCE WHOLESALE SUPPLIER	La-Z-Boy builds upholstered product for fast-growing e-commerce brands, leveraging its domestic supply chain	➔	e-commerce Lifestyle brands
GROW BEYOND LA-Z-BOY BRAND	Partner or invest in brands that can reach younger e-commerce customers who La-Z-Boy cannot reach	➔	More to come ...

## Digital Strategy

Deliver customer-centric, cross-channel and personalized experiences to drive traffic, enable exploration of La-Z-Boy products, drive conversion and provide post-purchase support.

TRAFFIC-GENERATING MARKETING PROGRAMS	COMPELLING CUSTOMER- CENTRIC USER EXPERIENCE	SEAMLESS CROSS-CHANNEL PURCHASE PROCESS
Drive traffic by providing 1:1 customer communications reflecting the preferences, attitudes and behaviors of customers	Ensure that customer expectations are met regardless of how engagement occurs	Deliver holistic experience where preferences, information and orders are shared without friction across channels

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## Digital Experience

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### DIGITAL INFLUENCE

- Research indicates that a compelling digital experience is central to a consumer's purchase journey, driving the importance for better, smarter relationships with brands, allowing the user to actively engage with products and services

### PERSONALIZED COMMUNICATION

- Continues to evolve based on browse behavior and digital "body language," allowing us to more actively engage with the consumer along the purchase journey

### ENGAGING EXPERIENCE

- Delivering content and online experience that is compelling, with a focus on our people, products and craftsmanship, and increases consideration for the brand both in-store and online





## FY18 FOURTH-QUARTER and FULL-YEAR RESULTS



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## Fiscal 2018 Fourth-Quarter Results

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- Consolidated sales were \$420.0 million in the fourth quarter of fiscal 2018, a 1.8% increase over the prior-year fourth quarter
- Consolidated operating income increased 5% to \$45.7 million
- Earnings per diluted share attributable to La-Z-Boy Incorporated were \$0.72 in the fourth quarter of fiscal 2018 versus \$0.57 in the prior-year period
  - Included a \$0.06 per share benefit related to the 2017 Tax Cut and Jobs Act, or “Tax Reform”





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## Fiscal 2018 Full-Year Results

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- Consolidated sales increased 4.2% to \$1.58 billion
- Earnings per diluted share attributable to La-Z-Boy Incorporated were \$1.67 for fiscal 2018 versus \$1.73 in the prior-year
  - The reduction in the current year was primarily due to charges related to the 2017 Tax Cut and Jobs Act, or “Tax Reform”
- Consolidated operating margin declined to 8.2% from 8.8%
  - Gross margin decline primarily the result of inflationary pressures, including raw materials and transportation
  - SG&A as a percent of sales lower primarily due to lower incentive compensation expense, improved absorption of fixed costs on higher sales volume and a reduction in discretionary spending; partially offsetting this was expense for a previously announced legal settlement.



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## Capital Allocation

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- Generated cash from operating activities of \$116 million in fiscal 2018
  - Returned \$79 million to shareholders in fiscal 2018 through share purchases and dividends
  - Invested \$16.5 million to finalize payment on U.K. acquisition and purchase one La-Z-Boy Furniture Galleries® store
  - Capital expenditures of \$36.3 million for the year
- Ended fiscal 2018 with \$134.5 million in cash and cash equivalents, \$34.4 million in investments to enhance returns on cash, and \$2.4 million in restricted cash
- 6.7 million shares available as part of our board-authorized share purchase program; based on cash flows and other capital needs to invest in the business to drive growth, plan to continue to be opportunistic in the market with share purchase activity



## 2017 Tax Cut and Jobs Act

- December 22, 2017, the 2017 Tax Cuts and Jobs Act, or “Tax Reform,” was enacted into law.
- Tax Reform resulted in a blended federal rate of 30.4% for fiscal 2018, as compared with the previous 35%. The federal tax rate will be reduced to 21% in subsequent fiscal years.
- The total effect of the Tax Reform was a charge of \$5.5 million in fiscal 2018, including:
  - \$10 million charge for the re-measurement of certain deferred taxes and related amounts
  - A provisional \$0.2 million of income tax expense for the estimated effects of the transition tax
  - Partly offset by a benefit of \$4.7 million primarily related to the lower blended federal tax rate
  - The change from the third quarter is primarily due to adjustments to the transition tax and fourth quarter earnings at the lower blended federal rate.
- In December of 2017, the Securities and Exchange Commission staff issued guidance which provides that companies that have not completed their accounting for the effects of the Tax Act should include a provisional amount based on their reasonable estimate in their financial statements, with final adjustments not to extend beyond one year of the enactment date. As of April 28, 2018, we have not completed our accounting for all of the tax effects of the Tax Act. However, we made reasonable estimates to record provisional adjustments during fiscal 2018. We may alter our estimates as we continue to finalize calculations and review further guidance that may be issued.





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LOOKING AHEAD



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## Looking Ahead

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





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– March 2018 –