

Sleep Country Canada Reports Strong Second Quarter Financial Results

Company continues robust same store sales growth as it completes IPO

TORONTO, Aug. 5, 2015 /CNW/ - Sleep Country Canada Holdings Inc. ("Sleep Country" or the "Company") (TSX: ZZZ), the leading specialty mattress retailer in Canada, today announced strong financial results for the second quarter and six months ended June 30, 2015. Subsequent to the end of the second quarter, the Company completed an Initial Public Offering ("IPO") of 17,650,000 common shares for total gross proceeds of \$300,050,000, which closed on July 16, 2015. The financial results presented in this news release reflect the operating company, Sleep Country Canada Inc. prior to its acquisition by the Company as part of the pre-closing transactions relating to the IPO.

Second Quarter Highlights

- Q2 2015 revenues increased 10.6% to \$102.5 million from \$92.7 million in Q2 2014.
- In Q2 2015 the Company achieved same store sales growth ("SSSG") of 7.7%, on top of a 9.1% SSSG in Q2 2014.
- Nine stores with Sleep Country's new enhanced design have achieved SSSG of 22% since their respective re-openings.
- Opened three new stores in the second quarter of 2015.
- Q2 2015 gross profit increased 19.2% to \$27.0 million, or 26.3% of sales, from \$22.7 million, or 24.5% of sales in Q2 2014.
- Operating EBITDA increased 52.2% to \$13.4 million, or 13.0% of sales, from \$8.8 million, or 9.5% of sales.
- Adjusted Net Income increased 91.4% to \$7.5 million from \$3.9 million.

"In the second quarter of 2015, the Company achieved its eighth consecutive quarterly increase in same store sales," said David Friesema, Chief Executive Officer of Sleep Country. "This performance reflects the strong momentum we have generated since we began to realize the benefits of the strategic operational initiatives undertaken in 2012. Our revenue growth continues to significantly outpace the Canadian market as a whole."

"The Company is well positioned to continue to produce growth, by both increasing same store sales and expanding our store network," added Mr. Friesema. "We're building store traffic through effective marketing, increased focus on our shopper to buyer conversion rates, driving increases in our average unit selling price, expanding our higher-margin accessory sales and continuing to renovate existing stores into our new format that is producing superior SSSG. In addition, we intend to cost-effectively open between 8 and 12 new stores annually over the next 5-7 years."

Second Quarter Financial Results

In the second quarter of 2015, revenues increased 10.6% to \$102.5 million from \$92.7 million in Q2 2014. The increase was primarily attributable to a 7.7% increase in SSSG, in addition to the contribution from six new stores opened in the first half of 2015 and five new stores opened in 2014. Mattress sales increased 9.8%, while accessory revenue increased 14.5%.

Q2 2015 gross profit increased 19.2% to \$27.0 million, or 26.3% of sales, from \$22.7 million, or 24.5% of sales. The increase in gross profit margin was primarily due to a more favourable product mix, cost savings from improved distribution efficiency and leveraging of fixed costs.

Operating EBITDA in Q2 2015 increased 52.2% to \$13.4 million, or 13.0% of sales, from \$8.8 million, or 9.5% of sales in Q2 2014. The increase largely reflected the strong year-over-year increases in revenue and gross profit margins, in addition to a more favorable product mix and operating leverage on fixed costs. Benefitting from the same factors, adjusted net income increased by 91.4% in Q2 2015 to \$7.5 million from \$3.9 million in the previous year.

Six Month Financial Results

In the six months ended June 30, 2015, revenues increased 11.6% to \$194.1 million from \$174.0 million in the six months ended June 30, 2014. The increase was primarily attributable to a 9.0% increase in SSSG. Sales growth was further fueled by the addition of six new stores in the first half of 2015 and five new stores opened in 2014. Mattress sales revenue increased by 10.8% and accessory revenue increased by 15.2%.

Gross profit for the first half of the year was \$49.2 million, or 25.4% of sales, compared with \$40.3 million or 23.2% of sales, in the first half of 2014. The increase in gross profit margin reflected the same trends referenced in the Q2 discussion above.

Operating EBITDA in the six months ended June 30, 2015 increased 68.0% to \$24.1 million, or 12.4% of sales, from \$14.3 million, or 8.2% of sales in the corresponding period of 2014. The increase was primarily due to the strong revenue growth in the first half of 2015, combined with improved gross profit margins on a more favorable product mix and operating leverage on fixed costs including G&A expenses. Benefitting from the same factors, adjusted net income in the six months ended June 30, 2015 increased 140.7% to \$14.3 million from \$5.9 million in the previous year.

Conference Call

David Friesema, CEO will host a conference call for analysts and investors on Thursday, August 6, 2015 at 10:00 a.m. (ET). The dial-in numbers for the conference call are 1-888-231-8191 or 647-427-7450. This conference call will be recorded and available for replay until August 13, 2015. To listen to the replay, please dial 1-855-859-2056 or 416-849-0833 and use passcode 95034730.

About Sleep Country

Sleep Country is Canada's leading mattress retailer and the only specialty mattress retailer with a national footprint in Canada. Sleep Country operates under two mattress retail banners: "Dormez-vous?", the largest retailer of mattresses in Québec; and "Sleep Country Canada", the largest mattress retailer in the rest of Canada. As at June 30, 2015, Sleep Country had 218 stores and 16 distribution centres across Canada. All of the Company's stores are corporate-owned, enabling it to develop and maintain a strong culture of customer service, resulting in a consistent and superior in-store and home delivery customer experience.

Non-IFRS Measures

This news release makes reference to certain measures that are not recognized under IFRS and do not have a standardized meaning prescribed by IFRS. They are therefore unlikely to be comparable to similar measures presented by other companies. These measures are provided as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. The Company uses non-IFRS measures including "Same Store Sales Growth" or "SSSG", "EBITDA", "Operating EBITDA" and "Adjusted Net Income" to provide investors with supplemental measures of its operating performance and thus highlight trends in its business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. The Company's management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. For a reconciliation of these non IFRS measures refer to the Company's MD&A.

Forward-Looking Information

Certain information in this press release, including statements relating to the exercise of the over-allotment option and the use of proceeds thereof, constitutes forward-looking information. In some cases, but not necessarily in all cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "is positioned", "estimates", "intends", "assumes", "anticipates" or "does not anticipate" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will" or "will be taken", "occur" or "be achieved". In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events.

Forward-looking information is necessarily based on a number of opinions, assumptions and estimates that, while considered reasonable by the Company as of the date of this press release, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the factors described in greater detail in the "Risk Factors" section of the final prospectus available at www.sedar.com. These factors are not intended to represent a complete list of the factors that could affect the Company; however, these factors should be considered carefully. There can be no assurance that such estimates and assumptions will prove to be correct. The forward-looking statements contained in this press release are made as of the date of this press release, and the Company expressly disclaims any obligation to update or alter statements containing any forward-looking information, or the factors or assumptions underlying them, whether as a result of new information, future events or otherwise, except as required by law.

SOURCE Sleep Country Canada Holdings Inc. Investor Relations

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<https://ir.sleepcountry.ca/2015-08-04-Sleep-Country-Canada-Reports-Strong-Second-Quarter-Financial-Results>