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PRESENTATION

Operator

Good morning, everyone, and welcome to the La-Z-Boy fiscal 2026 third quarter conference call. (Operator Instructions) Please note, this conference is being recorded.

I will now turn the conference over to your host, Mark Becks, Director of Investor Relations and Corporate Development at La-Z-Boy. Mark, the floor is yours.

Mark Becks - La-Z-Boy Inc - Director of Investor Relations and Corporate Development

Thank you, Jenny. Good morning, everyone, and thanks for joining us to discuss our fiscal 2026 third quarter. Joining me on today's call are Melinda Whittington, La-Z-Boy Incorporated's Board Chair, President and Chief Executive Officer; and Taylor Luebke, SVP and CFO. Melinda will open and close the call, and Taylor will speak to segment performance and the financials midway through. After our prepared remarks, we will open the line for questions.

Slides will accompany this presentation, and you may view them through our webcast link, which will be available for one year. And a telephone replay of the call will be available for one week beginning this afternoon.

I would like to remind you that some statements made in today's call include forward-looking statements about La-Z-Boy's future performance and other matters. Although we believe these statements to be reasonable, our actual results could differ materially. The most significant risk factors that could affect our future results are described in our annual report on Form 10-K. We encourage you to review those risk factors, as well as other key information detailed in our SEC filings.

Also, our earnings release is available under the News and Events tab on the Investor Relations page of our website and includes reconciliations of certain adjusted measures, which are also included as an appendix at the end of our conference call slide deck.

With that, I will now turn the call over to Melinda.

Melinda Whittington - La-Z-Boy Inc - President, Chief Executive Officer, Director

Thanks, Mark. Good morning, everyone. Yesterday, following the close of market, we reported our strong January-ended third quarter results. These results are proof that we continue to strengthen our enterprise and increase the agility of our business. Highlights for our third quarter included total delivered sales of \$542 million, up 4% versus prior year.

In our Retail segment, both written and delivered sales increased 11% versus prior year. And we opened four new company-owned stores during the quarter, bringing us to 16 new company-owned stores in the last 12 months and 4 closed. In our Wholesale segment, delivered sales grew 1% versus prior year. And we made continued progress on our distribution and home delivery transformation project with the completion of our Western US phase of the network.

Our GAAP operating margin was 5.5% and adjusted operating margin was 6.1%, coming in toward the high end of our guidance range. And we again generated strong operating cash flow of \$89 million for the quarter, increasing 57% versus last year's comparable period. Amid the ongoing challenging consumer environment, we continue to create our own momentum, led by retail expansion. As I noted, total written sales for our company-owned Retail segment increased 11% versus last year's third quarter, driven by new and acquired stores. Written same-store sales, which exclude the benefit of new and acquired stores, decreased 4% for the quarter.

Continued challenging traffic, consistent with our industry, was partially offset by strong in-store execution, including higher conversion rates, average ticket and design sales. Within the quarter, same-store sales trends were strongest in January, turning positive versus a year ago until widespread adverse weather slowed traffic in late January and continuing into early February across much of the United States.

While we don't believe these weather events will impact overall furniture demand, we do expect some timing effects carrying into our fourth quarter deliveries as consumers reengage on planned purchases. Separately, for Joybird, total written sales for our third quarter decreased 13% compared to a year ago as this consumer segment continues to be particularly volatile against the current macroeconomic backdrop.

During the quarter, we also progressed our strategic initiatives. We successfully integrated our 15-store acquisition in the Southeast region of the United States. We formally announced the planned closure of our UK manufacturing facility, where production will cease by the end of the fiscal year.

We completed the sale of our Kincaid upholstery business just after the close of our third quarter. And we signed a letter of intent for the sale of our noncore wholesale casegoods businesses, American Drew and Kincaid, targeted to be complete by the fiscal year end.

Stepping back, I'd like to spend a few more minutes highlighting some of the structural improvements our team has achieved through these current initiatives and highlight the progress made as we advance our Century Vision strategy for our next 100 years. We are pleased to have successfully integrated our acquisition of the 15-store network in the Southeast region. This transaction was our largest single retail acquisition in the company's history, adding \$80 million in annualized retail sales and \$40 million net to the total enterprise.

The seamless integration into our company-owned network reflects the collective efforts of many internal stakeholders, and the stores are performing well. Independent store acquisitions are an important part of our Century Vision strategy as they are immediately sales and profit accretive and provide ownership of a new market with potential white space opportunities. We will continue to pursue these types of acquisitions as they become available.

Opening new La-Z-Boy stores is also a key lever to growing our Retail business and expanding our brand reach. In addition to completing our largest ever acquisition this quarter, we also are achieving the most significant period of new store expansion in our company's history. We opened four new company-owned stores in the quarter. And in the last 12 months, we opened 16 new stores, while closing 4. In total, we've added 29 net company-owned stores over the past year.

Our total network of stores, including independently owned, has expanded to 374. And our current proportion of company-owned stores is now at an all-time high of 60% of the total network. We see opportunity to grow the La-Z-Boy store network to over 400 stores as we broaden our brand reach and delight and inspire even more consumers. We expect to open 16 new stores in total for this fiscal and continue at a pace of opening roughly 10 stores a year for the next several years.

Momentum in our Wholesale segment also remained solid as we delivered our seventh consecutive quarter of sales growth in our core North American La-Z-Boy wholesale business, and we continue to grow our strategic compatible distribution with key partners like Slumberland and Rooms To Go.

Wholesale customers value the strength of the La-Z-Boy brand, the enduring quality and the differentiated product functionality offered by our North American manufacturing capabilities. Our vertically integrated model with approximately 90% of upholstered products produced in the United States remains a key competitive advantage as we navigate the current challenging macroeconomic environment and has served as our foundation throughout our 99-year history.

We're making meaningful progress on building an even more agile supply chain through our multiyear distribution and home delivery transformation project. During the third quarter, we completed the Western US third of this project, serviced by our new Arizona centralized hub.

And we recently broke ground on our new Dayton, Tennessee centralized hub, which will serve our Eastern region. This transformation will improve an already strong consumer experience, ensure faster speed of delivery and enable an expanded delivery reach. And in aggregate, we expect this project to deliver between 50 to 75 basis points of Wholesale margin improvement, up to 50 basis points to the entire enterprise once completed.

As part of our strategic road map to expand brand reach, leveraging our iconic brand, we are creating integrated strategies for our retail and marketing teams. These strategies have enabled more cohesive and focused plans for our store network, improving execution and reducing redundancy. As a result, we are better positioned to capture consumer demand, improve responsiveness and navigate the volatile environment with greater discipline and agility.

Our new brand identity continues to receive positive media attention. In December, La-Z-Boy was cited by Ad Age as one of the top five rebrands of 2025. The mention went on to say, La-Z-Boy's brand refresh felt like a full-bodied exhale, designed to make comfort feel as intentional as its famously cushy chairs. We plan to continue building off this success and expanding brand relevance with new and innovative ways to delight and inspire our consumers.

Lastly, during our third quarter, we drove further progress in optimizing our portfolio and enabling focus on our core vertically integrated North American upholstery business. We formally announced the planned closure of our UK manufacturing facility, where we expect production will cease by the end of our fiscal '26. And we have solidified alternative sourcing for this business, leveraging our global supply chain network to ensure we are well positioned to grow with our new customer base.

We also completed the sale of our Kincaid upholstery business just subsequent to our fiscal third quarter end. We were pleased to transition this business in full to its new owners who are former employees of the company. And finally, we signed a letter of intent for the sale of our noncore wholesale casegoods businesses, American Drew and Kincaid.

Importantly, these changes will not impact our ability to offer casegoods as part of beautiful whole home solutions for consumers in our La-Z-Boy stores, Comfort Studios and branded spaces. In fact, these changes will enhance our offerings in the future, opening up broader sourcing and driving efficiency in the process. We expect these final casegoods initiatives to be substantially complete by our fiscal year-end in April.

And now, let me turn the call over to Taylor to review the financial results in more detail. Taylor?

Taylor Luebke - La-Z-Boy Inc - Senior Vice President, Chief Financial Officer

Thank you, Melinda, and good morning, everyone. As a reminder, we present our results on both a GAAP and adjusted basis. We believe the adjusted presentation better reflects underlying operating trends and performance of the business. Adjusted results exclude items which are detailed in our press release and in the tables in the appendix section of our conference call slides.

On a consolidated basis, fiscal 2026 third quarter sales increased 4% from prior year to \$542 million as growth in our Retail and Wholesale business were partially offset by lower delivered volume in our Joybird business. Consolidated GAAP operating income was \$30 million and adjusted operating income was \$33 million. Consolidated GAAP operating margin was 5.5% and adjusted operating margin was 6.1%.

The change was largely driven by investments in our distribution and home delivery transformation project. Diluted earnings per share totaled \$0.52 on a GAAP basis, and adjusted diluted EPS was \$0.61.

As I move to the segment discussion, my comments from here will focus on our adjusted reporting unless specifically stated otherwise.

Starting with the Retail segment. For the third quarter, delivered sales increased 11% to \$252 million, driven by acquired and new stores. Retail adjusted operating margin was flat versus a year ago at 10.7% as accretion from acquisitions was offset by investment in new stores and fixed cost deleverage from lower delivered same-store sales.

For our Wholesale segment, delivered sales increased 1% to \$367 million versus last year, driven by modest growth across the majority of our businesses, including our core North America La-Z-Boy wholesale business. Adjusted operating margin for the Wholesale segment was 6% in the third quarter versus 6.5% last year, driven primarily by investments in our distribution and home delivery transformation project and unfavorable foreign exchange rates.

For Joybird, reported in Corporate and Other, delivered sales were \$36 million, down 3% on lower delivered sales volume. Joybird operating loss increased versus the prior year, primarily due to fixed cost deleverage on lower Joybird delivered sales.

Moving on to our consolidated adjusted gross margin and SG&A performance for fiscal 2026 third quarter. Consolidated adjusted gross margin for the entire company increased 10 basis points versus the prior year third quarter. The increase in gross margin was primarily driven by the shift in consolidated mix towards our Retail segment, which has a higher gross margin rate than our Wholesale segment, partially offset by investments in our distribution and home delivery transformation project.

Adjusted SG&A as a percent of sales for the quarter increased by 80 basis points compared with last year, also due to the shift in consolidated mix towards our Retail segment, which carries a higher fixed cost structure relative to Wholesale, as well as fixed cost deleverage on lower delivered same-store sales.

Our effective tax rate on a GAAP basis for the third quarter was 31.3% versus 25.1% in the third quarter of fiscal 2025. The year-over-year increase was primarily due to nondeductible operating losses and onetime charges related to our supply chain optimization actions in our UK business. We expect our tax rate to normalize in fiscal 2027.

Turning to liquidity. We ended the quarter with \$306 million in cash and no externally funded debt. Our balance sheet remains strong, supported by the consistent cash generation of our operating model even as we absorbed a significant acquisition in the quarter. We generated a strong \$89 million in cash from operating activities in the third quarter, increasing 57% versus last year's comparable period, with improved working capital and an increase in customer deposits.

We invested \$18 million in capital expenditures during the quarter, primarily related to investment in new La-Z-Boy stores, as well as remodels, manufacturing-related investments, and spending related to our distribution and home delivery transformation. We also completed our 15-store acquisition in the Southeast region at the beginning of the quarter for a total of \$86 million.

We continue to believe that the best use of our cash and the highest return on investment is prudently reinvesting back into the business. As such, we remain committed to disciplined investments in new stores, acquisitions, and our distribution and home delivery transformation project to profitably grow our core business.

Regarding cash return to shareholders, year to date, we returned \$55 million to shareholders through dividends and share repurchases, including \$28 million paid in dividends and \$27 million in share repurchases.

Also, in the quarter, we resumed more normalized share buybacks of \$14 million, which leaves 3 million shares available under our existing share repurchase authorization. We expect consistent share repurchases ongoing, assuming ordinary business and economic conditions. We continue to view share repurchases and our dividend as an attractive use of our cash and positive return to shareholders.

Capital allocation in fiscal 2026 is tilted more towards the business through investments in the recent 15-store acquisition and our distribution and home delivery transformation project. Longer term, our capital allocation target remains consistent to reinvest 50% of operating cash flow back into the business and return 50% to shareholders in share repurchases and dividends.

Before turning the call back to Melinda, let me highlight several important items for fiscal 2026 and our fourth quarter. We expect fiscal fourth quarter sales to be in the range of \$560 million to \$580 million and adjusted operating margin to be in the range of 7.5% to 9%, reflecting a continued cautious view on the macroeconomic backdrop, as well as the short-term impact of recent adverse weather events. We expect to open five new company-owned stores in the fourth quarter, bringing us to 16 for our full fiscal year.

We expect capital expenditures to be in the range of \$80 million to \$90 million. This includes investments for new stores and remodels, our distribution and home delivery transformation project, and continued manufacturing-related investments.

And as a reminder, we expect the financial benefits of our strategic initiatives to have an annualized impact of approximately a \$30 million net sales decrease and an adjusted operating margin improvement of 75 to 100 basis points to the entire enterprise. This represents the combined impacts of our 15-store acquisition, our casegoods exit, our planned closure of the UK plant and our management reorganization.

We expect the benefit of all of these initiatives when they are substantially completed by the end of this fiscal year. And these impacts do not include the additional long-term margin improvement we expect from our distribution and home delivery transformation project. And note, at this time, we do not expect these strategic initiatives to have a material onetime gain or loss to the enterprise. Lastly, we expect our tax rate for the full year to be in the range of 27% to 29%.

And with that, I will turn the call back to Melinda.

Melinda Whittington - *La-Z-Boy Inc - President, Chief Executive Officer, Director*

Thanks, Taylor. The furniture industry and broader macroeconomic environment continue to be challenging. What has not changed is our iconic brand and the ability to delight and inspire millions of consumers. As a testament to our enduring impact and cultural relevance, La-Z-Boy Incorporated has been recognized by Time Magazine as one of America's most iconic companies for 2026. This unsolicited award reflects the lasting connection generations of families have built with our beloved brand over our 99-year history.

As we look ahead, we'll continue to honor our heritage of comfort, customization and quality, while evolving to succeed in any environment. We will continue to leverage our vertically integrated model with approximately 90% of upholstered products produced in the United States, create our own momentum and position ourselves to disproportionately benefit when the industry does rebound. This, combined with our mission of delivering the transformational power of comfort, will enable us to drive value for all stakeholders.

I'd like to thank our dedicated employees for their continued commitment to bringing our beloved products into more homes. And I wish everyone the best in the year ahead.

Now, I'll turn the call back to Mark.

Mark Becks - *La-Z-Boy Inc - Director of Investor Relations and Corporate Development*

Thank you, Melinda. We will begin the question-and-answer period now. Jenny, please review the instructions for getting into the queue to ask questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Bobby Griffin, Raymond James.

Bobby Griffin - Hill River Capital Inc - Analyst

I guess, Taylor or Melinda, I wanted to dive in kind of on some of the strategic kind of actions you guys have taken so far. And congrats on the speed of getting a lot of those underway.

Taylor, can you maybe level set us that margin improvement that you're referencing, what base year should we use? Because when you look back in fiscal year '25, we were about a 7.6% EBIT margin. Then it starts to slide, given you start to do some of the distribution changes. So like level set us on where we should think about the improvement off of what base. And then, I got some follow-up questions on that.

Taylor Luebke - La-Z-Boy Inc - Senior Vice President, Chief Financial Officer

Yes, Bobby. So when we announced these strategic initiatives, and you're right, we're really pleased with the progress we've made over a very short period of time with selling our upholstery business, as well as solidifying our plan for the UK supply. The 75 to 100 basis points that we put out there was based on, call it, the trailing 12 months of the enterprise results at the point of quarter two. So you can think of that as the right basis on which we expect to deliver that.

Bobby Griffin - Hill River Capital Inc - Analyst

Okay. And is there any -- like when we think about completing that by the end of FY26, and then we can do the simple math on adding that to the trailing 12, is there any offsets that would keep all that savings from flowing through? Like is there an investment piece that you would need to use for advertising or anything like that? Or is that really going to be dropped down to, call it, the bottom line?

Taylor Luebke - La-Z-Boy Inc - Senior Vice President, Chief Financial Officer

Bobby, we put it out there because we expect to realize it, again, against a pretty -- a generally consistent kind of macro consumer backdrop is how we look ahead. So our intent is it flows through, all else being equal.

Bobby Griffin - Hill River Capital Inc - Analyst

Very good. Okay. That's helpful. And then Melinda, I want to maybe dive in on the comments you made about developing more agile business post some of these changes. What do you think that gives La-Z-Boy as you think about kind of navigating the next three to five years in today's kind of consumer environment? Is it quicker product development? You can move faster on stores? Like just anything there to kind of help us think about how that could change the business and how you go to market?

Melinda Whittington - La-Z-Boy Inc - President, Chief Executive Officer, Director

Yes. Thanks for the question, Bobby. I guess, at a couple of levels -- I'll start with some of like the transformation work on our supply chain. 99 years of building product in the United States for the North American consumer, we're quite good at it. But the consumer preferences change, the -- where it makes the most sense to position your supply chain, the way that people want to be compensated and are motivated, those are all things that we constantly look at and have evolved over time.

And so, I think the distribution transformation project is just one of those examples where we had a fairly organic network to support our stores. But as the stores footprint has changed so dramatically, we had a huge opportunity to just rethink that process. And in the end, not only is that going to deliver bottom line savings to the company and to the shareholder, but it's going to be an even more enhanced consumer experience. Broader delivery ranges is one example, and a better employee experience as well, because it will be efficient.

On the consumer side, as I think about our store network and then our in-home consumer insights, we are constantly evaluating how to have the right product, the right messaging and the right shopping experience for the consumer. All things must begin with the consumer. And our broader retail ownership and omnichannel experience give us more control of that. So it's staying in touch with kind of where the puck is heading, making sure we're predicting that and then being responsive to that. So I guess, I'd say, kind of building the machine to constantly evolve over the future.

Operator

Taylor Zick, KeyBanc Capital.

Taylor Zick - KeyBanc Capital Markets Inc - Analyst

Melinda, maybe just to start here, I kind of wanted to ask about the cadence of trends during the quarter. You provided some good commentary already, but just kind of knowing that there was improved trends in the prior year post election and then you noted some January impacts as well. But any color you can kind of provide on maybe what the underlying trends were in your third quarter versus your second quarter?

Melinda Whittington - La-Z-Boy Inc - President, Chief Executive Officer, Director

Yes. I would start by saying the consumer remains choppy, right? So we've talked about that for a while that the consumers are broadly -- we have a bifurcated consumer that we have some that are really -- it's aspirational to step into our brand and invest in quality, and so we sharpened price points. At the same time, we still have a very strong consumer interested in whole room solutions and upgrades and really investing in their home with us.

So with that said, if I look back over Q3, to your point, over two years, Q3 was actually positive. And looking across the three months in our quarter, January was our strongest, actually turned positive on a same-store sales basis until -- and then was impacted by weather right here at the very end. I'll step into sort of the President's Day that began our fourth quarter. We're actually quite pleased with how President's Day came out. Our results -- our trends were positive versus a year ago.

So I think that speaks well. But at the same time, we continue to manage prudently, just knowing that -- and we believe the consumer is still pinched and probably will be for a while, and ultimately, the product is discretionary. So we feel good about the momentum we're making, but we continue to be prudent in how we go forward.

Taylor Zick - KeyBanc Capital Markets Inc - Analyst

Great. That's super helpful. And you answered my second question already. Maybe, Taylor, I can squeeze one in for you. Maybe on the 4Q guidance here, your 7.5% to 9% operating margin puts margins down a little over 100 basis points despite a higher mix of retail and some of your strategic actions within the portfolio.

Can you kind of just help us understand the puts and takes there? I know some of the pressures from the short-term headwinds from the distribution and home delivery redesign coming through. But is there anything else we should keep in mind for fourth quarter?

Taylor Luebke - *La-Z-Boy Inc - Senior Vice President, Chief Financial Officer*

Taylor, thanks for the question. No, actually, we still feel really good about the growth potential, as well as margin potential, of the business. And as Melinda had mentioned in prepared remarks and otherwise, we continue to manage through the near-term challenges and the choppy consumer, but also build for the future with our retail expansion, our distribution projects, as well as our, call it, strategic initiatives. Overall, on margin, we've had good momentum on our Wholesale. Retail continues to hold at a strong double digit, which incredibly pleased about.

There is just the near-term headwinds of traffic continues to be challenged, which adds deleveraging impacts on our larger fixed cost basis. So we continue to hone our operations and manage in the near term, but also deliver some of these bigger transformative things for the long term and deliver margin improvements ongoing behind the likes of the strategic initiatives we mentioned to Bobby (inaudible), the 75 to 100 basis points, as we enter into our fiscal '27, as well as the 50 basis points to the enterprise, which is the longer-term benefit of our distribution and home transformation project.

Operator

(Operator Instructions) Anthony Lebieczinski, Sidoti & Company.

Anthony Lebieczinski - *Sidoti & Company LLC - Equity Analyst*

So Melinda and Taylor, you both mentioned that the consumer environment is choppy, certainly nothing terribly new there. But as we look at the guidance for 4Q, can you perhaps try to separate how much of the guidance is tied to weather issues versus the macro environment?

Melinda Whittington - *La-Z-Boy Inc - President, Chief Executive Officer, Director*

Anthony, I think how I'd broadly look at it is, we don't -- we're not expecting any big change in sort of the consumer environment in Q4 relative to what we've seen throughout most of this fiscal year. And the only piece of a little bit of conservatism in there versus just a continued trend on the consumer is just this weather impact that hit sort of right at the end of our Q3 and into our Q4, and you saw that in -- impacts in the written.

And so, by the time that consumer reengages -- again, we saw some of that with strong President's Day. But by the time that consumer reengages both in our stores and then with our wholesale customers, and that turns into orders and restocks and deliveries, I think that puts a little bit more pressure on Q4 than we otherwise would have.

Taylor Luebke - *La-Z-Boy Inc - Senior Vice President, Chief Financial Officer*

Net of it, if I could just chime in, Anthony, we don't believe we've lost -- us or the industry lost furniture sales other than it's a timing impact on -- some may phase out into quarter one, based on when that consumer decides to reengage in their shopping journey. We're ready to meet demand and delight and inspire them when they come in our store.

Anthony Lebieczinski - *Sidoti & Company LLC - Equity Analyst*

Got it. Thanks for that great color. So, on the Wholesale side, you guys highlighted Slumberland and Rooms To Go. As you look forward here, I mean, do you see further opportunities to expand your brand reach on the Wholesale side? Would love to get your thoughts on that, and how you're thinking about the opportunities there?

Melinda Whittington - *La-Z-Boy Inc - President, Chief Executive Officer, Director*

Yes. Strategic partnerships are a very important part of our business and our growth plan going forward as well. While we certainly disproportionately focus on our own retail because we can own that entire consumer experience and obviously own more of the financial benefits as well, we also recognize that strategic partners are a way of reaching consumers that we otherwise are never going to reach in a very fragmented market.

We happened to call out Slumberland and Rooms To Go just because they are great examples of -- Slumberland, we've done business with for decades and continue to partner and grow with them in strategic ways that are good for our brand and compatible distribution across multiple outlets. And similarly, Rooms To Go is a vibrant growing operation that reaches a lot of consumers, particularly in the Southeast, and is a newer partner that we've added just over the last couple of years.

If I look at -- in even just, call it, the last 12 months, we have continued to add some big strategic partners. I think we've called out Farmers down in the Southeast, which reaches a consumer that's not serviced today by our Furniture Galleries, and that was -- these are hundreds of store kind of networks. We opened up Living Spaces, which is a very sophisticated retailer out West. So we have seen those opportunities. And so, I think there are still opportunity.

That said, I think our bigger growth potential in the next several years is to continue expanding with those strategic partners as opposed to adding a ton of strategic partners. It's important to us to work with folks that are really going to appreciate the brand and not create too much conflict out there that just doesn't end up making sense. Instead, we want to make sure we're reaching consumers where they want to shop and continuing to expand our brand.

Anthony Lebiezinski - *Sidoti & Company LLC - Equity Analyst*

That's very helpful. And my last question is with regards to Joybird. So the sales there have continued to trend below the rest of the business. How are you guys thinking about Joybird, not just for the next couple of quarters, but maybe longer term? Any updated thoughts on Joybird that you may have?

Melinda Whittington - *La-Z-Boy Inc - President, Chief Executive Officer, Director*

Yes. Joybird is tough. We really -- we've done the work to believe in it. It resonates with the consumer. It fits well into our portfolio as a -- and our aspiration to be a vertically integrated branded retailer.

It's a good strategic green shoot. While it's small, it's mighty. But we are continuing to see a particularly volatile consumer there. That consumer is younger, more urban-focused and just disproportionately impacted by some of the macroeconomic challenges. So we continue to take actions towards getting that business rightsized to grow profitably, and we'll continue to work through and monitor that.

Operator

Bobby Griffin, Raymond James.

Bobby Griffin - *Hill River Capital Inc - Analyst*

Melinda, I just wanted to maybe circle back on the UK. You called out you have an alternate source of product there lined up. Just maybe, like, now with kind of the changes there, do you still look at the opportunity there the same that was historically as when it was the prior kind of a pretty big single customer for you guys?

And I understand there's been some retail transition there, but the new retail partner is actually larger. So how does that setup look going forward? And what is ultimately the potential there? Could that get back to the same level as before and with maybe even better margins, given the new setup or structure?

Melinda Whittington - *La-Z-Boy Inc - President, Chief Executive Officer, Director*

Yes. Thanks for that question, Bobby. You're right. It's been, gosh, a little over two years ago now, where [FCS], which was a publicly traded company and our biggest customer globally, which is kind of crazy given the relative size of our international business, but was actually bought out by a private company that chose not to work with brands anymore. And so, we pretty quickly pivoted.

We had long-time discussions with DFS, which as you astutely noted, is 3, 4 times bigger than FCS and probably a better fit for our brand and our customer base. But between FCS and DFS, they'd always required exclusivity. So we are well underway with DFS. They continue to be super pleased. We've had some introductions where they've called out that we've been one of their fastest-growing, if not the fastest-growing introduction they've had.

But at the same time, it just -- it's taking a while. It's taking longer, frankly, than we probably forecasted to just get up to the kind of run rates of where we were with FCS, particularly given that UK economy and the macroeconomic environment is also quite challenged. So we are super pleased with DFS. They are pleased with us. We are continuing to grow that business, and we want to serve that consumer.

That said, at the kind of volume levels that we're seeing through this multiyear transition, it just didn't make sense to have a fully dedicated plant there in the UK. So, as we leverage our overall global network, we think we're getting that rightsized. We think we get that cost structure right as well, so it makes sense for us, it makes sense for DFS and it makes sense for the consumer to grow that business. And we actually think, to your point, it will accelerate it -- accelerate that growth.

And then, historically, our UK business margins were fairly consistent with other wholesale that we would see like in our core North America, and we anticipate being able to get back to those kind of ranges over time.

Bobby Griffin - *Hill River Capital Inc - Analyst*

Very good. And then, does the new setup from the manufacturing side of things or the sourcing side, does that allow other international type growth opportunities any different than before? Just anything there?

Melinda Whittington - *La-Z-Boy Inc - President, Chief Executive Officer, Director*

No change. Yes, no change. We still have -- yes, we still have the opportunity there. Again, international expansion, less of a focus area for us right now just because that core North America business has so much opportunity. But no, we're not losing any optionality more broadly.

Operator

We have now reached the end of our question-and-answer session. I will now hand back over to Mark for any closing comments.

Mark Becks - *La-Z-Boy Inc - Director of Investor Relations and Corporate Development*

Thanks, Jenny. We'll be in our offices for the rest of the day to handle any follow-up calls. Thanks, and have a great day.

Operator

Thank you very much. This does conclude today's conference call. You may disconnect your phone lines at this time, and have a wonderful day. We thank you for your participation.

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