Beter Bed holding

Press release

Beter Bed Holding successfully executed transformation in 2019

Uden, the Netherlands, 17 March 2020

Highlights 2019

- Full-year sales increased by 7.5% to € 185.8 million (continuing business) with like-for-like sales growth of 4.7%; order intake increased by 3.3% on like-for-like basis
- Positive EBITDA and cash flow generation, while performance is still impacted by one-off costs and investments to support further growth.
- Net loss of € 4.2 million; including discontinued operations, related impairments and one-off costs € 52.6 million loss.
- Important milestones achieved to restore financial position:
  - Successful divestment of Matratzen Concord securing new future for the operations; purchase price mechanism resulted in improved purchase price from € 5.0 million to € 7.9 million.
  - Sale and leaseback of distribution centers for total cash consideration of € 19.1 million.
  - Issued € 5.0 million in ordinary shares and secured € 7.0 million incremental shareholder loan, of which 50% converted to perpetual loan.
  - Bank debt significantly reduced; new bank covenants successfully tested per 31 December 2019.
- The 2019 transformation resulted in a better balance sheet and cash position.
- In the first 2.5 months of 2020 sales and order intake developed very positively compared to last year. Given recent developments related to COVID-19, we strengthened our precautionary measures. Our primary concern is to safeguard the health of our customers and employees. Customers can shop online and remain welcome in our stores and our employees are extra alert to personal hygiene and potential disease symptoms, taking all health authorities' guidance into account.

John Kruijssen, CEO of Beter Bed Holding N.V., comments:

"Now that we have transformed the business to focus on our Benelux and New Business, we are off to a good start of the year. Both divisions have shown positive sales growth since the start of 2020. In 2019 tough decisions were taken to realise a turnaround of the Company. We divested Matratzen Concord and went through a significant financial restructuring. We could never have accomplished this transformation without the passionate and committed contribution of all our employees, who continue to work hard to further grow our company. The support received from our shareholders and banks are proof of the resilience of our continuing business.

In Magical Honour Limited, a company backed by Healthcare Co. Ltd. (a Chinese public company), we found the best owner for all employees and all other stakeholders of Matratzen Concord Germany, Austria and Switzerland, who we also welcome as strategic investor into our group. Our continuing business now delivers solid sales growth. We are aware though that consumers might become less confident due to the current macroeconomic and political volatility, especially now the impact of the COVID-19 virus on the global economy provides increased uncertainty.
Beter Bed Holding currently has an improved financial position and started the year very well, however we are focused on managing the impact of Covid-19 and are taking all the measures possible to keep our customers and employees safe."

The table below shows the key figures for the continuing operations for the full year 2019, which comprises Beter Bed in the Benelux, Beddenreus in the Netherlands, Sängjätten in Sweden and our wholesale division DBC.

Key figures continuing operations	2019	2018
Revenue (in € million)	**185.8**	172.8
EBITDA (in € million)	**21.2**	11.8
EBIT (in € million)	**(0.4)**	4.6
Net profit / (loss) from continuing operations (in € million)	**(4.2)**	6.9
Number of stores at year-end	**161**	160
Number of staff (FTE) at year-end	**915**	887

Highlights of our continuing operations

Benelux

Revenue of the Beter Bed and Beddenreus stores in the Benelux in 2019 was € 163.7 million, which is 5.5% higher compared to € 155.1 million in 2018, with like-for-like revenue growth of 4.3%. The like-for-like order intake grew in 2019 by 2.6% compared to the prior year. The continued positive trend in revenue is the result of a combination of 'always on' marketing activities, the continued strong online and digital proposition and the addition of new brands, such as Tempur.

In 2019 costs increased compared to prior year, mainly relating to supply chain issues in the first half of the year. Supplier related issues had a negative impact on the internal supply chain. Consequently additional temporary personnel and transport was required to fulfil customer demands. Although this was largely solved in the second half of the year, the operation was not able to regain these additional costs. The cost synergies we expected to realise in 2019 as part of the centralisation of the organisation last year, did not materialize due to the divestment of Matratzen Concord. However, rationalisation of assortments and marketing activities done in conjunction with suppliers had a positive impact on gross margin.

New Business

The New Business operations comprise Sängjätten in Sweden and the DBC wholesale business. The total operations realised € 22.1 million revenue over 2019, representing a total growth of 25.3% and a like-for-like sales growth of 8.1% compared to previous year.

Revenue at Sängjätten continued to grow, with the expansion of the store network in 2018 contributing to this revenue growth, together with enhanced commercial activities (better pricing and promotions) and the addition of the new brands Tempur and Ecolife. Start-up investments weighed on the store performance of Sängjätten, resulting in a negative EBIT for 2019. As previously announced an action plan is currently being executed in order to turn the Swedish activities into a profitable operation with a positive cash flow. These actions include (i) the launch of a new supply chain structure focused on local stores and hubs, (ii) the roll-out of the successful online and digital platform of the Benelux, and (iii) streamlining the store portfolio.

The DBC wholesale business continued to show strong revenue growth, both for existing B2B customers and new customers to which the first orders have been delivered. We continue to add new B2B customers, including local dealers and international retailers. Going forward, we see ample opportunity for further acceleration of these activities. For DBC, this will include further investments in additional salesforce to especially drive the M line brand in existing markets and a number of carefully selected new markets.

Financial review

Revenue
Group revenue from continuing operations in 2019 was € 185.8 million, 7.5% up compared to € 172.8 million in 2018, with like-for-like growth of 4.7%. Both the Benelux and the New Business operations contributed to this revenue growth. The Benelux reported significant year-on-year revenue growth of 5.5%, with like-for-like growth of 4.3%. New Business, comprising the DBC wholesale business and Sängjätten in Sweden, delivered year-on-year revenue growth of 25.3% with like-for-like growth of 8.1%. The online activities within the Group have grown significantly at a growth rate of 27.4%.

Gross profit
Gross profit for the year increased by 4.8% to € 98.5 million, compared to € 94.0 million 2018. The increase was driven by a higher revenue offsetting the decreased gross profit as percentage of revenue (53.0% compared to 54.4% last year).

Other income
In 2019 the company closed sale-and-leaseback agreements for the three distribution centers in Uden, Nieuw-Vennep and Hoogeveen for a cash consideration of € 19.1 million. From these transactions, Beter Bed Holding N.V. recorded a one-time gain of € 6.4 million in 2019.

Operating expenses
Total operating expenses for 2019 were € 105.4 million, compared to € 89.5 million in 2018. Total personnel expenses amounted to € 47.1 million, compared to € 40.8 million last year, mainly explained by investments in critical resources and capabilities to support the transformation and future growth. Other operating expenses decreased by € 4.9 million to € 36.6 million in 2019 (2018: € 41.5 million), mainly driven by the decrease in rental and lease expenses as a result of the adoption of IFRS 16. This offsets the cost increase due to inefficiencies in logistics and one-off advisory and legal costs related to the transition of the Group of approximately € 4.7 million.

Depreciation, amortisation and impairment expenses were € 21.7 million in 2019, compared to € 7.2 million from continuing operations in 2018. This increase is mainly due to the adoption of IFRS 16 whereby rental and lease expenses have been replaced by depreciation of right-of-use assets and interests relating to lease liabilities as of 2019.

Results
EBITDA increased from € 11.8 million in 2018 to € 21.2 million in 2019, reflecting a 7.5% increase in revenues, higher operating expenses, the positive impact from IFRS 16 and one-off costs and impairments. 2019 EBIT decreased year-on-year to € 0.4 million negative (2018: € 4.6 million). The net loss from the continuing operations amounted to € 4.2 million (2018: net profit of € 6.9 million).

On 2 December 2019, we completed the sale of Matratzen Concord in Germany, Austria and Switzerland to Magical Honour Limited. Matratzen Concord is presented as discontinued operations in the financial statements for the period up to 30 November 2019. Total net result from the discontinued operations for the year 2019 amounted to € 48.4 million, of which € 35.1 million relates to operational losses for the full year and € 13.3 million to the transaction.

The total net loss for the Group for the year 2019 was € 52.6 million, compared to a loss of € 23.3 million over 2018.

In light of the financial situation and in line with its current dividend policy, Beter Bed Holding will not distribute dividends over the year 2019. It will be proposed to the Annual General Meeting to forego the payment over 2020.

Cash flows

Total cash flow from operating activities in 2019 was € 3.2 million (2018: € 3.0 million). Operational cash flow generation of our continued business was positive, and we have achieved working capital improvements in all areas. Operating cash flow was significantly impacted by the continued losses of Matratzen Concord and IFRS 16.

Total cash flow from investing activities in 2019 was an inflow of € 12.7 million, compared to an outflow of € 16.9 million in 2018. The investing cash flow included the proceeds of the sale-and-leaseback of the three distribution centers of € 19.1 million. As a result of the previously announced capex freeze program, the total amount of investments in both tangible and intangible fixed assets decreased to € 4.4 million in 2019, compared to € 8.7 million in 2018. The majority of these investments related to investments in IT and E-commerce platforms, two new stores and required maintenance in existing stores. The investing cash flow from the discontinued operations of Matratzen Concord amounted to € 15.5 million and was derecognised from the balance sheet at divestment date.

Cash, liquidity and debt financing

The cash flow from financing activities for the year was an outflow of € 20.2 million (2018: inflow of € 19.8 million), due to the deleveraging and other financial events which significantly improved our financial position. The financing cash flow included the issue of the shareholder loan in the amount of € 7.0 million - of which € 3.5 million has been converted to a perpetual loan - the equity issue to Magical Honour Limited of € 5.0 million, and the decrease of borrowings of € 19.5 million.

The net debt position, including cash and cash equivalents, changed significantly during 2019. At year-end 2019 the Group reported a net debt position of € 7.9 million (2018: € 16.8 million).

Financing and solvency

In July 2019, Beter Bed Holding agreed a transition plan with the banks and three major shareholders including: (i) waivers of the defaults that have taken place under the € 40 million credit facilities, (ii) amended covenants for the continuing operations until mid-2020, and (iii) additional shareholder loans of in total € 7.0 million to support the short-term liquidity. With these agreements, combined with the sale and leaseback of the three distribution centers, Beter Bed Holding managed to realise the transformation by divesting Matratzen Concord and decreased its total net debt. As a next step, the company reached agreement on new bank covenants in December 2019 and, resulting from its decreased outstanding bank debt, was able to further strengthen the equity of the Group by converting half of its outstanding shareholder loan of € 7.0 million in total into perpetual instruments, paying interest to its three shareholders and repaying a similar amount on its bank facilities, further reducing its outstanding debt.

The solvency ratio in 2019 was impacted by the introduction of IFRS 16 which increased the lease liability by € 45.6 million and almost doubled the Group's balance sheet position. Solvency decreased due to the operating loss and impairments of the discontinued operations and stood at 3.1% as at 31 December 2019.

Outlook

Following the transformation during the past year, we can now fully focus on our continuing business. The positive trend in revenues from 2019 has continued into the first months of 2020. Looking ahead, we see increased uncertainties following the COVID-19 outbreak and market volatility. Although the impact on Beter Bed Holding to date is limited, this might impact consumer confidence, supply-chain and transport reliability. In addition, increased competition is changing the retail landscape in the markets we operate.

During the year, we intend to further optimise our financing structure, as the current credit facilities will expire mid-2020. We are currently in discussion with the banks to successfully agree new credit facilities and the establishment of a fit-for-the-future Group financing structure.

Beter Bed Holding starts 2020 from a stable financial position, with a significantly smaller scale, a lower asset base and lower revenues. The changes in the company structure will lead to a revision and update on the strategy for mid-term and longer-term goals. An update of the strategic direction will be presented on 13 May 2020. We are confident that we are well positioned for the growing trend of consumers increasingly recognising quality sleep as a key component of a healthier and more enjoyable lifestyle.

Independent auditor's report

The financial information in the appendices is taken from the consolidated financial statements of Beter Bed Holding N.V. which will be submitted for adoption to the Annual General Meeting on 13 May 2020, and for which an unqualified auditor's report has been issued by the independent auditor. The 2019 annual report and financial statements are published today and can be found on our website.

Strategy Update

On 13 May 2020, Beter Bed Holding will host an analysts' meeting. During this meeting, John Kruijssen and Gabrielle Reijnen will present a strategy update for Beter Bed Holding and plans for the medium term. This meeting will replace the earlier announced Capital Markets Day.

During the Annual General Meeting of Shareholders (AGM), which will be held on the same day, the update will also be presented to the shareholders.

Profile

Beter Bed Holding N.V. is a retail and wholesale organisation that offers its customers the best quality rest at affordable prices. The Group operates offline through physical stores and online through its own web shops for the specific brands. The Group is also active on national and international online retail platforms.

The Group operates in the following regions:

- The Netherlands and Belgium, via the Beter Bed and Beddenreus brands (only in the Netherlands).
- Sweden, via the Sängjätten brand.

Via its subsidiary DBC International, Beter Bed Holding operates a wholesale business in branded products in the bedroom furnishings sector, including international brands such as M line and Wave. Beter Bed Holding is listed on Euronext Amsterdam. Employing approximately 1,100 people, Beter Bed Holding achieved revenues of € 185 million in 2019.

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Financial statements 2019

Consolidated balance sheet

in thousand €	2019	2018
Non-current assets		
Intangible assets	**8,483**	11,311
Property, plant and equipment	**10,596**	41,257
Right-of-use assets	**41,747**	-
Deferred tax assets	**2,087**	13,273
Other non-current financial assets	**64**	94
Total non-current assets	**62,977**	65,935
Current assets		
Inventories	**22,233**	55,679
Trade receivables	**1,830**	3,014
Income tax receivable	**1,594**	636
Other receivables	**8,655**	9,243
Cash and cash equivalents	**2,115**	6,173
Total current assets	**36,427**	74,745
Total assets	**99,404**	140,680

in thousand €	2019	2018
Equity		
Issued share capital	**482**	439
Share premium	**23,391**	18,434
Equity instruments	**3,500**	-
Revaluation reserve	**386**	3,200
Foreign currency translation reserve	**514**	548
Other reserves	**27,337**	47,265
Retained earnings	**(52,575)**	(23,250)
Total equity attributable to equity holders of the parent	**3,035**	46,636
Liabilities		
Non-current liabilities		
Provisions	**-**	1,003
Lease liabilities	**29,241**	-
Deferred tax liabilities	**802**	3,452
	30,043	4,455
Current liabilities		
Borrowings	**9,994**	22,998
Provisions	**-**	4,040
Lease liabilities	**16,346**	-
Trade payables	**14,182**	24,409
Income tax payable	**-**	2,050
Other taxes and social security contributions	**7,532**	10,931
Other liabilities	**18,272**	25,161
	66,326	89,589
Total liabilities	**96,369**	94,044
Total equity and liabilities	**99,404**	140,680

Consolidated profit and loss account

in thousand €, unless otherwise stated	2019	2018[1]
Continuing operations		
Revenue	**185,805**	172,812
Materials and services from third parties	**(87,270)**	(78,763)
Gross profit	**98,535**	94,049
Other income	**6,404**	-
Personnel expenses	**(47,064)**	(40,824)
Depreciation, amortisation and impairment	**(21,676)**	(7,168)
Other operating expenses	**(36,631)**	(41,464)
Total operating expenses	**(105,371)**	(89,456)
Operating profit / (loss) (EBIT)	**(432)**	4,593
Finance costs	**(2,450)**	(688)
Profit / (loss) before tax from continuing operations	**(2,882)**	3,905
Income tax	**(1,284)**	2,976
Net profit / (loss) from continuing operations	**(4,166)**	6,881
Discontinued operations		
Profit / (loss) after tax from discontinued operations	**(48,409)**	(30,131)
Net loss	**(52,575)**	(23,250)
Earnings per share from all operations		
Earnings per share in €	**(2.38)**	(1.06)
Diluted earnings per share in €	**(2.38)**	(1.06)
Earnings per share from continuing operations		
Earnings per share in €	**(0.19)**	0.31
Diluted earnings per share in €	**(0.19)**	0.31

1 Following IFRS 5 the comparative figures present the continuing operations and the result from discontinued operations are presented as a single line.

Consolidated statement of comprehensive income

in thousand €	2019	2018
Loss for the year	**(52,575)**	(23,250)
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Revaluation of land	**389**	295
Tax effect relating to revaluation	**(97)**	(73)
Change of applicable tax rate	**(181)**	181
Items that may be reclassified to profit or loss (net of tax):		
Exchange differences on translation of foreign operations	**228**	(125)
Total comprehensive income, net of tax	**(52,236)**	(22,972)
Total comprehensive income, net of tax		
Continuing operations	**(3,827)**	7,159
Discontinued operations	**(48,409)**	(30,131)
Total comprehensive income, net of tax	**(52,236)**	(22,972)

Consolidated cash flow statement

in thousand €	2019	2018[1]
Operating activities		
Result (loss) for the period from operations	**(432)**	4,593
Adjustments for:		
- Depreciation and impairment right-of-use assets	**14,584**	-
- Depreciation and impairment of property, plant and equipment	**5,299**	5,024
- Amortisation and impairment of intangible assets	**1,793**	2,144
- Transfer book profit from sale and leaseback to investing activities	**(6,404)**	-
- Costs relating to the sale of discontinued operations	**4,294**	-
- Other	**25**	46
Adjusted operating result for the period	***19,159***	*11,807*
Working capital adjustments:		
- Decrease / (Increase) in inventories	**(1,403)**	(2,329)
- Decrease / (Increase) in trade and other receivables	**3,200**	(211)
- Increase / (Decrease) in trade and other liabilities	**2,045**	2,464
Change in working capital	***3,842***	*(76)*
Costs share-based compensation	**135**	83
Income tax received/(paid)	**702**	(2,271)
Discontinued operations	**(20,599)**	(6,523)
Cash flow from operating activities	**3,239**	3,020
Investing activities		
Capital expenditure on purchase of intangible assets	**(96)**	(91)
Capital expenditure on purchase of property, plant and equipment	**(4,301)**	(8,667)
Disposals in fixed assets	**-**	-
Proceeds from sale and leaseback	**19,176**	-
Changes in non-current receivables	**25**	10
Divestment of subsidiaries	**(17,562)**	-
Discontinued operations	**15,473**	(8,187)
Cash flow used in investing activities	**12,715**	(16,935)

1 *Following IFRS 5, the comparative figures present the continuing operations and the cash flow from discontinued activities are presented as a single line per category.*

in thousand €	2019	2018[1]
Financing activities		
Contribution of equity	**5,000**	-
Contribution of equity instruments	**3,500**	-
Dividends paid	**-**	(659)
Dissolved intercompany structure	**-**	74,940
Repayment of borrowings	**(16,504)**	-
Proceeds from borrowings	**3,500**	21,195
Interest paid	**(1,326)**	(688)
Payment lease liabilities	**(14,410)**	-
Discontinued operations	**-**	(74,940)
Cash flow from / (used in) financing activities	**(20,240)**	19,848
Movement in cash and cash equivalents	**(4,286)**	5,933
Net foreign exchange difference	**228**	53
Opening balance	**6,173**	187
Closing balance	**2,115**	6,173

1 *Following IFRS 5, the comparative figures present the continuing operations and the cash flow from discontinued activities are presented as a single line per category.*

Consolidated statement of changes in equity

in thousand €	Issued share capital	Share premium	Equity instru-ments[1]	Revalua-tion reserve[1]	Foreign currency trans-lation reserve[1]	Other reserves	Retained earnings	**Total**
Balance at 1 January 2018	439	18,434	-	2,797	673	38,316	9,525	70,184
Net profit / (loss) 2018	-	-	-	-	-	-	(23,250)	(23,250)
Other components of comprehensive income 2018	-	-	-	403	(125)	-	-	278
Total Comprehensive income	-	-	-	403	(125)	-	(23,250)	(22,972)
Profit appropriation 2017	-	-	-	-	-	9,525	(9,525)	-
Final dividend 2017	-	-	-	-	-	(659)	-	(659)
Costs of share-based compensation	-	-	-	-	-	83	-	83
Balance at 31 December 2018	**439**	**18,434**	**-**	**3,200**	**548**	**47,265**	**(23,250)**	**46,636**
Net profit / (loss) 2019	**-**	**-**	**-**	**-**	**-**	**-**	**(52,575)**	**(52,575)**
Discontinued operations	**-**	**-**	**-**	**-**	**(262)**	**262**	**-**	**-**
Other components of comprehensive income 2019	**-**	**-**	**-**	**111**	**228**	**-**	**-**	**339**
Total Comprehensive income	**-**	**-**	**-**	**111**	**(34)**	**262**	**(52,575)**	**(52,236)**
Profit appropriation 2018	**-**	**-**	**-**	**-**	**-**	**(23,250)**	**23,250**	**-**
Final dividend 2018	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Interim dividend 2018	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Contributions of equity (instruments)	**43**	**4,957**	**3,500**	**-**	**-**	**-**	**-**	**8,500**
Recycling of revaluation	**-**	**-**	**-**	**(2,925)**	**-**	**2,925**	**-**	**-**
Costs of share-based compensation	**-**	**-**	**-**	**-**	**-**	**135**	**-**	**135**
Balance at 31 December 2019	**482**	**23,391**	**3,500**	**386**	**514**	**27,337**	**(52,575)**	**3,035**

1 *Concerns restricted equity.*