

Sleep Country Canada Achieves Best Ever Q3 with Strong Revenue Growth of 15.4% in Q3 2020

TORONTO, November 9, 2020 /CNW/ - Sleep Country Canada Inc. ("Sleep Country" or "Sleep Country Canada" or the "Company") (TSX: ZZZ) today released financial results for the third quarter and nine months ended September 30, 2020. With explosive triple-digit eCommerce growth across all platforms and strong retail store performance, Sleep Country achieved its best ever Q3 with record revenue, net income and EPS. All financial results are reported in Canadian dollars unless otherwise stated. Third Quarter Highlights □ Revenue increased by \$32.4 million or 15.4% from \$210.0 million in Q3 2019 to \$242.4 million in Q3 2020 □ Same Store Sales ("SSS"¹) increased by 14.5% in Q3 2020 from Q3 2019 □ Triple-digit eCommerce revenue growth across all platforms (Sleep Country, Dormez-vous? and Endy), with 18.1% of total revenue generated through eCommerce in Q3 2020 □ Gross profit margin increased by 0.6% from 34.1% in Q3 2019 to 34.7% in Q3 2020 □ Operating EBITDA¹ margin increased by 3.3% from 23.6% in Q3 2019 to 26.9% in Q3 2020 □ Net income increased by \$10.7 million or 50.0% from \$21.5 million in Q3 2019 to \$32.2 million in Q3 2020 □ Diluted EPS increased by \$0.30 or 52.6% from \$0.57 in Q3 2019 to \$0.87 in Q3 2020 □ Adjusted Net Income¹ increased by \$11.0 million or 49.2% from \$22.4 million in Q3 2019 to \$33.4 million in Q3 2020 □ Diluted Adjusted EPS¹ increased by \$0.30 or 50.0% from \$0.60 in Q3 2019 to \$0.90 in Q3 2020 □ Ended Q3 2020 with a cash balance of \$54.8 million and an additional \$144.2 million of liquidity available under the existing credit agreement □ The Board approved and restored the Company's dividend, declaring a \$0.195 dividend per share on the Company's common shares, payable on November 30, 2020 to shareholders of record at the close of business on November 20, 2020 □ Additionally, the Board approved the reinstatement of the following: o The NCIB program which provides the Company the option to purchase common shares for cancellation o All NEO's base salaries and the payment of all amounts previously deferred o The Board's cash compensation and the payment of all amounts previously deferred □ Welcomed Mandeep Chawla to the Board of Directors □ Announced exclusive partnership with Malouf, a premium sleep innovation brand □ Subsequent to quarter end, announced exclusive partnership with Purple Innovation, a leader in comfort and creator of the renowned Purple® Mattress CEO's Commentary and Outlook "This period was the most successful third quarter in our history with record revenue, net income and EPS. These tremendous results are a direct outcome of our advanced omnichannel infrastructure and reaffirm that our strategy to best serve Canadians' sleep needs, across all channels, is powerfully resonating with consumers," said Dave Friesema, CEO, Sleep Country Canada. ² "We have never felt more optimistic about the return from our ongoing investments in our digital platforms, highlighted by our explosive triple-digit eCommerce growth, while still delivering robust growth through our brick and mortar network. With 18.1% of the quarter's revenue driven through our digital platforms, it is clearer than ever that our seamless omnichannel experience is what Canadians want. In addition, we further strengthened our market presence through the expansion of our partnership strategy alongside premier international sleep brands like Malouf and Purple Innovation. With these, and other, relationships, we are advancing our goal to be the singular destination for Canadians to access the best sleep products from around the world. Beyond our exceptional performance, the quarter also highlighted the trust Canadians place in us. Despite the uncertainty resulting from the pandemic, new and loyal customers continue to choose our family of brands as trusted destinations for superior experience, knowledgeable service and quality sleep solutions. Looking ahead, our omnichannel infrastructure, financial flexibility, stable supply chain and dedicated employees will enable us to continue executing our strategy with excellence and agility. We remain committed to expanding our market share, delivering profitable growth and building value for our customers, employees, communities and shareholders," concluded Friesema. (C\$ thousands unless otherwise stated; other than store and share data) Q3 2020 Q3 2019 % Change Revenues \$242,351 \$209,973 15.4% SSS¹ 14.5% 0.5% Gross profit margin 34.7% 34.1% Stores opened 4 4 Stores renovated/relocated - - Operating EBITDA¹ \$65,294 \$49,551 31.8% Operating EBITDA margin¹ 26.9% 23.6% Net Income \$32,216 \$21,483 50.0% Adjusted Net Income¹ \$33,357 \$22,354 49.2% Earnings per share - Basic \$0.88 \$0.58 51.7% Adjusted Earnings Per Share - Basic¹ \$0.91 \$0.60 51.7% Adjusted Earnings Per Share - Diluted¹ \$0.90 \$0.60 50.0% ¹ See the Non-IFRS Measures section of this news release Summary of Third Quarter Financial Results Revenues increased by \$32.4 million, or 15.4%, from \$210.0 million in Q3 2019 to \$242.4 million in Q3 2020 mainly driven by a 14.5% increase in SSS¹, four new stores and wrap stores. Gross profit increased by \$12.6 million from \$71.6 million in Q3 2019 to \$84.2 million in Q3 2020. The gross profit margin increased by 0.6% from 34.1% in Q3 2019 to 34.7% in Q3 2020 primarily due to leveraging of fixed distribution costs, occupancy costs and depreciation costs. This increase was partially offset by higher product and delivery costs. Total General and Administrative ("G&A") expenses decreased by \$2.1 million, or 5.9%, from \$36.6 million in Q3 2019 to \$34.5 million in Q3 2020 which was mainly driven by the decrease in media and advertising expenses. Finance related expenses increased by \$0.1 million from \$5.3 million in Q3 2019 to \$5.4 million in Q3 2020. ³ Operating EBITDA¹ increased by \$15.7 million, or 31.8%, from \$49.6 million for Q3 2019 to \$65.3 million for Q3 2020. This increase was primarily due to strong revenue growth in Q3 2020 combined with an improved gross profit margin and a decrease in G&A expenses as well as the favourable impact of adjustments related to lower share-based compensation and non-recurring ERP implementation expenses. Net Income increased by \$10.7 million from \$21.5 million (\$0.58 per share) in Q3 2019 to \$32.2 million (\$0.88 per

share) in Q3 2020. This increase was mainly driven by the increase in Operating EBITDA¹ partially offset by an increase in Income taxes. Adjusted Net Income¹ for Q3 2020 increased by \$11.0 million from \$22.4 million (\$0.60 per share) in Q3 2019 to \$33.4 million (\$0.91 per share) in Q3 2020.

Summary of YTD 2020 Financial Results The outbreak of the COVID-19 pandemic has had an adverse impact on the Company's operations and financial results for YTD 2020 compared to prior year. Revenues decreased by \$17.1 million, or 3.2%, from \$525.9 million in YTD 2019 to \$508.8 million in YTD 2020 mainly as a result of the temporary closure of all the Company's retail stores for an average of 22% of its normal operating days in YTD 2020. This decline was partially offset by an increase in revenue from 4 new stores opened in Q3 2020, wrap stores, increase in eCommerce revenue as well as an increase in store revenue for the period during which the stores were open in YTD 2020. Gross profit decreased by \$1.3 million from \$163.6 million in YTD 2019 to \$162.3 million in YTD 2020. The gross profit margin increased by 0.8% from 31.1% in YTD 2019 to 31.9% in YTD 2020 primarily due to wage subsidies under the Canada Emergency Wage Subsidy (CEWS) program, which favourably impacted sales and distribution compensation. This increase was offset by the higher delivery costs and the deleveraging of fixed distribution costs, occupancy costs and depreciation costs. Total G&A expenses increased by \$0.2 million, or 0.2%, from \$91.1 million in YTD 2019 to \$91.3 million in YTD 2020. Finance related expenses increased by \$4.7 million from \$15.8 million in YTD 2019 to \$20.5 million in YTD 2020 due to a one-time \$4.3 million adjustment on Endy's contingent consideration liability in addition to the accretion expense related to the Endy acquisition in December 2018. Operating EBITDA¹ increased by \$3.0 million from \$114.6 million for YTD 2019 to \$117.6 million for YTD 2020. The increase was primarily due to an increase in revenue aided by an improved gross profit margin and offset by a slight increase in G&A expenses as well as the favourable impact of adjustments related to higher share-based compensation and non-recurring ERP implementation expenses. Net income decreased by \$4.7 million from \$41.4 million (\$1.12 per share) in YTD 2019 to \$36.7 million (\$1.00 per share) in YTD 2020. This decrease was mainly attributable to the decrease in gross profit due to the temporary closure of stores for an average of 22% of the normal operating days in YTD 2020, in addition to an increase in finance related expenses due to the one-time \$4.3 million adjustment on Endy's contingent consideration liability compared to YTD 2020. Adjusted Net Income¹ increased by \$1.1 million from \$43.5 million (\$1.17 per share) in YTD 2019 to \$44.6 million (\$1.22 per share) in YTD 2020.

4 Conference Call Sleep Country Canada CEO, Dave Friesema, will host a conference call for analysts and investors on November 10, 2020 at 8:00 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 November 17, 2020. To listen to the replay, please dial 855-859-2056 or 416-849-0833 and use passcode 5484654. About Sleep Country Sleep Country is Canada's leading omnichannel mattress and bedding retailer and the only specialty sleep products retailer with a national bricks and mortar footprint and an online presence. Sleep Country operates under three retail banners (the "Banners") - "Sleep Country Canada", with omnichannel operations in Canada excluding Québec; "Dormez-vous?" with omnichannel operations in Québec; and "Endy", Canada's leading online mattress-in-a-box retailer. As of September 30, 2020, Sleep Country has 280 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 experience. Sleep Country also works closely with Canadian charities to donate new and gently used mattresses to families and children 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", "Operating Days", "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 2020 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 5 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 2019 annual information form (the "AIF") filed on March 4, 2020, the Q1 2020 Management's Discussion and Analysis of Financial Condition and Results of Operations of Sleep Country Canada Holdings Inc. ("MD&A") filed on May 4, 2020, Q2 2020 MD&A filed on August 6, 2020 and the Q3 2020 MD&A filed on November 9, 2020. A copy of the AIF, Q1 2020, Q2 2020 MD&A and Q3 2020 MD&A 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. For further information: Craig De Pratto, Chief Financial Officer investor.relations@sleepcountry.ca

Additional assets available online: [Documents \(1\)](#)

<https://ir.sleepcountry.ca/2020-11-09-Sleep-Country-Canada-Achieves-Best-Ever-Q3-with-Strong-Revenue-Growth-of-15-4-in-Q3-2020>