

## **Sleep Country Reports Exceptional Results in Q1 2021 with 74.1% Net Income Growth**

**Strength of omnichannel model continues to differentiate Sleep Country and build long-term value as revenue increases by 20.7% despite stores being closed for 32.9% of the quarter**

TORONTO, May 10, 2021 /CNW/ - Sleep Country Canada Holdings Inc. ("Sleep Country" or the "Company") (TSX: ZZZ) today released financial results for the first quarter and three months ended March 31, 2021. Despite lengthier COVID-19 mandated store closures of 32.9% of operating days<sup>1</sup> compared to 10.2% in Q1 2020, Sleep Country continued to deliver powerful growth across its sleep ecosystem including capturing 29.3% of total sales through eCommerce. Building on the momentum of its record 2020 results, the Company's banners remain uniquely positioned to anticipate, adapt and evolve with the needs of new and loyal customers.

All financial results are reported in Canadian dollars unless otherwise stated.

### **First Quarter Highlights**

- Revenue increased by 20.7% to \$183.0 million from \$151.6 million despite stores being closed for 32.9% of operating days<sup>1</sup> as a result of government-mandated closures in Q1 2021 compared to 10.2% in Q1 2020
- Same Store Sales (SSS)<sup>1</sup> increased by 19.6% from Q1 2020 to Q1 2021
- Fourth consecutive quarter of triple-digit eCommerce revenue growth for Sleep Country, Dormez-vous and Endy, with eCommerce sales representing 29.3% of Q1 revenue
- Gross profit margin increased by 0.4% from 27.1% in Q1 2020 to 27.5% Q1 2021
- Operating EBITDA<sup>1</sup> increased by 12.9% from \$27.9 million in Q1 2020 to \$31.5 million in Q1 2021
- Net income increased by 74.1% from \$5.0 million in Q1 2020 to \$8.7 million in Q1 2021
- Adjusted diluted Earnings Per Share (EPS) increased by 52.9% from \$0.17 in Q1 2020 to \$0.26 in Q1 2021
- Mattresses and accessories revenues grew by 19.0% and 27.7% respectively
- Opened two new stores, bringing total store count to 283 across the country
- Toronto Stock Exchange accepted the Company's Normal Course Issuer Bid (NCIB) providing the Company with the option of purchasing shares commencing March 9, 2021
- Completed Endy's contingent consideration payment of \$25 million after the Endy team exceeded the pre-defined growth and profitability targets during the performance period which ended December 31, 2020
- Endy voted Most Trusted Mattress-in-a-Box Brand in Canada 2021 by BrandSpark
- Sleep Country Canada, Dormez-vous and Endy certified as Best Workplaces in Retail and Hospitality for 2021
- Stewart Schaefer named President of Sleep Country subsequent to quarter end

### **CEO Commentary and Outlook**

"This quarter again demonstrated the power and efficacy of our strategy in delivering sustained, profitable growth and serving Canadians' sleep needs, as illustrated by our impressive increases in revenue and net income. As we continue to navigate the pandemic, our purpose of transforming lives by awakening Canadians to the power of sleep has never been more important. We strive to live this purpose every day and are proud and grateful to have helped over 175,000 Canadians improve their lives through sleep this quarter," said Dave Friesema, CEO, Sleep Country.

"We are focused on achieving customer-centric growth through three strategic platforms: providing a world-class customer experience, relentless channel and product innovation and helping Canadians achieve their best sleep as a pillar of wellbeing. Our digital channels drove a record-breaking 29.3% of revenue in Q1, delivering our fourth consecutive quarter of triple-digit eCommerce growth. These results clearly highlight our unique ability to serve customers across digital and physical touchpoints with opportunities to explore, learn, trial and deliver on their own terms. We also completed a successful and well-received brand activation with our #MySleepPromise World Sleep Day campaign. With a reach of over 30 million social impressions, 50 million PR impressions and a partnership with the SleepScore sleep science company, our campaign inspired Canadians to prioritize sleep as a pillar of wellbeing and empowered them to establish healthy sleep habits.

In addition, we celebrated Endy's tremendous growth with the settlement of its \$25 million contingent consideration after the team exceeded all set growth and profitability targets defined at acquisition in 2018. Endy continues to innovate in the eCommerce space as Canada's leading online mattress brand and one of the country's fastest-ever growing retailers. As part of one family, Endy complements Sleep Country and Dormez-vous in providing an exceptional experience for every customer segment.

Building on our powerful results, we move forward with optimism and from a position of financial strength. We are confident in our vision of championing sleep as the key to a healthier and happier life and remain

committed to building sustainable value for our customers, communities, Associates and shareholders. I would like to extend my sincere appreciation to our team for providing the exceptional service that enabled us to achieve a formidable first quarter," concluded Friesema.

| (C\$ thousands unless otherwise stated; other than store and share data) | Q1 2021 | Q1 2020   | % Change |
|--|---------|-----------|----------|
| <b>Revenues</b>  | 183,020 | \$151,586 | 20.7%    |
| <b>SSS 1</b>   | 19.6%   | (0.9%)    |          |
| <b>Gross profit margin</b>   | 27.5%   | 27.1%     |          |
| <b>Stores opened</b>   | 2       | -         |          |
| <b>Stores renovated/relocated</b>  | 5       | 9         |          |
| <b>Operating EBITDA 1</b>  | 31,457  | 27,858    | 12.9%    |
| <b>Operating EBITDA margin 1</b>   | 17.2%   | 18.4%     |          |
| <b>Net Income</b>  | 8,692   | 4,993     | 74.1%    |
| <b>Adjusted Net Income 1</b>   | 9,621   | 6,107     | 57.5%    |
| <b>Earnings per share - Basic</b>  | 0.24    | \$0.14    | 71.4%    |
| <b>Adjusted Earnings Per Share - Basic 1</b>                             | 0.26    | \$0.17    | 52.9%    |
| <b>Adjusted Earnings Per Share - Diluted 1</b>                           | 0.26    | \$0.17    | 52.9%    |

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

### Dividend Declaration

On May 10, 2021, the Board declared a dividend of \$0.195 per share, payable on May 31, 2021 to shareholders of record at the close of business on May 21, 2021. The dividend is designated as an "eligible dividend" for Canadian tax purposes.

### Summary of First Quarter Financial Results

Revenues increased by \$31.4 million or 20.7% from Q1 2020 to Q1 2021. This increase was mainly driven by a 19.6% increase in SSS1, two new stores and wrap stores while the Company's retail store network was temporarily closed for an average of 32.9% of its normal operating days<sup>1</sup> in Q1 2021 versus 10.2% of its normal operating days<sup>1</sup> in Q1 2020. In Q1 2021, eCommerce sales were 29.3% of revenues.

Gross profit increased by \$9.1 million from \$41.2 million in Q1 2020 to \$50.3 million in Q1 2021. The gross profit margin increased by 0.4% from 27.1% in Q1 2020 to 27.5% in Q1 2021 primarily due to lower product and compensation costs, leveraging of fixed distribution costs, occupancy costs and depreciation costs. This decrease was partially offset by higher COVID-19 PPE, delivery and inventory adjustment costs.

Total G&A expenses increased by \$5.1 million or 17.5% from \$29.0 million in Q1 2020 to \$34.1 million in Q1 2021. The change was mainly driven by an increase in media and advertising, compensation and occupancy expenses.

Finance related expenses decreased by \$1.4 million from \$5.4 million in Q1 2020 to \$4.0 million in Q1 2021 mainly due to the decrease in interest expense on the Company's senior secured credit facility and decrease in accretion expense on the contingent consideration due under the purchase agreement related to the Endy acquisition which was paid in full in Q1 2021. These decreases were partly offset by an increase in the revolver commitment fees.

Operating EBITDA<sup>1</sup> was \$31.5 million for Q1 2021, or 17.2% of revenue, compared to \$27.9 million for Q1 2020, or 18.4% of revenue, representing an increase of \$3.6 million or 12.9% mainly due to the strong revenue growth in Q1 2021 combined with an improved gross profit margin and partially offset by an increase in G&A expenses.

Net Income increased by \$3.7 million or 74.1% from \$5.0 million (\$0.14 per share) in Q1 2020 to \$8.7 million (\$0.24 per share) in Q1 2021. This increase was mainly driven by the increase in EBITDA<sup>1</sup> and decrease in finance related expenses and partially offset by an increase in income taxes.

Adjusted Net Income<sup>1</sup> for Q1 2021 increased by \$3.5 million or 57.5% from \$6.1 million (\$0.17 per share) in Q1 2020 to \$9.6 million (\$0.26 per share) in Q1 2021.

### Conference Call

Sleep Country will host a conference call for analysts and investors on May 11, 2021 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 May 18, 2021 23:59 ET. To listen to the replay, please dial (416) 849-0833 or (855) 859-

2056 and use passcode 4809759.

### **About Sleep Country Canada Holdings Inc.**

The Company is Canada's leading omnichannel specialty sleep retailer with a national retail store network and robust eCommerce platforms. The Company operates under three retail banners: "Sleep Country Canada", with omnichannel operations in Canada excluding Québec; "Dormez-vous?" with omnichannel operations in Québec and "Endy", Canada's leading direct-to-consumer online sleep solutions retailer. As of May 10, 2021, Sleep Country has 283 stores and 17 distribution centres across Canada. Sleep Country is a purpose-led company dedicated to transforming lives by awakening Canadians to the power of sleep. The company is committed to meaningfully and positively supporting its environment, people and communities including operating a comprehensive Mattress Recycling Program and working closely with Canadian charities to donate new and gently used mattresses to families and children in need.

For more information about the company visit [www.sleepcountry.ca](http://www.sleepcountry.ca) or Facebook at [facebook.com/SleepCountryCanada](https://facebook.com/SleepCountryCanada).

### **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 "Diluted Adjusted EPS" and "Operating Days" 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 2021 which is available on SEDAR at [www.sedar.com](http://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 Q1 2021 MD&A under the sections "Risk Factors" and " COVID-19 Business Update" and those described in the Company's 2020 annual information form (the "AIF") filed on March 2, 2021. A copy of the AIF can be accessed under the Company's profile on SEDAR at [www.sedar.com](http://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/2021-05-10-Sleep-Country-Reports-Exceptional-Results-in-Q1-2021-with-74-1-Net-Income-Growth>

