

Sleep Country Canada Acquires Majority of Hush Blankets

TORONTO, Oct. 19, 2021 /CNW/ - Sleep Country Canada Holdings Inc. ("Sleep Country" or the "Company") (TSX: ZZZ), Canada's leading omnichannel specialty sleep retailer, today announced that it is acquiring a majority share of Hush Blankets ("Hush"). Hush, a Canadian-based, direct-to-consumer sleep retailer specializing in weighted blankets, pillows, sheets, and now their recently launched bed-in-a-box mattresses, has quickly become a celebrated household name and one of Canada's fastest-growing digital retailers.

Founded in 2017 by Lior Ohayon and Aaron Spivak ([Forbes 30 Under 30 selections](#) and winners), Hush launched Canada's beloved weighted blanket in 2018. Within its first 24 months, the company launched one of the 10 most successful Kickstarter campaigns ever and earned "Most Epic Pitch" of the 2019 Dragons' Den season. Hush's weighted blanket continues to transform the sleep industry with its Iced Cooling technology, driving mass interest in new weighted technologies that support a good night sleep. With an emphasis on community-focused digital marketing, the company has rapidly attracted a loyal customer base.

"We are thrilled to welcome Hush into our portfolio of relevant brands, as we strategically work to expand our sleep assortment, diversify our omnichannel approach and bring a world-class experience to all customers in support of better tomorrows through better tonights," said Stewart Schaefer, President of Sleep Country Canada. "We are impressed by the company's exceptional growth and highly engaged community and look forward to supporting their expansion with our market knowledge, infrastructure and logistics capabilities. Their aggressive and dynamic direct-to-consumer model within Canada and the U.S. perfectly aligns with our growth roadmap as we explore opportunities in new markets with differentiated customer segments," added Schaefer.

"We founded Hush with the intent to disrupt and fuel innovation in the sleep space," said Lior Ohayon, Co-Founder of Hush. "We are eager to enter the next phase of our growth story doing what we do best by expanding our product line and pushing the sleep industry's boundaries for the benefit of customers around the world. Sleep Country's deep knowledge of the industry and innovative spirit make them the perfect partner to help us excel in this journey."

"We are excited to see this partnership come to fruition and know that today's announcement will deliver superior experiences to our dedicated Hush community," said Aaron Spivak, Co-Founder of Hush. "Joining forces with a best-in-class and trusted brand like Sleep Country means Hush will be able to rapidly scale, unlock attractive avenues for market expansion and revenue growth. We move forward with optimism, enthusiasm and confidence in our growth trajectory alongside Canada's leading omnichannel sleep retailer."

Hush will continue to operate as an independent entity led by Ohayon and Spivak in their respective roles. Hush's board will be comprised of the senior management of Sleep Country and Hush.

Transaction Details

Sleep Country has agreed to acquire a 52% majority stake in Hush for an initial amount of \$25 million, or approximately 9.0x Hush's trailing 12-month EBITDA as of September 30, 2021. Sleep Country will acquire the residual 48% of Hush in annual 16% stake increments thereafter starting March 31, 2023. The future instalments will be acquired at a multiple of up to 7.0x applied to Hush's trailing 12-month EBITDA.

Subject to customary closing conditions, the transaction is expected to close on October 22, 2021.

PwC acted as exclusive accounting services advisor to Sleep Country Canada, with Davies Ward Philips & Vineberg LLP serving as legal counsel. DLA Piper (Canada) LLP served as legal counsel for Hush.

About Sleep Country

Sleep Country is Canada's leading Omni channel specialty sleep retailer with a national retail store network and robust eCommerce platforms. The Company operates under three retail banners: "Sleep Country Canada", with Omni channel operations in Canada excluding Québec; "Dormez-vous?" with Omni channel operations in Québec and "Endy", Canada's leading direct-to-consumer online sleep solutions retailer. As of October 19, Sleep Country has 287 stores, 17 fulfillment centres and two storage hubs 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.

About Hush

Hush is a Canadian-based sleep improvement brand that was started in 2018 by Aaron Spivak and Lior Ohayon. Hush started with a product now considered to be Canada's Most Popular (and Reviewed) weighted blanket - designed to help those with sleep, anxiety, insomnia, ADHD, and more. Within its first 24 months, Hush has grown to an 8-figure brand. Since the beginning, Hush has been committed to giving back by donating 1 blanket for every 10 sold. The company launched a successful Kickstarter campaign that raised \$1.5M+ in 30 days - making it the Top 10 most raised Canadian Campaign ever. In 2019, Hush also appeared on Canadian hit TV show Dragons' Den and earned "Most Epic Pitch" of the season securing a bidding war between all 6 dragons. The company has since expanded their product line to include mattresses and sleep accessories, furthering their mission of helping Canadians achieve a better night's rest.

For more information about Sleep Country Canada, visit www.sleepcountryir.ca

For more information about Hush, visit www.hush.ca

Non-IFRS Measures and Retail Industry Metrics

The Company prepares its consolidated financial statements in accordance with IFRS. In order to provide additional insight into the business, to provide investors with supplemental measures of its operating performance and to highlight trends in its business that may not otherwise be apparent when relying solely on IFRS financial measures, the Company uses certain non-IFRS measures, including "Same Store Sales" or "SSS", "EBITDA", "Operating EBITDA", "Operating EBITDA Margin", "Adjusted Net Income" and "Adjusted EPS". 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. 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. The Company also believes that securities analysts, investors, and other interested parties frequently use non-IFRS measures in the evaluation of issuers.

Readers are cautioned that these non-IFRS measures are not recognized under IFRS and do not have a standardized meaning prescribed by IFRS. They are therefore unlikely to be comparable to similarly titled measures presented by other publicly traded companies. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS.

Forward-looking Information

This 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 indicators of whether, or the times at which, such events, performance or results will be achieved. All of the information in this 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 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. 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.

The Company cautions that the list of risk factors and uncertainties described in the AIF is not exhaustive and that should certain risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual strategies, prospects, events, performance and results may vary significantly from those expected. There can be no assurance that the actual strategies, prospects, results, performance, events or activities anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, 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.

<https://ir.sleepcountry.ca/2021-10-19-Sleep-Country-Canada-Acquires-Majority-of-Hush-Blankets>