

A photograph of a woman with curly hair sleeping peacefully in a bed, covered with a white blanket, set against a dark background.

2018 full-year results

March 1st, 2019

Agenda

Introduction

John Kruijssen

2018 Financials

Hugo van den Ochtend

Progress on strategy

John Kruijssen



Meld je nu aan

EN ONTVANG ALS EERSTE DE AANBIEDING!

Executive summary

On track with the strategic progress as presented at the Capital Markets Day of 26 October 2018

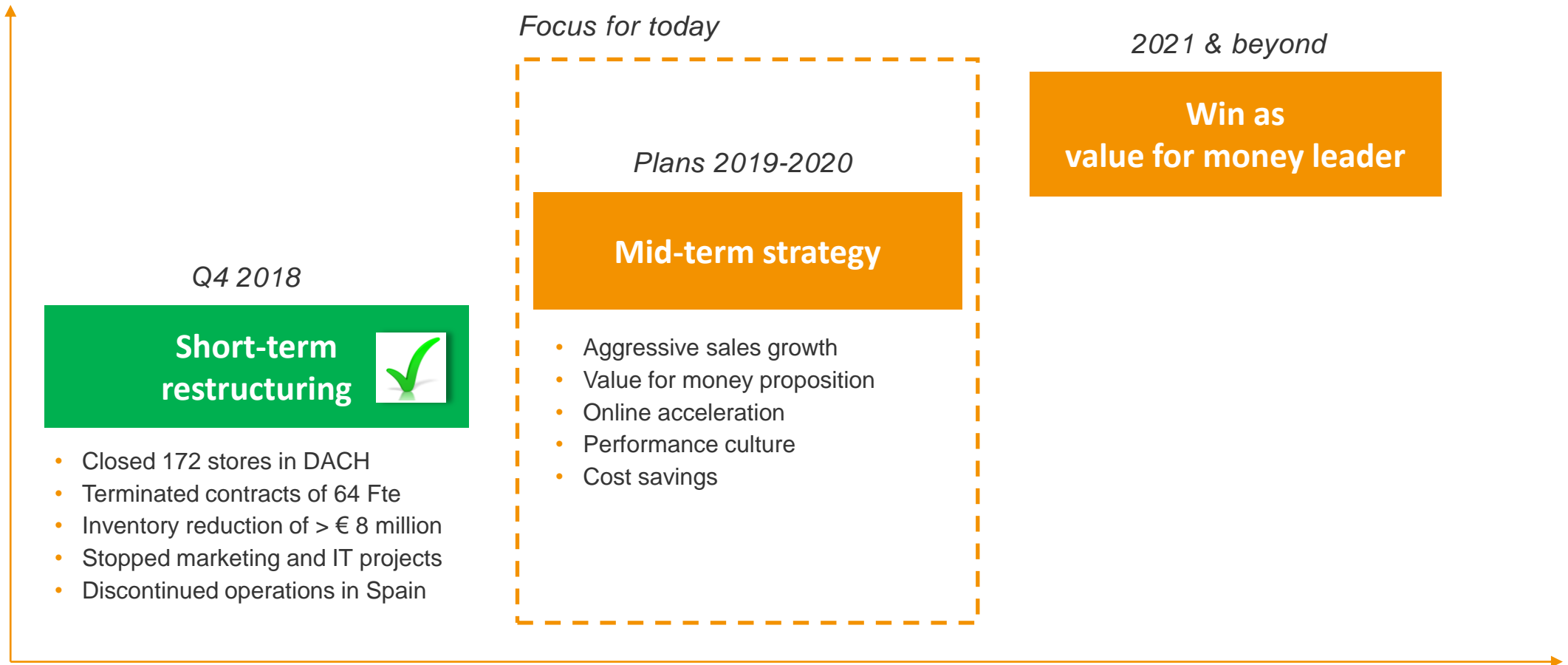
Delivered all promises with regards to the Q4 2018 restructuring. All costs absorbed in 2018

Good sales performance in Benelux markets

Although Matratzen Concord sales are recovering, the pace needs to be stepped up

Financial stability delivered. Good cash performance. Delivered the amended agreements with banks

Current mid-term focus is to recover profitable sales growth



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Our performance framework

Accelerate our Strategy

- Value for money proposition
 - Lowest price guarantee
 - Market share improvement
- Best advice
 - Customer satisfaction
- Accelerate seamless omni-channel
 - Online 20% of total Sales
- Performance culture
 - Employee engagement
 - CSR targets delivered
- Cost leadership
 - € 25 million cost savings by 2020

Regain Profitable Growth

- Sales growth ambition of 4-5% per year
- EBITDA margin ambition of 7-9% of Sales

Drive Value Creation

- Balanced portfolio
- Capex of 3-4% of Sales, shifting to Digital and IT
- Structural Net Working Capital improvements
- Operate within leverage and TNW ratios
- Maintain dividend pay-out ratio ambition of minimum 50%, if financial position sufficient

On track to deliver € 25 million Cost savings by 2020

€ 25 million Cost savings

In million €

All entities Beter Bed Holding

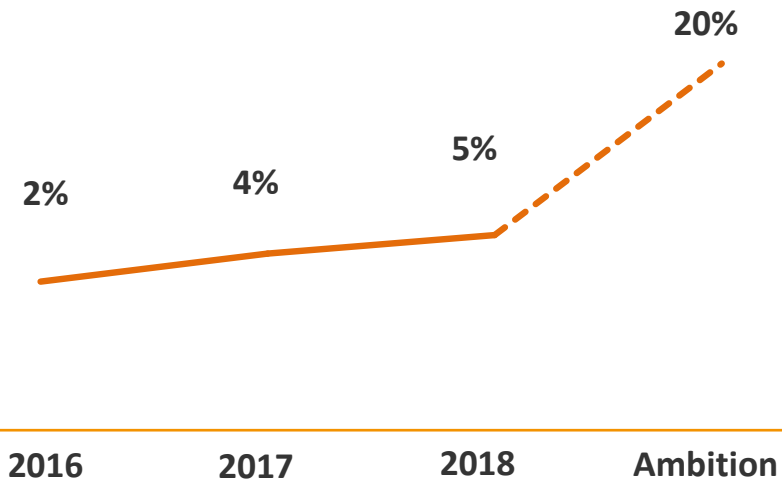
	Ambition 2020	Delivered as part of 2018 restructuring	Cost savings program 2019	Realized to date (as % of 2019 plans)	Examples
COGS	€ 6 – 8	-	€ 3.5 – 4.5	40 – 50%	<ul style="list-style-type: none"> • Year deals suppliers • Volume rationalization • Supplier rationalization
Operating expenses	€ 11 – 13	€ 8.3	€ 1.5 – 2.5	50 – 60%	<ul style="list-style-type: none"> • Rental costs • Operational costs • Group IT costs
Productivity	€ 5 – 6	€ 4.2	€ 1.0 – 2.0	45 – 55%	<ul style="list-style-type: none"> • DACH store labor • Standardized people planning
Organizational structure	€ 3 – 4	€ 2.5	€ 0 – 0.5	90 – 100%	<ul style="list-style-type: none"> • DACH HQ reduction
Total	> € 25	€ 15.0	€ 6.0 – 9.5	45 – 55%	

Promising start with online channel share acceleration

Online channel share

% of Total Sales

All entities Beter Bed Holding



- First steps taken to prepare for online acceleration
- Vision how to harmonize fulfillment, backbone (IT and platform) and marketplaces across the Group
- Successful focus on the core: beterbed.nl and matratzen-concord.de
- Leveraging best practices in Belgium, Sweden, Austria and Switzerland
- Strong evidence that ROPO programs work

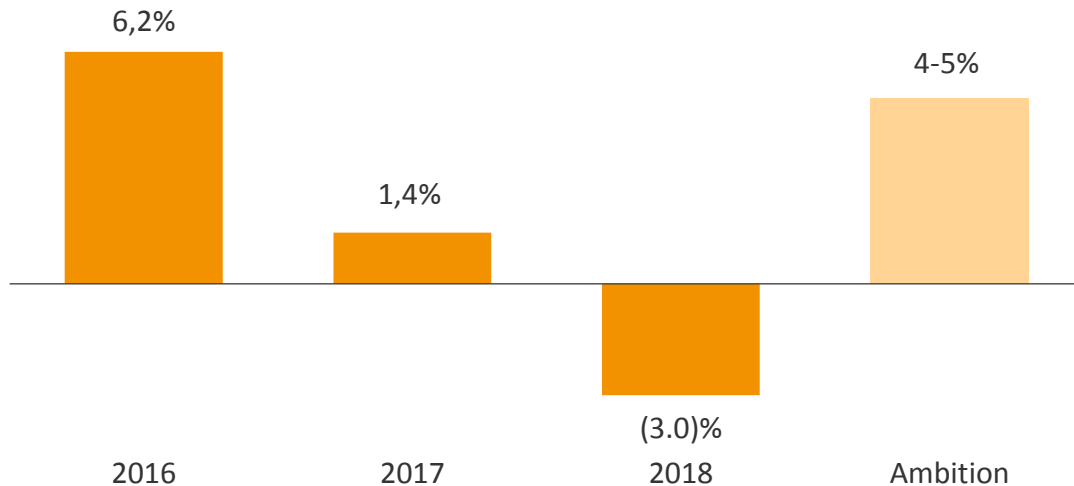


Preparing for the turnaround of sales

Sales growth

% versus prior year

All entities Beter Bed Holding



- Decline due to weak performance in Q1 – Q3
- Promising Q4 due to good Benelux sales
- Pressure on price points due to competitiveness, attractive promotions, and assortment mix
- Contribution DBC still small, but very promising
- Successful expansion in Sweden and Belgium
- Confident to turnaround the sales performance and reach the mid-term ambition of 4-5% annual growth

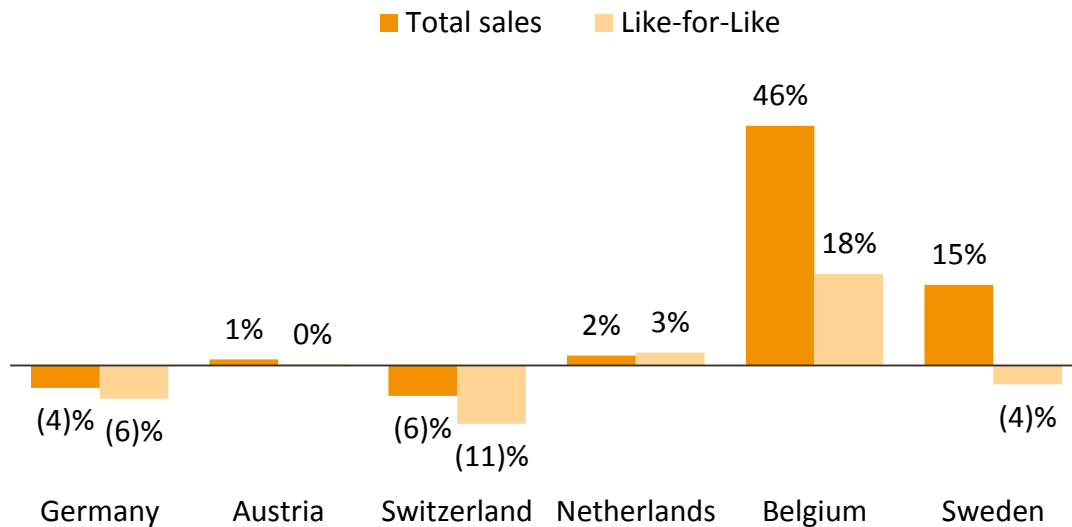


Good performance Benelux; disappointing Q1-Q3 DACH

Sales growth by country in 2018

% versus prior year, store portfolio per 1-1-2019

All entities Beter Bed Holding



- Good performance in the Netherlands: strong commercial proposition, new campaigns, attractive price points and growing online
- Decline in Germany and Switzerland due to weak proposition in Q1-Q3. Sales per store dropped since 2015, as the key market and consumer trends were missed (online, box spring, one size fits all mattresses)
- Successful expansion in Belgium and Sweden. Focus is now on driving like-for-like sales

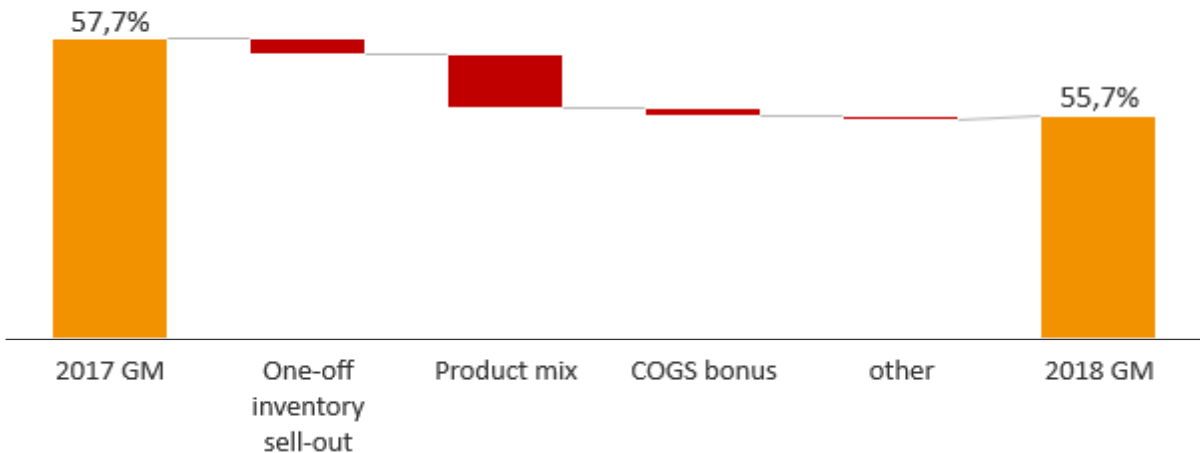


Gross profit decreased due to increased competitive pressure

Gross profit development

In % of Sales

All entities Beter Bed Holding



Gross profit decreased due to:

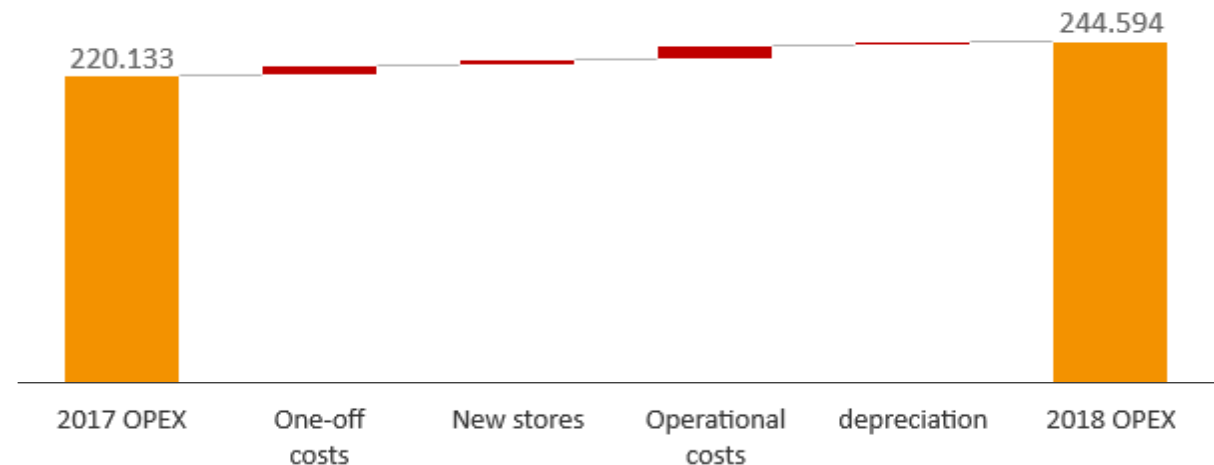
- One-off sell-out prices at the closed Matratzen Concord stores
- Erosion of Matratzen Concord gross profit, as the weak proposition in Q1-Q3 was compensated by additional promotions
- Country mix effect
- Shift towards new assortment at lower margins than traditional mattresses through online
- COGS savings programs have been kicked-off and will start to materialize in 2019

Operating expenses increased; restructuring was necessary

Operating expenses

In million €

All entities Beter Bed Holding, based on continued operations



The one-off costs of the restructuring of € 7.6 million all taken in 2018

Expansion program of Belgium, Sweden and Beddenreus caused an increased cost basis

Operational cost increased due to historical commitments based on significantly higher sales estimates (labor, transport, marketing, IT, general overhead, personnel)

Depreciation increased due to 2017 and 2018 Q1-Q3 capital expenditures in physical stores and new warehouse in Switzerland

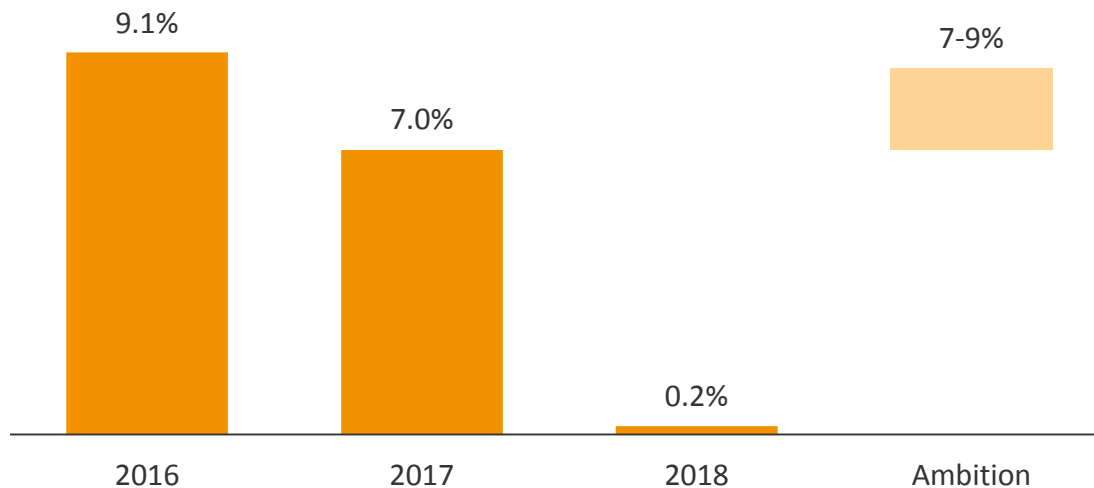
Increases are already addressed by the restructuring: € 15 million costs eliminated

EBITDA margin shows that the Q4 restructuring was needed

EBITDA margin

In % of Sales

All entities Beter Bed Holding, based on continued operations



EBITDA margin dropped due to the Q1-Q3 performance, showing that the historical business model did not work anymore

Key reasons for strong decrease:

- Lower sales per store at Matratzen Concord
- Lower gross profit %
- Higher fixed costs basis
- Higher logistical costs for customer's demand for home delivery

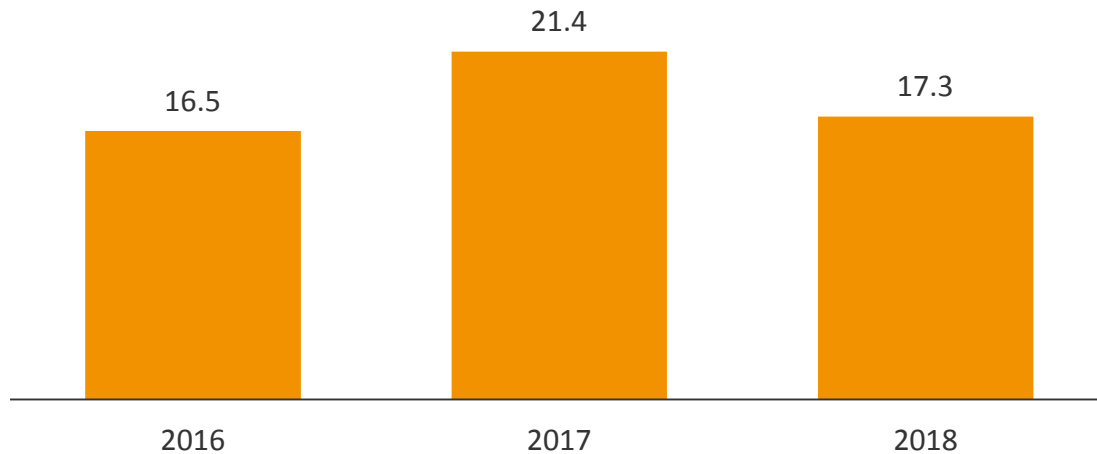
The Q4 restructuring was successful. The continued operation is well equipped to gradually grow towards the mid-term ambition of 7-9% EBITDA margin

Capex freeze until mid-year 2019

Capex

Year on Year development in million €

All entities Beter Bed Holding, based on continued operations



Capex spend...

- Historical capex level of 4-5% of sales
- Capex freeze as of mid-2018 until mid-2019
- After 2019, capex will gradually grow to 3-4% of sales

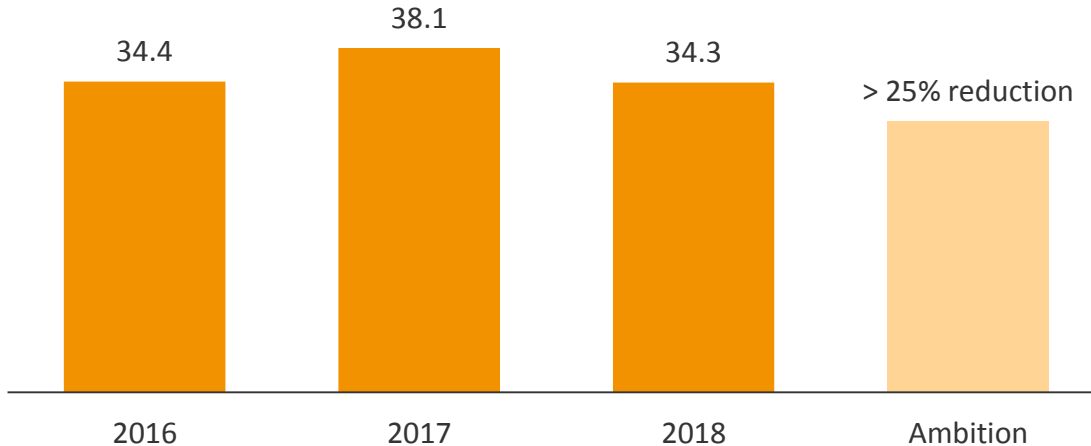
...shifting to omni-channel & IT

- Omni-channel will be one of the key drivers of business recovery, and also the key priority for capex allocation. This will impact IT infrastructure, store capex and site improvement
- Physical stores will benefit most from omni-channel investments
- Capex on physical stores and warehouses will be extremely targeted on most profitable locations

Delivered € 4 million Net working capital reduction

Net working capital

In million €, inventory - AP + AR, at year end
All entities Beter Bed Holding



Promising 2018 reduction:

- Inventory optimization program of € 10 million cash due to new processes and focus
- Some good support from suppliers and landlords
- Partially offset by lower AR due to fewer orders

2019-2020 include:

- European supply chain management program
- Automation where possible
- Ambition of 25% reduction



All restructuring costs absorbed in the P&L

Profit & Loss statement continuing operations

In thousand €

	2018		2017	
Sales	396,331		408,785	
Cost of sales	(175,424)		(172,924)	
Gross Profit	220,907	55.7%	235,861	57.7%
Personnel expenses	(110,255)		(105,820)	
Depreciation and amortisation	(16,187)		(12,559)	
Other operating expenses	(118,152)		(101,754)	
Total operating expenses	(244,594)	(61.7)%	(220,133)	(53.9)%
Operating profit (loss) (EBIT)	(23,687)	(6.0)%	15,728	3.8%
Finance income	268		104	
Finance costs	(1,424)		(510)	
Profit (loss) before taxation	(24,843)	(6.3)%	15,322	3.7%
Income tax	6,239		(4,494)	
Net profit (loss) from continuing operations	(18,604)	(4.7)%	10,828	2.6%
Net loss from discontinued operation	(4,646)		(1,303)	
Net profit (loss)	(23,250)	(5.9)%	9,525	2.3%

Sales decrease due to Q1-Q3 performance in (especially) Germany

Good performance in Benelux

Online acceleration in all markets

Positive EBITDA excluding one-off restructuring costs

Negative EBIT due to lower sales, higher Opex, and restructuring costs

Tax gain includes benefit of closing operation in Spain

Smaller balance sheet mainly due to inventory reduction program

Consolidated balance sheet

In thousand €

2018

2017

Total assets

Tangible assets

41,257

44,236

Intangible assets

11,311

9,030

Financial assets

13,367

2,879

Inventories

55,679

65,697

Receivables

12,893

17,219

Cash and cash equivalents

6,173

17,669

Total assets

140,680

156,730

Total Equity and Liabilities

Equity

46,636

70,184

Provisions

1,003

44

Deferred tax liabilities

3,452

3,383

Current liabilities

89,589

83,119

Total equity and liabilities

140,680

156,730

Financial assets includes the deferred tax assets

Intangible assets: Investments in E-com and CRM systems

Delivered inventory reduction in order to generate cash for the restructuring

Lower receivables due to lower product orders

Lower equity due to 2018 loss

Cash position under control. Positive cash flow from operations

Consolidated Cash Flow Statement

In thousand €	2018	2017
Operating profit (loss) from continued operations	(23,687)	15,728
Operating loss from discontinued operations	(4,198)	(1,303)
Net finance costs	(1,604)	(406)
Income tax paid	(145)	(8,865)
Depreciation and amortisation	17,745	12,847
Costs of share-based compensation	83	268
Movements in:		
- Inventories	10,018	(3,813)
- Receivables	426	309
- Provisions	959	(154)
- Current liabilities (excl. credit institutions)	385	1,179
- Other	36	(104)
Cash flow from operating activities	18	15,686
Additions to (in)tangible assets	(17,328)	(21,384)
Disposals of (in)tangible assets	524	207
Changes in non-current receivables	432	134
Cash flow from investing activities	(16,372)	(21,043)
Dividend paid	(659)	(16,247)
Cash flow from financing activities	(659)	(16,247)
Change in net cash and cash equivalents	(17,013)	(21,604)

Cash flow stabilized due to inventory program

Positive cash flow from operating activities

Addition of assets due to capex program committed before mid-2018

Total cash-out of € 17 million

Financing and other items

The mid-term strategy include a clear ambition to quickly return to cash generation. The strategy assumes funding from existing cash and credit facilities

The amended bank agreement on the net debt / EBITDA covenant per year-end 2018 was delivered

The 2019 plans assume that the Group will operate within the original covenants of the credit facilities

The two open tax items (discontinuation Spain; intercompany loans in Germany) are closed

The Group started a formal legal case against BASF

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**BLACK
FRIDAY**
BIJ BETER BED

Meld je nu aan

EN ONTVANG ALS EERSTE DE AANBIEDING!

Offer best **QUALITY REST** @ **AFFORDABLE** prices





Consumer needs

-  Health & well-being
-  Lifestyle
-  Affordable
-  Accessible
-  Sustainable

Win as value for money leader

1. Customer focused value for money **PROPOSITION**
2. Best sleep **ADVICE** throughout the full customer journey
3. Seamless **OMNI-CHANNEL** experience
4. Strong **PERFORMANCE CULTURE** to win, lead & outcompete
5. Streamlined operating model and **COST** leadership

Consumer experience

-  Too much complexity
-  Choice paradox: black box
-  Time consuming & frustrating
-  Don't care & take shortcuts



Customer focused businesses



Sales growth ambition of 4 - 5% per year
EBITDA margin ambition of 7 - 9% of Sales

Creating sustainable value

Dividend policy maintained

The sleep domain is more relevant than ever

Quality sleep is vital ...



Physical health
Happiness
Productivity
Creativity
Attractiveness
Success

(>17k studies)



... but under pressure



Work-life
Stress
Sleeping-
disorders
Screen-time



Innovations in bedding

One size fits all



Smart beds & mattresses



Sustainability



Technological innovations

Sleep tracking apps & sensors



Sleep stimulation technology



Focused value for money assortment

**MATRATZEN
CONCORD**



Bodyscout

Available online and in stores since Oct 2018



- Strengthen mattress assortment range at € 200 price point

StiWa mattresses

Available online since Dec 2018 and in stores from mid Feb 2019



- New StiWa assortment. Strong customer recognition
- Store staff incentive program including new value for money assortment per Q2 2019

Pura boxspring

Available online, rolled out to stores as of Oct 2018, available in all stores from end of Jan 2019



- Strengthen competitive box spring assortment range while market is at € 600 - 800

Focused value for money assortment



New value for money propositions

New price communications



Wave & Wave Light



Mattress for Life



M line Cool Motion



Black Friday & Cyber Monday



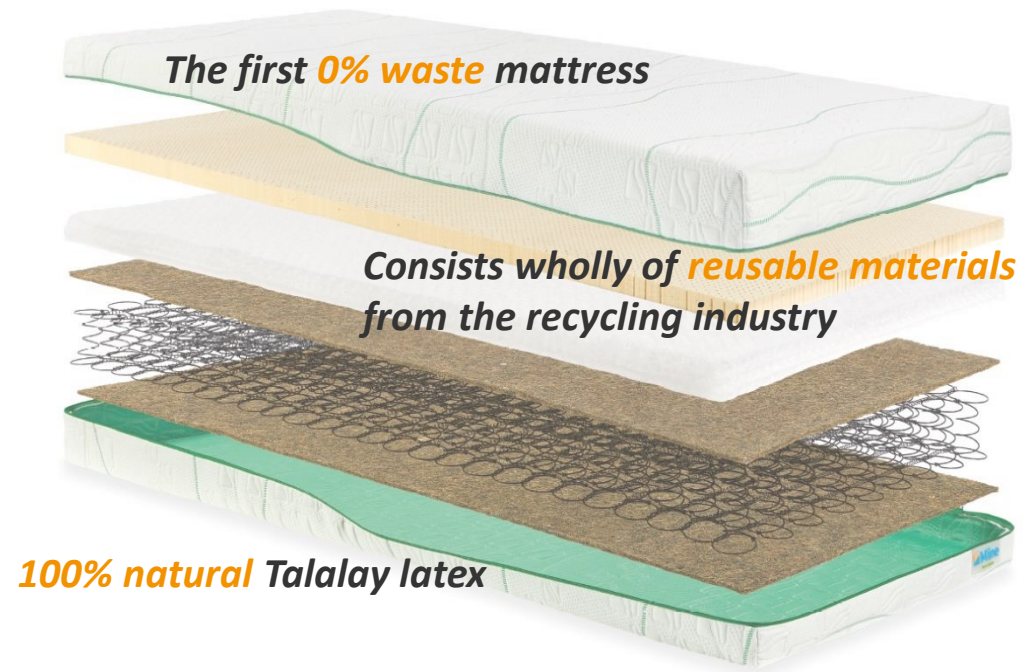
VAT free week

Innovation to fuel growth

Green Motion

by  Mline

Online and in store: Q2 2019



Element

Online and in store: Q2 2019



Strengthen advice to continue helping our customers

From: sales people



To: the best sleep advice across channels



IN-STORE



OMNI-CHANNEL



ONLINE

- “Store of the year” in NL and BE
- Tailored customer-driven advice
- Groupwide advice logic
- Value-for-money based incentives for staff



- Box spring configurator
- In-store navigation
- Individualized CRM

Pilot in Sweden
First use case live

- Online mattress finder
- MC: Live chat with selected store staff
- After-sales communication

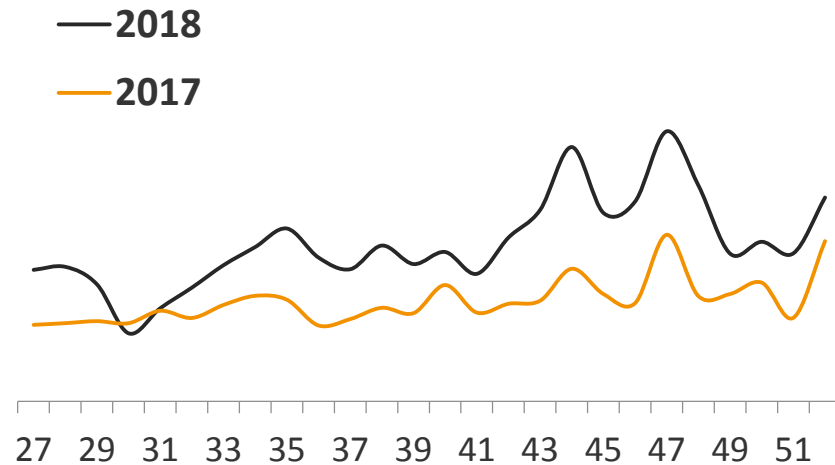




Very promising acceleration of online sales

Online sales matratten-concord.de

€ in thousand; Q3-Q4



Great value for money; including online only deals



New campaigns



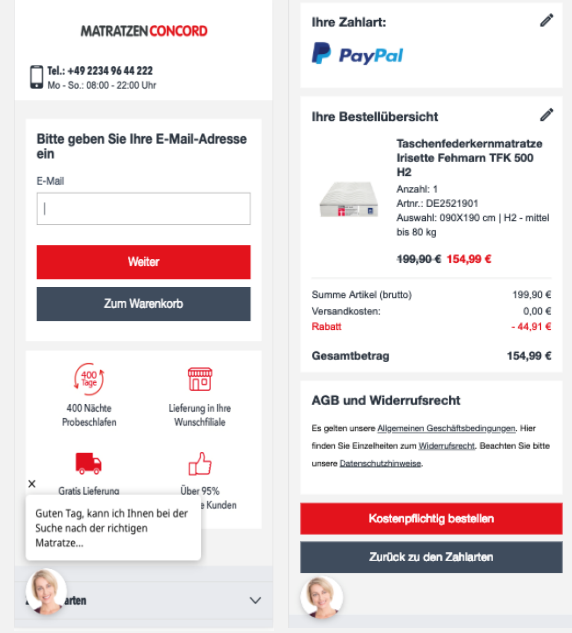
Full omni-channel (ROPO) focus



Preparing launch at new marketplaces



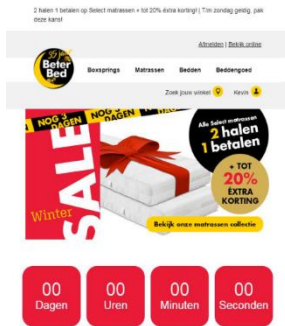
New check-out; + 50% conversion





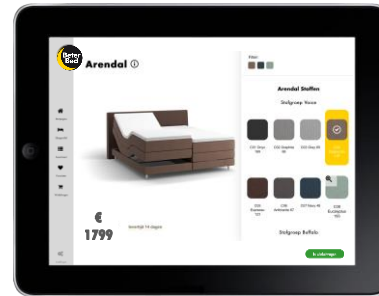
Strengthened online leadership to >10% channel share

Great value for money, including
“op=op” timers



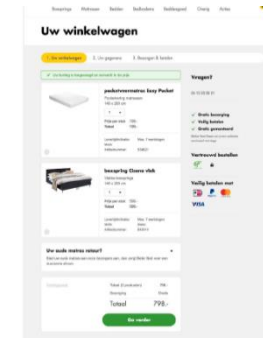
New campaigns

Full omni-channel (ROPO) focus



Acceleration on marketplaces

Conversion +0,2% pts



Online advice through mattress finder



wehkamp



A stronger performance culture: win, lead & outcompete

Focus on performance

- Improved transparency
- Performance cycle
- Succession planning



Improved **incentive program** that better aligns with individual sales targets



Consistent 2019 **targets** for top management on financial performance

Enable ambitions

- Management development
- Group academy
- Best practice sharing



Redesign of **function house** that will create clear development paths for employees

Feedback culture

- Satisfaction survey
- Improving onboarding



Launched **communication app** to further boost employee engagement

Performance culture enables to win, lead & outcompete

Delivered the Q4 restructuring as planned

Matratzen Concord turnaround

Close 172 stores



Reduce 38 Fte at HQ



Reduce 26 Fte sales support overhead



25% inventory reduction in Germany



Discontinue Spain

Discontinue El Gigante del Colchón



Fight for sales

Boost sales with commercial aggressiveness



Germany



Benelux, Austria, Switzerland

Starting to expand the horizon of our strategy



Envisioned future as value for money leader

	<i>From</i>	<i>To</i>
Sleeping experience	Quality products	Sleep solutions / services
	Late replenishment	Circular replenishment
	Reactive sales	Proactive sleep advice
Customer relation	Complicated offering	Simplified offering
	Sales in-store / online	True omni-channel
	A great one time deal	Lifetime relationship
Service model	Traditional channels	New / creative channels
	Cost efficient	Cost leadership
	Leader in core markets	Expansion

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BetterBed
holding



Q&A