

Sleep Country delivers best Q1 in Company's history with revenue growth of 13.1% and Diluted EPS increase of 113.0%

TORONTO, May 4, 2022 /CNW/ - Sleep Country Canada Holdings Inc. ("Sleep Country" or the "Company") (TSX: ZZZ) today released its financial results for the first quarter ended March 31, 2022. Building on its record performance in fiscal 2021, the Company achieved growth across all the key metrics of its business and continues to lead Canada's sleep industry with the most powerful sleep ecosystem in the country.

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

First quarter highlights

- Revenues increased by \$24.0 million or 13.1% to \$207.0 million in Q1 2022 from \$183.0 million in Q1 2021;
- Gross profit margin increased by 710 basis points to 34.6% in Q1 2022 from 27.5% in Q1 2021;
- Operating EBITDA¹ increased by \$15.2 million or 48.5% to \$46.7 million in Q1 2022 from \$31.5 million in Q1 2021;
- Operating EBITDA margin¹ increased by 540 basis points to 22.6% in Q1 2022 from 17.2% in Q1 2021;
- Same Store Sales ("**SSS**")¹ increased by 8.8% in Q1 2022 from Q1 2021;
- eCommerce sales represented 20.8% of Revenues in Q1 2022;
- Net income attributable to the Company increased by \$9.7 million or 111.8% to \$18.4 million in Q1 2022 from \$8.7 million in Q1 2021;
- Adjusted net income attributable to the Company¹ increased by \$11.2 million or 116.2% to \$20.8 million in Q1 2022 from \$9.6 million in Q1 2021;
- Diluted earnings per share ("**EPS**") increased by \$0.26 or 113.0% to \$0.49 in Q1 2022 from \$0.23 in Q1 2021;
- Diluted adjusted EPS¹ increased by \$0.30 or 115.4% to \$0.56 in Q1 2022 from \$0.26 in Q1 2021;
- The TSX accepted the Notice of Intention to Make a Normal Course Issuer Bid (NCIB) filed by the Company in Q1 2022 with the option of purchasing shares commencing March 9, 2022. The Company purchased and cancelled 85,073 shares for total consideration of \$2.4 million against its NCIB in Q1 2022; and
- Subsequent to quarter-end, on May 4, 2022, the Board declared a dividend of \$0.215 per share, an increase of 10%, payable on May 30, 2022 to shareholders of record at the close of business on May 20, 2022. The dividend was designated as an "eligible dividend" for Canadian tax purposes.

Other business highlights

- Pledged sleep essentials valued over \$250,000 to Global Aid Network to support Ukrainians displaced by the war in Ukraine;
- Celebrated World Sleep Day by raising awareness on the importance of sleep for wellbeing and made a \$100,000 donation to the Canadian Mental Health Association;
- Announced the launch of the Sleep Country and Dormez-vous stores across all Loblaw online platforms;
- Endy won Best Workplaces for Women by Great Places to Work 2022; and
- Opened a new store in Thornhill, Ontario to boost total store count to 286.

President & CEO Commentary and Outlook

"We are very proud to deliver the best Q1 in our company's history, despite ongoing challenges due to COVID-19, challenging supply chain logistics, volatile interest rates, inflation, the war in Ukraine and a drop in consumer confidence. Our strong performance reinforces the resilience of our sleep ecosystem, our proactive measures and our best-in-class team to provide a seamless customer experience across all our brands and channels," said Stewart Schaefer, President and CEO of Sleep Country.

"Building on our momentum in 2021, we continued to expand our physical and digital touchpoints with another store opening and the launch of Sleep Country and Dormez-vous stores on Loblaw marketplace extending our reach to millions more customers every week."

"We elevated our purpose with our World Sleep Day campaign, raising awareness for the importance of sleep to our wellbeing with a \$100,000 donation to the Canadian Mental Health Association, and a powerful brand activation that was our most successful performance campaign since Boxing Week."

"We extended our support to Ukrainian families displaced by this tragic war who are in dire need, with a pledge of over \$250,000 worth of sleep essentials."

"Looking ahead, we are well positioned and diversified in our blend of merchandise and channel agnostic

approach to weather the changing economic climate and continue to lead Canada's sleep space with our frictionless digital experience, multiple distribution channels, powerful partnerships and the most innovative and relevant sleep brands in the country," concluded Schaefer.

Summary of First Quarter Financial Results

(C\$ thousands unless otherwise stated; other than store and share data)	Q1 2022	Q1 2021	% Change
Revenues	\$207,028	\$183,020	13.1%
SSS1	8.8%	19.6%	
Gross profit margin %	34.6%	27.5%	
Stores opened	1	2	
Stores closed	-	-	
Stores renovated/relocated	-	5	
Operating EBITDA1	\$46,714	\$31,457	48.5%
Operating EBITDA margin1 %	22.6%	17.2%	
Net Income attributable to the Company	\$18,413	\$8,692	111.8%
Adjusted Net Income attributable to the Company1	\$20,800	\$9,621	116.2%
Basic EPS	\$0.50	\$0.24	108.3%
Basic adjusted EPS1	\$0.56	\$0.26	115.4%
Diluted adjusted EPS1	\$0.56	\$0.26	115.4%

Notes:

1 See the "Non-IFRS and Other Measures" section of this news release.

Revenues increased by \$24.0 million or 13.1% from \$183.0 million in Q1 2021 to \$207.0 million in Q1 2022 mainly driven by an 8.8% increase in SSS, the opening of three net new stores since Q1 2021 and revenue earned from Hush acquired in Q4 2021.

Gross profit margin increased by 710 basis points from 27.5% for Q1 2021 to 34.6% for Q1 2022 due to an increase in average unit selling prices, lower product, inventory adjustment, delivery and COVID-19 PPE costs and a leveraging of occupancy and depreciation expenses. In addition to the aforementioned, Q1 2021 was impacted by higher wage costs as a result of the Company's stores remaining open for curbside pick-up during the temporary store closures in the period. These changes were offset by higher salaries and sales commission costs due to the shift of revenue earned from its eCommerce platforms to its retail stores.

Total G&A expenses increased by \$9.0 million or 26.6% from \$34.1 million in Q1 2021 to \$43.1 million in Q1 2022. This change was mainly driven by an increase in media and advertising, compensation, professional fees, telecommunication and information technology and depreciation expenses.

Finance related expenses decreased by \$1.0 million from \$4.0 million in Q1 2021 to \$3.0 million in Q1 2022 mainly due to an unrealized gain of \$1.2 million on the Company's interest swap as at March 31, 2022.

Operating EBITDA1 was \$46.7 million for Q1 2022, or 22.6% of Revenues, compared to \$31.5 million for Q1 2021, or 17.2% of Revenue, representing an increase of \$15.2 million or 48.5% mainly due to strong revenue growth in Q1 2022 combined with an improved gross profit margin and partially offset by an increase in G&A expenses.

Income taxes increased by \$3.8 million from Q1 2021 to Q1 2022. The change is driven by the increase in net income before taxes by \$13.6 million from \$11.8 million in Q1 2021 to \$25.4 million in Q1 2022 as well an increase in the Company's effective income tax rate by 0.7% from 26.5% in Q1 2021 to 27.2% in Q1 2022.

Net income attributable to the Company for Q1 2022 increased by \$9.7 million from \$8.7 million (\$0.24 per share) in Q1 2021 to \$18.4 million (\$0.50 per share) in Q1 2022.

Adjusted net income attributable to the Company1 for Q1 2022 increased by \$11.2 million from \$9.6 million (\$0.26 per share) in Q1 2021 to \$20.8 million (\$0.56 per share) in Q1 2022.

Conference Call

Sleep Country's President and CEO, Stewart Schaefer, and CFO, Craig De Pratto, will host a conference call for analysts and investors on May 5, 2022 at 8:00 a.m. ET. The dial-in numbers for the conference call are 416-764-

8659 or 888-664-6392. This conference call will be recorded and available for replay until May 12, 2022. To listen to the replay, please dial 416-764-8677 or 888-390-0541 and use passcode 199065#.

About Sleep Country

Sleep Country is Canada's leading specialty sleep retailer with a national retail store network and multiple robust eCommerce platforms. The Company has 286 corporate-owned stores and 20 warehouses across Canada and 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 Hush Blankets Inc., one of Canada's fastest-growing digital retailers. Sleep Country is a purpose-led organization dedicated to transforming lives by awakening Canadians to the power of sleep and is committed to building a company culture of inclusion and diversity where differences are embraced and valued. The Company meaningfully and positively supports its environment and the communities where it operates through its comprehensive mattress and foundation recycling program that keeps mattresses out of landfills, as well as its bed donation program that contributes new and gently used mattresses and foundations to Canadian charities to help families and children in need get a good night's sleep. For more information about the Company visit www.sleepcountryir.ca.

Non-IFRS and Other Measures

This news release refers to certain measures that are not recognized under IFRS and do not have a standardized meaning prescribed by IFRS, including "Same Store Sales" or "SSS", "EBITDA", "Operating EBITDA", "Operating EBITDA margin", "Adjusted Net Income attributable to the Company", "Basic Adjusted EPS" and "Diluted Adjusted EPS". For more information on these Non-IFRS and other measures as well as a reconciliation to the most comparable IFRS measure, refer to "Non-IFRS and Other Measures" in the Company's MD&A for Q1 2022 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 those described in the Company's 2021 annual information form (the "AIF") filed on March 3, 2022. 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

<https://ir.sleepcountry.ca/2022-05-04-Sleep-Country-delivers-best-Q1-in-Companys-history-with-revenue-growth-of-13-1-and-Diluted-EPS-increase-of-113-0>