

A photograph of a woman with curly hair lying in bed, wearing a grey long-sleeved shirt, looking at her smartphone. The bed has white pillows and a grey blanket. The background is dark.

# Extraordinary General Meeting

**26 November 2019**

# Agenda

Opening

Divestment of Matratzen Concord (voting item)

Announcements

Any other business

Closing

# Agenda



Opening



**Divestment of Matratzen Concord (voting item)**



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## Background on the proposed transaction

- Due to both market and internal dynamics, like-for-like sales at Matratzen Concord started to decline in 2015, becoming loss-making and cash negative from H2 2017.
- In 2018, Beter Bed Holding launched a new strategy, designed to address the issues faced by Matratzen Concord. In H1 2019, it became apparent that the recovery would require more time and investments than originally anticipated.
- Consequently, Beter Bed Holding decided to pursue the divestment of Matratzen Concord, in order to:
  - ensure Matratzen Concord is afforded the time and investment for a full recovery; and
  - limit the financial impact on Beter Bed Holding.
- In conjunction with advisers, Beter Bed Holding launched a controlled auction for Matratzen Concord.
- Over the course of the auction process, Magical Honour Limited was identified as the preferred bidder, with the added benefit of expressing appetite for an equity investment in Beter Bed Holding.

## Background on Magical Honour Limited

- Asian buyer.
- Strong ties to key players in the bedding industry.
- Strong track record of ownership, transformation and realisation of investment returns.
- Leverage opportunities to:
  - drive sourcing synergies;
  - realise shorter route-to-market for both product and technology innovations; and
  - benefit from vertical industry integration opportunities.

## Key terms of divestment of Matratzen Concord (MC)

### Purchase price

- € 5 million on a cash-and-debt free basis, corrected for working capital and operational accruals.
- Any adjustment for cash-and-debt like items will be determined following completion.
- Additional contingent deferred cash consideration, dependent on MC's performance in 2020.

### Funding of Matratzen Concord

- € 15 million commitment from Magical Honour Limited to ensure MC's recovery and future growth.
- Commitment to seek for additional accounts payable support from suppliers.

### Other key terms

- Release from or indemnification for guarantees as provided by Beter Bed Holding to MC by the purchaser.
- Indemnification by purchaser in case of insolvency of MC in the first 18 months post-closing.
- Purchaser to continue the restructuring in a prudent and sustainable manner.
- Customary business representations and warranties.
- Break fee of € 2 million, payable in the event the disposal does not complete, or Magical Honour Limited does not subscribe for € 5 million new equity in Beter Bed Holding within the agreed timelines.

## Key terms of equity issue

- Equity issue to Magical Honour Limited linked and concurrent to the divestment of Matratzen Concord.
- Equity issue amounts to € 5 million in Beter Bed Holding N.V. shares to Magical Honour Limited:
  - 2,150,000 shares at € 2.32 per share;
  - issue price per share at a 36% premium to pre-announcement share price;
  - lock-up period of 18 months to demonstrate Magical Honour Limited's long-term commitment.
- The equity issue will improve Beter Bed Holding's liquidity position, enabling further investment in the business, both Benelux as well as the New Business segments.
- Beter Bed Holding and Magical Honour Limited to further explore operational cooperation for the remaining Beter Bed Holding business in due course, especially to optimise sourcing.

## Timeline to completion

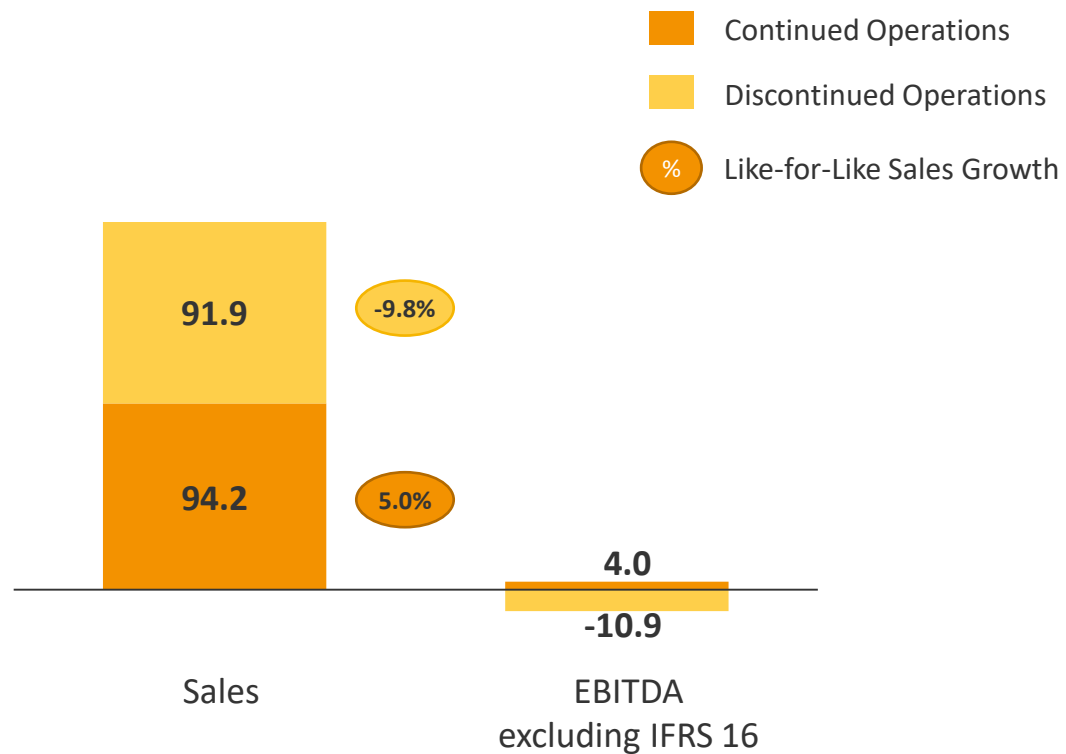
- The agreement with Magical Honour Limited includes three key conditions precedent:
  - voluntary notification with the German regulator, which has been waived after careful consideration between Beter Bed Holding and Magical Honour Limited; while no anti-trust filing required;
  - limited confirmatory due diligence completed, with no material findings identified;
  - Beter Bed Holding receiving shareholder approval at an EGM.
- Matratzen Concord has operated as an independent entity within the Group and the steps required to effect its carve-out are fairly straightforward.
- At present, all required actions towards completion of the transaction are on track.
- Completion of the Matratzen Concord divestment is expected by early December; the share issuance is expected shortly, but not later than two weeks, after completion of the divestment.



# Beter Bed Holding company profile

## Performance Continued Operations versus Discontinued Operations

€ million; H1 2019



- The Discontinued Operations comprises Matratzen Concord in Germany, Austria and Switzerland.
- In H1 2019 the Discontinued Operations represented 49% of Sales of Beter Bed Holding, but delivered -€ 10.9 million EBITDA.
- The Continued Operations comprises the Operations in Benelux, Sweden and the Global Wholesale channel with:
  - good like-for-like sales growth of 5.0%;
  - strong growth of Online channel of circa 30%, and a stable offline store network; and
  - modest EBITDA for Continued Operations of € 4.0 million due to (i) investments to drive New Business Segments, and (ii) circa € 1 million one-off costs.

# Profile Continued Operations moving forward

## Sustain good sales growth

- Benelux sales growth trend of 3-5% can be sustained by (i) increased focus on Digital and omnichannel acceleration, (ii) improved product mix including global A-brands, and (iii) more aggressive and commercial communication.
- Strategy presented at the Capital Markets Day in October 2018 will be further refined for the remaining company.
- New Business Segments are gaining sales traction. The untapped potential is turned into sales.
- The 2020 focus remains enhancing the offering in the core markets, further omnichannel proposition development, and the ongoing growth in our New Business Segments.

## Step-change profitability

- 2019 performance will include substantial one-off costs related to the Matratzen Concord divestment.
- 2020 focus will be on improving the underlying Benelux margin, through logistics efficiencies and a gross margin that will stabilise compared to 2019.
- Profitability in Sweden is unsatisfactory. Action plan has been announced, including streamlining the store network and supply chain.
- With the Group's footprint approximately halving, a comprehensive review will be conducted if the corporate structure is fit-for-purpose, optimally sized and to maximise potential cost-savings.

# Sale-and-leaseback of real estate

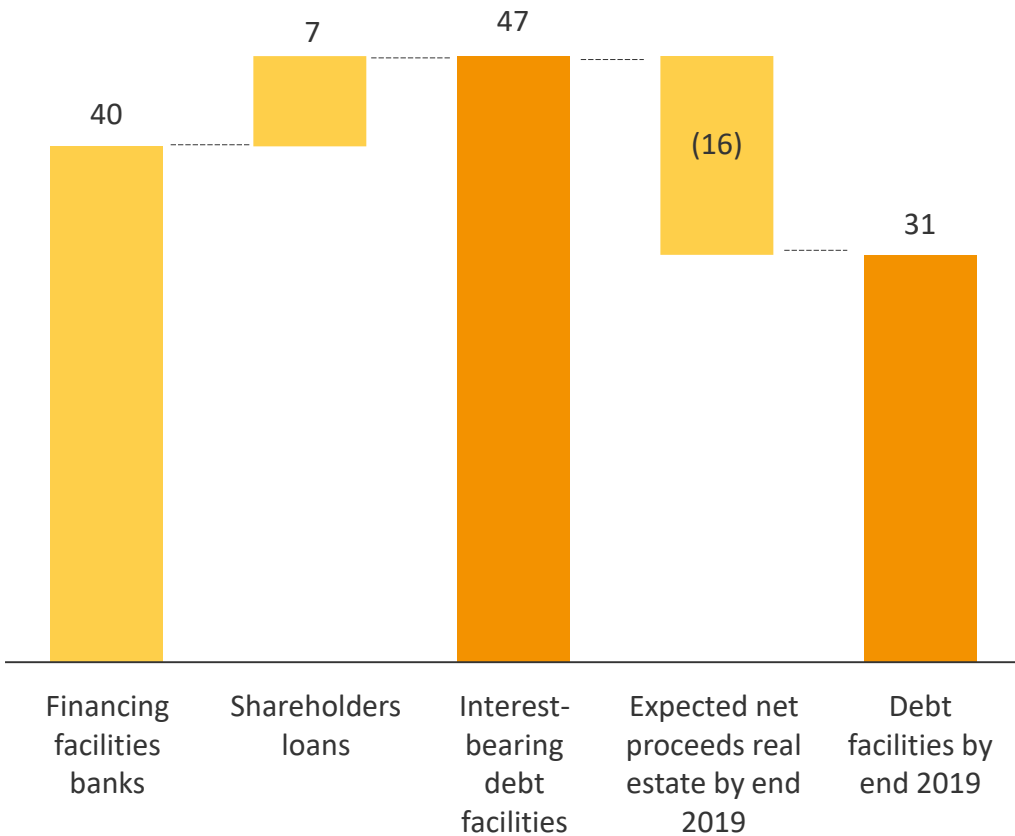
## Update on the sale-and-leaseback process of real estate

- Update on sale-and-leaseback process is for information only and is not part of the voting item of this EGM. The update is provided due to its significant impact on the profile of the remaining company.
- On 18 October 2019, Beter Bed Holding completed the disposal of the Uden distribution center, on a sale-and-leaseback basis, for a cash consideration of € 14 million.
- Beter Bed Holding is in the final stages of two separate negotiations for sale-and-leaseback transactions of both the DC in Nieuw-Vennep and the DC in Hoogeveen.
- The total net cash consideration of the three transactions will be circa € 18 million.
- Up to € 2 million of the cash proceeds from the real estate disposals is aimed to be used to invest in business costs, with the balance being used to reduce the Group's bank facilities.

# Expected development in debt facilities and cash position

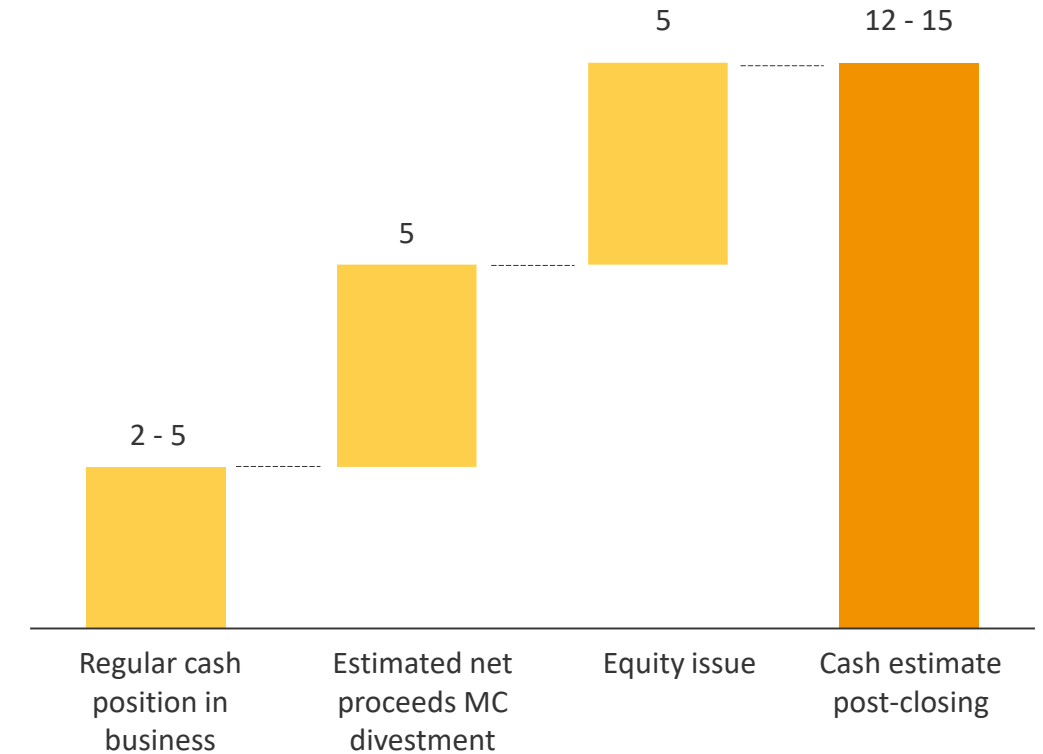
## Debt facilities post-closing

€ million



## Cash position post-closing

€ million



## Summary

- One transaction to divest Matratzen Concord and to issue 2.15 million new shares to Magical Honour Limited
- Transaction assessed as the best possible outcome for all stakeholders, including the employees, of both Matratzen Concord and Beter Bed Holding.
- Beter Bed Holding expects to remain having a positive equity position per the end of 2019 assuming that the contemplated transactions will be successfully completed in December 2019.

## Q&A

## Voting item

One voting item consisting of three elements:

- approval to divest five entities that together constitute Matratzen Concord in Germany, Austria and Switzerland in full;
- authorisation to issue 2.15 million new shares; and
- authorisation to limit or exclude the pre-emptive rights in connection with the issuance of 2.15 million new shares.

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## Announcements

- Publication Q4 Trading update: 17 January 2020
- Publication Annual Report 2019: 17 March 2020
- Capital Markets Day: April 2020
- Annual General Meeting: 13 May 2020

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