



Analyst Presentation HY1 2018

July 27th, 2018

Agenda

- Financials

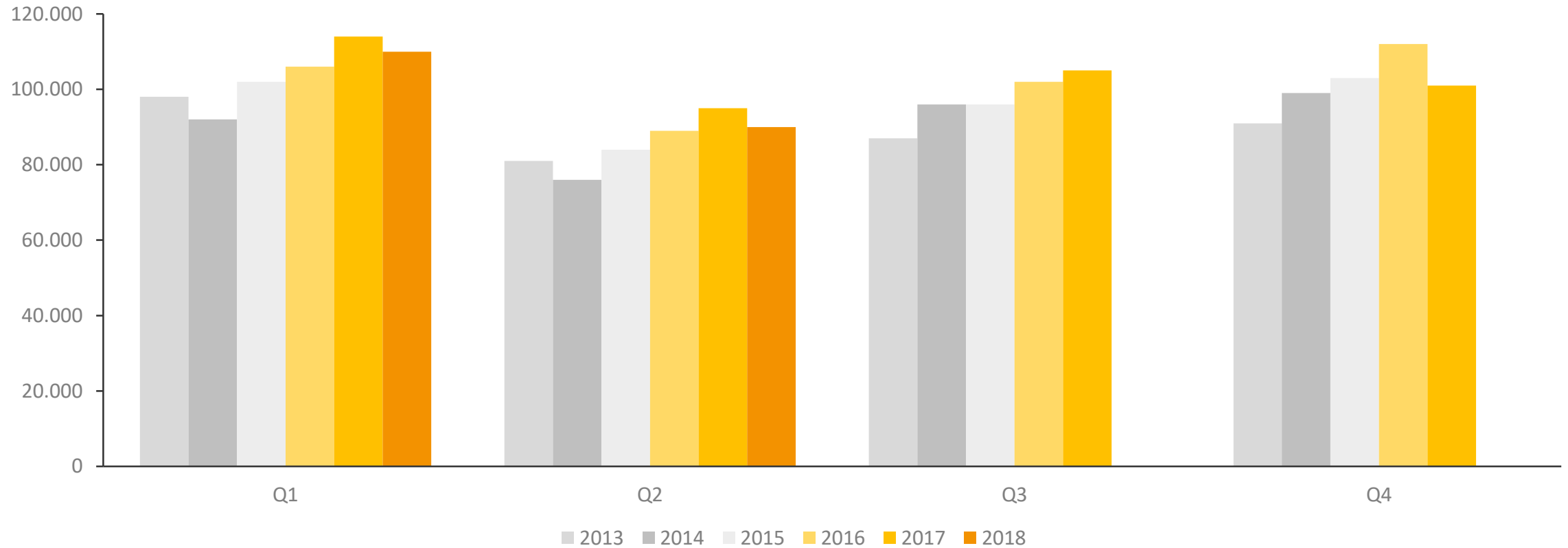
- Reflections

- Immediate actions

- Outlook

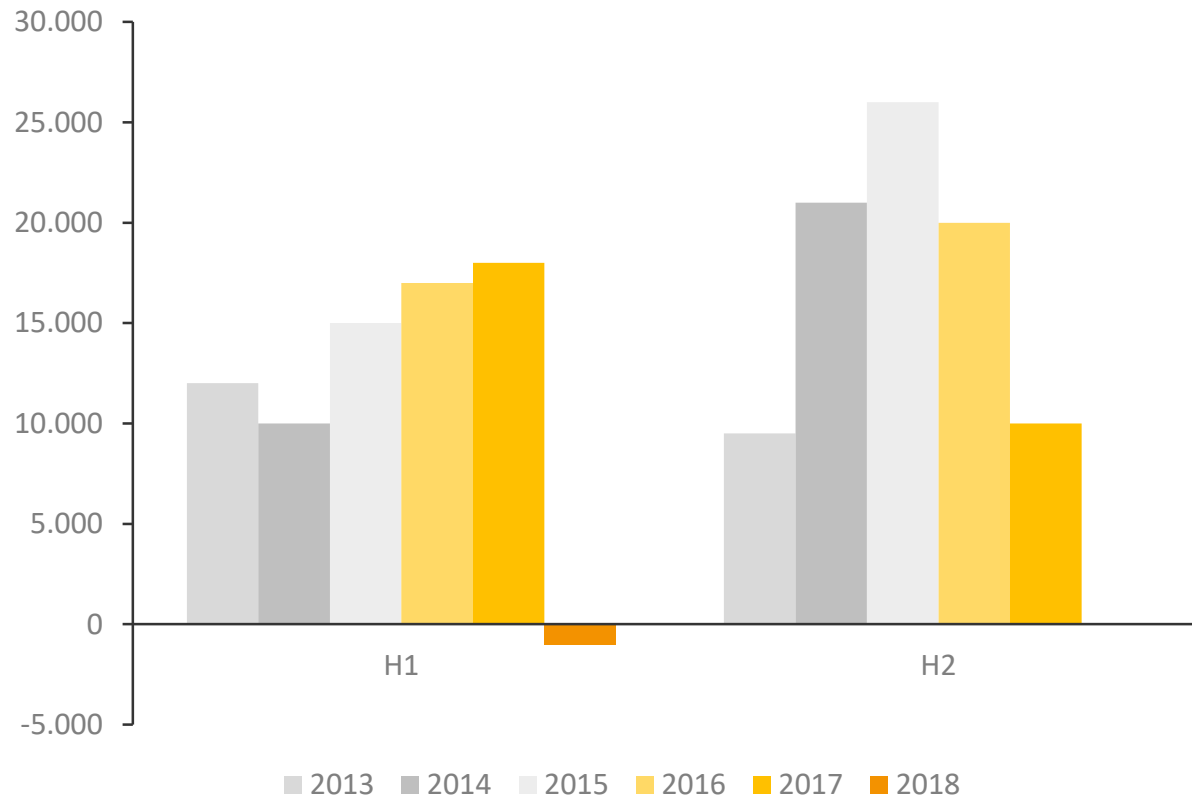
2018 revenue per quarter has been lagging compared to 2017

Revenue per quarter (in € k)



2018 EBTIDA HY1 negative, due to declining revenue & too high cost base

EBITDA per HY (in € k)



Comments

- 11 consecutive quarters of revenue decline in Germany
- Reduction of customers and sales due to Q4 supplier issue in Germany carried over into 2018
- Too high cost base
- Change in leadership at group level and in Germany
- Extreme temperatures across Europe

2018 HY1 key metrics

Key metrics

(EUR x 1 million unless stated otherwise)	H1-2018	H1-2017
EPS (EUR)	(0.31)	0.34
Capex	11.9	9.9
Total assets	148.9	134.6
Sales/stocks (ratio)	3.1	3.9
EBITDA	(0.7)	17.5
EBIT	(7.9)	11.5
Net profit	(6.8)	7.5

Comments

- H1 Capex included EUR 11.9 M that was committed
- For H2 Capex freeze where possible, with a maximum spend of € 3 M
- Inventory cleanup has started

2018 H1 net profit driven by decline in revenue & increase in OPEX

Profit & Loss statement

(EUR x 1,000)	H1-2018		H1-2017	
Revenue	201,603		209,772	
Cost of sales	(88,022)		(89,170)	
Gross margin	113,581	56.3%	120,602	57.5%
Personnel expenses	55,640		52,871	
Depreciation and amortisation	6,977		5,993	
Other operating expenses	58,854		50,272	
Total operating expenses	121,471	60.3%	109,136	52.0%
EBIT	(7,890)	-3.9%	11,466	5.5%
Finance income and costs	(436)		255	
Income tax gain (expense)	1,570		(368)	
Net profit (loss)	(6,756)	-3.4%	11,353	5.4%
EBITDA	(669)	-0.3%	7,463	3.6%

Comments

- Germany and Switzerland drive revenue decline
- Gross profit decline driven by shifts in country & product mix
- Increase personnel expenses mainly driven by expansion in Sweden & Belgium, collective labor agreements and investments in online (DE)
- Higher other operating expense mainly due to increases in marketing spend, logistical costs and housing

In 2018 HY 1 total assets have decreased € 10.8 M

Consolidated Balance sheet - Total Assets

(EUR x 1,000)	30-6-2018	31-12-2017
Tangible assets	47,243	44,236
Intangible assets	10,450	9,030
Financial assets	6,083	2,879
Inventories	66,062	65,697
Receivables	11,528	17,219
Cash and cash equivalents	7,534	17,669
Total	148,900	156,730

Comments

- **Tangible Assets**
Growth Capex:
 investments in expansions Sweden & Belgium
Maintain Capex:
 investments in current MC stores
- **Intangible assets:** investments in E-commerce and CRM systems
- **Financial assets:** deferred tax assets

In 2018 HY1 equity decreased € 8.3 M, driven by negative operating result

Consolidated Balance sheet - Total Equity and Liabilities

(EUR x 1,000)	30-6-2018	31-12-2017
Equity	62,746	70,184
Provisions	39	44
Deferred tax liabilities	3,738	3,383
Current liabilities	82,377	83,119
Total	148,900	156,730

Comments

- Equity decline driven by net result HY1 2018 and final dividend paid in May
- Current liabilities decreased due to seasonal patterns, offset by an increase in liabilities to credit institutions

2018 HY1 cashflow is mainly driven by negative operating result

Cash flow (1/2)

(EUR x 1,000)

	H1-2018	H1-2017
Operating profit	(7,890)	11,466
Net finance costs	(436)	(110)
Income tax paid	1,679	(6,318)
Depreciation and amortisation	6,977	5,993
Costs of share-based compensation	68	163
Movements in:		
- Inventories	(365)	(3,690)
- Receivables	3,193	2,486
- Provisions	(5)	(39)
- Short-term liabilities (excl. bank overdrafts)	(5,542)	(6,446)
- Other	154	(10)
Cash flow from operating activities	(2,167)	3,495

Comments

- Prepayments of corporate income tax significantly reduced
- No further increase of inventory positions

2018 HY1 cashflow is mainly driven by negative operating result (cont'd)

Cash flow (2/2)

(EUR x 1,000)	H1-2018	H1-2017
Cash flow from operating activities	(2.167)	3.495
Additions to (in)tangible assets	(11.893)	(9.931)
Disposals of (in)tangible assets	244	78
Changes in non-current receivables	34	(4)
Cash flow from investing activities	(11.615)	(9.857)
Dividend paid	(659)	(8.782)
Cash flow from financing activities	(659)	(8.782)
Change in net cash and cash equivalents	(14.441)	(15.144)

Comments

- Capex investments of growth, maintain, IT, E-commerce & CRM
- Lower dividend payout
- Well within all our agreed governance

Agenda

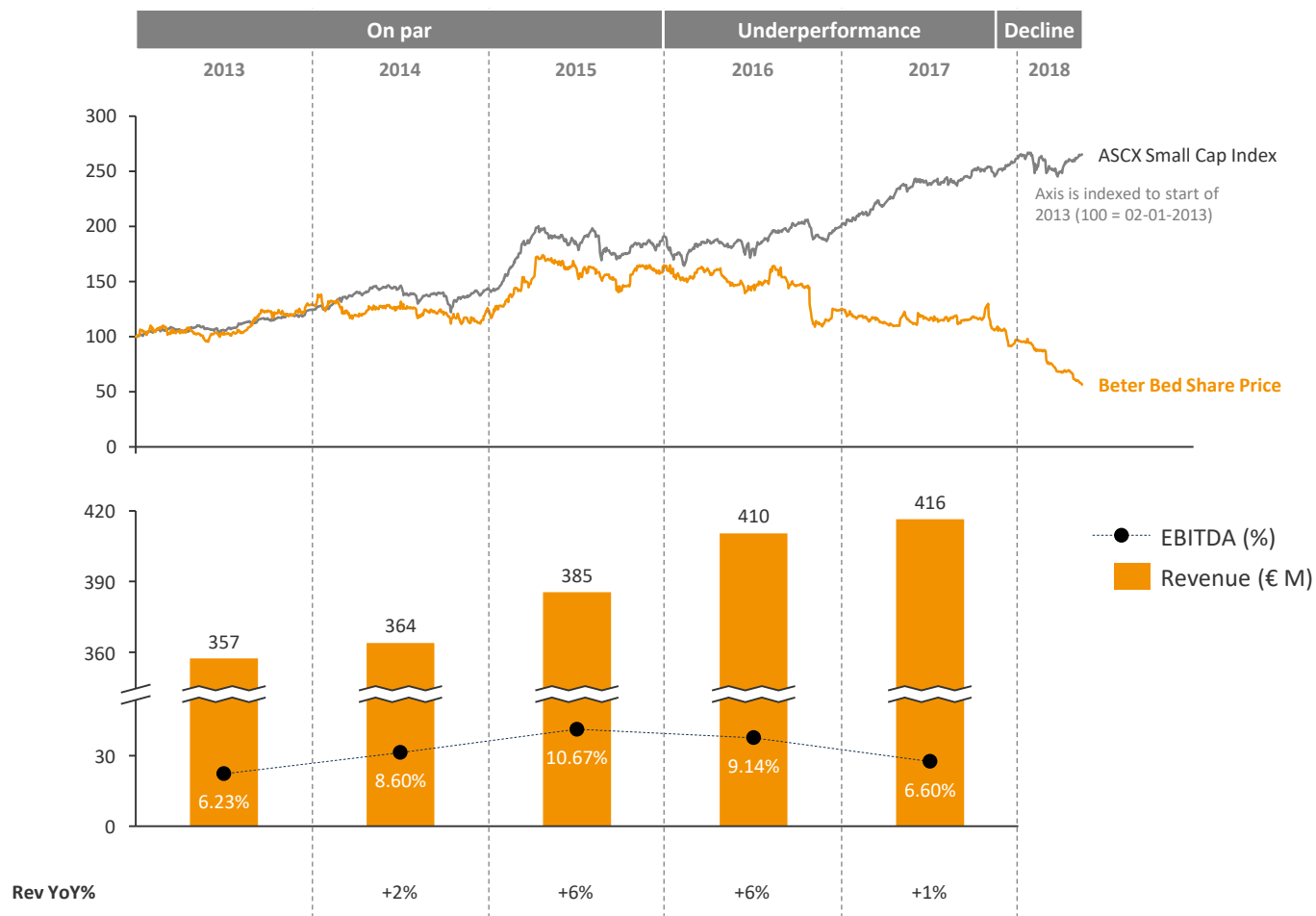
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Beter Bed needs to find its way back to its strong track record

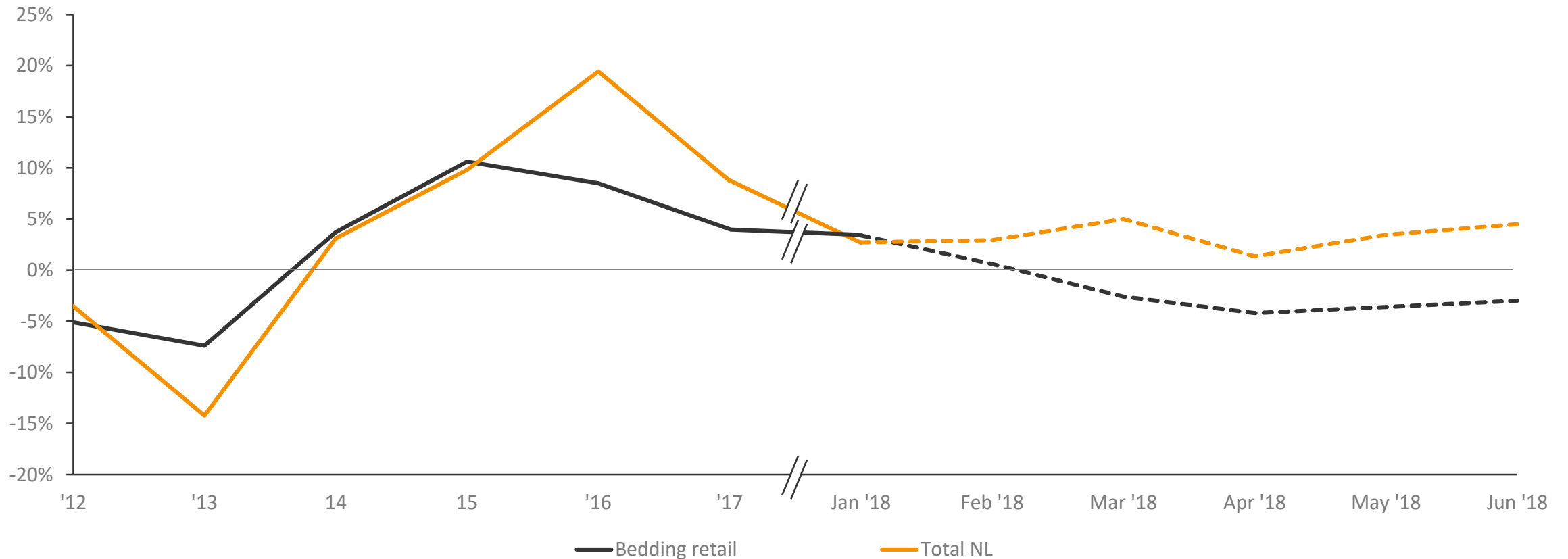


Current situation

- Up until 2015, Beter Bed showed a combination of increasing growth and improving profitability – creating a TSR performance in line with the market
- Since 2016, profitability has deteriorated and growth has slowed down, creating an inflection in the share performance
- Recent incident in Oct '17 in Germany has further deteriorated the overall results
- In addition, Spain is under pressure due to market circumstances, size and reduction of stores
- As a result, the share price dropped by approx. $\frac{2}{3}$, from a peak of ~€23 in 2015 to ~€6.75 in July 2018
- Taken together, Beter Bed needs strong and decisive actions to break the trend and regain its strong track record

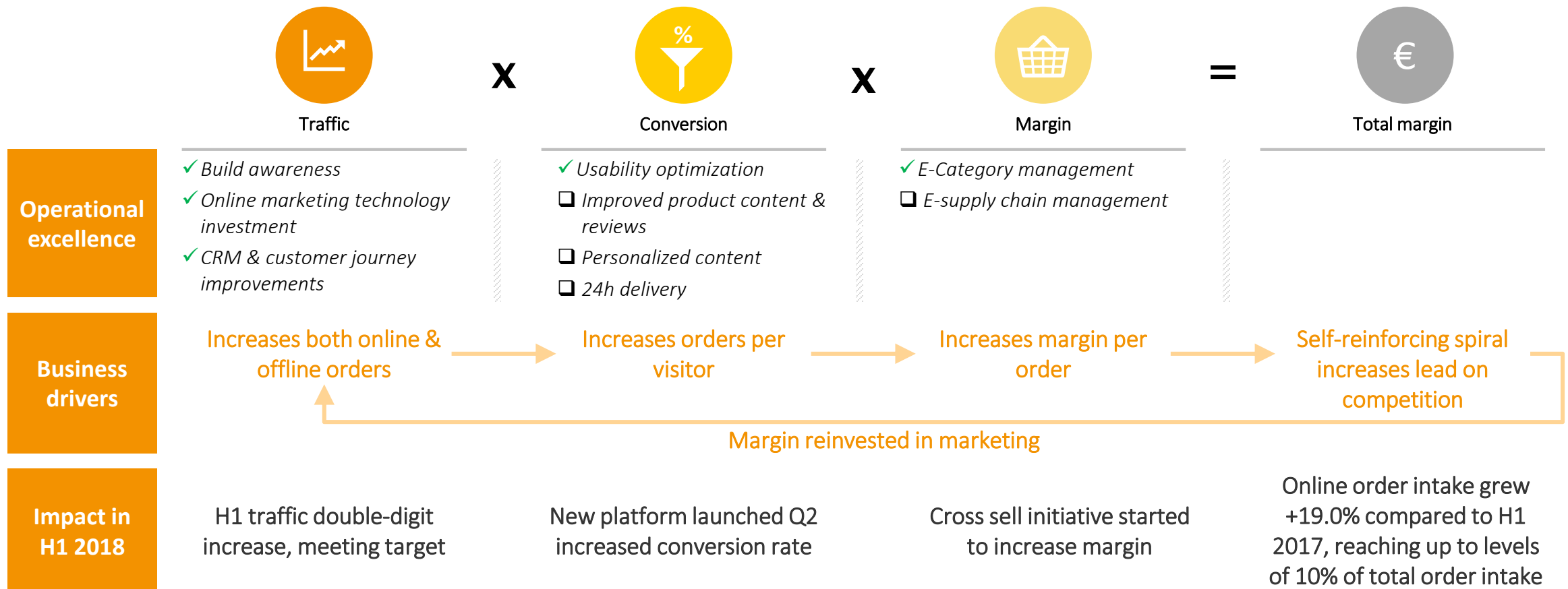
In NL both Beter Bed and Beddenreus outperformed competition in H1

Cumulative order intake growth in the Netherlands (in %)



After initial focus on traffic & ROPO, the online order intake reached up to 10% level of total NL order intake throughout Q2

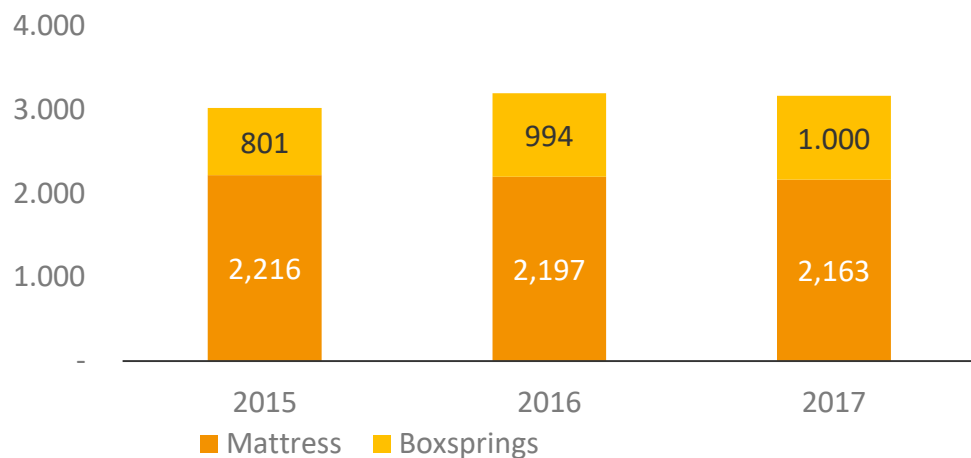
Main focus on traffic generation has been tackled, next step to improve online conversion and margin.



In Germany the relatively stable market hides substantial underlying shifts

German market overall is stable but product preference shifts towards box spring

Germany market size (in € M)



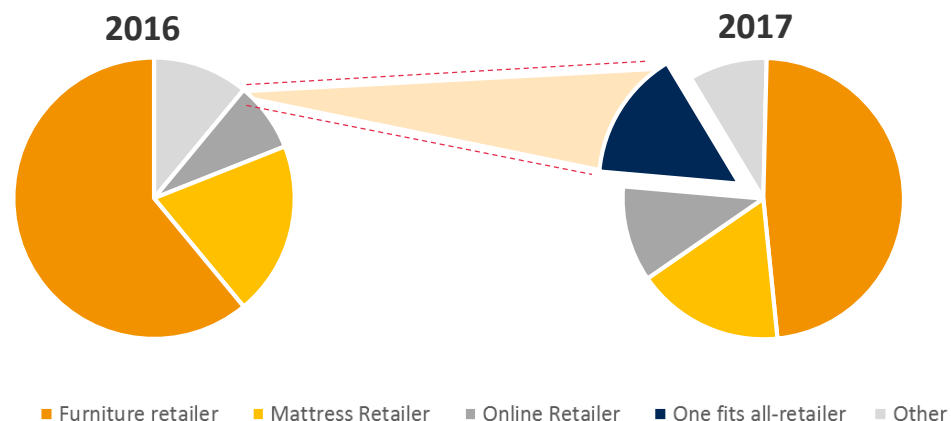
Product portfolio shifted last 2 years:

- Boxspring sales grow +25%
- Mattress sales declined -2.4%

Within the market new business models emerge



Mattress market Germany



Both external challenges and internal changes made for a tough H1

External challenges



Market developments & business model shifts



Supplier issues



Unfavourable weather conditions



Internal changes



Legacy of the 'Good to great' strategy



Management changes across countries



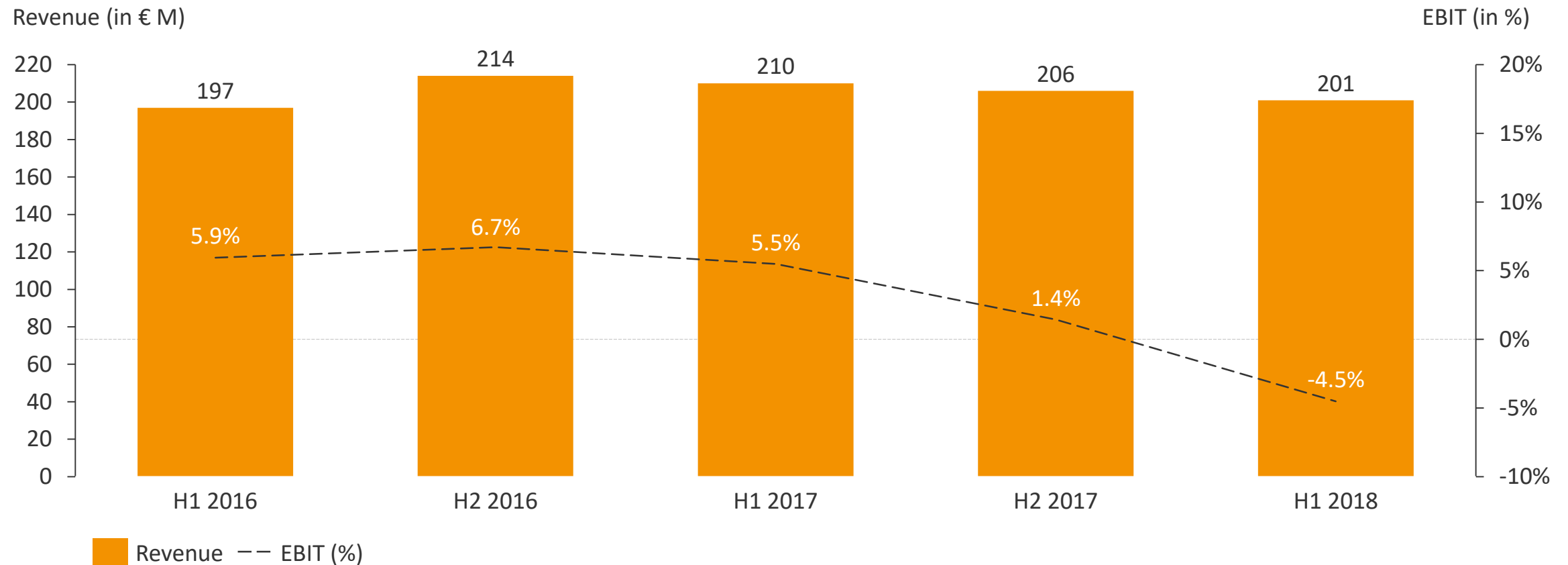
Return on NBD investments slower than planned



Disappointing H1 2018

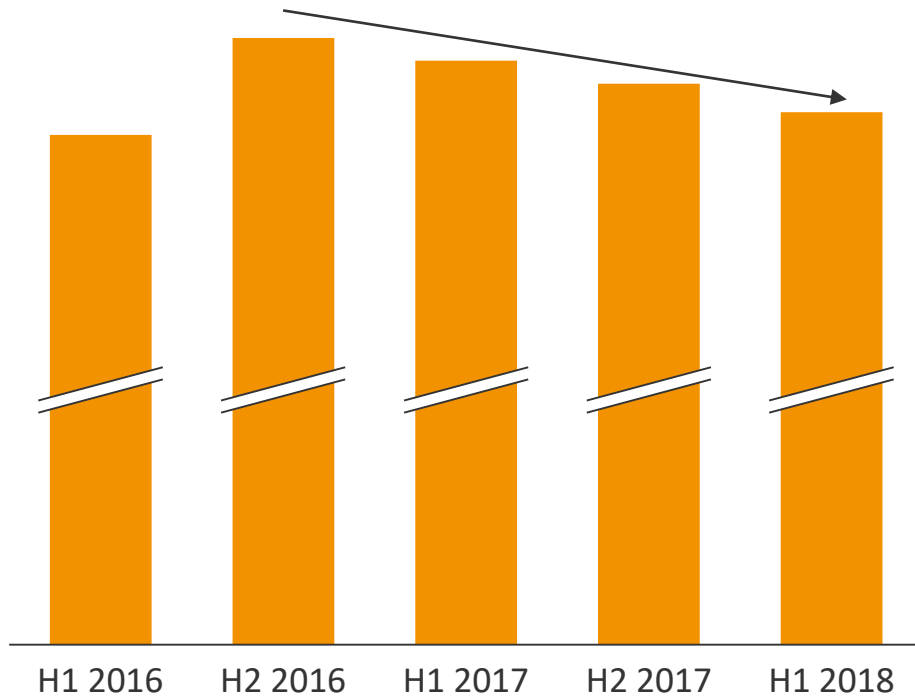
The half year EBIT trend is worsening since H2 2017

Revenue & EBIT development across the Holding

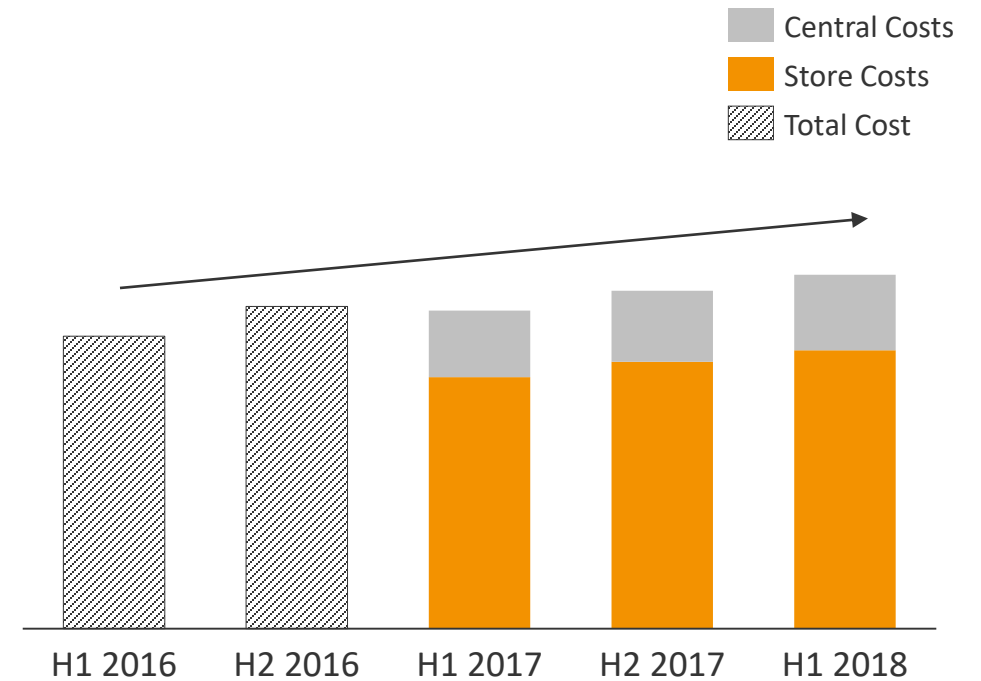


The revenue has fallen, while the store and central costs have gone up

Revenue development across the Holding (in € M)



Cost development across BB Holding (in € M)



Action is required to restore short-term performance, as well as to strengthen the strategic positioning of Beter Bed Holding



Drive quick wins...

- Spot opportunities for quick cost or cash improvements
- Militaristic execution to restore near-term profitability
- Create credibility in the path towards recovery



... while redefining our strategy & operating model



- Re-evaluate how to win in the core markets (NL/DE) and identify sources of future growth to tap into
- Define new operating model that balances scale and entrepreneurship of the labels / countries – and drives a competitive, flexible cost structure
- Translate strategy into action, with a roadmap and delivery program
- Rally the wider group of internal & external stakeholders around the refreshed vision & ambition

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Immediate actions have been taken to free up cash and save & avoid costs

Free up Cash

- Delay payments
- Intensify collections
- Inventory clearance
- Investment freeze

Cost Savings

- **Initiated sourcing actions:**
 - *Direct spend (bundling assortment with strategic suppliers)*
 - *Indirect spend (Fuel / Lease / Office Supplies / rent / energy/ IT)*
- **Overhead reduction**
- **Streamline sales support / sales management structure**

Cost Avoidance

- **Tighter control on spend**
- **Reduction of non-critical temp contracts**
- **Stop hiring people** (unless...)
- **Policy measures for discretionary spend,**
e.g. on lease / mobility and general cost

At MC, May & June were already marked by first turnaround actions

First initiatives taken to increase revenue

General

- Completed management team per 1 July 2018
- Improved engagement Germany → 'Belief'

E-commerce

- Initiated online initiative in Germany to increase traffic and further commercialize our web shop
- Improved logistics structure with suppliers (*phase 1*)
- Improved delivery times for the online business (*reduction by 2-3 weeks*)

Value Proposition

- Communicate traditional USP's and add new USP's
- Every three weeks new marketing campaign

Assortment optimization

- Rationalization of assortment in Q3
- Launching 2 innovative mattresses (*including a one size fits all*)
- Introducing a <1,000€ box spring

First initiatives taken to decrease costs

General

- Developed a specific German turn-around plan
- CAPEX: installed CAPEX freeze for H2 2018
- OPEX: all non-sales related opex assessed & bundled across the group
- OPEX: reduction of purchasing costs through bundling
- FTE count: assessed sales structure & hire freeze

Footprint optimization

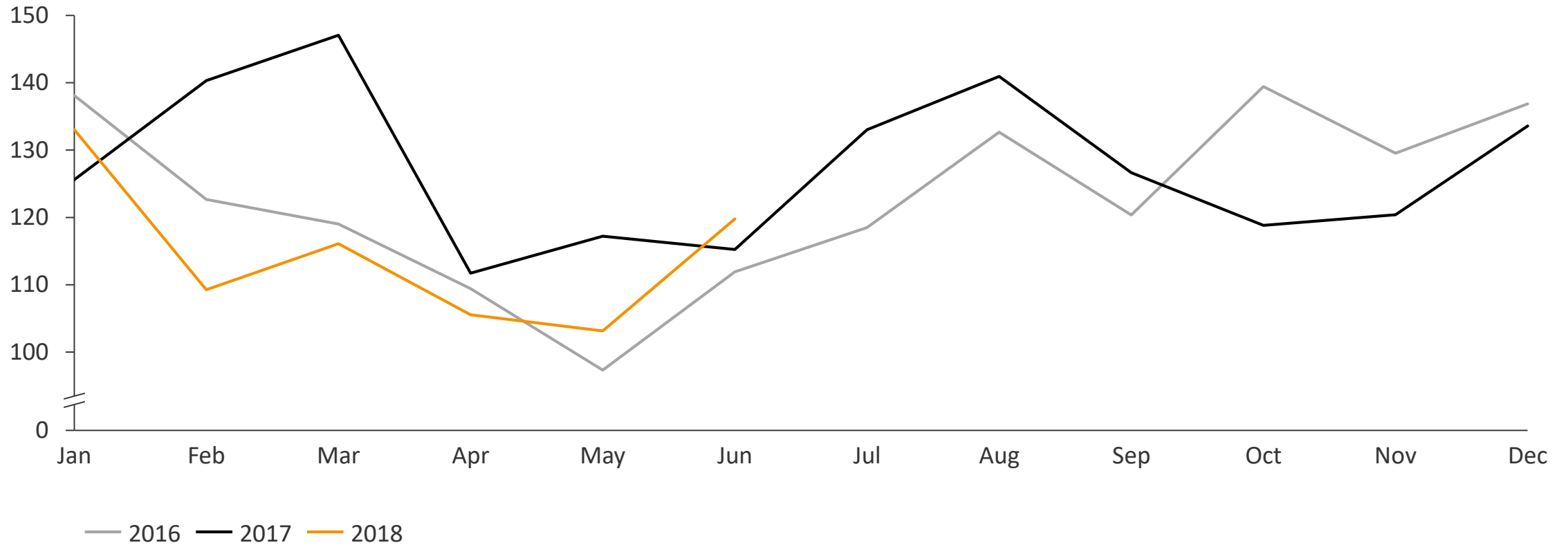
- Rationalized store portfolio, resulting in a net closure of 15 stores YTD
- Structural footprint analysis is planned to further optimize the store footprint of MC

Inventory Reduction

- Inventory reduction following assortment rationalization

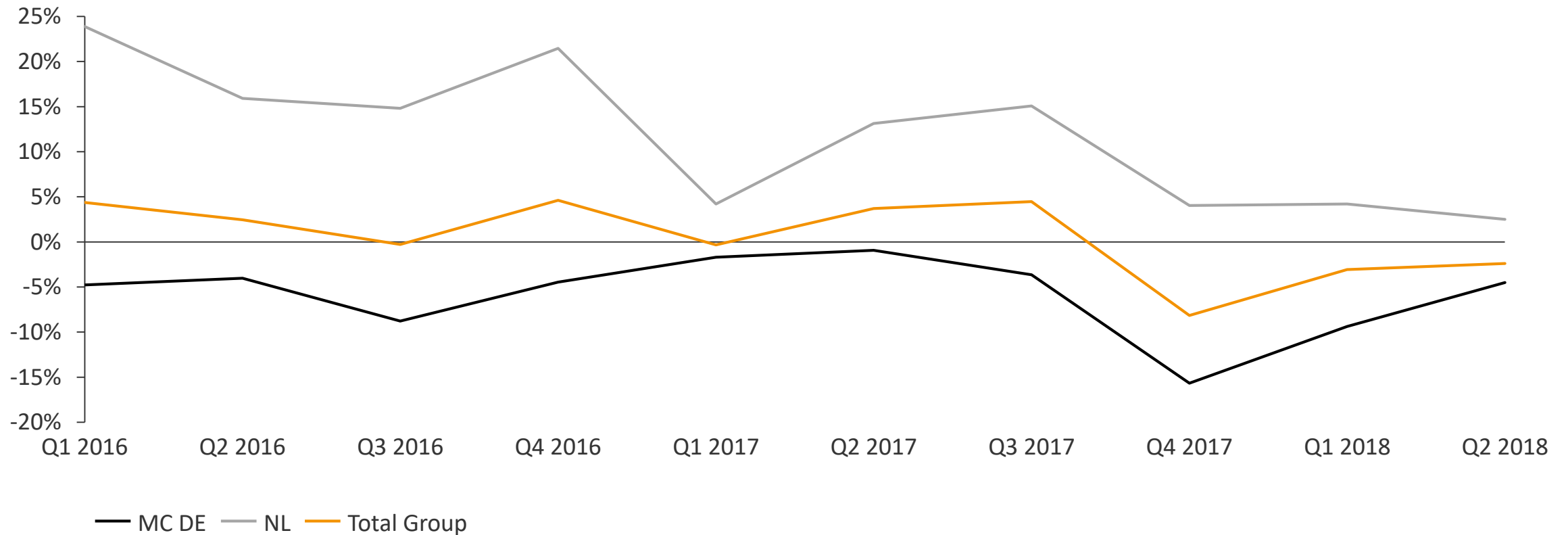
Traffic in Germany in May & June showed a reversing trend following recent initiatives and decisions

Germany LFL Traffic development¹ (# of visitors x 1,000)



LFL growth has been under pressure, but the trend is reversing

LFL development per quarter (in %¹)



Going forward, there are clear strengths and untapped potential to build on

Core strength

Position:

high quality / service at competitive price

Product:

strong private label (*A Brand with M line*)

Customers:

high customer satisfaction

Channels:

strong footprint coverage

(Semi) untapped potential

Omni:

expand omnichannel and online

Synergy (costs):

leveraging scale across group

Sales channels:

build strong base in B2B

Operations:

organizational effectiveness

People:

empowered, sharp and decisive

Agenda

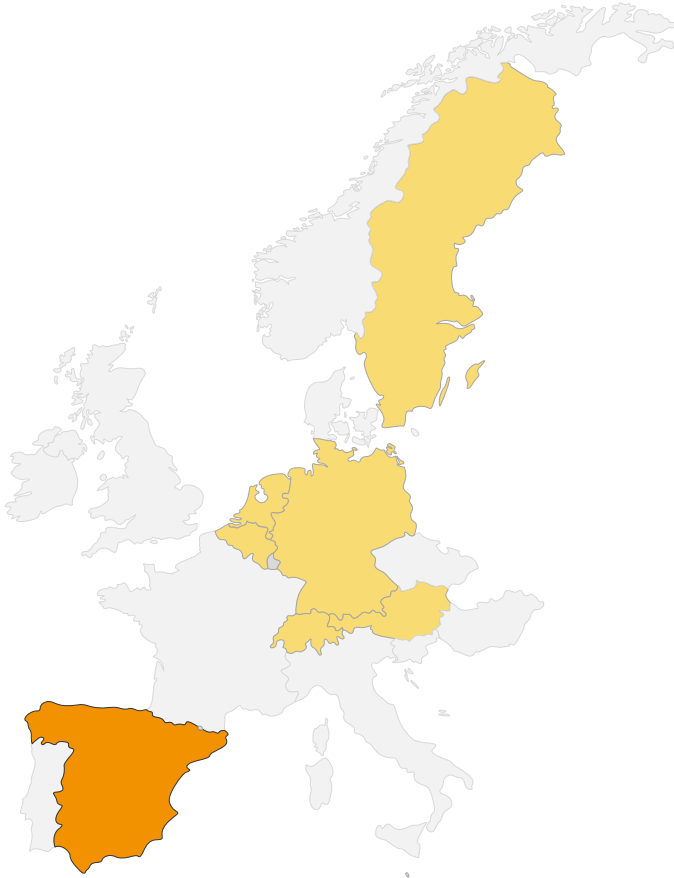
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Exploitation of El Gigante del Colchón as part of BBH will be discontinued



- Evaluation of the performance of El Gigante del Colchón led to the conclusion that sufficiently profitable operations are unlikely in the short to medium term
- The exploitation of El Gigante del Colchón as part of the Beter Bed Holding group will therefore be stopped
- In HY2 we will look into possibilities to transfer exploitation
- The aim is to conclude before the end of this year

The strategy will address fundamental questions on revenue & effectiveness

Revenue focus

What is the overall positioning in light of changing consumer demand?

Ambition:

What is the innovation agenda?

What is the innovation agenda?

New ways to reach consumers (RTM)?

Should the product assortment be revised/ extended?

Where to play:

What is the aspired footprint?

What is the aspired footprint?

What is the international expansion agenda?

What is the aspired supply chain model and DC footprint?

How to win:

How to accelerate drop-ship / 24h?

How to leverage strategic partnerships?

Room to accelerate with M&A?

Effectiveness focus

Can we create one "virtual HQ" – with shared services across the group?

One group:

Can we create one "virtual HQ" – with shared functions across the group?

Can the country/formula leaders come together as one joint group leadership team? Are any new group roles needed (e.g. COO/CCO)?

Can the assortment be harmonized across different formula's / countries to drive

Harmonization:

Can the assortment be harmonized across formats / countries to drive synergies?

Can a common talent pool or management development be introduced?

How should key roles, e.g. formula and country lead, change over time?

Roadmap:

How can the transition towards one group be accelerated?

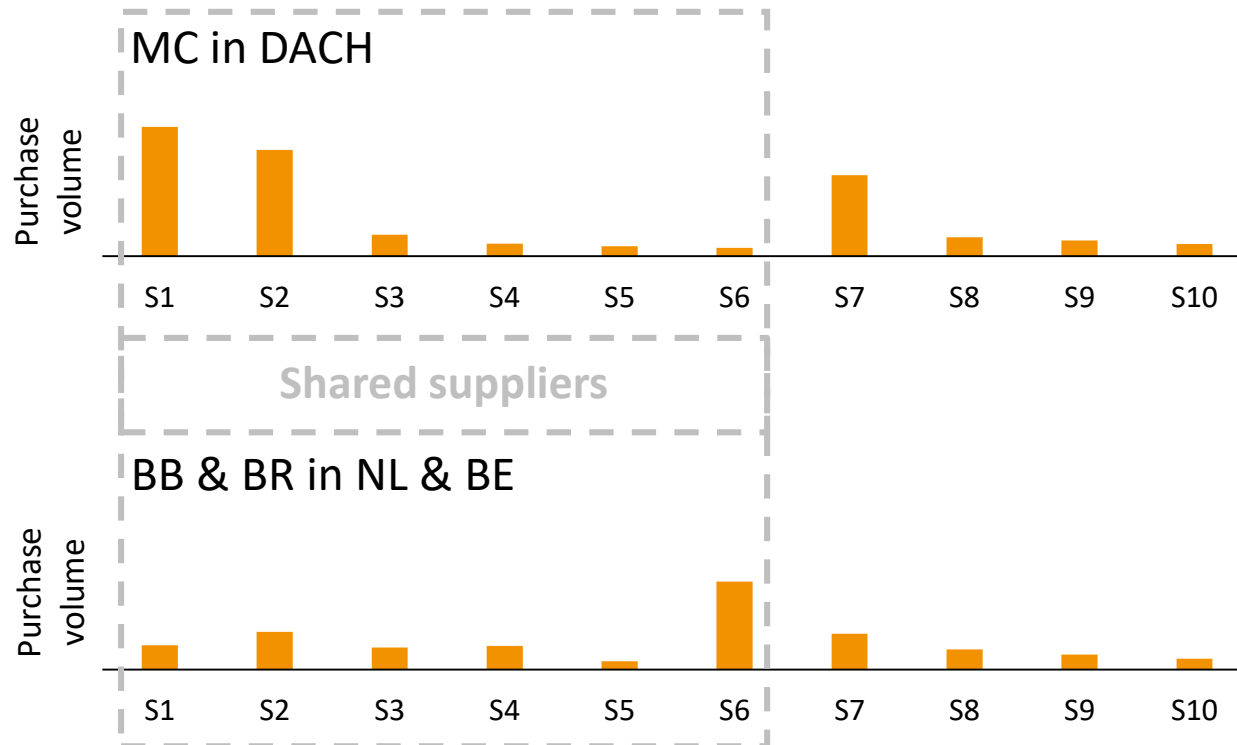
How to manage the transition as quickly and smoothly as possible?

New effectiveness matrix to drive the business (e.g. marketing effectiveness)

Some first examples

Already identified high potential in combining purchasing power

Purchase volume of top 10 suppliers for MC vs. BB & BR



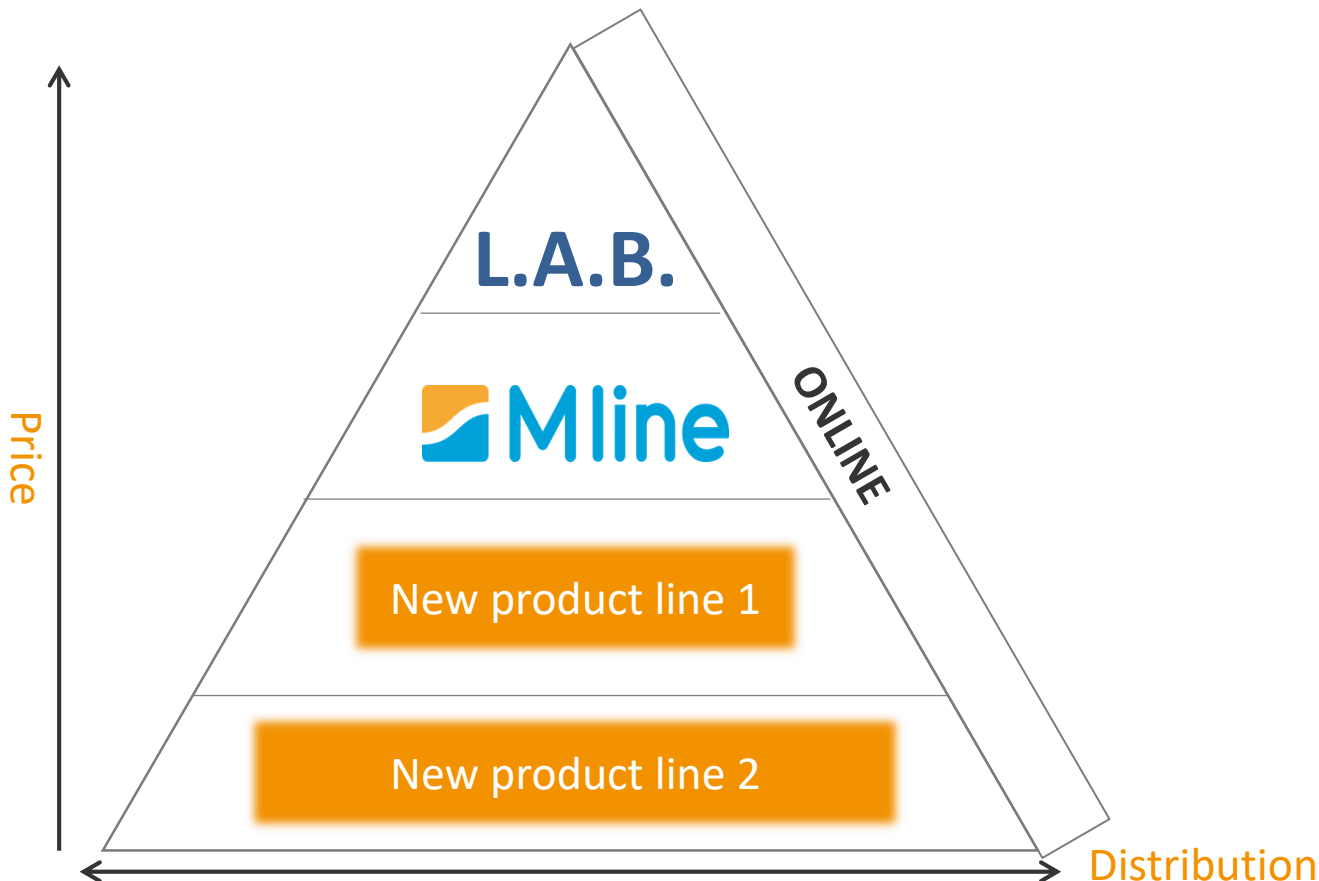
Comments

- 6 / 10 top suppliers for MC & BB are shared but sourced independently
- Combining purchasing activities on these accounts will lead to increased purchasing power for >60% of total purchasing volume

Some first examples

New product lines are being developed in DBC

New DBC product line architecture



Products

- M line: World's best mattress
 - ✓ Sleeping is the most under estimated aspect of a healthy life!
 - ✓ Best in class service!
 - ✓ Price transparency
- New product line 1: The mattress for daily heroes!
 - ✓ Designed for over 10,000 sleep positions!
 - ✓ Personal sleep perfection
 - ✓ Permanent customization with sleep guarantee
- New product line 2: World's best value for money!
 - ✓ "No-Body" is the same!
 - ✓ Simplicity with extreme comfort "1 size fits all"
 - ✓ Exceptional quality standards

Some first examples

Next to existing B2C channels, new B2C and B2B channels are tapped into



B2C Channels

- 1 Our own retail network
- 2 Our own online platform
- 3 E-tailers direct
- 4 Selected independent dealers
- 5 International key retailers
- 6 New formats, e.g a M line pop-up high street store



B2B Channels

- A Rest homes
- B Hotels
- C Parcs
- D Truck cabins
- E Cruises

Examples / highlights

1 In-store apps



6 New formats



C Partnership with EuroParcs



E Service deals with cruise ships

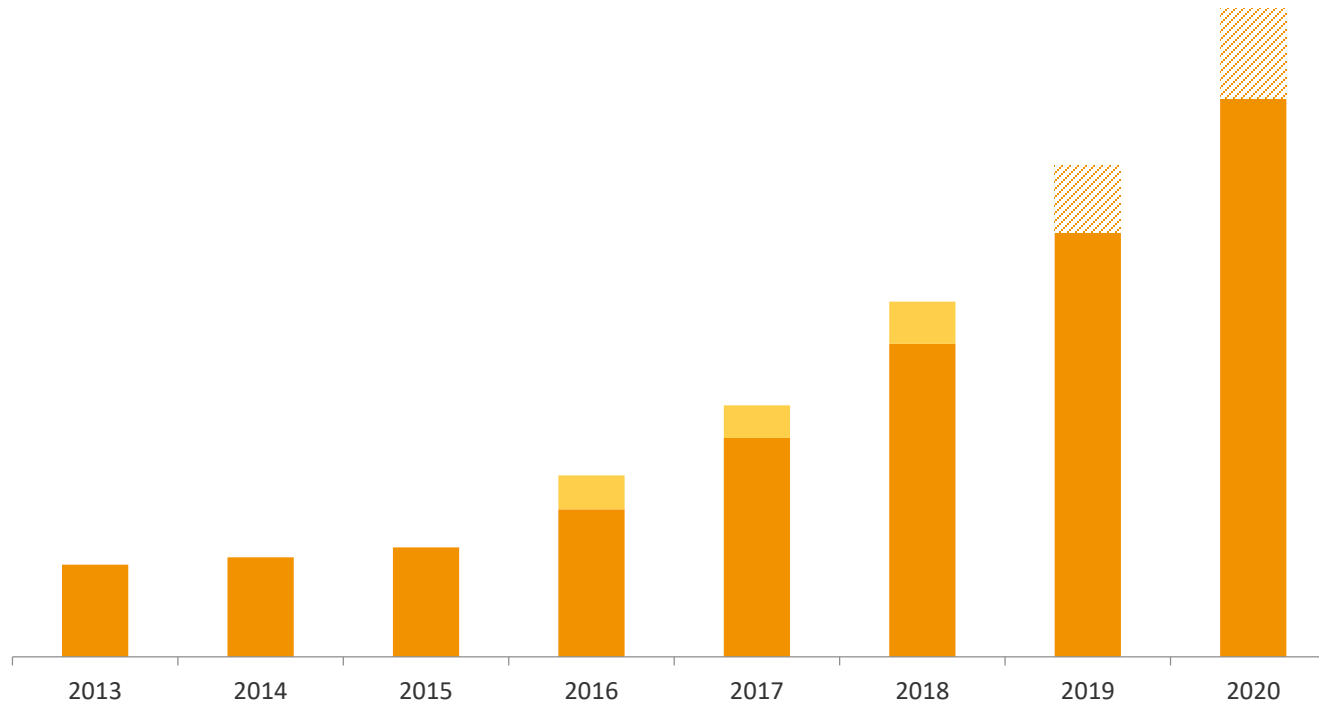


Some first examples

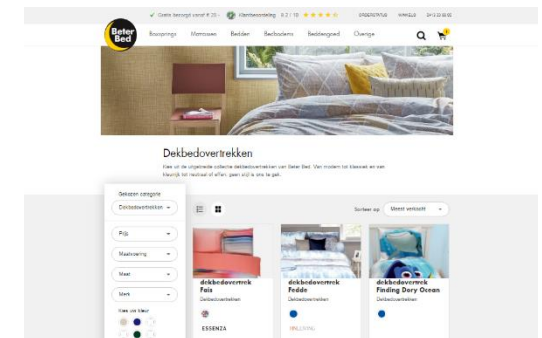
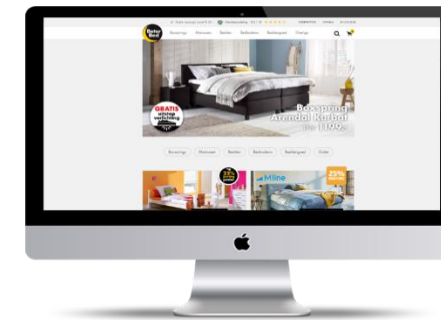
E-commerce exceeding performance, developing ramp-up plan

Benelux E-commerce actuals vs. plan (€ M)

■ Ahead of plan ■ Original plan ▨ Prognosed plan



Impressions of the new web site



In November the impact from quick wins as well as the strategy outline will be presented



Quick wins

Topics / Questions

- What are opportunities for quick cost / productivity improvements?
- What are new metrics to track store performance (financial & non-financial)?

Deliverable(s)

- Financial & non-financial metrics
- Program of cost / footprint actions
- Initiate first actions / interventions in Q3/4

Impact

- Increased disclosure of performance
- Restore near-term profitability
- Create credibility in the path towards recovery



Strategy

- How to win in the core markets (NL / DE)?
- What focus / choices, e.g. in the portfolio?
- What are the sources of future growth to tap into and drive expansion?

- Diagnostics to drive strategic decisions
- Refreshed strategy 2018-2022
- Clear translation of strategy into action, with a roadmap and delivery program

- Clear choices on where / how to grow and where to place deliberate bets
- Ability to rally the wider group of internal & external stakeholders around a refreshed vision / ambition



Operating Model

- What operating model balances scale and entrepreneurship of the labels / countries – and drive a competitive cost structure?
- What governance and performance management can help drive speed?

- New operating model, integrating the need for near-term cost interventions as well as building capabilities for the strategy
- Roadmap to transition

- Ability to transform the operating model to drive strategy execution
- Create a more resilient, flexible, action-oriented, customer-focused organization
- Rebase cost structure for longer term competitiveness

New approach for upcoming meetings

- **Quarterly trading update**
 - ✓ Teleconference
 - ✓ Conversation language will be English
- **HY Analysts' meeting**
 - ✓ Physical meeting
 - ✓ Possible to join via webcast
 - ✓ Conversation language will be English
- **Annual General Meeting (Algemene Vergadering)**
 - ✓ Physical meeting
 - ✓ Conversation language will be Dutch

BeterBed
holding

