

Sleep Country Canada Announces Acquisition of Endy

- **Acquisition of one of Canada's leading online mattress retail brands**
- **Secures positioning in the accelerating online mattress segment**
- **Stronger ability to compete with U.S. and international entrants**
- **High-quality, 'Made in Canada' mattress**
- **Innovative brand backed by best-in-class digital marketing & ecommerce expertise**
- **Endy will continue to operate separately**
- **Attractive purchase price and immediately accretive to EPS**

TORONTO, Nov. 29, 2018 /CNW/ - Sleep Country Canada Holdings Inc. ("Sleep Country" or "[Sleep Country Canada](#)") (TSX: ZZZ), Canada's leading sleep provider, today announced that it has signed a definitive agreement to acquire [Endy](#) ("Endy"), widely recognized as one of Canada's biggest mattress-in-a-box ecommerce players.

TWO GREAT CANADIAN SLEEP BRANDS JOIN FORCES

"Together, Sleep Country and Endy, two great Canadian brands will provide the most convenient customer experience to a wider base of Canadian consumers shopping for a better night's sleep. We recognize that consumer shopping habits are evolving and we remain focused on serving our customers any way they want to shop, and providing them with the choice to navigate easily between traditional and online channels," said David Friesema, CEO of Sleep Country.

"The acquisition of Endy will, along with Sleep Country's existing ecommerce and Bloom mattress-in-a-box offerings, complement Sleep Country's national store footprint and diverse selection of sleep products. In line with our strategic growth objectives and commitment to customer service, this acquisition accelerates growth of our online business and demonstrates our continued innovation and passion to provide Canadians with a great night's sleep," added Friesema.

ENDY EXPLODES ONTO THE ECOMMERCE SCENE

Endy, launched in 2015, is one of Canada's fastest-growing startups and an innovator in the Canadian ecommerce space.

Following three years of significant growth, Endy was named Canada's fastest growing retail company on the 2018 Startup 50 list, compiled by Maclean's and Canadian Business. The company has achieved this explosive growth while taking on very minimal external investment.

The brand's award-winning Endy Mattress has changed the way Canadians sleep. Engineered to offer the perfect balance of comfort and support, the Canadian-made Endy Mattress ships for free to every province in a box the size of a hockey bag. Designed to relieve pressure points, eliminate motion transfer, and release body heat faster than conventional foam, Endy has grown to become one of the leading online mattress brands in Canada.

Endy's expanded assortment includes The Endy Pillow, The Endy Sheets, and The Endy Mattress Protector.

With thousands of 5-star customer reviews, Endy has built a brand based on customer obsession and product innovation. Over the past three years, countless influential athletes, olympians, and notable Canadians have turned to Endy as their sleep surface of choice. This high-profile list includes the brand's first external investor, former Toronto Blue Jays star Jose Bautista, who announced his investment in the company this past August.

The brand's mission -- to help all Canadians get a better night's sleep -- extends beyond its customers. Endy has donated thousands of mattresses since launch to families and individuals in need across the country. To learn more about the company's charity partnerships and mattress donation program, visit endy.com/socialmission.

"Endy's original founders Rajen Ruparell (Chairman) and Mike Gettis (CEO), two best friends from Calgary whose vision and drive built and supported the talented Endy team, will remain at the helm of the business, alongside all of their existing employees. Their mission will remain the same, which is to continue to grow their Canadian business while harnessing the passion of their entrepreneurial culture in this very competitive industry," said Friesema.

The Sleep Country and Endy businesses will be run separately, encouraging the competitive entrepreneurial spirit that has positioned them both as leaders in their respective spaces. Mike Gettis will continue to be Endy's CEO. General oversight of the Endy business will be provided by a board comprised of the senior management

of Sleep Country and Endy. Rajen Ruparell will Chair this board.

"We are thrilled with today's announcement and extend a very warm welcome to the entire Endy team," said Stewart Schaefer, Chief Business Development Officer at Sleep Country. "The company's leadership demonstrates entrepreneurship at its finest. Endy is a true Canadian success story, growing by over 150% year over year in 2018, while remaining profitable. Endy has built strong customer loyalty and a relevant Canadian brand in just three short years, positioning itself as one of the market leaders in a very competitive ecommerce space. We have watched and admired Endy's growth for the last three years and respect the work they have done to build and grow their business. Over the last 3 years, we have seen the competitive intensity in the U.S. grow with over 150 players in the space. We believe Endy will position us strongly as "Best-in-Class" in Canada to compete against local and U.S. entrants," added Schaefer.

"We launched Endy as a disruptor in the Canadian ecommerce space three years ago, and this announcement today is a testament to the incredible dedication of the entire Endy team," said Rajen Ruparell, co-founder and Chairman of Endy and the company's majority shareholder. "This acquisition will allow us to continue to grow rapidly and exceed customer expectations in a rapidly evolving retail climate, while remaining separate."

"Since starting Endy, our mission has been to help all Canadians get a better night's sleep," said Mike Gettis, co-founder and CEO of Endy. "After getting to know the Sleep Country team, we can think of no better partner to help us achieve the dream we set out to accomplish when we founded Endy. By remaining a deeply rooted Canadian company, we can continue to scale our business and raise the bar even further as champions for our customers."

SLEEP COUNTRY'S GROWTH STORY

Over the past 24 years, Sleep Country's mission has been to exceed their customers' expectations when shopping for mattresses and bedding essentials.

With a national footprint from coast to coast, Sleep Country has built a network of 264 conveniently located stores to service their customers' needs plus 16 strategically located distribution centres across Canada to provide a fast and convenient white glove home delivery service.

The over 900 highly trained Sleep Experts add to Sleep Country's personalized in-store experience, by offering unparalleled product knowledge and service to help each shopper choose the right combination of products that best suit the way they sleep.

Today, with the very exciting announcement of the acquisition of Endy, one of Canada's leading mattress-in-a-box retailers, Sleep Country once again redefines the bedding industry by creating one of the most unique partnerships that this industry has ever seen, positioning Sleep Country at the forefront of this rapidly evolving industry.

"We are very proud of our continued focus on providing our customers with the best service by matching customers to relevant, innovative and high quality brands. We just celebrated our 21st consecutive quarter of same store sales growth," said Schaefer.

From 2013 to the trailing twelve months ended Q3 2018 topline sales for Sleep Country grew 75% from \$353.9 million to \$617.6 million, while Operating EBITDA grew 168% from \$39.4 million to \$105.6 million.

"Acquiring Endy is the next step in our journey to ensure that we diversify our offering and continue to grow and tap into a new generation of sleepers," added Schaefer.

TRANSACTION DETAILS

Sleep Country has agreed to acquire substantially all of the assets of Endy for \$88.7 million. Sleep Country will pay \$63.7 million in cash at closing and has agreed to pay up to an additional \$25 million in cash in early 2021 based on achieving certain growth and profitability targets in 2020.

The transaction will be financed through Sleep Country's revolving credit facility, which will be upsized by \$60 million to \$210 million for the transaction. Pro forma total debt to EBITDA at closing is anticipated to be approximately 1.5x.

The \$63.7 million paid at closing of the transaction represents approximately 12.0x Endy's trailing 12 month EBITDA as of October 31, 2018. If the full \$25 million earn-out payment is made in 2021, the future implied acquisition multiple for 2020 will be below 9x EBITDA based on the total purchase price of \$88.7 million. "Furthermore, because of the strength of our balance sheet, our financial leverage will still be at relatively conservative levels," indicated Robert Masson, Chief Financial Officer of Sleep Country Canada.

Subject to customary closing conditions, the transaction is expected to close on December 6, 2018.

TD Securities Inc. acted as exclusive financial advisor to Sleep Country Canada. Davies Ward Philips & Vineberg LLP served as legal counsel to Sleep Country Canada and Dentons Canada LLP served as legal counsel for Endy.

CONFERENCE CALL

Sleep Country Canada CEO, David Friesema, Stewart Schaefer, Chief Business Development Officer, Robert Masson, Chief Financial Officer, and Endy Chairman Rajen Ruparell will host a conference call for analysts and investors on November 30, 2018 at 8:30 a.m. (ET). The dial-in numbers for the conference call are (888)231-8191 (toll free North America dial-in number) or (647)427-7450 (international dial-in number). This conference call will be recorded and available for replay until December 7, 2018. To listen to the replay, please dial (855)859-2056 or (416)849-0833 and use passcode 2899387.

About Sleep Country

Sleep Country is Canada's leading sleep retailer. Sleep Country operates under two retail banners: Dormez-vous, the largest retailer of mattresses in Quebec and Sleep Country Canada, the leading mattress retailer in the rest of Canada. As of November 29, 2018, Sleep Country has 264 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.

About Endy

Launched in 2015 and headquartered in Toronto, Endy (endy.com) is revolutionizing the way people sleep, through their ridiculously comfortable, supportive and Canadian-made mattress. Engineered to offer the perfect balance of comfort and support, The Endy Mattress is made with an open air cell foam that relieves pressure points, eliminates motion transfer, and releases body heat faster than conventional foam. With free shipping across Canada in a box the size of a hockey bag, it's easy to see why Endy has become one of the leading online mattress brand in Canada, with the most Canadian 5-star reviews. As one of Canada's fastest growing ecommerce companies and winner of the 2016 Techweek Top 100 Innovator Award, Endy has expanded its assortment to include The Endy Pillow, The Endy Sheets, and The Endy Mattress Protector. Endy was also named the fastest growing retail startup on the 2018 Startup 50 list by Maclean's and Canadian Business. The brand also works closely with Canadian charities to donate new and gently used mattresses to families and individuals in need.

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" or "SSS", "EBITDA", "Operating EBITDA", "Adjusted Net Income" and "Adjusted Earnings Per Share" 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 Q3 2018 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 read 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 2017 annual information form (the "AIF") filed on March 1, 2018. 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.

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<https://ir.sleepcountry.ca/2018-11-29-Sleep-Country-Canada-Announces-Acquisition-of-Endy>