

## Sleep Country delivers strongest Q2 performance in history with revenue growth of 18.4% and Diluted EPS increase of 32.6%

TORONTO, July 28, 2022 /CNW/ - Sleep Country Canada Holdings Inc. ("Sleep Country" or the "Company") (TSX: ZZZ) today released its financial results for the second quarter ended June 30, 2022. The Company delivered impressive growth to reinforce its leading position as Canada's sleep partner.

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

### Second Quarter Financial Highlights

- Revenues increased by \$35.4 million or 18.4% to \$227.6 million in Q2 2022 from \$192.2 million in Q2 2021;
- Same Store Sales ("**SSS**")<sup>1</sup> increased by 15.1% in Q2 2022 from Q2 2021;
- eCommerce sales represented 18.1% of Revenues in Q2 2022;
- Gross profit margin increased by 140 basis points to 35.9% in Q2 2022 from 34.5% in Q2 2021;
- Operating EBITDA<sup>1</sup> increased by \$9.5 million or 21.8% to \$53.2 million in Q2 2022 from \$43.7 million in Q2 2021;
- Operating EBITDA<sup>1</sup> margin increased by 70 basis points to 23.4% in Q2 2022 from 22.7% in Q2 2021;
- Net income attributable to the Company increased by \$5.7 million or 33.2% to \$22.7 million in Q2 2022 from \$17.0 million in Q2 2021;
- Adjusted net income attributable to the Company<sup>1</sup> increased by \$7.7 million or 42.7% to \$25.7 million in Q2 2022 from \$18.0 million in Q2 2021;
- Diluted earnings per share ("**EPS**") increased by \$0.15 or 32.6% to \$0.61 in Q2 2022 from \$0.46 in Q2 2021;
- Diluted adjusted EPS<sup>1</sup> increased by \$0.21 or 43.8% to \$0.69 in Q2 2022 from \$0.48 in Q2 2021;
- The TSX accepted an amendment to the Normal Course Issuer Bid ("**NCIB**") and approved an Automatic Share Purchase Plan ("**ASPP**") effective June 10, 2022. As at June 30, 2022, the Company has purchased for cancellation 835,301 common shares for total consideration of \$22.0 million against its NCIB; and
- Subsequent to quarter-end, on July 28, 2022, the Board declared a dividend of \$0.215 per share payable on August 29, 2022 to shareholders of record at the close of business on August 19, 2022. The dividend was designated as an "eligible dividend" for Canadian tax purposes.

### Other Business Highlights

- Subsequent to quarter-end, the Company released its inaugural Environmental, Social and Governance ("**ESG**") report on July 18, 2022, highlighting its commitment to being a purpose-driven, sustainable business;
- Subsequent to quarter-end, launched "All For Sleep App", the Company's very own branded interactive sleep app;
- Opened a new store in Stittsville, Ontario increasing the Company's store count to 287;
- Endy certified for 4<sup>th</sup> year in a row by Great Place to Work<sup>®</sup> Canada; and
- Endy mattress and pillow endorsed by the Canadian Chiropractor Association.

### President & CEO Commentary and Outlook

"We are very proud to continue to deliver on our multi-year strategy and build on our growth and momentum with another strong quarter. The strength of our business -- our sleep ecosystem with our multiple brands, expanded channels, innovative products, and our relentless pursuit to create a frictionless customer experience, powered by our best-in-class teams -- drove another record performance for Q2.

In these turbulent and uncertain times, in spite of the backdrop of weakening consumer sentiment, we remain positive and focused on delivering on our long-term strategic plan, growing our shareholder value while also remaining sensitive to the Canadian consumer and price increases," said Stewart Schaefer, President and CEO of Sleep Country.

"This quarter we continued to grow our physical retail network with another store opening as we continue to see customers choosing to return to our Bricks & Mortar, giving our customers even more opportunities to discover, learn, try and purchase our innovative sleep products with the help of our trusted Sleep Experts."

"We continue to be driven by our vision and purpose and advance our digital initiatives by partnering up with Haleo Sleep Clinics, who helped us launch our very own interactive Sleep Country-branded sleep app – All For Sleep – to empower Canadians to get the sleep they need to function at their best. With evidence-based sleep solutions and leading-edge expert support, the new app takes our sleep expertise and customer experience to a whole new level."

"We were proud to release our first ESG report in July, reinforcing our commitment to being a purpose-led, sustainable business focused on helping people enhance their overall health and wellbeing, driving positive social change and protecting the planet."

"Looking ahead, we are well-positioned to manage through these difficult economic conditions and support our customers through challenging times, as we continue to differentiate ourselves as Canada's leading sleep partner with our offering of safe, high quality sustainable sleep solutions," concluded Schaefer.

### Summary of Second Quarter Financial Results

(C\$ thousands unless otherwise stated; other than store  
and  
share data)

Q2 2022	Q2 2021	Change
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Revenues	\$ 227,575	\$ 192,175	18.4 %
SSS <sup>1</sup>	15.1 %	65.5 %	
Gross profit margin %	35.9 %	34.5 %	
Stores opened	1	4	
Stores closed	-	-	
Stores renovated/relocated	-	5	
Operating EBITDA <sup>1</sup>	\$ 53,242	\$ 43,706	21.8 %
Operating EBITDA margin % <sup>1</sup>	23.4 %	22.7 %	
Net income attributable to the Company	\$ 22,665	\$ 17,019	33.2 %
Adjusted net income attributable to the Company <sup>1</sup>	\$ 25,739	\$ 18,036	42.7 %
Basic EPS	\$ 0.61	\$ 0.46	32.6 %
Diluted EPS	\$ 0.61	\$ 0.46	32.6 %
Basic adjusted EPS <sup>1</sup>	\$ 0.70	\$ 0.49	42.9 %
Diluted adjusted EPS <sup>1</sup>	\$ 0.69	\$ 0.48	43.8 %

Notes:

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

Revenues increased by \$35.4 million or 18.4% from \$192.2 million in Q2 2021 to \$227.6 million in Q2 2022 mainly driven by a 15.1% increase in SSS<sup>1</sup> and incremental revenue earned from Hush acquired in Q4 2021.

Gross profit margin increased by 140 basis points from 34.5% for Q2 2021 to 35.9% for Q2 2022 due to an increase in average unit selling prices, higher terms discounts and leveraging of occupancy and depreciation expenses. These changes were offset by higher product and transport expenses in addition to higher sales commission costs due to the shift of revenue earned from its eCommerce platforms to its retail stores and lower bonuses paid in Q2 2021.

Total G&A expenses increased by \$6.6 million or 17.1% from \$39.1 million in Q2 2021 to \$45.7 million in Q2 2022. This change was mainly driven by an increase in media and advertising, credit card and finance charges, compensation and depreciation expenses.

Finance related expenses increased by \$0.7 million from \$4.6 million in Q2 2021 to \$5.3 million in Q2 2022 mainly due to an increase in accretion expense for the redemption liabilities related to the Hush acquisition in Q4 2021.

Operating EBITDA<sup>1</sup> was \$53.2 million for Q2 2022, or 23.4% of Revenues, compared to \$43.7 million for Q2 2021, or 22.7% of Revenues, representing an increase of \$9.5 million or 21.8% mainly due to strong revenue growth in Q2 2022 combined with an improved gross profit margin and partially offset by an increase in G&A expenses.

Income taxes increased by \$3.0 million from Q2 2021 to Q2 2022. The change is driven by the increase in net income before taxes of \$8.4 million from \$22.9 million in Q2 2021 to \$31.3 million in Q2 2022, as well as, an increase in the Company's effective income tax rate by 280 basis points from 25.6% in Q2 2021 to 28.4% in Q2 2022.

Net income attributable to the Company for Q2 2022 increased by \$5.7 million from \$17.0 million (\$0.46 per share) in Q2 2021 to \$22.7 million (\$0.61 per share) in Q2 2022.

Adjusted net income attributable to the Company<sup>1</sup> for Q2 2022 increased by \$7.7 million from \$18.0 million (\$0.49 per share) in Q2 2021 to \$25.7 million (\$0.70 per share) in Q2 2022.

### Summary of Year-to-date Financial Results

Revenues increased by \$59.4 million or 15.8% from \$375.2 million in YTD 2021 to \$434.6 million in YTD 2022. This increase was mainly driven by a 12.0% increase in SSS<sup>1</sup> and incremental revenue earned from Hush acquired in Q4 2021.

Gross profit margin increased by 420 basis points from 31.1% for YTD 2021 to 35.3% for YTD 2022 due to an increase in average unit selling prices, delivery and COVID-19 PPE costs and leveraging of occupancy and depreciation expenses. In addition to the aforementioned, YTD 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 product, transport, salaries and bonuses expenses in addition to higher sales commission costs due to the shift of revenue earned from its eCommerce platforms to its retail stores.

Total G&A expenses increased by \$15.8 million or 21.5% from \$73.1 million in YTD 2021 to \$88.9 million in YTD 2022. This change was mainly driven by an increase in media and advertising, compensation, credit card and finance charges, professional fees, telecommunication and information technology and depreciation expenses.

Finance related expenses decreased by \$0.3 million from \$8.6 million in YTD 2021 to \$8.3 million in YTD 2022 mainly due to an unrealized gain on the Company's interest rate swap as at June 30, 2022, partially offset by an increase in accretion expense for the redemption liabilities related to the Hush acquisition in Q4 2021.

Operating EBITDA<sup>1</sup> was \$100.0 million for YTD 2022, or 23.0% of Revenues, compared to \$75.2 million for YTD 2021, or 20.0% of Revenues, representing an increase of \$24.8 million or 33.0% mainly due to strong revenue growth in YTD 2022 combined with an improved gross profit margin and partially offset by an increase in G&A expenses.

Income taxes increased by \$6.8 million from YTD 2021 to YTD 2022. The change is driven by the increase in net income before taxes of \$22.0 million from \$34.7 million in YTD 2021 to \$56.7 million in YTD 2022 as well as an increase in the Company's effective income tax

rate by 200 basis points from 25.9% in YTD 2021 to 27.9% in YTD 2022.

Net Income attributable to the Company for YTD 2022 increased by \$15.4 million from \$25.7 million (\$0.70 per share) in YTD 2021 to \$41.1 million (\$1.11 per share) in YTD 2022.

Adjusted net Income attributable to the Company<sup>1</sup> for YTD 2022 increased by \$18.8 million from \$27.7 million (\$0.75 per share) in YTD 2021 to \$46.5 million (\$1.26 per share) in YTD 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 July 29, 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 August 5, 2022. To listen to the replay, please dial 416-764-8677 or 888-390-0541 and use passcode 643405#.

### **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 287 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 recently acquired "Hush", 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](http://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 Q2 2022 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 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](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.

For further information: Craig De Pratto, Chief Financial Officer, Sleep Country Canada, [investor.relations@sleepcountry.ca](mailto:investor.relations@sleepcountry.ca)

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<https://ir.sleepcountry.ca/2022-07-28-Sleep-Country-delivers-strongest-Q2-performance-in-history-with-revenue-growth-of-18-4-and-Diluted-EPS-increase-of-32-6>