

Sleep Country Announces Intention to Acquire Silk & Snow

Canada's leading sleep partner announces that it has signed a definitive agreement to acquire Silk & Snow Inc. ("Silk & Snow"), recognized as one of Canada's fastest growing online retailers of thoughtfully made sleep essentials

TORONTO, Dec. 20, 2022 /CNW/ - Sleep Country Canada Holdings Inc. ("Sleep Country" or the Company) (TSX: ZZZ), Canada's leading omnichannel specialty sleep retailer, today announced its intention to acquire 100 % ownership of Silk & Snow, one of Canada's fastest growing direct-to-consumer sleep brands specializing in high-quality sleep and lifestyle products that have been thoughtfully curated.

Following a successful Kickstarter campaign in 2017, Silk & Snow launched its ecommerce site www.silkandsnow.com with its made-in-Canada single memory foam mattress. Co-founded by Albert Chow, and Kenneth Mo, with a dream to create the perfect mattress – made locally and delivered to your door in a box – the Company has grown into a one-stop, curated lifestyle brand offering mattresses, furniture, bed essentials and its new bath lineup. For three consecutive years, Silk & Snow has been ranked as one of the fastest growing companies in Canada. In 2020, Silk & Snow made Canadian Business' top 10 start-up list ranking of Canada's Fastest Growing Companies and in 2021 and 2022 was ranked one of Canada's top growing companies by the Globe & Mail. Silk & Snow has also made inroads into the U.S. market which accounts for ~25% of sales in the most recent fiscal year.

"We are delighted to welcome Silk & Snow to our growing family of powerful sleep brands as we continue to build our sleep ecosystem with investments in people, product and channel innovation to provide customers with seamless access to the world's leading assortment of sleep essentials," said Stewart Schaefer, President and CEO, Sleep Country Canada. "Albert, Kenneth, and the Silk & Snow team have thoughtfully procured a full array of affordable luxury items that have helped turn their brand into a high-growth business with an impressive following in both Canada and the United States. Their purpose-driven approach to product design, manufacturing, and digital marketing aligns beautifully with our strategic road map and expansion of sustainable products, and into new markets. We look forward to supporting Silk & Snow as the brand aims to continue its incredible growth trajectory," added Schaefer.

"We're proud of what our team has been able to build here at Silk & Snow," said Albert Chow, CEO, and Co-Founder. "We started Silk & Snow with the intention of providing high-quality products that allow our customers to love their homes. Five years later, with quality as a top priority, we've delivered on our promise of building a brand that offers thoughtfully made sleep products."

"It was important for us to find a partner with Canadian roots," said Kenneth Mo, COO, and Co-Founder. "We're looking forward to partnering with Sleep Country, Canada's leading sleep retailer, as it allows us to lean on their incredible expertise. This will help us to continue to expand our well-loved range of mattresses, bedding, furniture and bath products, while bringing even more value to our customers."

Silk & Snow will operate as an independent entity within Sleep Country, led by Chow as CEO and Mo as COO who both will join the Sleep Country's senior leadership team.

Transaction Details and Advisors:

Sleep Country has agreed to acquire substantially all of the assets of Silk & Snow. Sleep Country will pay ~\$24.0 million in cash at closing and has agreed to pay up to an additional \$19.45 million in cash in early 2026 based on Silk and Snow achieving certain growth and profitability targets in aggregate for fiscal years 2023, 2024 and 2025. The transaction will be financed through Sleep Country's cash on hand and revolving credit facility.

Subject to customary closing conditions, the transaction is expected to close effective January 1, 2023.

Stifel GMP served as exclusive financial advisor to Silk & Snow.

Fasken Martineau DuMoulin LLP served as legal counsel to Silk & Snow.

Davies Ward Philips & Vineberg LLP served as legal counsel for Sleep Country Canada.

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 289 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. Recognized as one of Canada's Most Admired Corporate Cultures in 2022 by Waterstone Human Capital, 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 Sleep Country, please visit www.sleepcountry.ca.

About Silk & Snow

Silk & Snow is a leading digitally native retailer of thoughtfully made sleep essentials. Headquartered in Toronto, the Company was founded in 2017 from a successful Kickstarter campaign. Built on three core guiding principles – Better Materials, Thoughtful Manufacturing and Transparency – Silk & Snow offers high-quality sleep and lifestyle products crafted from traceable raw materials and sustainable manufacturing practices. Their curated line includes [bed sheets](#), [mattresses](#), [bed frames](#), [weighted blankets](#), and other home essentials alongside its bath line-up of [bath towels](#) and [robes](#). The Company made Canadian Business' top ten start-up list in 2020 and was ranked one of Canada's fastest growing businesses by the Globe and Mail for 2021 and 2022.

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

For more information about Silk & Snow, visit www.silkandsnow.com

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 Q3 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

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<https://ir.sleepcountry.ca/2022-12-20-Sleep-Country-Announces-Intention-to-Acquire-Silk-Snow>