

Sleep Country Canada Acquisition of Hush



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

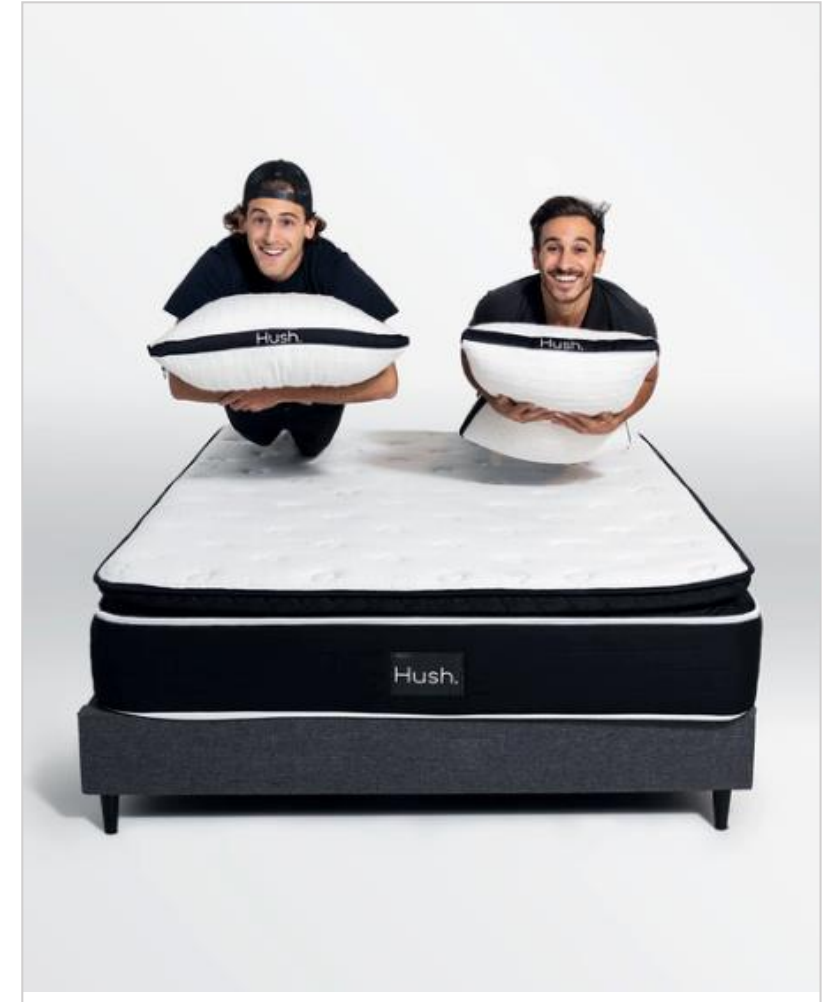
The Company prepares its consolidated financial statements in accordance with IFRS. In order to provide additional insight into the business, to provide investors with supplemental measures of its operating performance and to highlight trends in its business that may not otherwise be apparent when relying 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 Q2 2021 which is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at 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 Hush

Background

- Hush was co-founded by Lior Ohayon and Aaron Spivak in 2017 with the mission to *“...help people around the world relax with ease and fall asleep faster whenever they wish”*
- Selling its first weighted blanket in 2018, Hush followed up their initial success with one of Canada’s top 10 Kickstarters of all time with the March 2019 launch of its Hush Iced cooling weighted blanket which quickly secured over 10,000 backers
 - In 2019, Hush also appeared on Dragons’ Den, securing offers from each Dragon
- In 2020, the product offering was further expanded with the release of the Hush Iced 2.0, Hush Pillow, Hush Iced 2.0 Sheets and Hush Weighted Throw - all selling out within 7 days
 - In August 2021, the company also entered the online mattress space with its own bed-in-a-box
- Hush has been profitable since 2019 and September 2021 YTD revenue is over 2x the comparable period in 2020
- Headquartered with its office and warehouse in Toronto, Hush products are manufactured by third parties and its mattresses are manufactured in Canada



Transaction Overview

Acquisition

- Sleep Country has agreed to acquire a 52% stake in Hush for \$25 million in cash
 - Represents approximately 9.0x Hush LTM EBITDA as of September 30, 2021
- Sleep Country will acquire the residual 48% of Hush in annual 16% stake increments thereafter starting March 31, 2023
 - Purchase price for the applicable 16% stake will be up to 7.0x the EBITDA of the corresponding trailing 12-month period

Financing Sources

- Acquisition will be financed through a draw on Sleep Country's existing revolving credit facility
- Pro forma net debt to LTM EBITDA of approximately 2.0x at transaction closing

Operations and Integration

- Hush will continue to be operated as a separate business within Sleep Country
 - Hush co-founders Aaron Spivak and Lior Ohayon will remain as co-CEOs and join a board of Sleep Country senior management to provide general oversight of the business
- Sleep Country to provide shared services for back end functions including Finance, warehousing and distribution

Closing

- Subject to customary closing conditions, with expected closing on October 22, 2021

Investment Highlights

Dynamic People, Community & Brand

Profitable Business with Multiple Avenues for Future Growth

Growing Sleep Country's Diversified Market Share

Financially Attractive Acquisition with Synergy Potential



Dynamic People, Community & Brand

Two Forbes 30 Under 30 Retail & E-Commerce Entrepreneurs

Most Followed Canadian Sleep Brand with Over 66,000 followers on Instagram

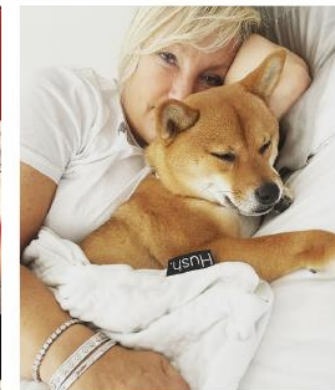
150,000+ Unique Paying Customers

Giveback Program of Blankets Impacting Over Hundreds of Charities



Edna Doucet

We love ours. Every night we say " that was the best gift we gave ourselves this year". Zero regrets.



Profitable Business with Multiple Avenues for Future Growth

| Expand Hush Product Offering | Amazon | Third Party Marketplace |
|--|---|---|
| <ul style="list-style-type: none">• Blankets 90% of revenue in 2020• Sheets and Pillows launched in late 2020• Recently launched the Hush mattress | <ul style="list-style-type: none">• Currently selling on Amazon via fulfilled-by-merchant model• Opportunity to expand sales further and extend reach by shifting to a fulfilled-by-Amazon model | <ul style="list-style-type: none">• Currently selling on national retailers' marketplaces• Opportunity to expand into additional third party Marketplaces where Sleep Country is already present |

| Partnerships and Collabs | Wholesale |
|--|--|
| <ul style="list-style-type: none">• Leverage the communities of other brands• Licensing deals for Hush products like the Paw Patrol Weighted blanket  | <ul style="list-style-type: none">• Grow brick and mortar presence in North America• Currently in over 700 doors across North America• Continued expansion into the U.S. |

Growing Sleep Country's Diversified Market Share



Sleep Country's offering is further expanded by Hush's growing product assortment which is now further bolstered by its new mattress

Financially Attractive Acquisition with Synergy Potential

Immediately Accretive

- Transaction is immediately accretive to EPS (excluding synergies)

Compelling Valuation

- Attractive acquisition multiple for a high growth early-stage business growing that is already profitable and with significant free cash flow generation

Value-Creating Use of Capital

- Acquisition of Hush will drive further growth in Sleep Country's business, and represents a value-enhancing deployment of capital
 - Sleep Country's balance sheet remains well-capitalized allowing for an opportunistic approach to acquisitions

Future Synergy Potential

- Hush will continue to manage front-end of marketing, community, brand management and product innovation
- Back-end functions including Finance, HR and Procurement will transition over time to Sleep Country
 - Sleep Country will also stock and manage Hush inventory in our distribution centres