La-Z-Boy Inc. | NYSE.LZB

Toronto Metropolitan University

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Toronto Metropolitan University Chapter

Josh Klomp

Peter Nguyen

Mateo Paz Portugal

Mohammad Aaquib

Kaine Summerfield

INVESTA
INSIGHTS

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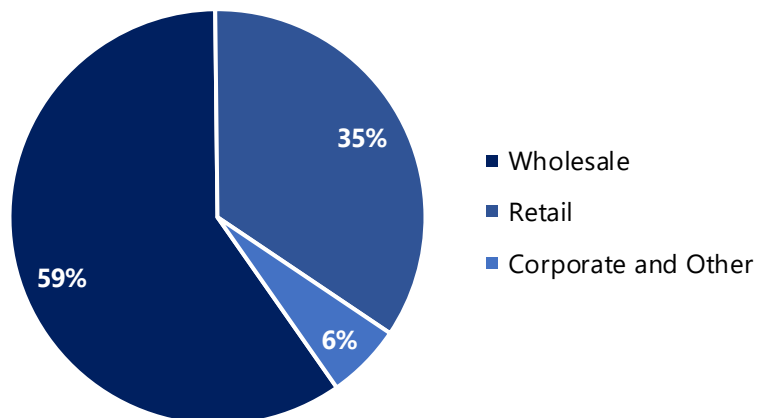# Section I: Company Overview

Company Overview

Business Overview

- **La-Z-Boy, provides furniture products in the U.S. and Canada.**

- 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 US.

- La-Z-Boy operates its business through two main segments the wholesale segment (59% of sales) and the retail segment (35% of sales)

- Currently operates 349 La-Z-Boy Furniture Galleries stores and 522 La-Z-Boy Comfort Studio Stores. 89% of FY2023 revenue from the United States, 6% from Canada
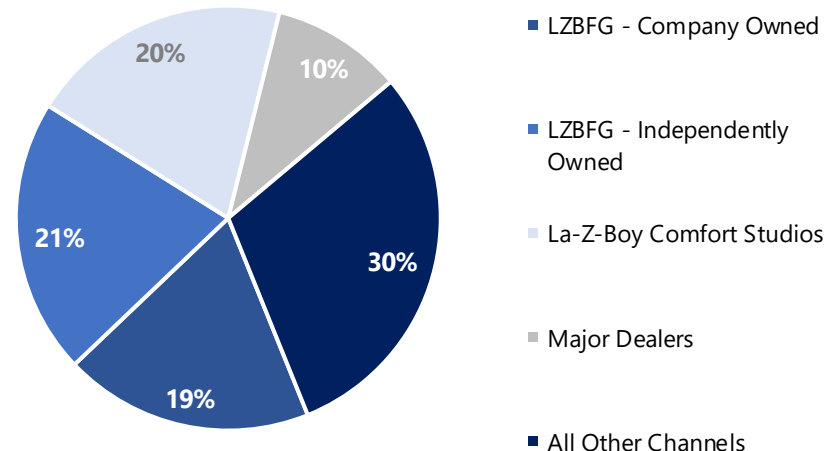
Key Metrics

Fiscal Year End		April 29
Share Price	US$	$37.21
52 Week High/Low	US$	$25.12/$39.87
Market Cap	US$MM	1,586.6
Total Debt/EBITDA	x	1.7x
EV/EBITDA	x	5.9x
Interest Coverage Ratio	x	347.8x
Average Days Payable Out.	days	29
Current Ratio	x	1.9x
Quick Ratio	x	1.1x

FY2023 Revenue | Breakdown By Category

- Wholesale — 59%
- Retail — 35%
- Corporate and Other — 6%

FY2023 Revenue | Wholesale Revenue Mix

- LZBFG - Company Owned — 30%
- LZBFG - Independently Owned — 19%
- La-Z-Boy Comfort Studios — 20%
- Major Dealers — 10%
- All Other Channels — 21%

Company Overview

LA-Z-BOY

Annotated Stock Price Chart

- Acquisiton of Seattle Market Operations
- Vietnam Operations Shutdown
- Earnings Exceeded
- COVID-19 outbreak
- Earnings Exceeded
- Growth in DTC Segment
- Earnings Exceeded

Total Debt / EBITDA

2020	2021	2022	2023	LTM
1.6x	1.5x	1.3x	1.3x	1.7x
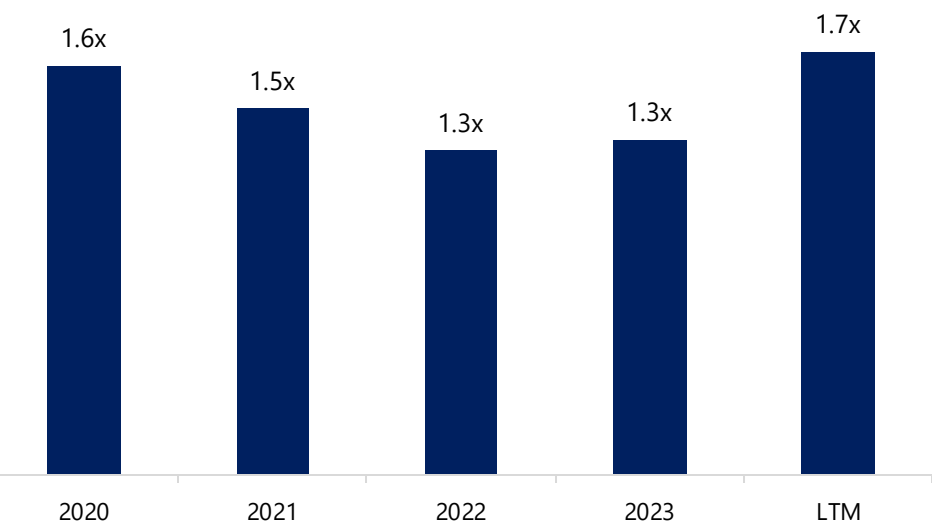
Revenue Increase with Owned Gallery Network (USD $MM)

	2019	2020	2021	2022	2023
La-Z-Boy Owned Gallery Stores	156	154	159	161	171

Legend: La-Z-Boy Owned Gallery Stores — Revenue
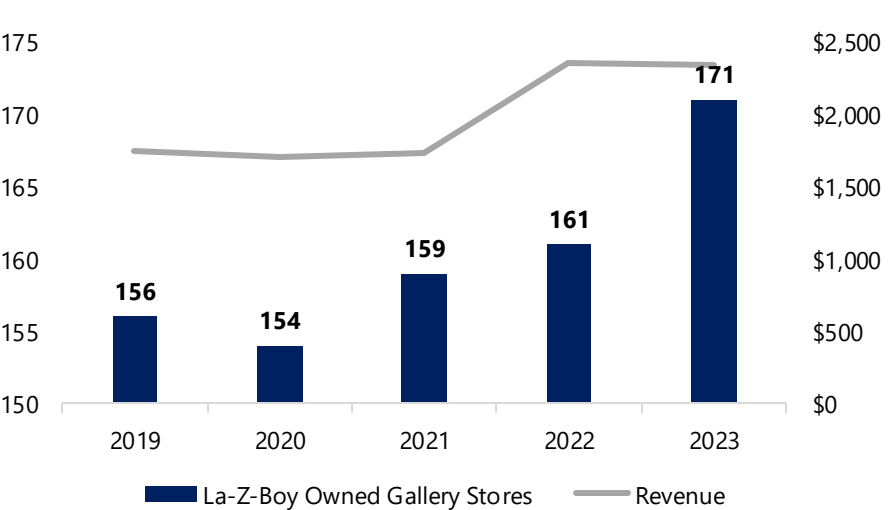
TPG has a large amount of cash, a diverse portfolio which spans the globe, and has developed relationships with suppliers than align with our value plan

- TPG uses different arms of their fund for different uses such as Growth, Asian companies, public offerings, private investing etc.

- Their portfolio consistently is composed of quality, high end brands whether it be technology, consumer discretionary or retail

- Through these acquisitions they have developed relationships with manufacturing and input suppliers who are North American & South American based, which aligns with our proposed value plan

- TPG GP Solutions which focuses on taking North American & European companies private, prefers to buyout companies with a market capitalization above $1 billion and has shown staying power among their competitors

- TPG also is known for overhauling existing business models so that they generate strong cash flow, and either take them public through an IPO through their underwriting arm or selling the company for a profit of 15-25% to another firm
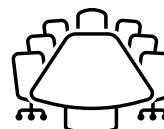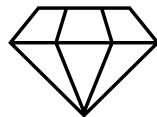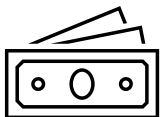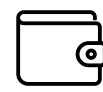
Section II: Industry Overview

Industry Overview

Industry Overview

1 — Home Furnishing is a market for home and residential furniture

2 — Market Structure are divided into segments such as Living Room, Bedroom, Kitchen & Dining, Outdoor, and Home Office Furnitures

3 — Retailers typically differentiate on product price, quality-tiers, materials, customizations, and delivery & installation services

4 — The industry was negatively impacted as consumers cut back on non-essential spending, putting off home improvement projects due to lower disposable income.

Worldwide Furniture Market (USD $B)

5.01% CAGR

Year	Value
2019	$623.31
2020	$634.07
2021	$704.96
2022	$694.32
2023	$729.15
2024	$766.20
2025	$804.23
2026	$844.43
2027	$886.87
2028	$932.20

Key Drivers in The Furniture Markets

- Consumer spending, influenced by income, debt levels, and confidence. Increasing disposable and per-capita incomes and improving living standards boost demand.

- Residential and infrastructure growth, such as the building of community centers, hospitals, and public institutions, also contribute to economic expansion.

- The US housing market anticipates a steady annual growth rate (CAGR 2024-2028) of 4.51%, resulting in a market volume of US$142.90 trillion by 2028

Global Consumer Spending CAGR 2023-2026

Category	CAGR
Transport	5.20%
Healthcare	6.40%
Weighted Average	6.90%
Electricity	7.40%
Housing	7.60%
Food	9.20%

Industry Overview

U.S. Furniture Market (USD$ B)

3.97 % CAGR

Year	Value
2019	$196.70
2020	$211.32
2021	$230.39
2022	$235.21
2023	$243.79
2024	$252.70
2025	$262.53
2026	$273.23
2027	$284.11
2028	$295.42
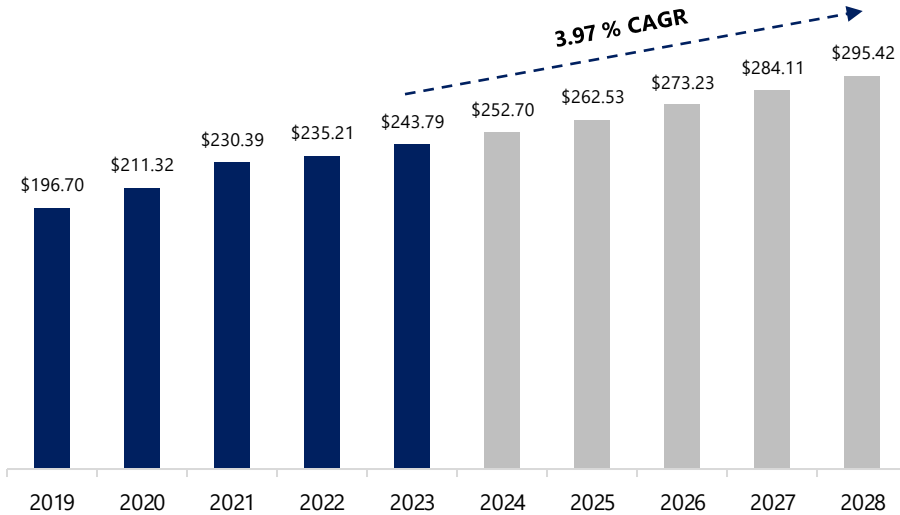
Emerging Trends In the Furniture Industry

With housing prices increasing, the preferences for smaller homes is forcing consumers to be more conservative with their space, which has made multifunctional furniture popular in recent years

Furniture manufacturers are shifting away from plastics and towards responsibly harvested materials that promotes environmental health
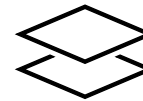
Augmented reality is becoming popular with consumers by visualizing potential new furnishings in advance

Industry Players

ARHAUS

RH

wayfair

ETHAN ALLEN

HAVERTYS
FURNITURE · EST 1885

LA Z BOY

Market Share

- La-Z-Boy — 10%
- RH — 15%
- Wayfair — 60%
- Ethan Allen — 4%
- Havertys — 4%
- Arhaus — 7%
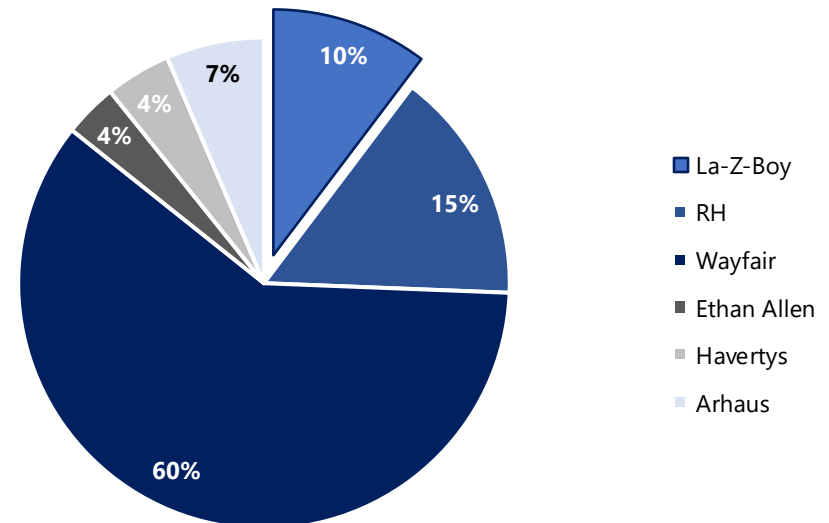
Section III: Investment Thesis

Mexican Cover Suppliers

- La-Z-Boy purchases raw materials for their product offering manufacture from various sources but relies on a limited amount of major suppliers, mostly located in China.
  - If any of these suppliers experience financial difficulties or other difficulties, La-Z-Boy will experience temporary disruptions in their manufacturing process until an alternative source of supply is found.
- Their Cover(primarily fabric rolls and leather hides) is purchased in a raw state and transported to their cut and sew facilities in Mexico, where materials are cut and sewed into cover.
- By sourcing the raw materials for cover from China, they are faced with major deficiencies, such as exposure to geopolitical risks, supply chain disruption, higher lead times, and rising freight costs.
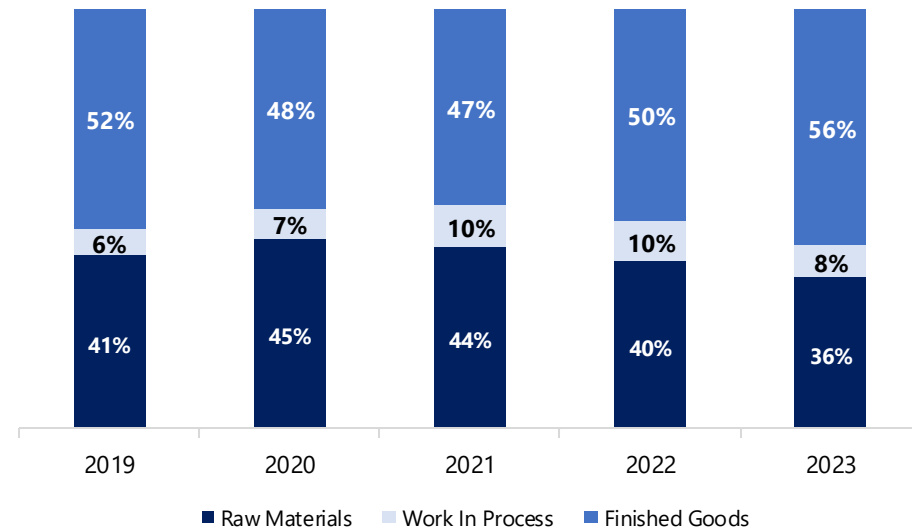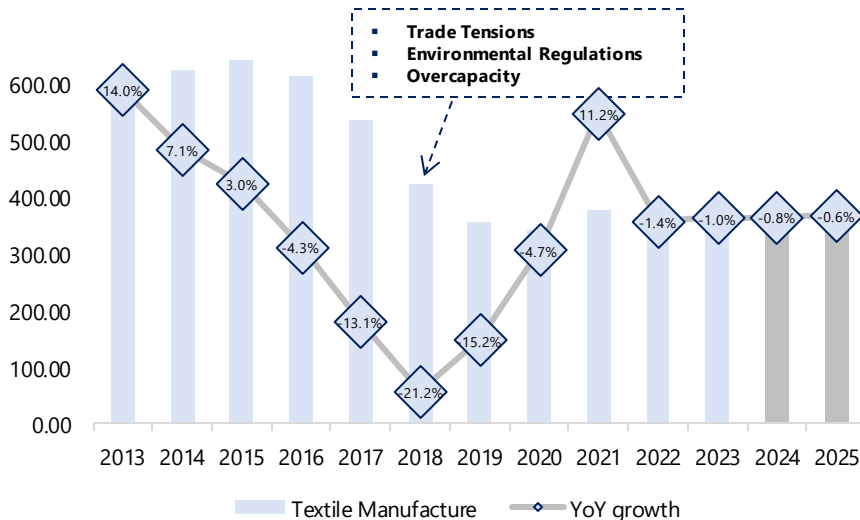- Moreover, their deals are secured through a Hong-Kong based trading company, exposing them to rising political tensions.

Raw Materials as % of FIFO inventories (USD $MM)

	2019	2020	2021	2022	2023
Finished Goods	52%	48%	47%	50%	56%
Work In Process	6%	7%	10%	10%	8%
Raw Materials	41%	45%	44%	40%	36%

■ Raw Materials ■ Work In Process ■ Finished Goods

Industry revenue of "textile manufacture" in China (USD$ B)

- Trade Tensions
- Environmental Regulations
- Overcapacity

YoY growth values: 14.0%, 7.1%, 3.0%, -4.3%, -13.1%, -21.2%, -15.2%, -4.7%, 11.2%, -1.4%, -1.0%, -0.8%, -0.6%

Years: 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025

■ Textile Manufacture ◆ YoY growth

Mexican "Textile products" industry revenue (USD $MM)

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
$118	$147	$179	$184	$183	$204	$216	$161	$176	$207	$256	$264
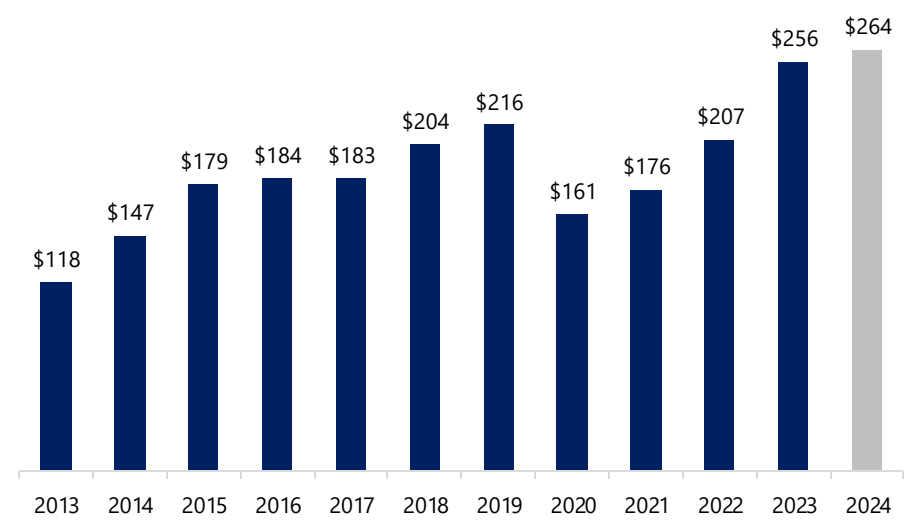
Plan
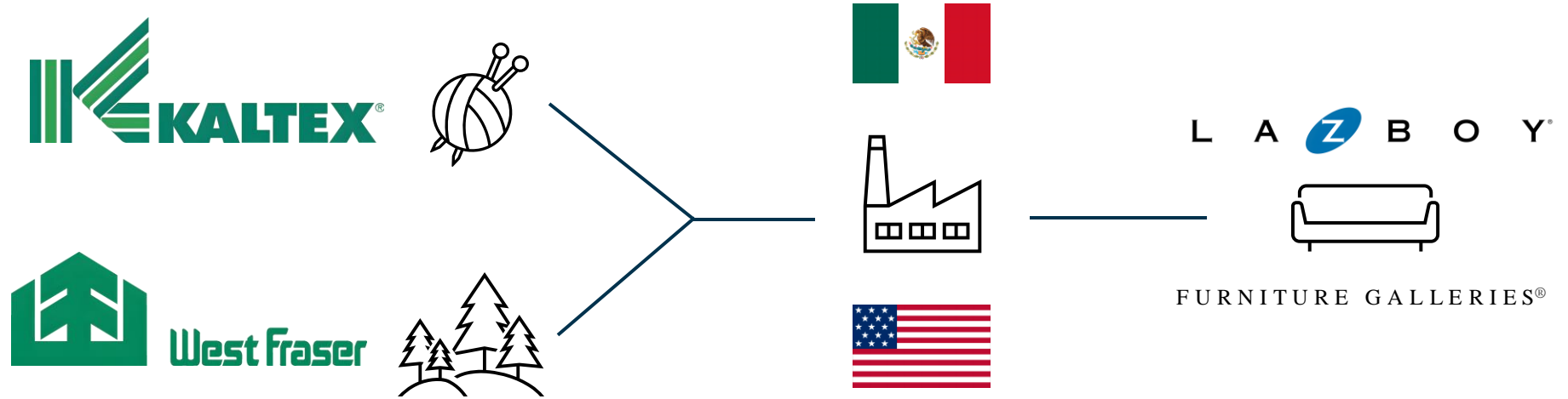
Days Inventory Outstanding(DIO)
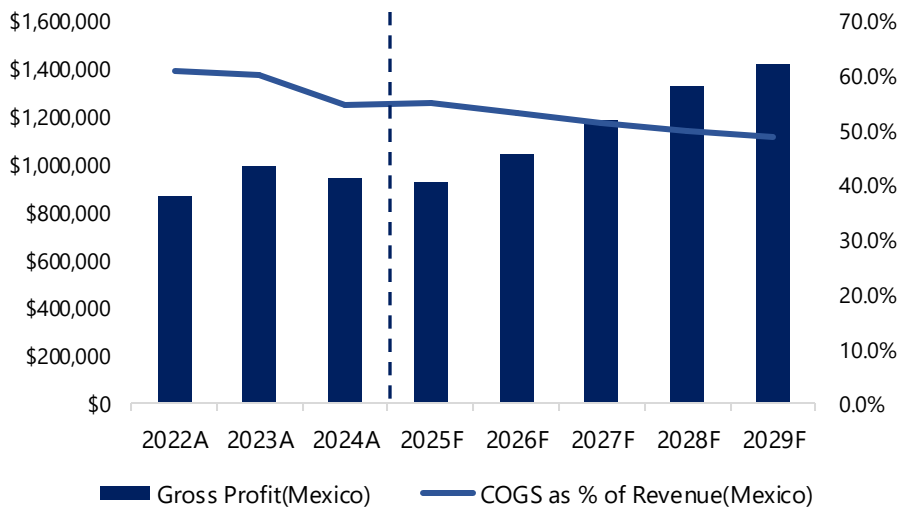
- DIO with Chinese Suppliers
- DIO with Mexican suppliers

Effect on Costs (USD $k)

- Gross Profit(Mexico)
- COGS as % of Revenue(Mexico)

Thesis II: La-Z-Boy Furniture Galleries Acquisition

L A Z B O Y

Wholesale vs Retail

Wholesale	Retail
Buys products in bulk from manufacturer	Buys product in bulk from wholesaler
B2B Business	B2C Business
Requires More Capital & requires a large warehouse for storage	Requires less capital & has relatively small warehousing needs
Sells product at discounts & product range is limited	Sells product at a markup in low quantities with wide product range
No need for promotion but customer base is limited	Requires marketing tactics, but customer base is much wider

La-Z-Boy Furniture Galleries Network Continue to Grow

- Company Owned
- Independent

Year	Company Owned	Independent	Total
2013	94	219	313
2023	171	178	349
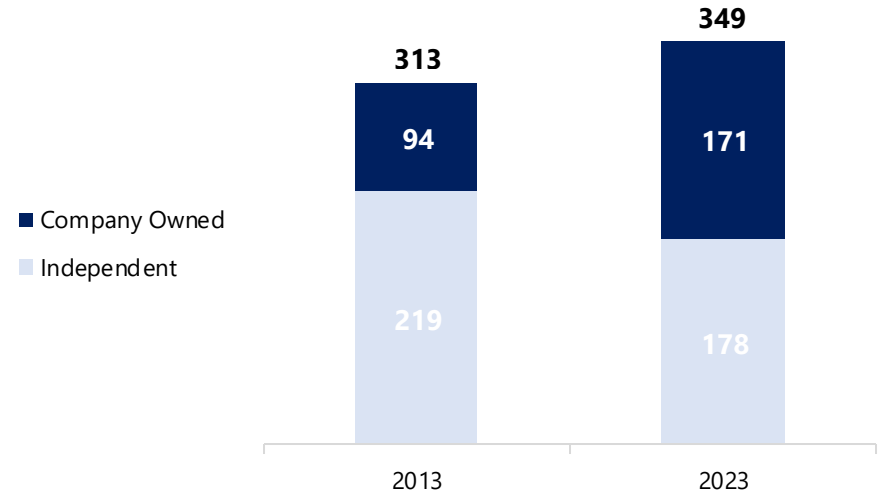
Wholesale Operating Margin Contraction (USD $MM)

Operating Profit —◇— Operating Margin
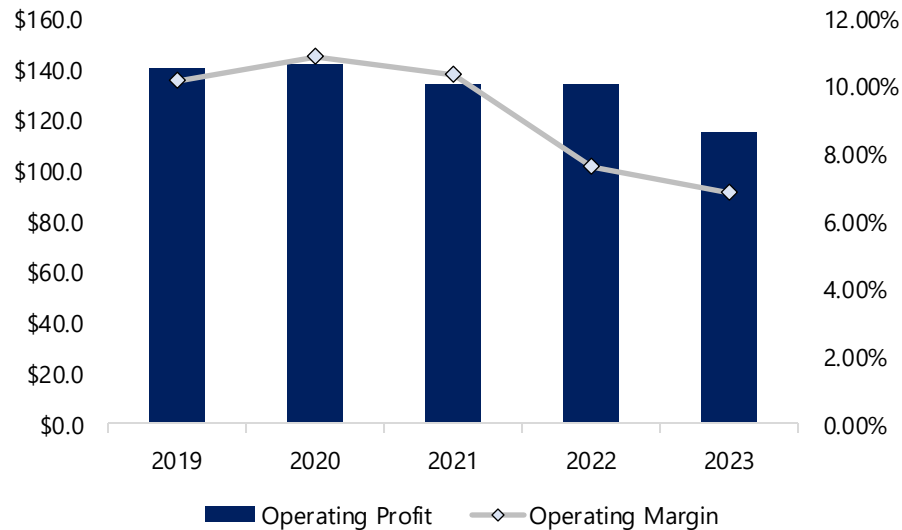
Retail Operating Margin Expansion (USD $MM)
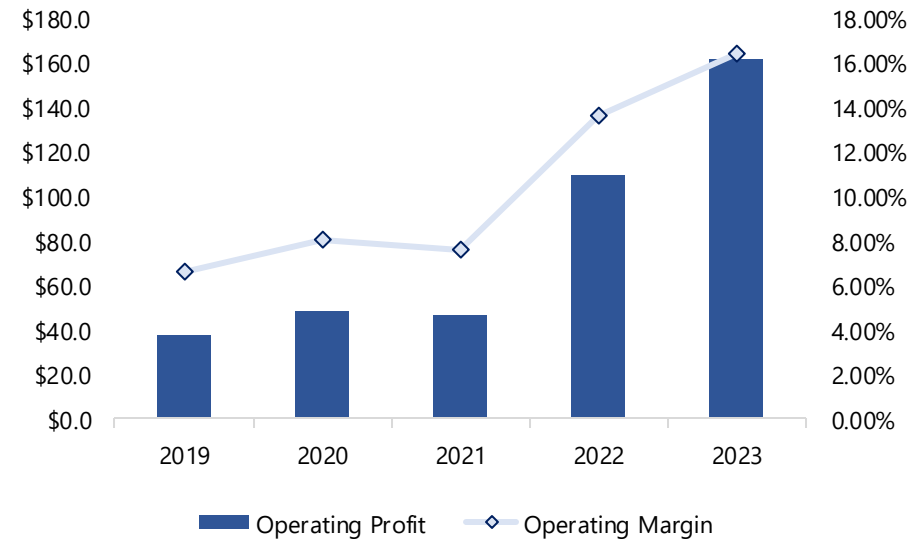
Operating Profit —◇— Operating Margin

Plan

- By expanding the goods sold in the retail segment through the acquisition of independently-owned La-Z-Boy Furniture Galleries stores, La-Z-Boy will benefit from operating margin expansion and greater control over delivery to the end consumer.

- The wholesale business faces increased market pressures from foreign manufacturers entering the United States market and increased direct purchases from foreign suppliers by large United States Retailers.

- With their current Century Vision Strategy, La-Z-Boy is expecting to acquire 5-10 independently owned galleries annually and to build close to 12 galleries per year until 2027.

- Our proposition is a more aggressive expansion on the retail side with up to 15 acquisitions per year and building 6 stores annually.

- Our plan looks to take full advantage of the higher margins offered by the retail segment.

Furniture Galleries Acquisitions
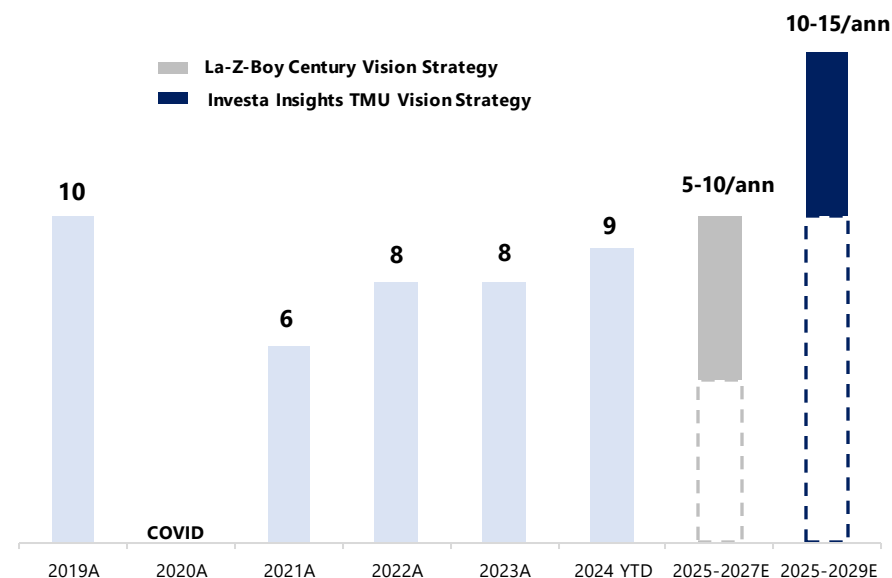
EBITDA (USD $k) Margin Expansion
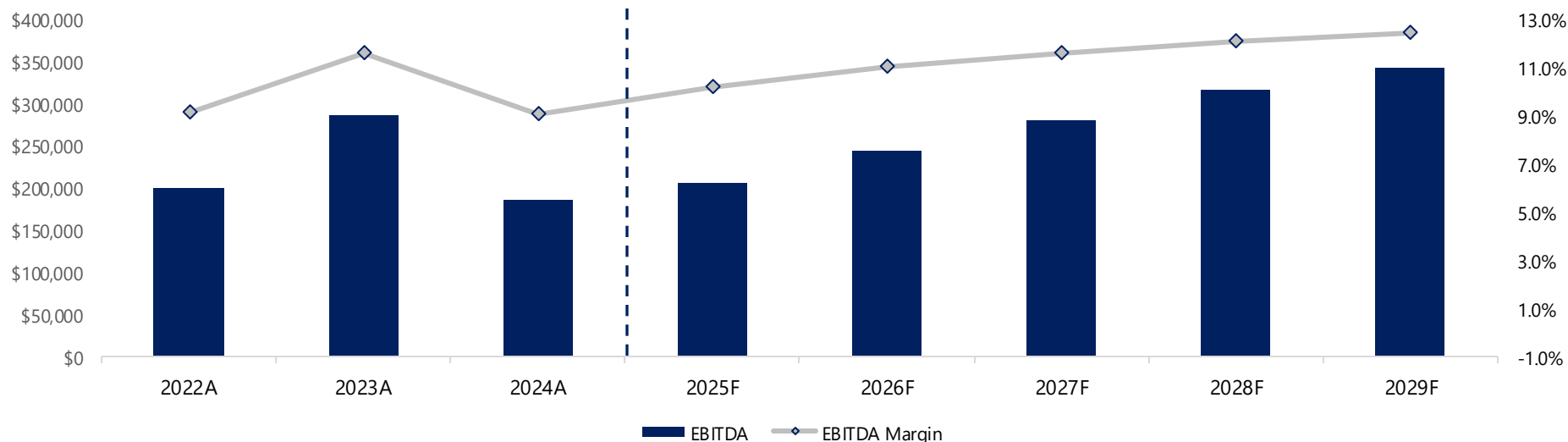
Benefits

Cost Reduction:

AI-driven inventory optimization minimizes holding costs by ensuring businesses stock the right quantity of products.
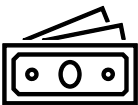
Improved Customer Satisfaction:

Accurate demand forecasting and real-time monitoring reduce instances of out-of-stock, preventing customers from turning to competitors

Efficient Resource Allocation:

AI's ability to automate routine inventory tasks, allows businesses to allocate their human resources more efficiently

Areas where AI is being adopted

Category	Percentage
Quality Control	59%
Inventory Management	44%
Monitoring, diagnostics	32%
Customer Service	29%
Personalization of products	22%
Asset maintenance	22%
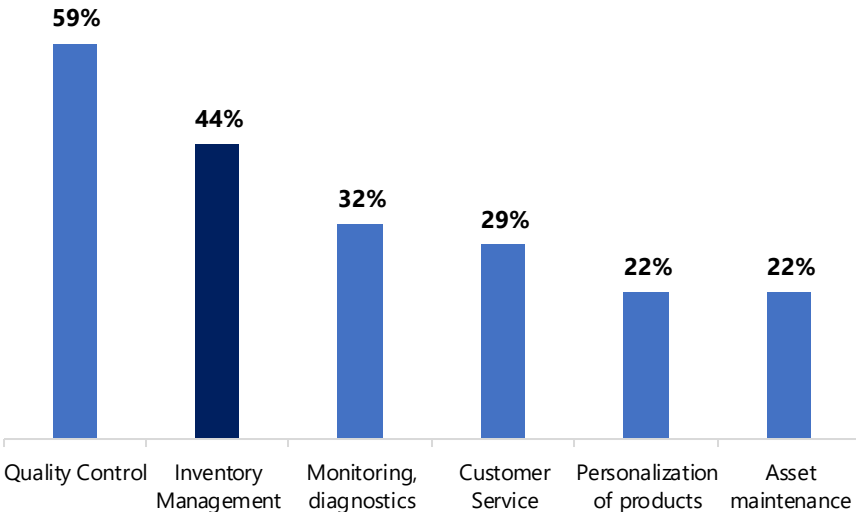
Impact of AI and ML use on retail performance

	Currently using AI/ML	Not currently using AI/ML
Sales growth between 2022 and 2023	13.4%	6.3%
Profit growth between 2022 and 2023	8.2%	4.1%
Sales growth between 2023 and 2024	14.2%	6.9%
Profit growth between 2023 and 2024	8.1%	3.1%

■ Currently using AI/ML ■ Not currently using AI/ML
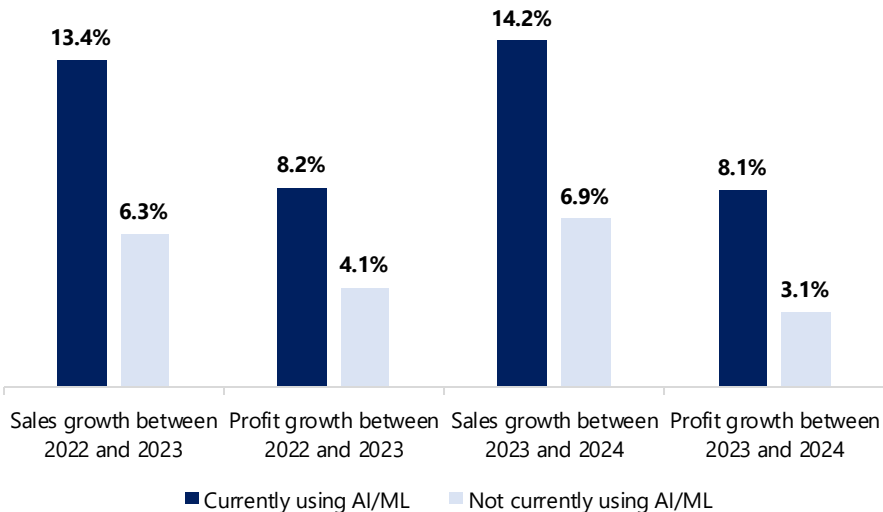
Companies Benefiting from AI for Inventory Management

Walmart Pfizer BOEING IBM Ford

Thesis III: AI Implementation for Inventory Management

C3.ai Inventory Optimization Solutions

- C3.ai applications with regards to value chain support involve C3 AI Inventory optimization, providing clients with cutting-edge operating advantage.

- Inventory optimization service provides:

  - Advanced AI, machine learning, and optimization techniques to allow firms to minimize inventory levels of parts, raw materials, and finished goods.

  - Reduce inventory holding costs, improve cash flow and supply chain visibility.

  - Analyze variations in demand, supplier delivery times, and quality issues, also providing recommendations, real-time notifications, and root analysis.

- Additionally, C3.ai showcases a diversified product portfolio and clientele, proven success in supply chain and inventory management through its AI-powered platform.

Customers
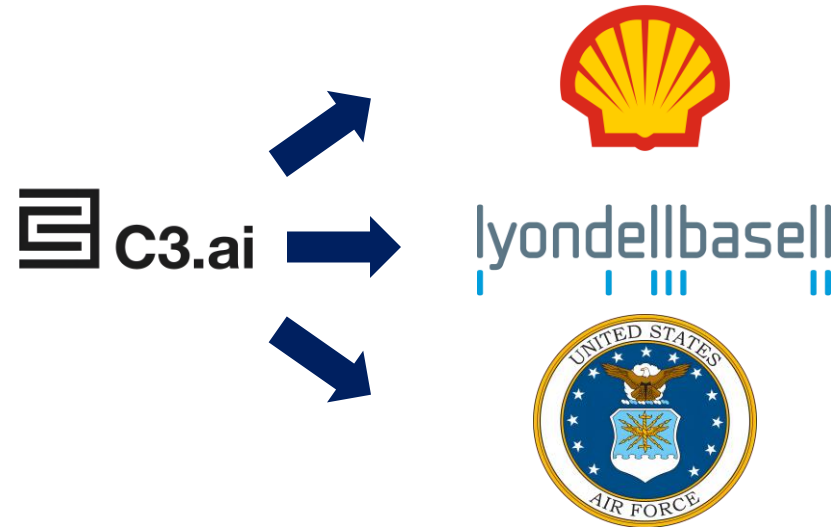
Days Payable Outstanding (DPO)

DPO with China
DPO with Mexico
DPO with Mexico & AI
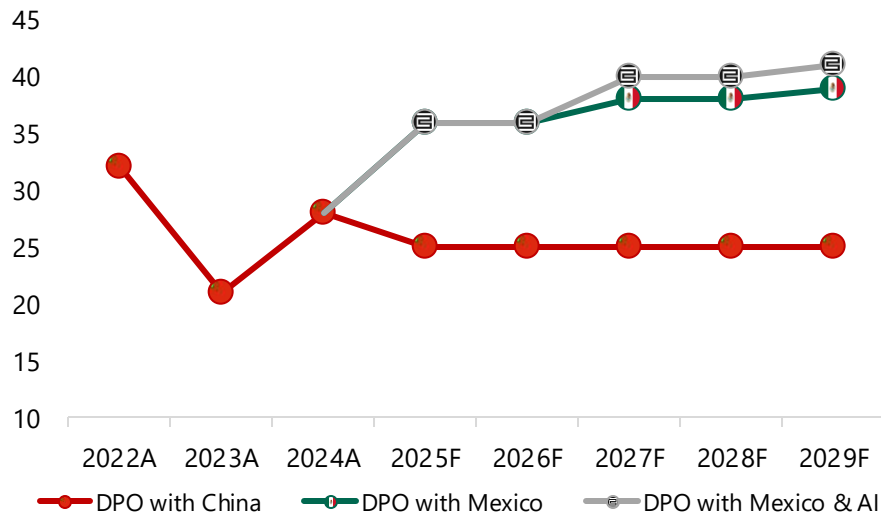
Inventory levels (USD $k) and Inventory Turnover

Inventory
Inventory Turnover
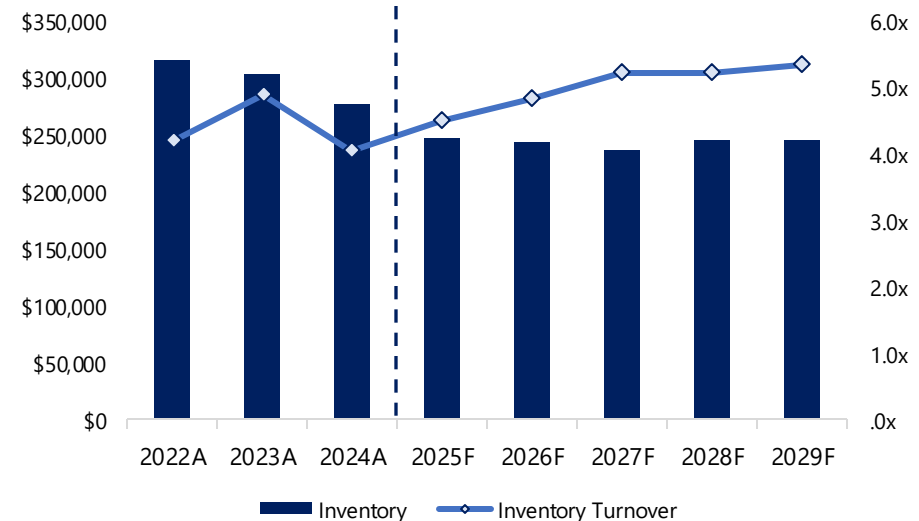
Section IV: Financial Assessment

LA·Z·BOY

Purchase Price (USD $k)

	Market Cap	Premium	Net Debt	Purchase EV
	1,613,491	78,359	162,750	1,854,600

4.9% Premium

Implied Entry Multiple of 10.0x
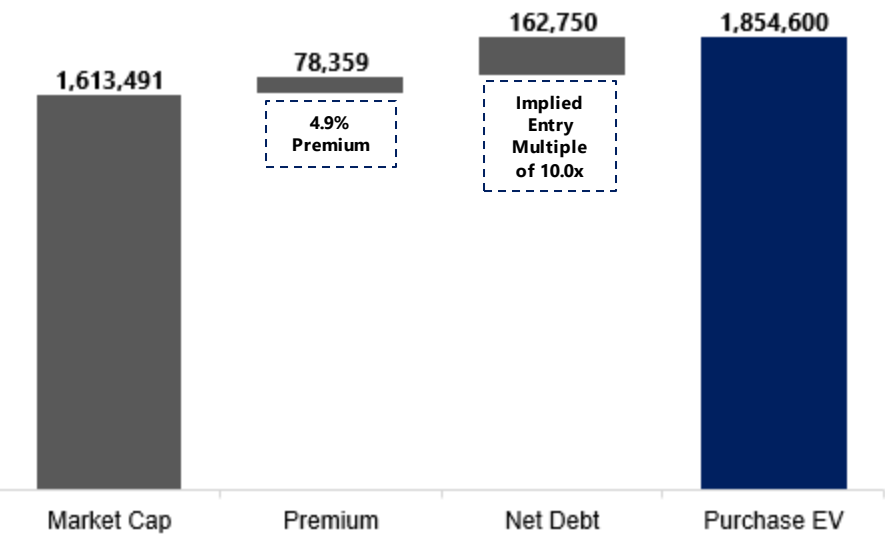
Transaction Assumptions

Implied Entry Multiple of 10x: Based on the 2023 precedent comparable transaction of Jason Furniture Co Ltd.

Entry Debt/EBITDA of 6x of LTM EBITDA of $185M totaling $1.11B. Debt broken up into a senior revolver and a senior term loan amortized over 7 years.

Exit Multiple of 9.5x: Considering expensive cost of capital raising and considering the future expectations of macroeconomic outlook.

0.9% Management Rollover totaling $15.4M

$27M Minimum Cash Balance for flexibility in under economic pressures.

Transaction Capital Structure (USD $k)		
Cash(Target)	302,252	13.7%
Senior Debt	834,570	37.8%
Subordinated Debt	278,190	12.6%
Management Rollover	15,396	0.7%
Sponsor Equity	779,883	35.3%

Sources and Uses (USD $k)

	Equity Offer Value	Refinance debt	Total Fees	Total Uses of Cash	Cash(Target)	Senior Debt	Subordinated Debt	Management...	Sponsor Equity
	1,691,850	495,750	22,691	2,210,291	302,252	834,570	278,190	15,396	779,883

0.9% Equity Rollover

Returns Summary

Legend: ■ Net IRR ■ Gross IRR ◆ Gross Coc ○ Net Coc

Categories: Worst Case, China, Mexico, AI & Mexico/Base Case, Best Case

Case	Net IRR	Gross IRR	Gross Coc	Net Coc
Worst Case	11.5%	15.9%	1.1x	.7x
China	16.0%	20.6%	1.6x	1.1x
Mexico	17.5%	22.2%	1.7x	1.3x
AI & Mexico/Base Case	20.1%	24.9%	2.0x	1.5x
Best Case	23.9%	28.8%	2.6x	2.0x

Sensitivity Analysis

Sponsor Gross IRR (Entry vs Exit Multiple)

		Exit EV / EBITDA				
		8.5x	9.0x	9.5x	10.0x	10.5x
Entry EV / EBITDA	9.0x	27.7%	29.8%	31.7%	33.5%	35.2%
	9.5x	24.1%	26.1%	28.0%	29.8%	31.4%
	10.0x	21.1%	23.0%	**24.9%**	26.6%	28.2%
	10.5x	18.5%	20.4%	22.2%	23.8%	25.4%
	11.0x	16.1%	18.0%	19.7%	21.4%	23.0%

Sponsor Gross Cash-on-Cash (Entry vs Exit Multiple)

		Exit EV / EBITDA				
		8.5x	9.0x	9.5x	10.0x	10.5x
Entry EV / EBITDA	9.0x	2.4x	2.7x	3.0x	3.2x	3.5x
	9.5x	2.0x	2.2x	2.4x	2.7x	2.9x
	10.0x	1.6x	1.8x	**2.0x**	2.3x	2.5x
	10.5x	1.3x	1.5x	1.7x	1.9x	2.1x
	11.0x	1.1x	1.3x	1.5x	1.6x	1.8x

Equity Attributions (USD $MM)

Category	Value
Beginning Equity	795.3
Fees	(22.7)
EBITDA Growth	1,575.0
Multiple Expansion	(171.5)
Net Debt Paydown	240.2
Ending Equity Pre IPO	2,416.2
Pricing Discount	(315.2)
Gross Spread	(73.5)
Deal-Related Fees	(28.4)
Ending Equity	1,999.2
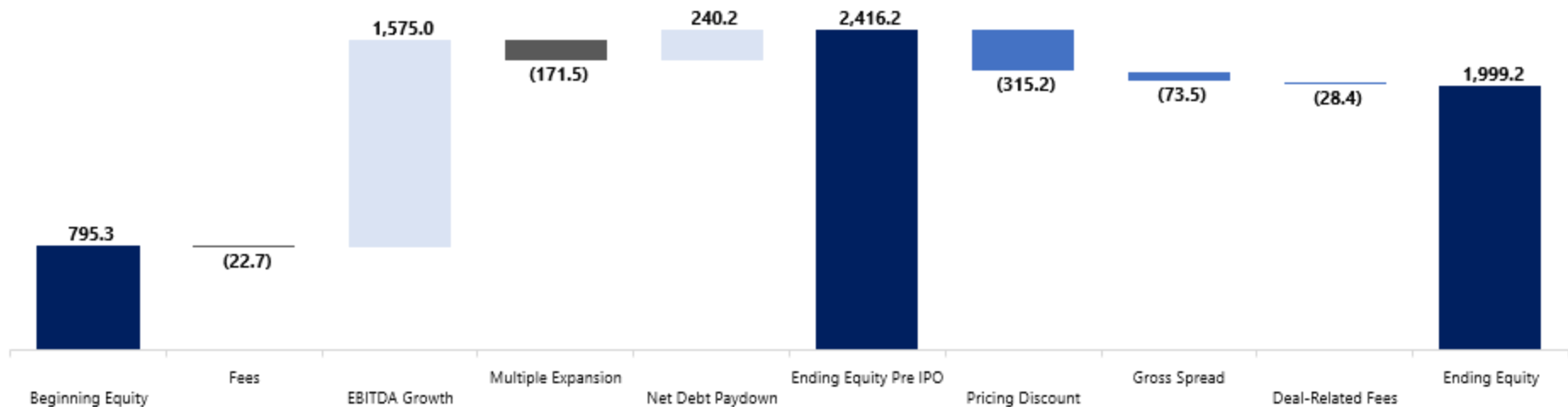
Section V: Risks & Catalysts

Risks & Catalysts

LA-Z-BOY

La-Z-Boy has the Ability to Capitalize on Opportunities Provided Through North America's Supply Chain Before Competitors & Increase Market Share

Risks

Supply Chain Management
Although there will be a switch to the reliance of China to Mexico for a large portion of the companies supply chain, there is always risk of events in Mexico that have a negative impact on the new supply chain management.

Price Competition & Secondary Market
High quality furniture producers can undercut prices due to multiple variables. Secondary marketplaces like Facebook Marketplace and Kijiji also offer cheaper alternatives for customers seeking high quality furniture at a discount.

Cybersecurity & Inventory Management
Actions of bad actors could affect the AI software being used by C3 and slow down if not stop inventory management affecting La-Z-Boy negatively.

Catalysts

Mexican Inputs & Manufacturing
The diversification from Chinese imports for upholstery and lumber coupled with the low-cost labour in Mexico's manufacturing industry will help lower COGS, while expanding margins giving the company more cash to reinvest into the business.

Lower Rates & Housing Starts Increases
Once interest rates are lowered the cost of borrowing will decrease and housing starts will increase. This will spark demand for new furniture.

Retail Focus
La-Z-Boy has set out to focus more on the retail side of the business the segments revenues are constantly growing when compared to the rest of the business. The pivot away from La-Z-Boy Galleries and wholesale segment will allocate more inventory and profits to the retail side of the business.

Mitigations

Domestic Spot Contracts
There is the opportunity to use spot contracts with domestic suppliers in the U.S like Denver Fabrics & MFI International. West Fraser also has hubs

Margin Expansion
Cost recoveries and margin expansion due to La-Z-Boys new business model creates opportunities for the company to price products at the same level or lower to stay competitive with these other large brands.

Multiple Parties Resources
Large MNC's also use C3's AI software to mange inventory, so if something were to slow down their inventory management there are other resources available C3 can tap into outside of La-Z-Boy to fix any issues with haste.

Impact

Probability

Business Overview

- **La-Z-Boy, provides furniture products in the U.S. and Canada.**

- Leading global producer of reclining chairs and the second largest manufacturer/distributor of residential furniture in the United States.

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- Currently operates 349 La-Z-Boy Furniture Galleries stores and 522 La-Z-Boy Comfort Studio Stores. 89% of FY2023 revenue from the United States, 6% from Canada and

Transaction Summary

Waterfall chart (values in $):
- Beginning Equity: 795
- Fees: (23)
- EBITDA Growth: 1,575
- Multiple Expansion: (171)
- Net Debt Paydown: 240
- Ending Equity: 2,416
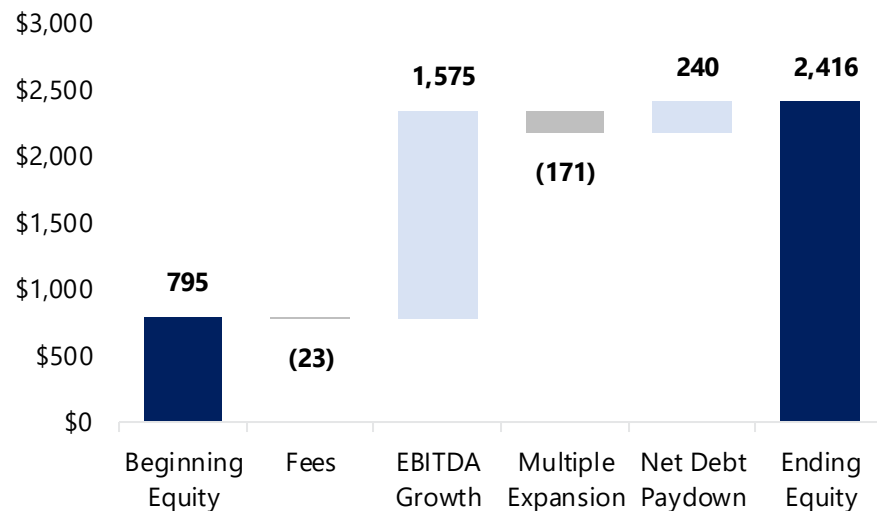
Investment Thesis
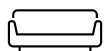
Thesis I: Viva Mexico

Thesis II: La-Z-Boy Furniture Galleries Acquisition

Thesis III: AI Implementation for Inventory Management

Returns Summary

	Worst Case	China	Mexico	AI & Mexico/Base Case	Best Case
Net IRR	11.5%	16.0%	17.5%	20.1%	23.9%
Gross IRR	15.9%	20.6%	22.2%	24.9%	28.8%
Gross Coc	1.1x	1.6x	1.7x	2.0x	2.6x
Net Coc	.7x	1.1x	1.3x	1.5x	2.0x

Legend: ■ Net IRR ■ Gross IRR ◆ Gross Coc ○ Net Coc
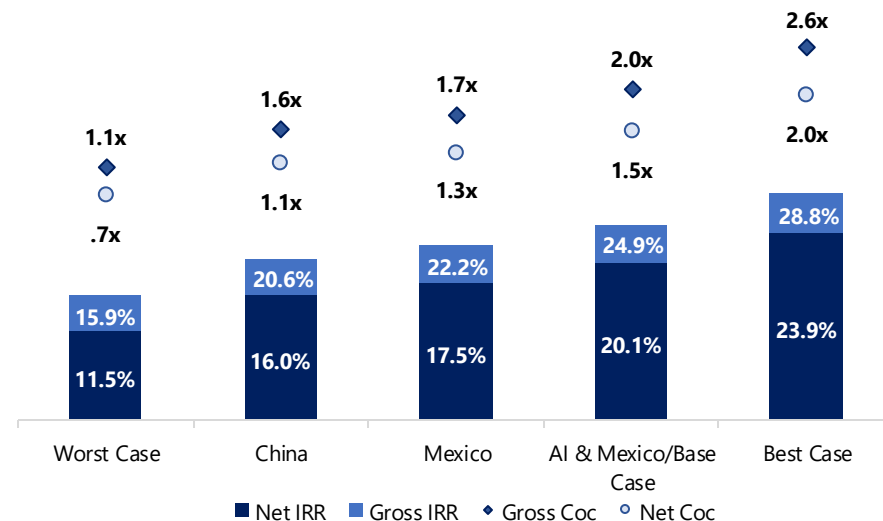
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Appendix

Appendix

Management
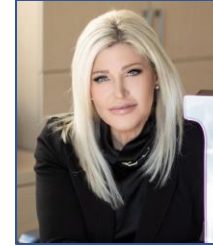
	Melinda Whittington	**Rob Sundy**	**Rebecca Reeder**	**Tj Linz**
Role	President & Chief Executive Officer	Brand President & Chief Commercial Officer	President of Retail La-Z-Boy Furniture Galleries	President of Portfolio Brands
Years at La-Z-Boy	6 Years	4 Years	1 Year	9 Years
Previous Experience	CFO at Allscripts & Corporate Controller at Kraft Foods Group	Head of Brand Marketing at Whirlpool Corporation & Marketing Manager at General Mills	Senior Vice President of Retail at Chico's FAS & Vice President of Retail at PacSun	President of La-Z-Boy Retail Division & Director of Operations and Strategy at La-Z-Boy
Other Notable Positions	Board Member at Best Buy & CFO at Proctor & Gamble	Board Member at Boys & Girls Club	Merchandising/Marketing Roles at Bebe, Express, American Eagle & more	Senior Consultant & Manager at Deloitte
Years of Professional Experience	25+ Years	20+ Years	22+ Years	20+ Years

L A Z B O Y
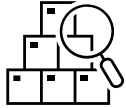
20 – 50% Reduction in Inventory Levels & Holding Costs

15 – 30% Reduction in Shipping Costs

10 – 20% Improvement in Service Levels & OTIF Performance
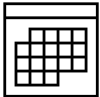
8 – 12 Weeks Proven Results

Model Drive Architecture

AI/ML Model Development

C3 AI Integrated Development Studio

Op & Security Services

Data Integration
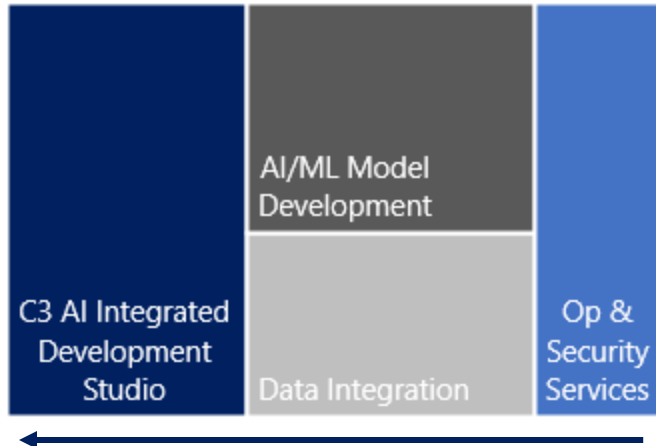
Pain Points & Solutions

Inability to View Global Supply Chain in Real Time
- Full supply chain digital twin exposes all types of inventory in real-time.

Excess Raw Materials & Parts Inventory
- AI-based optimization recommends reorder parameter changes

Demand Forecasts Not Granular Enough
- AI-based optimization recommends reorder parameter changes

Cannot View Part-Level Impacts or Explore BOM
- Bill of Materials (BOM) exploration with part-specific service level details expose inefficiencies.

Poor OTIF Delivery Performance
- AI-based lead time predictions and configurable alerts for projected late orders and supplier deliveries to meet OTIF targets.

Disparate & Unconnected Supply Chain Systems
Bidirectional integration with existing ERP & MRP systems support closed-loop action and feedback

Faux Leather (USD/yd)

Legend: China, Grupo Kaltex, Denver Fabrics

Fabric (USD/yd)

Legend: China, Grupo Kaltex, Denver Fabrics

Leather (USD/yd)

Legend: China, Grupo Kaltex, Denver Fabrics

Lumber (USD/1000 Board ft)

Categories: Hardwood, Softwood
Legend: China, C. Miravil, West Fraser
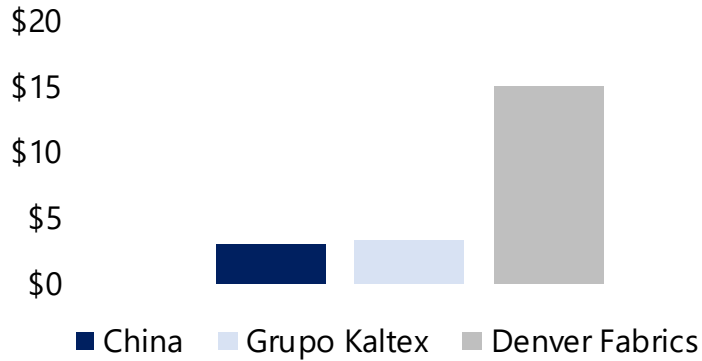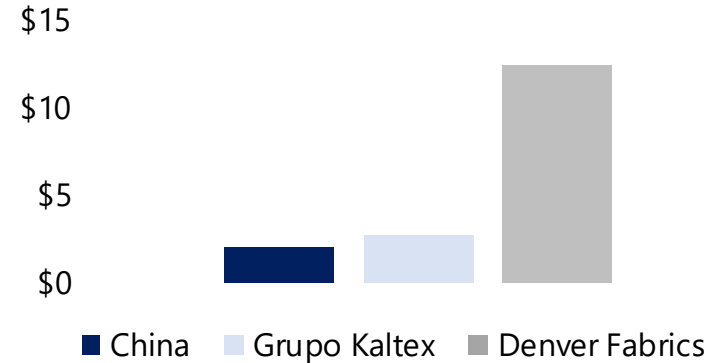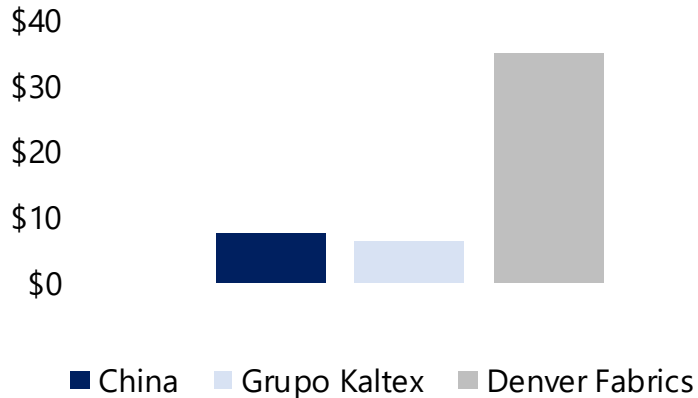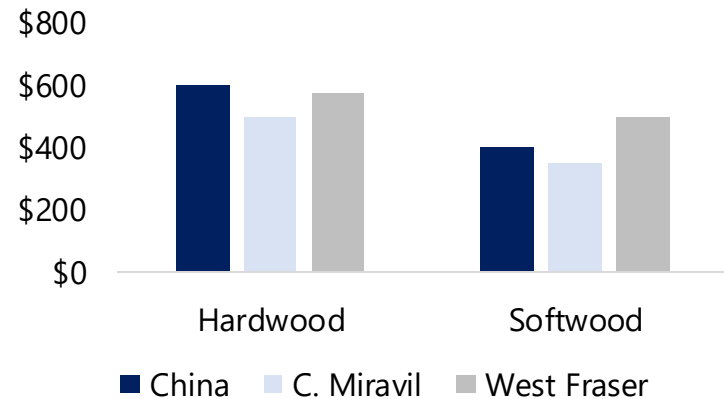
*Leather is Average of Multiple Hide Costs

*Before Any Large Order Discounts Negotiated

*Fabric is Average of Multiple Textile Input Costs

Source(s): World Bank, West Fraser Product Services, Grupo Kaltex Products & Service Pricing Chart, Trading Economics, Statisa

La-Z-Boy(NYSE:LZB)   INVESTA   27

Labour Costs (USD/hr)

Legend: ■ China ■ Mexico ■ U.S
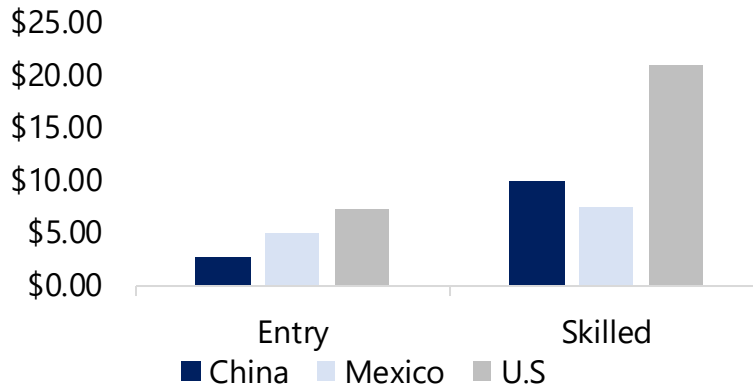
Freight Costs (USD/40ft Container)

Legend: ■ N.America ■ China
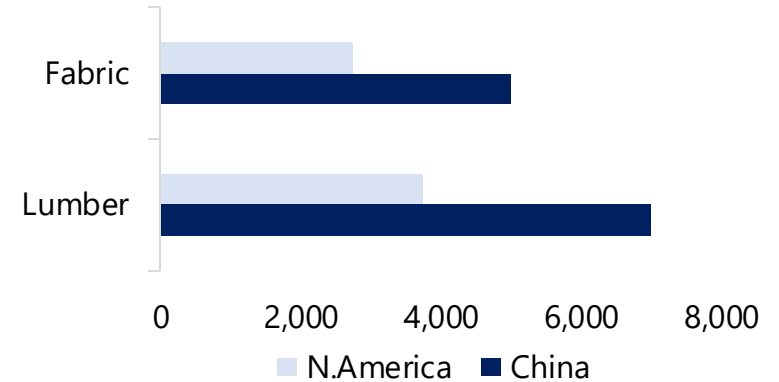
Wholesale to Retail Investa Insights TMU Plan

Year	Wholesale	Retail
2024	178	171
2025	168	187
2026	156	205
2027	144	223
2028	130	243
2029	115	264

Legend: ■ Wholesale ■ New Galleries ■ Retail

L A Z B O Y
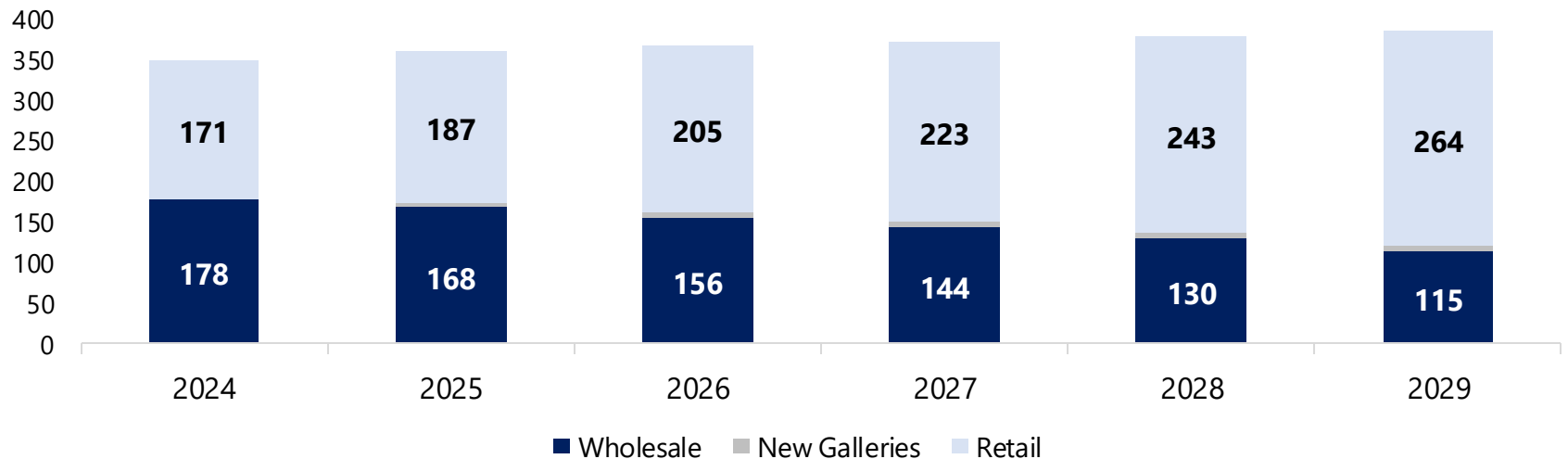
Capital Allocation (Over Last 5yrs)

- Dividends
- Share Repurchases
- Acquisitions
- Capital Expenditures

27%

16%

21%

36%
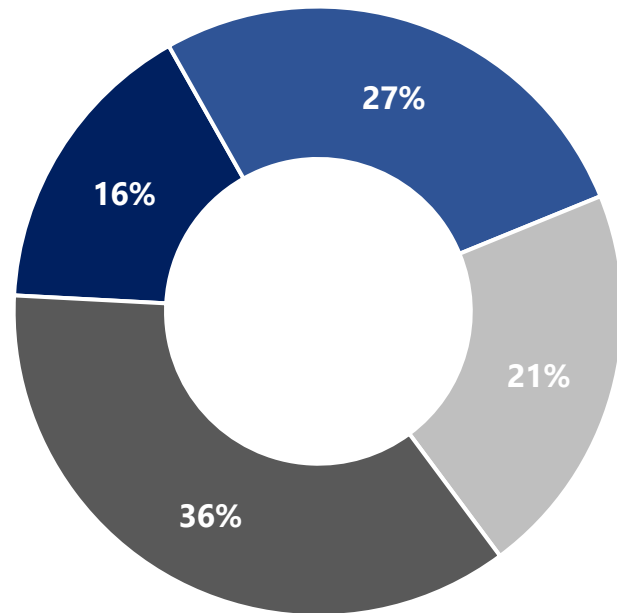
- $123M of Dividends
- $206M of share repurchases
- Acquired 32 stores & Joybird
- CapEx for Manufacturing distribution, IT Infrastructure, new stores, and remodels

LZB Revenue Growth Compared to Industry (2017-2023 CAGR)

Industry

LZB

0%   2%   4%   6%   8%   10%
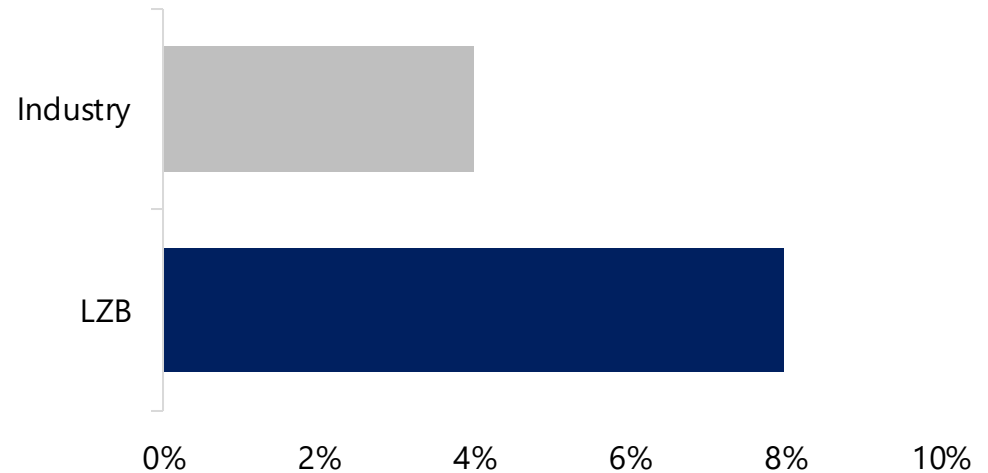
La-Z-Boy Galleries Growth Century Vision Plan

500
400
300
200
100
0

2013	2023	2027E
219	178	150
94	171	250

■ Owned ■ Independent

Appendix

Company Comparable Analysis
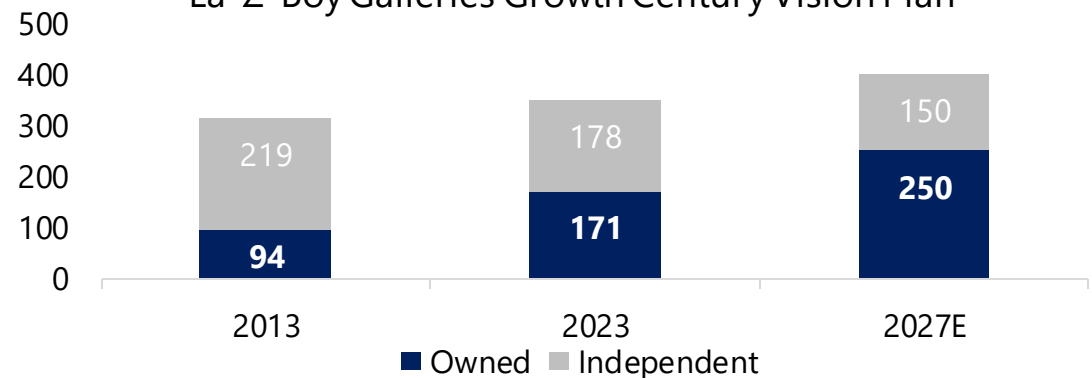
Company Name	Share Price ($USD)	Enterprise Value ($mm)	EV/EBIDTA LTM	EV/EBIDTA NTM	EV/FCF
ARHAUS	$14.90	2,090.3	6.27x	11.21x	23.13x
RH	$276.96	5,046	12.58x	13.21x	25.11x
Wayfair	$61.54	7,407	NM	19.05x	26.40x
Ethan Allen	$33.07	840	4.71x	6.95x	13.83x
Haverty's Furniture	$33.54	637.9	4.34x	6..62x	40.84x

La-Z-Boy	$36.53	1,715	5.80x	8.87x	9.60x

Mean	$46.65	2038.7	6.23x	10.24x	20.89x
Median	$35.06	1,902.7	5.8x	10.04x	24.12x

Income Statement – Mexico + AI

All figures in USD thousands unless stated Model Running: Base Case Drivers	2022A	2023A	2024A	2025F	2026F	2027F	2028F	2029F
Revenue	2,191,715	2,472,712	2,054,779	2,024,960	2,209,021	2,420,090	2,624,439	2,763,973
COGS	1,324,883	1,485,390	1,115,188	1,107,123	1,171,797	1,225,349	1,275,566	1,311,021
Gross Profit	**866,832**	**987,322**	**939,591**	**917,837**	**1,037,224**	**1,194,741**	**1,348,874**	**1,452,952**
(% margin)]	*39.6%*	*39.9%*	*45.7%*	*45.3%*	*47.0%*	*49.4%*	*51.4%*	*52.6%*
SG&A	695,616	733,197	789,360	750,622	834,314	956,573	1,076,593	1,155,870
R&D	7,600	9,000	9,100	7,787	8,936	9,790	11,142	11,734
(% of Revenue)	*0.3%*	*0.4%*	*0.4%*	*0.4%*	*0.4%*	*0.4%*	*0.4%*	*0.4%*
EBIT	**163,616**	**245,125**	**141,131**	**159,428**	**193,973**	**228,378**	**261,138**	**285,348**
(% margin)]	*7.5%*	*9.9%*	*6.9%*	*7.9%*	*8.8%*	*9.4%*	*10.0%*	*10.3%*
Depreciation	35,547	41,982	44,329	46,427	49,297	52,025	54,796	57,609
EBITDA	**199,163**	**287,107**	**185,460**	**205,855**	**243,270**	**280,402**	**315,934**	**342,957**
(% margin)]	*9.1%*	*11.6%*	*9.0%*	*10.2%*	*11.0%*	*11.6%*	*12.0%*	*12.4%*
Cash Net Interest Expense	1,488	2,580	2,448	108,262	103,091	100,824	98,136	94,608
PIK Interest Expense	–	–	–	20,778	22,330	23,997	25,790	27,716
Total Interest Expense	1,488	2,580	2,448	129,039	125,421	124,821	123,925	122,323
EBT	**162,128**	**242,545**	**138,683**	**30,389**	**68,553**	**103,556**	**137,213**	**163,025**
Current Tax	–	–	–	17,740	26,991	35,710	44,245	50,851
Total Tax	46,543	62,550	38,711	17,740	26,991	35,710	44,245	50,851
Net Income	**115,585**	**179,995**	**99,972**	**12,648**	**41,561**	**67,846**	**92,968**	**112,174**
	5.3%	*7.3%*	*4.9%*	*0.6%*	*1.9%*	*2.8%*	*3.5%*	*4.1%*

Appendix

L A *Z* B O Y

All figures in USD thousands unless stated
Model Running: Base Case Drivers

	2025F	2026F	2027F	2028F	2029F
CASH FROM OPERATIONS					
Net Income	12,648	41,561	67,846	92,968	112,174
Plus: Depreciation & Amortization	46,427	49,297	52,025	54,796	57,609
Plus: PIK Interest	20,778	22,330	23,997	25,790	27,716
Less: Change in Net Working Capital	54,147	3,292	12,646	(15,895)	176
Subtotal	134,000	116,479	156,515	157,659	197,674
CASH FROM INVESTING					
Investments in Property Plant & Equipment	(53,200)	(48,200)	(48,200)	(49,700)	(49,700)
Proceeds from Disposal of Assets	–	1,200	1,200	1,200	1,200
Divestitures	4,000	–	–	–	–
Cash Acquisitions	(25,000)	(30,000)	(30,000)	(35,000)	(37,500)
Subtotal	(74,200)	(77,000)	(77,000)	(83,500)	(86,000)
CASH FROM FINANCING					
Revolving Credit Line Issuance / (Repayment)	10,144	30,466	(9,570)	(4,214)	(26,827)
Term Loan A Issuance / (Repayment)	(66,236)	(66,236)	(66,236)	(66,236)	(81,138)
Term Loan B Issuance / (Repayment)	(3,709)	(3,709)	(3,709)	(3,709)	(3,709)
Subordinated Debt Issuance / (Repayment)	–	–	–	–	–
Equity Issuance / (Repurchase)	–	–	–	–	–
Payment of Dividends	–	–	–	–	–
Subtotal	(59,800)	(39,479)	(79,515)	(74,159)	(111,674)
CASH BALANCE					
Beginning	26,893	26,893	26,893	26,893	26,893
Change in Cash	–	–	–	–	–
Ending	**26,893**	**26,893**	**26,893**	**26,893**	**26,893**

Working Capital – Mexico + AI

All figures in USD thousands unless stated		2022A	2023A	2024A	2025F	2026F	2027F	2028F	2029F
Model Running: Base Case Drivers									
Days in Period		365	365	365	365	365	365	365	365
Revenue		2,191,715	2,472,712	2,054,779	2,024,960	2,209,021	2,420,090	2,624,439	2,763,973
COGS		1,324,883	1,485,390	1,115,188	1,107,123	1,171,797	1,225,349	1,275,566	1,311,021
AMOUNTS PER DAY	(Investement thesis 1, 2, 3 - Improving inventory management decreasing DIO and increasing DPO)								
Accounts Receivable	*(Days)*	52	29	29	29	28	27	27	27
Inventory - Raw Materials(China)	*(Days)*				42.9	42.9	44.9	44.9	44.9
Inventory - Raw Materials(Mexico)	*(Days)*				39.8	37.8	37.8	37.8	36.8
Inventory - Raw Materials(AI & Mex)	*(Days)*				39.8	36.8	31.8	31.8	30.8
Inventory - Raw Materials(AI & Mex)					39.79	36.79	31.83	31.83	30.83
Inventory - Work in Process	*(Days)*				6	6	6	6	6
Inventory - Finished Goods(China)	*(Days)*				51	51	53	53	53
Inventory - Finished Goods(Mexico)	*(Days)*				47	44	45	45	44
Inventory - Finished Goods(AI & Mex)	*(Days)*				47	44	43	43	42
Inventory - Finished Goods(AI & Mex)					47	44	43	43	42
LIFO Reserve		13.7%	15.9%	14.2%	13.2%	13.2%	13.2%	13.2%	13.2%
Inventory	*(Days)*	87	75	91	81	76	70	70	68
Accounts Payable(China)	*(Days)*				25	25	25	25	25
Accounts Payable(Mexico)	*(Days)*				36	37	38	38	39
Accounts Payable(AI & Mex)	*(Days)*				36	37	40	41	43
Accounts Payable	*(Days)*	32	21	28	36	37	40	41	43
TOTAL AMOUNTS									
Accounts Receivable		314,716	198,579	162,642	161,451	170,074	179,694	194,868	205,228
Inventory - Raw Materials		*175,372*	*137,042*	*138,143*	120,687	118,106	106,860	111,239	110,739
Inventory - Work in Process		*40,243*	*25,119*	*19,796*	19,188	20,308	21,237	22,107	22,721
Inventory - Finished Goods		*150,186*	*198,680*	*164,806*	143,980	142,760	143,420	149,298	149,856
LIFO Reserve		*(50,200)*	*(57,300)*	*(45,900)*	(37,602)	(37,247)	(35,967)	(37,441)	(37,530)
Inventory		315,595	303,553	276,833	246,253	243,927	235,549	245,202	245,786
Accounts Payable		117,239	86,882	86,819	109,196	118,785	132,672	141,604	152,724
NET WORKING CAPITAL									
Current Assets		630,311	502,132	439,475	407,704	414,002	415,243	440,070	451,014
Current Liabilities		117,239	86,882	86,819	109,196	118,785	132,672	141,604	152,724
Net Working Capital		513,072	415,250	352,656	298,509	295,217	282,571	298,465	298,290
Cash from Working Capital Items					54,147	3,292	12,646	(15,895)	176

Debt Schedule(Summary) – Mexico + AI

All figures in USD thousands unless stated
Model Running: Base Case Drivers

	2025F	2026F	2027F	2028F	2029F
PRINCIPAL REPAYMENTS					
Revolving Credit Line	10,144	30,466	(9,570)	(4,214)	(26,827)
Term Loan A	(66,236)	(66,236)	(66,236)	(66,236)	(81,138)
Term Loan B	(3,709)	(3,709)	(3,709)	(3,709)	(3,709)
Subordinated Debt	–	–	–	–	–
Total Principal Repayments	(59,800)	(39,479)	(79,515)	(74,159)	(111,674)
ENDING BALANCES					
Revolving Credit Line	10,144	40,610	31,041	26,827	–
Term Loan A	397,414	331,179	264,943	198,707	117,569
Term Loan B	367,211	363,502	359,792	356,083	352,374
Subordinated Debt	298,968	321,297	345,295	371,084	398,800
Total Ending Balance	1,073,737	1,056,588	1,001,070	952,701	868,743
CASH INTEREST EXPENSE					
Revolving Credit Line (Including Standby Fees)	1,758	2,698	3,204	2,898	2,161
Term Loan A	36,961	29,949	24,610	19,315	13,325
Term Loan B	35,375	33,690	33,476	33,401	33,390
Subordinated Debt	34,629	37,216	39,996	42,983	46,193
Interest Expense	108,723	103,552	101,285	98,597	95,069
Less: Interest Income	(461)	(461)	(461)	(461)	(461)
Cash Net Interest Expense	108,262	103,091	100,824	98,136	94,608
TOTAL INTEREST EXPENSE					
Cash Net Interest Expense	108,262	103,091	100,824	98,136	94,608
PIK Interest Expense	20,778	22,330	23,997	25,790	27,716
Total Interest Expense	129,039	125,421	124,821	123,925	122,323

Sensitivity Analysis and Financing Assumptions

Sponsor Gross IRR (Entry vs Exit Multiple)

	Exit EV / EBITDA				
	8.5x	9.0x	9.5x	10.0x	10.5x
9.0x	27.7%	29.8%	31.7%	33.5%	35.2%
9.5x	24.1%	26.1%	28.0%	29.8%	31.4%
10.0x	21.1%	23.0%	**24.9%**	26.6%	28.2%
10.5x	18.5%	20.4%	22.2%	23.8%	25.4%
11.0x	16.1%	18.0%	19.7%	21.4%	23.0%

(Entry EV / EBITDA on vertical axis)

Sponsor Gross Cash-on-Cash (Entry vs Exit Multiple)

	Exit EV / EBITDA				
	8.5x	9.0x	9.5x	10.0x	10.5x
9.0x	2.4x	2.7x	3.0x	3.2x	3.5x
9.5x	2.0x	2.2x	2.4x	2.7x	2.9x
10.0x	1.6x	1.8x	**2.0x**	2.3x	2.5x
10.5x	1.3x	1.5x	1.7x	1.9x	2.1x
11.0x	1.1x	1.3x	1.5x	1.6x	1.8x

(Entry EV / EBITDA on vertical axis)

Sponsor Gross IRR (Senior Debt / EBITDA)

	Debt / EBITDA (Term Loan B)				
	1.50x	1.75x	2.00x	2.25x	2.50x
2.00x	22.2%	22.8%	23.4%	24.1%	24.8%
2.25x	22.8%	23.4%	24.1%	24.8%	25.6%
2.50x	23.5%	24.1%	**24.9%**	25.7%	26.6%
2.75x	24.2%	24.9%	25.7%	26.6%	27.6%
3.00x	25.0%	25.8%	26.7%	27.7%	28.8%

(Debt / EBITDA (Term Loan A) on vertical axis)

Sponsor Gross Cash-on-Cash (Senior Debt / EBITDA)

	Debt / EBITDA (Term Loan B)				
	1.50x	1.75x	2.00x	2.25x	2.50x
2.00x	1.7x	1.8x	1.9x	1.9x	2.0x
2.25x	1.8x	1.9x	1.9x	2.0x	2.1x
2.50x	1.9x	1.9x	**2.0x**	2.1x	2.3x
2.75x	2.0x	2.0x	2.1x	2.3x	2.4x
3.00x	2.0x	2.1x	2.3x	2.4x	2.5x

(Debt / EBITDA (Term Loan A) on vertical axis)

All figures in USD thousands

Type	Amount	Percent	Limit	Issuance Fee %	Issuance Fee	Standby Fee	Floating Coupon	Fixed Coupon
Cash (Target)	302,252	13.7%	N/A	N/A	N/A	N/A	N/A	N/A
Revolving Credit Line [1]	–	–	300,000	1.5%	4,500	0.50%	B+200bps	N/A
Term Loan A	463,650	21.0%	N/A	1.5%	6,955	N/A	B+500bps	N/A
Term Loan B	370,920	16.8%	N/A	1.5%	5,564	N/A	B+600bps	N/A
Subordinated Debt	278,190	12.6%	N/A	1.5%	4,173	N/A	N/A	12.0%
Sponsor + Mgmt. Equity [2]	795,279	36.0%	N/A	N/A	N/A	N/A	N/A	N/A
Total	2,210,291	100.0%						

LA-Z-BOY

Scenarios:		Worst Case	China	Mexico	Mexico & AI	Best Case
Equity Value upon exit:		1,661,410.6	2,030,471.2	2,167,643.3	2,416,242.7	2,825,360.5
Pricing Discount %:		15.0%	15.0%	15.0%	15.0%	15.0%
Pricing Discount Amount:		216,705.7	264,844.1	282,736.1	315,162.1	368,525.3
Equity Value @ Pricing:		1,444,704.9	1,765,627.2	1,884,907.2	2,101,080.6	2,456,835.2
Issuer - Existing Shares Outstanding:		42,639.83	42,639.83	42,639.83	42,639.83	42,639.83
Offering Price per Share:		$ 33.88	$ 41.41	$ 44.21	$ 49.28	$ 57.62
Post-Transaction Shares Outstanding Calculations:						
Secondary Shares Sold in IPO:		21,319.9	21,319.9	21,319.9	21,319.9	21,319.9
Total Shares Issued or Sold in IPO:		**21,319.9**	**21,319.9**	**21,319.9**	**21,319.9**	**21,319.9**
Total Shares Issued or Sold in Base Deal:		21,319.9	21,319.9	21,319.9	21,319.9	21,319.9
Total Overallotment Shares:		3,198.0	3,198.0	3,198.0	3,198.0	3,198.0
Pro-Forma Shares Outstanding, Post-IPO:		42,639.8	42,639.8	42,639.8	42,639.8	42,639.8
Secondary Shares Sold - Basic Offering:		21,319.9	21,319.9	21,319.9	21,319.9	21,319.9
Secondary Shares Sold - Overallotment:		3,198.0	3,198.0	3,198.0	3,198.0	3,198.0
Deal Size & Gross and Net Proceeds:						
Base Deal Size (Primary + Secondary):		$ 722,352.4	$ 882,813.6	$ 942,453.6	$ 1,050,540.3	$ 1,228,417.6
Plus: Total Overallotment:		$ 108,352.9	$ 132,422.0	$ 141,368.0	$ 157,581.0	$ 184,262.6
Total Offering Size:		**830,705.3**	**1,015,235.6**	**1,083,821.6**	**1,208,121.3**	**1,412,680.3**
Gross Secondary Proceeds:		830,705.3	1,015,235.6	1,083,821.6	1,208,121.3	1,412,680.3
Less: Gross Spread		(29,074.7)	(35,533.2)	(37,933.8)	(42,284.2)	(49,443.8)
Less: Deal-Related Fees:		(11,214.5)	(13,705.7)	(14,631.6)	(16,309.6)	(19,071.2)
Net IPO Proceeds:		**790,416.1**	**965,996.7**	**1,031,256.3**	**1,149,527.5**	**1,344,165.3**

Appendix

Initial Public Offering – 2nd Offering

Scenarios:	Worst Case	China	Mexico	Mexico & AI	Best Case
Post-Transaction Shares Outstanding Calculations:					
Secondary Shares Sold in IPO:	18,121.9	18,121.9	18,121.9	18,121.9	18,121.9
Total Shares Issued or Sold in IPO:	**18,121.9**	**18,121.9**	**18,121.9**	**18,121.9**	**18,121.9**
Total Shares Issued or Sold in Base Deal:	18,121.9	18,121.9	18,121.9	18,121.9	18,121.9
Total Overallotment Shares:	-	-	-	-	-
Pro-Forma Shares Outstanding, Post-IPO:	42,639.8	42,639.8	42,639.8	42,639.8	42,639.8
Secondary Shares Sold - Basic Offering:	18,121.9	18,121.9	18,121.9	18,121.9	18,121.9
Secondary Shares Sold - Overallotment:	-	-	-	-	-
Deal Size & Gross and Net Proceeds:					
Base Deal Size (Primary + Secondary):	$ 613,999.6	$ 750,391.5	$ 801,085.6	$ 892,959.3	$ 1,044,155.0
Plus: Total Overallotment:	$ -	$ -	$ -	$ -	$ -
Total Offering Size:	**613,999.6**	**750,391.5**	**801,085.6**	**892,959.3**	**1,044,155.0**
Gross Secondary Proceeds:	613,999.6	750,391.5	801,085.6	892,959.3	1,044,155.0
Less: Gross Spread	(21,490.0)	(26,263.7)	(28,038.0)	(31,253.6)	(36,545.4)
Less: Deal-Related Fees:	(8,289.0)	(10,130.3)	(10,814.7)	(12,054.9)	(14,096.1)
Net IPO Proceeds:	**584,220.6**	**713,997.6**	**762,232.9**	**849,650.7**	**993,513.5**

Appendix

Base Case | 24.9% Gross IRR

- **Stores acquired & Constructed:** 6 new stores build annually and an average of 12.6 independently owned galleries annually acquired
- **Sales per Square Foot Growth:** 5.1% CAGR on Sales per Square Foot
- **Working Capital:** Impact of AI & Mexico on Inventory and Accounts Payable realized modestly
- **Macroeconomic environment:** Continuance of high rate environment impacting demand for upholstery until monetary policy eases in 2025
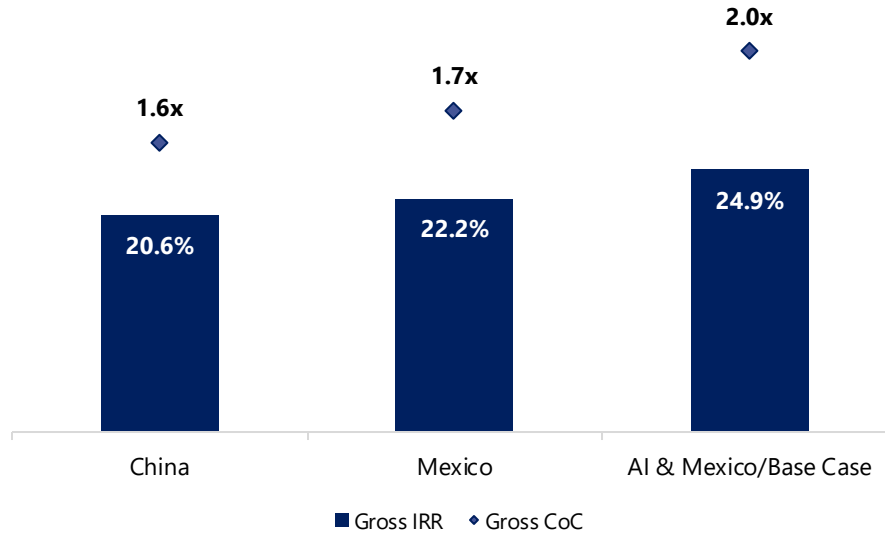
Best Case | 28.8% Gross IRR

- **Stores acquired & Constructed:** 6 new stores build annually and an average of 14.4 independently owned galleries annually acquired
- **Sales per Square Foot Growth:** 5.8% CAGR on Sales per Square Foot
- **Working Capital:** Impact of AI & Mexico on Inventory and Accounts Payable completely realized
- **Macroeconomic environment:** High rate environment sustains but not for long impacting demand for upholstery until monetary policy eases at a faster rate
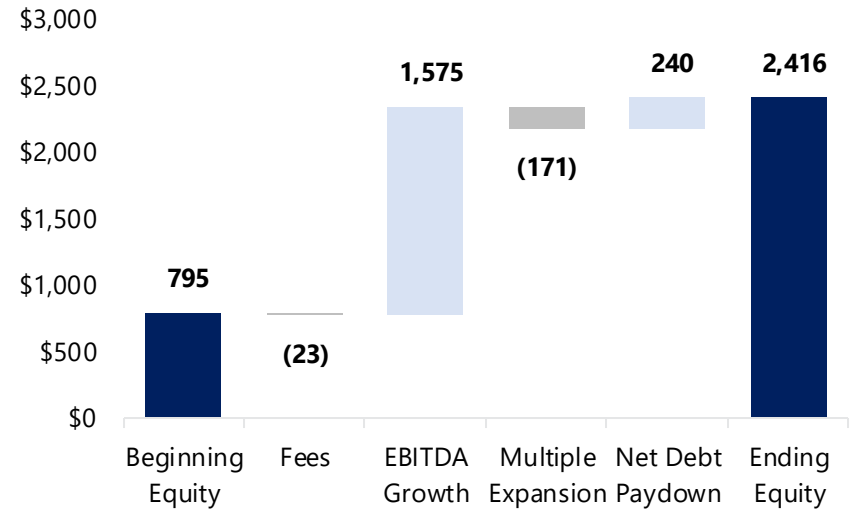
Worst Case | 15.9% Gross IRR

- **Stores acquired & Constructed:** 5 new stores build annually and an average of 9.6 independently owned galleries annually acquired
- **Sales per Square Foot Growth:** 3.6% CAGR on Sales per Square Foot
- **Working Capital:** Impact of AI & Mexico on Inventory & Accounts Payable partially realized
- **Macroeconomic environment:** High rate environment sustaining for longer impacting negatively demand for upholstery until monetary policy eases slowly
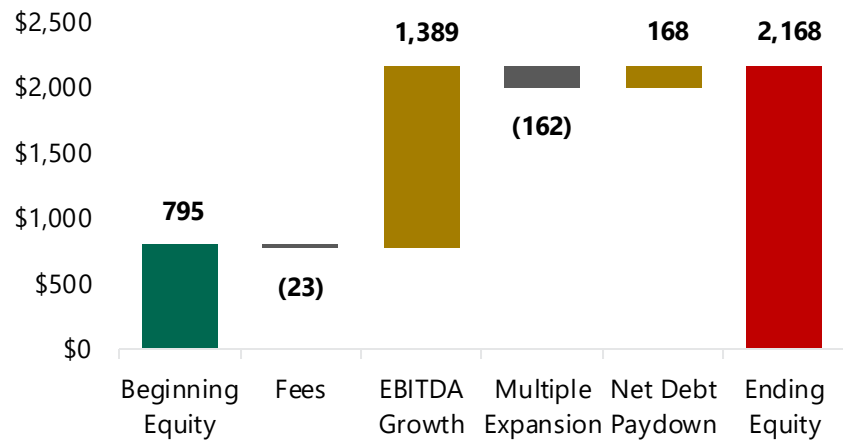
Appendix

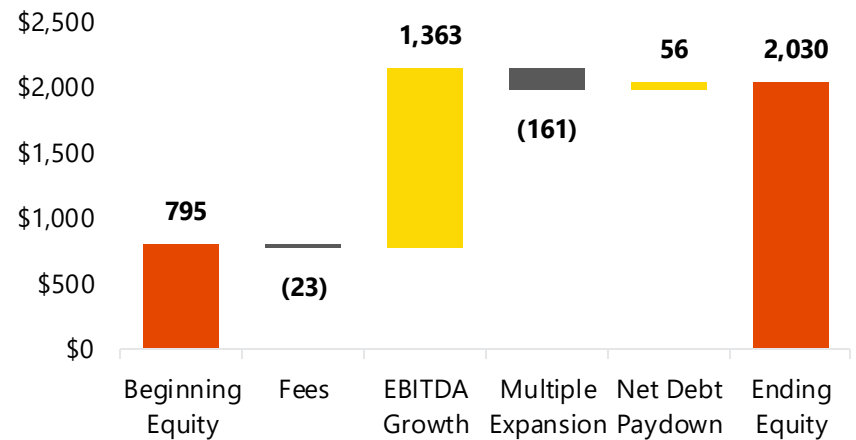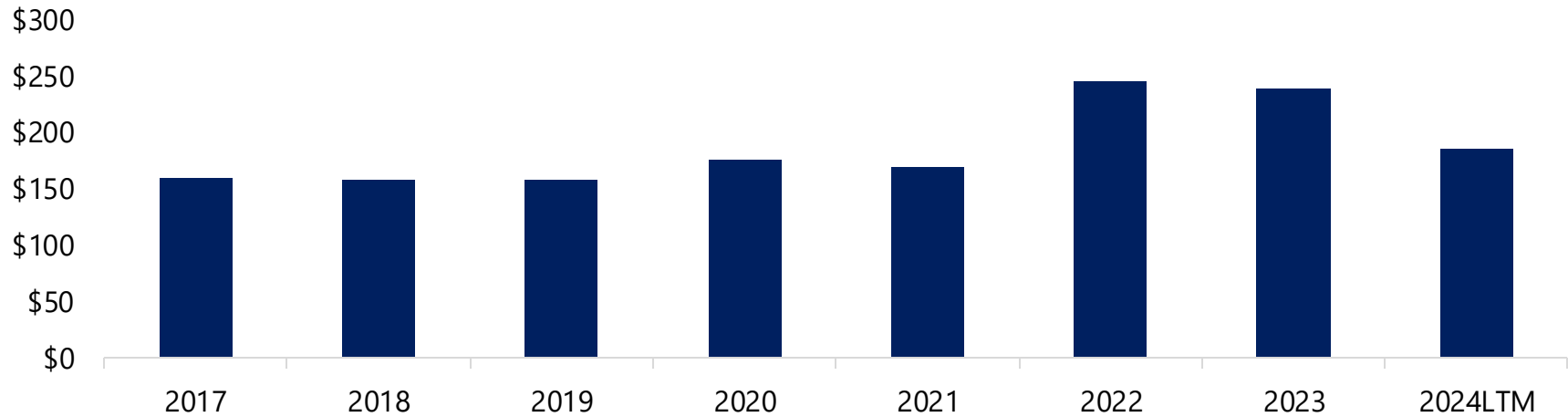## Scenario Analysis – China, Mexico, AI & Mexico

Returns(Gross)

China: 20.6%, 1.6x
Mexico: 22.2%, 1.7x
AI & Mexico/Base Case: 24.9%, 2.0x

■ Gross IRR ◆ Gross CoC

AI & Mexico

Beginning Equity: 795
Fees: (23)
EBITDA Growth: 1,575
Multiple Expansion: (171)
Net Debt Paydown: 240
Ending Equity: 2,416

Mexico

Beginning Equity: 795
Fees: (23)
EBITDA Growth: 1,389
Multiple Expansion: (162)
Net Debt Paydown: 168
Ending Equity: 2,168

China

Beginning Equity: 795
Fees: (23)
EBITDA Growth: 1,363
Multiple Expansion: (161)
Net Debt Paydown: 56
Ending Equity: 2,030

LA·Z·BOY

EBIDTA ($MM)

FCF ($MM)