

Sleep Country Canada Reports Record First Quarter 2016 Performance Including 34.4% Operating EBITDA Increase on 11.7% Growth in Same Store Sales 11th Consecutive Quarter of Same Store Sales Growth

TORONTO, May 10, 2016 /CNW/ - Sleep Country Canada Holdings Inc. ("Sleep Country" or the "Company") (TSX: ZZZ), the leading specialty mattress retailer in Canada, today reported record financial results for the first quarter ended March 31, 2016 on solid growth in same store sales and four new store openings.

First Quarter Highlights

- Revenues increased 17.1% to \$107.3 million from \$91.6 million in Q1 2015.
- Same store sales growth ("SSSG") was 11.7%, on top of 10.5% SSSG in Q1 2015.
- Gross profit increased 19.9% to \$26.6 million or 24.8% of sales, from \$22.2 million, or 24.3% of sales in Q1 2015.
- Operating EBITDA¹ increased 34.4% to \$14.4 million or 13.4% of sales, from \$10.7 million, or 11.7% of sales in Q1 2015.
- Adjusted net income¹ increased 27.9% to \$7.5 million from \$5.9 million in Q1 2015.
- Adjusted earnings per share¹ increased 27.7% to \$0.20 from \$0.16 in Q1 2015.
- Opened four new stores, renovated five others.

¹ See the Non-IFRS Measures section of this news release.

Dividend Declaration

On May 10, 2016, the Board of Directors declared a dividend on the Company's common shares in the amount of \$0.13 per share, payable on May 30, 2016 to shareholders of record at the close of business on May 20, 2016. The dividend is designated as an "eligible dividend" for Canadian tax purposes.

CEO'S Commentary

"Sleep Country opened 2016 with solid financial performance, which reflected the advantages accruing from our position as Canada's leading specialty mattress retailer, our efficient business model and enduring focus on customer service," said David Friesema, Chief Executive Officer. "Same store sales expanded for the 11th consecutive quarter, this time by 11.7% over the first quarter last year. Customers continued to respond well to our merchandizing strategy, with mattress sales growth of 13.7% and accessories sales up 31.8% compared to the first quarter last year. We opened four new stores, bringing our national store count to 228 and we renovated five more stores to our enhanced design which is, we believe, another driver of same store sales growth. As these results demonstrate, the fundamentals of our business remain strong."

First Quarter Financial Results

First quarter revenues grew 17.1% to \$107.3 million from \$91.6 million in the first quarter of 2015. The increase was primarily attributable to 11.7% growth in SSSG and was further supported by the addition of 13 new stores in 2015 and four new stores opened in the first quarter of 2016. The year-over-year increase was comprised of a 13.7% increase in mattress sales (to \$84.5 million from \$74.3 million in Q1 2015) and a 31.8% increase in accessory sales (\$22.8 million from \$17.3 million in Q1 2015). The mattress industry is affected by seasonality. On average over the past three years, Sleep Country has generated 21% of its revenue in the first quarter, 23% in the second quarter, 31% in the third quarter and 25% in the fourth quarter.

First quarter gross profit increased 19.9% to \$26.6 million, or 24.8% of sales, from \$22.2 million, or 24.3% of sales in the first quarter of 2015. Gross profit margin performance reflected a combination of three factors. Sales and distribution compensation decreased to 17.4% of sales from 17.9% in the first quarter of 2015. Store occupancy costs decreased to 10.9% of sales from 11.8% in the first quarter of 2015 on improved leverage. Inventory and other directly related expenses, net of volume rebates, increased to 45.7% from 45.1% in the first quarter of 2015.

First quarter Operating EBITDA¹ increased 34.4% to \$14.4 million, or 13.4% of sales, from \$10.7 million, or 11.7% of sales a year ago. The increase largely reflected the strong year-over-year growth in revenue combined with improved gross profit margins and leverage on general and administration ("G&A") expenses. Total G&A expenses increased by \$0.5 million, or 4.4%, from \$11.9 million in Q1 2015 to \$12.5 million in Q1 2016; however, as a percentage of sales, G&A decreased from 13.0% in Q1 2015 to 11.6% in Q1 2016. The increase in G&A was mainly driven by higher public entity costs, the new long-term incentive plan, increases in salaries and wages, professional fees, information technology costs and warehouse occupancy costs, but was offset by a planned decrease in advertising expense due to a decision to defer some spending to seasonally busier

quarters.

Adjusted net income¹ increased 27.9% in the first quarter of 2016 to \$7.5 million (\$0.20 per share) from \$5.9 million (\$0.16 per share) a year ago due to higher Operating EBITDA¹ and lower finance-related expenses, partially offset by an increase in income tax expense. First quarter net income was \$7.3 million (\$0.19 per share) compared to a loss of \$17.7 million (loss of \$1.09 per share) in the first quarter of 2015. First quarter 2016 performance reflected an increase in EBITDA¹ and lower finance-related expenses, partially offset by an increase in income tax expense.

Comparative 2015 Results

The Company completed an Initial Public Offering ("IPO") on July 16, 2015 and as a result, the comparative financial results for the prior periods are those of the operating company, Sleep Country Canada Inc. before its acquisition by Sleep Country Canada Holdings Inc. as part of the IPO pre-closing transactions. During 2015, as a result of the IPO, the Company incurred a number of one-time, non-cash transactions related to the corporate structure that existed prior to the IPO as well as other non-recurring items at the time of the IPO.

Looking Ahead

With its strong consumer brand, growing store network, reputation for excellence in customer service, and robust supplier relationships, Sleep Country believes it has a proven path to growth and expansion within its existing markets.

"We believe Sleep Country is well positioned for continued revenue, profitability and cash flow growth," said Mr. Friesema. "To deliver these results, we will remain sharply focused on our proven operating plan. Specifically, we will look to continue to add eight to 12 new stores each year in existing and new markets, drive SSSG with investments in advertising and sales training, renovate 15 to 20 new stores each year to align them with our enhanced design parameters and expand accessories. By working on our plan, we believe we can deliver on our commitments to customers for a great shopping experience and shareholders for value creation."

Conference Call

David Friesema, CEO will host a conference call for analysts and investors on Wednesday, May 11, 2016 at 9:00 a.m. (ET). The dial-in numbers for the conference call are 888-231-8191 or 647-427-7450. This conference call will be recorded and available for replay until May 18, 2016. To listen to the replay, please dial 855-859-2056 or 416-849-0833 and use passcode 69352034.

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. At March 31, 2016, Sleep Country had 228 stores and 17 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 for Q1 2016 which is available on SEDAR at www.sedar.com.

Forward-Looking Information

Certain information in this news release contains forward-looking information and forward-looking statements which reflect the current view of management with respect to the Company's objectives, plans, goals, strategies, outlook, results of operations, financial and operating performance, prospects and opportunities. Wherever used, the words "may", "will", "anticipate", "intend", "estimate", "expect", "plan", "believe" and similar expressions identify forward-looking information and forward-looking statements. Forward-looking information and forward-looking statements should not be reads as guarantees of future events, performance

or results, and will not necessarily be accurate indications of whether, or the times at which, such events, performance or results will be achieved. All of the information in this news release containing forward-looking information or forward-looking statements is qualified by these cautionary statements.

Forward-looking information and forward-looking statements are based on information available to management at the time they are made, underlying estimates, opinions and assumptions made by management and management's current good faith belief with respect to future strategies, prospects, events, performance and results, and are subject to inherent risks and uncertainties surrounding future expectations generally. Such risks and uncertainties include, but are not limited to, those described in the Company's 2015 annual information form (the "AIF") filed on February 24, 2016. A copy of the AIF can be accessed under the Company's profile on SEDAR at www.sedar.com. Additional risks and uncertainties not presently known to the Company or that the Company currently believes to be less significant may also adversely affect the Company.

Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and forward-looking statements and are cautioned not to place undue reliance on such information and statements. The Company does not undertake to update any such forward-looking information or forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable laws.

SOURCE Sleep Country Canada Holdings Inc. Investor Relations

Robert Masson, Chief Financial Officer, 416.242.4774, robert.masson@sleepcountry.ca

<https://ir.sleepcountry.ca/2016-05-10-Sleep-Country-Canada-Reports-Record-First-Quarter-2016-Performance-Including-34-4-Operating-EBITDA-Increase-on-11-7-Growth-in-Same-Store-Sales>