Sleep Country Continues to Lead Canada's Sleep Space with 13.0% Growth in Revenue and 19.5% Growth in Adjusted Net Income

TORONTO, Nov. 11, 2021 /CNW/ - Sleep Country Canada Holdings Inc. ("Sleep Country" or the "Company") (TSX: ZZZ) today released its financial results for the third quarter and nine months ended September 30, 2021. Sleep Country achieved growth across several key metrics from Q3 2020 to Q3 2021 including increases in revenues by 13.0% and adjusted net income1 by 19.5%. The Company continued to execute against its purpose-driven strategy and growth platforms to solidify its position as Canada's leading omnichannel and direct-to-consumer retailer.

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

Third Quarter Highlights

- Revenues increased by $31.4 million or 13.0% from $242.4 million in Q3 2020 to $273.8 million in Q3 2021
- Same Store Sales (SSS)1 increased by 10.6% from Q3 2020 to Q3 2021
- eCommerce sales represented 17.9% of revenues in Q3 2021
- Gross profit margin increased by 2.8% from 34.7% in Q3 2020 to 37.5% in Q3 2021
- Operating EBITDA1 margin remained unchanged at 26.9% from Q3 2020 to Q3 2021
- Adjusted Net income1 increased by $6.5 million or 19.5% from $33.2 million in Q3 2020 to $39.7 million in Q3 2021
- Diluted adjusted earnings per share1 (EPS) increased by $0.17 or 18.9% from $0.90 in Q3 2020 to $1.07 in Q3 2021
- Announced the expansion of the Company's partnership with Walmart Canada to open 10 new pilot "Sleep Country/Dormez-vous Express" stores in Walmart Supercentres, all stores scheduled to open in Q4 2021
- Exclusive retail and digital partnership with Casper Sleep Inc. to retail its core-collection mattresses in Canada
- Endy exceeded 500,000 customer transactions since its inception and was recognized as a Great Place to Work® Canada for its third consecutive year as well as joined the ranks of 2021 Best Workplaces™ for Startup's and 2021 Best Workplaces™ in Retail and Hospitality
- Subsequent to quarter-end, the Company acquired 52% of the issued and outstanding common shares of Hush Blankets Inc. ("Hush"), a direct-to-consumer sleep retailer, for cash consideration of $25 million, the second largest acquisition in the Company's history
- Subsequent to quarter-end, the Company's senior credit agreement for its existing credit facility of $260 million was amended and the maturity date was extended to October 22, 2026

CEO and President Commentary

"We started Sleep Country 27 years ago to transform the way Canadians shopped for mattresses. Along the way, we've pushed the boundaries and differentiated ourselves in Canada's sleep space. I'm incredibly proud to have been part of this journey, and of our best-in-class team whose solid execution of our strategic roadmap across all our brands and channels delivered the strongest quarter in our company's history," said Dave Friesema, CEO, Sleep Country.

"With record performance in revenue, gross profit margin and net income, we continued to drive profitable growth this quarter and made significant progress on our plans by strengthening our omnichannel business through transformative partnerships with Walmart Canada and Casper," said Stewart Schaefer, President, Sleep Country.

"Looking forward, we are poised to realize the full potential of our acquisition of Hush, and our other thoughtful investments in our sleep ecosystem, infrastructure and supply chain. As sleep wellness continues to be a fundamental part of our customers' well-being, we remain committed to our purpose of transforming lives through sleep and providing our customers with world-class experiences across our entire sleep ecosystem," added Schaefer.

Dividend Declaration

On November 11, 2021, the Board declared a dividend of $0.195 per share, payable on November 29, 2021 to shareholders of record at the close of business on November 19, 2021. The dividend is designated as an "eligible dividend" for Canadian tax purposes.

Summary of Third Quarter Financial Results

(C$ thousands unless otherwise stated; other than store and share data)	**Q3 2021**	**Q3 2020**	**% Change**

Revenues	$273,840	$242,351	13.0 %
SSS 1	10.6%	14.5%	
Gross profit margin	37.5%	34.7%	
Stores opened	-	4	
Stores renovated/relocated	-	-	
Operating EBITDA 1	$73,659	$65,294	12.8%
Operating EBITDA margin 1	26.9%	26.9%	-
Net Income	$36,458	$32,216	13.2%
Adjusted Net Income 1	$39,707	$33,217	19.5%
Earnings per share – Basic	$0.99	$0.88	12.5%
Adjusted Earnings Per Share – Basic 1	$1.08	$0.91	18.7%
Adjusted Earnings Per Share – Diluted 1	$1.07	$0.90	18.9%

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

Revenues increased by $31.4 million or 13.0% from $242.2 million in Q3 2020 to $273.8 million in Q3 2021. This increase was mainly driven by a 10.6% increase in SSS1, 6 new stores opened in fiscal 2021 and wrap stores. In Q3 2021, eCommerce sales were 17.9% of Revenues.

Gross profit increased by $18.5 million from $84.2 million in Q3 2020 to $102.7 million in Q3 2021. Gross profit margin increased by 2.8% from 34.7% for Q3 2020 to 37.5% for Q3 2021 primarily due to an increase in average unit selling prices as well as lower product, inventory adjustment and COVID-19 PPE costs and the leveraging of occupancy and depreciation costs.

Total G&A expenses increased by $14.3 million or 41.7% from $34.5 million in Q3 2020 to $48.8 million in Q3 2021. This change was mainly driven by an increase in media and advertising, compensation, professional fees, telecommunication and information technology, occupancy and depreciation expenses.

Finance related expenses decreased by $1.4 million from $5.4 million in Q3 2020 to $4.0 million in Q3 2021. This change was mainly due to decreases in the Company's interest expense on its senior secured credit facility and $0.8 million accretion expense incurred in Q3 2020 related to the Endy contingent consideration liability. The contingent consideration liability was paid in full in March 2021. These decreases were partly offset by an increase in interest expense on the Company's lease liabilities.

Operating EBITDA1 was $73.7 million for Q3 2021, or 26.9% of revenue, compared to $65.3 million for Q3 2020, or 26.9% of revenue, representing an increase of $8.4 million or 12.8% mainly due to strong revenue growth in Q3 2021 combined with an improved gross profit margin and partially offset by an increase in G&A expenses.

Net income for Q3 2021 increased by $4.3 million from $32.2 million ($0.88 per share) in Q3 2020 to $36.5 million ($0.99 per share) in Q3 2021. This increase was mainly driven by the increase in EBITDA1 and decrease in finance related expenses and partially offset by an increase in income taxes.

Adjusted Net Income1 for Q3 2021 increased by $6.5 million from $33.2 million ($0.91 per share) in Q3 2020 to $39.7 million ($1.08 per share) in Q3 2021.

Summary of YTD 2021 Financial Results

Revenues increased by $140.2 million or 27.6% from $508.8 million in YTD 2020 to $649.0 million in YTD 2021. This increase was mainly driven by a 25.6% increase in SSS1, 6 new stores opened in fiscal 2021 and wrap stores while the Company's retail store network was temporarily closed for an average of 21.8% of its normal operating days in YTD 2021 similar to 22.0% of its normal operating days in YTD 2020. In YTD 2021, eCommerce sales were 26.4% of Revenues.

Gross profit increased by $57.0 million from $162.3 million in YTD 2020 to $219.3 million in YTD 2021. Gross profit margin increased by 1.9% from 31.9% for YTD 2020 to 33.8% for YTD 2021 primarily due to an increase in average unit selling prices as well as lower product and COVID-19 PPE costs and the leveraging of occupancy and depreciation expenses. These decreases were partially offset by higher delivery and inventory adjustment costs, in addition, to higher compensation costs that were favourably impacted by wage subsidies under the CEWS program in YTD 2020.

Total G&A increased by $30.7 million or 33.6% from $91.3 million in YTD 2020 to $122.0 million in YTD 2021. This change was mainly driven by an increase in media and advertising expenses, compensation expenses that were favourably impacted by wage subsidies under the CEWS program in YTD 2020, in addition to professional fees, telecommunication and information technology, occupancy and depreciation expenses.

Finance related expenses decreased by $7.9 million from $20.5 million in YTD 2020 to $12.6 million in YTD 2021. This change was mainly due to decreases in the Company's interest expense on its senior secured credit facility and a $4.3 million adjustment in Q2 2020 on Endy's contingent consideration liability, in addition, to the $2.2 million periodic accretion expense related to the Endy acquisition. The contingent consideration liability was subsequently paid in full in March 2021. These decreases were partly offset by increases in the revolver commitment fees and interest expense on the Company's lease liabilities.

Operating EBITDA1 was $148.8 million for YTD 2021, or 22.9% of revenue, compared to $117.6 million for YTD 2020, or 23.1% of revenue, representing an increase of $31.2 million or 26.5% mainly to strong revenue growth in YTD 2021 combined with an improved gross profit margin and partially offset by an increase in G&A expenses.

Net Income for YTD 2021 increased by $25.5 million from $36.7 million ($1.00 per share) in YTD 2020 to $62.2 million ($1.69 per share) in YTD 2021. This increase was mainly driven by the increase in EBITDA1 and decrease in finance related expenses and partially offset by an increase in income taxes.

Adjusted Net Income1 for YTD 2021 increased by $23.2 million from $44.2 million ($1.21 per share) in YTD 2020 to $67.4 million ($1.83 per share) in YTD 2021.

Conference Call

Sleep Country CEO, Dave Friesema, and Sleep Country President, Stewart Schaefer, will host a conference call for analysts and investors on November 12, 2021 at 8:00 a.m. ET. The dial-in numbers for the conference call are 1 (416) 764-8659 or 1 (888) 664-6392. This conference call will be recorded and available for replay until November 19, 2021 23:59 ET. To listen to the replay, please dial 1 (416) 764-8677 or 1 (888) 390-0541 and use passcode 056376.

About Sleep Country

Sleep Country is Canada's leading omnichannel and direct-to-consumer specialty sleep retailer with a national retail store network and robust eCommerce platforms. The Company operates under retail banners: "Sleep Country Canada", with omnichannel operations in Canada excluding Québec; "Dormez-vous?" with omnichannel operations in Québec; "Endy", Canada's leading direct-to-consumer online sleep solutions retailer; and recently acquired Hush Blankets Inc., one of Canada's fastest-growing digital retailers. As of November 11, 2021, Sleep Country has 287 stores and 19 warehouses 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.sleepcountryir.ca

Non-IFRS Measures

This news release refers 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 2021 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 below under the sections "Risk Factors" and "COVID-19 Business Update", the impact of the novel coronavirus ("COVID-19") pandemic 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. 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
