

# **Sleep Country Canada Acquisition of Casper Canada**

**April 10, 2023**



# Disclaimers

## Forward-looking Information

This presentation 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 presentation containing forward-looking information or forward-looking statements is qualified by these cautionary statements.

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## 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. For a reconciliation of these non-IFRS measures refer to the Company's MD&A for Q4 2022 which is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com).

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.

# Overview of Casper

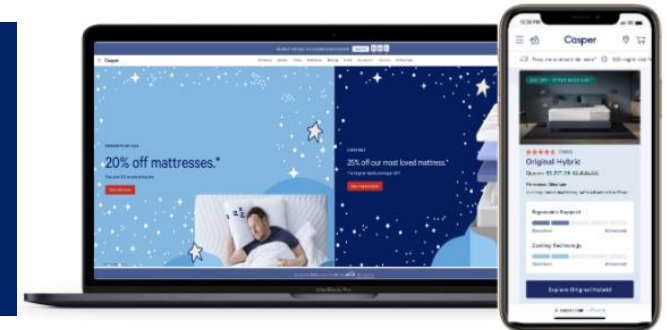
## Casper Sleep Inc. Background

- Founded in 2014, Casper is an omni-channel company that sells mattresses and other sleep products (including bedding, pillows, furniture and technology)
- Casper is one of the original disruptors and “share-takers” in the mattress space, and a leading brand in the mattress industry; ranking top 3 in overall customer satisfaction and NPS scores, Casper is one of the U.S. mattress industry’s most recognized brands
- Casper’s DTC business includes its eCommerce channel and corporate-owned and operated retail locations

## Canadian Operations

- Casper entered the Canadian brick & mortar market in 2018
- Omnichannel reach – in addition to the casper.ca website, six brick & mortar retail locations and wholesale partners which include Costco, Indigo, The Bay, Loblaws Marketplace
  - Sleep Country became the exclusive distribution partner for an array of Casper products in 2021
- Total Canadian net sales across all channels were in the range of ~\$40M in 2022 and are fulfilled via a 3PL and warehoused in the GTA

## eCommerce



## Retail



## Wholesale



# Transaction Overview

## Acquisition of Casper Canada

- Sleep Country has agreed to acquire 100% of Casper Sleep Inc.'s ("Casper") Canadian operations for a consideration of US\$20.6 million in cash
- Sleep Country will own the Casper trademark for exclusive use in Canada and take over operations of Casper's six retail locations in Canada and the Canadian website
  - Casper to support Sleep Country with US\$4.5 million of cumulative marketing spend contribution over the next four years
- Sleep Country received three-year warrants which would represent a ~1% stake in Casper if exercised (as of the date of the investment)

## Convertible Note Investment in Casper Sleep Inc.

- In addition, Sleep Country invested US\$20.0M in Casper via a 5-year convertible note, which will have the option to convert into an ~5% common equity stake in Casper (as of the date of the investment)
- The convertible note will pay interest of 7.0% p.a. in cash or as payment-in-kind, at the option of Casper

## Financing Sources

- Acquisition and convertible note financing to be funded through a combination of cash on hand and a draw on Sleep Country's existing revolving credit facility
- Sleep Country's pro forma net financial debt to LTM EBITDA of ~0.6x (~2.0x post-IFRS16) at transaction closing

## Closing

- Convertible note investment closed on March 14<sup>th</sup>
- Acquisition of Casper Canada subject to customary closing conditions, with expected closing effective April 13<sup>th</sup>, 2023

# Investment Highlights

One of the World's Most Recognised Sleep Brands

Attractive and Loyal Consumer Demographic

Track Record of Innovation and Customer Satisfaction

Financially Attractive Acquisition with Synergy Potential



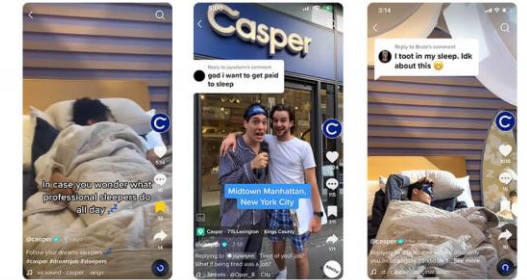
# One of the World's Most Recognised Sleep Brands

Since Inception Over C\$1 Billion Spent Building the Brand

Top 5 Mattress Brand Awareness<sup>(1)</sup>

3.2M Average Monthly Social Engagements with 1M+ Social Followers

74.3 Billion PR Impressions & 2.2k+ Press Placement



Note – Metrics as per Casper internal data.

1. US Mattress Survey ,October 2021

# Attractive and Loyal Consumer Demographic

2M+ Happy Casper Consumers Life-to-Date

Over 1 in 5 Customers Are Repeat Buyers

46% Attachment Rate

Over 75k 5-Star Reviews

## The Casper Demographic<sup>1</sup>



F/M: 54%/46%



Age: 25-34



Education: College or higher (82%)



HHI: \$50k-\$149k



Marital Status: Married (75%)  
Children In Home Y/N: 30%/70%



1. Casper Sleep consolidated group demographic as per management data.

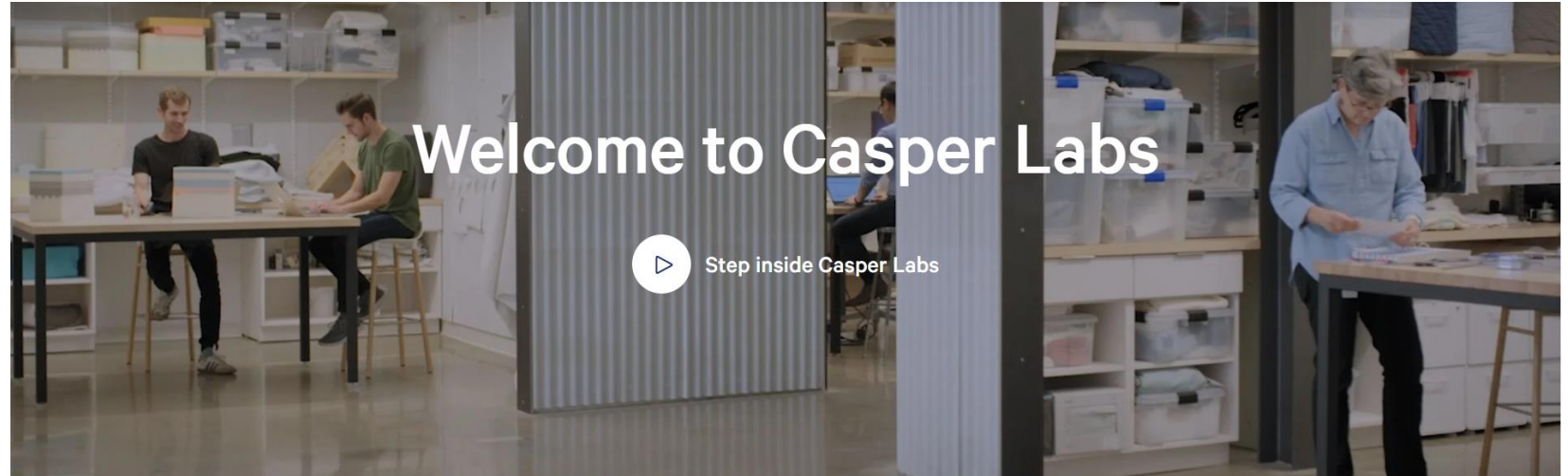
# Track Record of Innovation and Customer Satisfaction

#1 Overall Customer Satisfaction<sup>(1)</sup>

Top 3 Mattress NPS Score<sup>(2)</sup>

27k+ sq. ft. Casper Labs Space in Brooklyn, NY

Sustainable Cover Design  
100M+ Plastic Bottles Recycled



1. Per BCG US mattress survey, October 2021, N = ~1,800  
2. US Mattress Survey Oct 2021



# Financially Attractive Acquisition with Synergy Potential

<p><b>Accretive Transaction</b></p>	<ul style="list-style-type: none"> <li>Transaction is expected to be accretive to EPS (excluding synergies) in Year 2</li> </ul>
<p><b>Value-Creating Use of Capital</b></p>	<ul style="list-style-type: none"> <li>Acquisition of Casper Canada represents a value-enhancing deployment of capital             <ul style="list-style-type: none"> <li>Sleep Country’s balance sheet remains well-capitalized allowing for continued opportunistic approach to acquisitions and continued share repurchases under its NCIB</li> <li>The potential expansion of Casper’s store network in Canada offers an alternative avenue of growth and capital deployment</li> </ul> </li> </ul>
<p><b>Future Synergy Potential</b></p>	<ul style="list-style-type: none"> <li>Casper to continue provide support via a Management Services Agreement             <ul style="list-style-type: none"> <li>Sleep Country to continue to have access to the innovation and new products created at Casper Labs</li> </ul> </li> <li>Sleep Country has identified synergy opportunities in logistics, sourcing, merchandising and store operations and expansion</li> </ul>

