

Annual results 2016

Beter Bed Holding N.V.

**MATRATZEN
CONCORD**
GANZ SCHÖN AUSGESCHLAFEN

beddenREUS [®] _Z

 **Mline**



17 March 2017

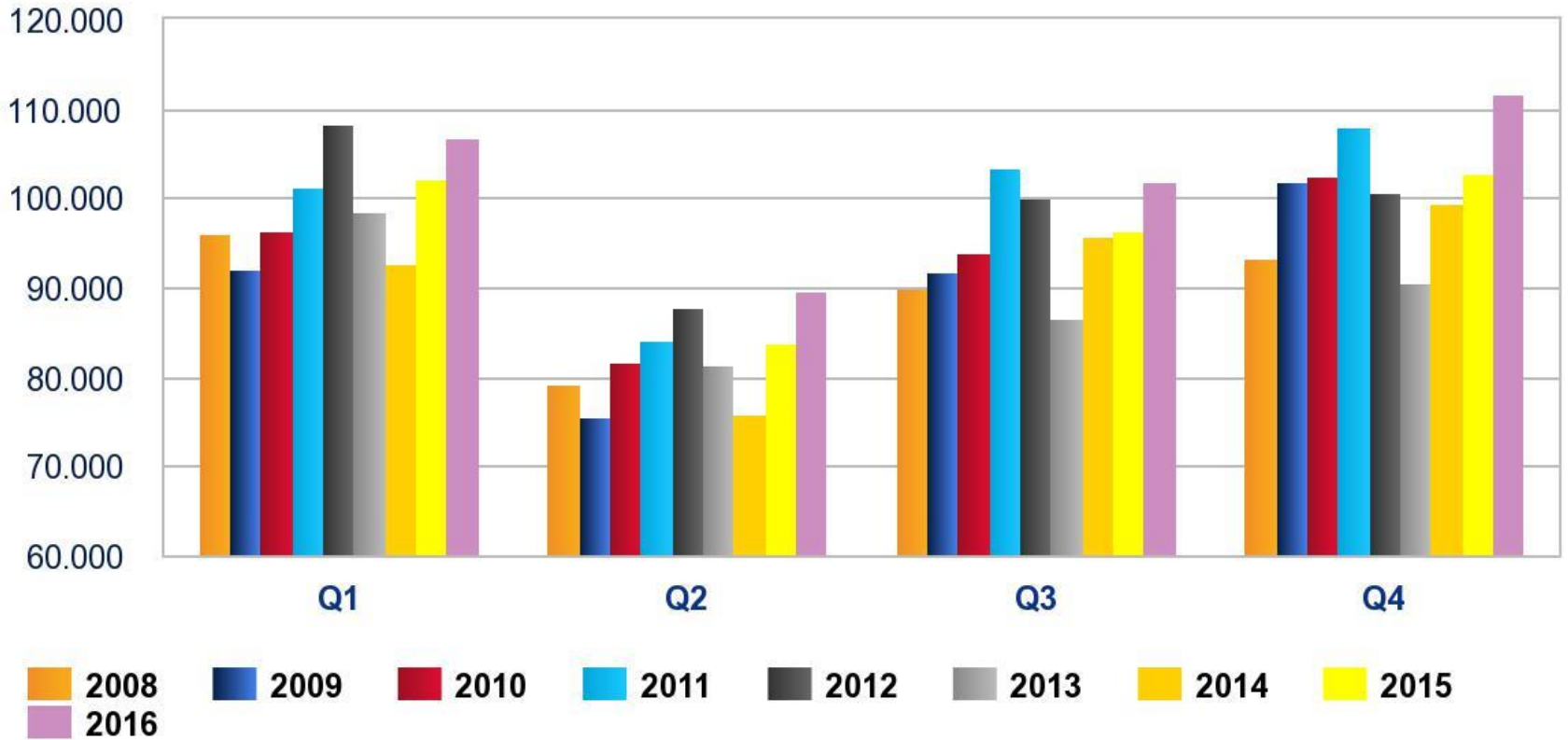
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Agenda

- Financials
- Objectives and strategy
- Formats
- Outlook

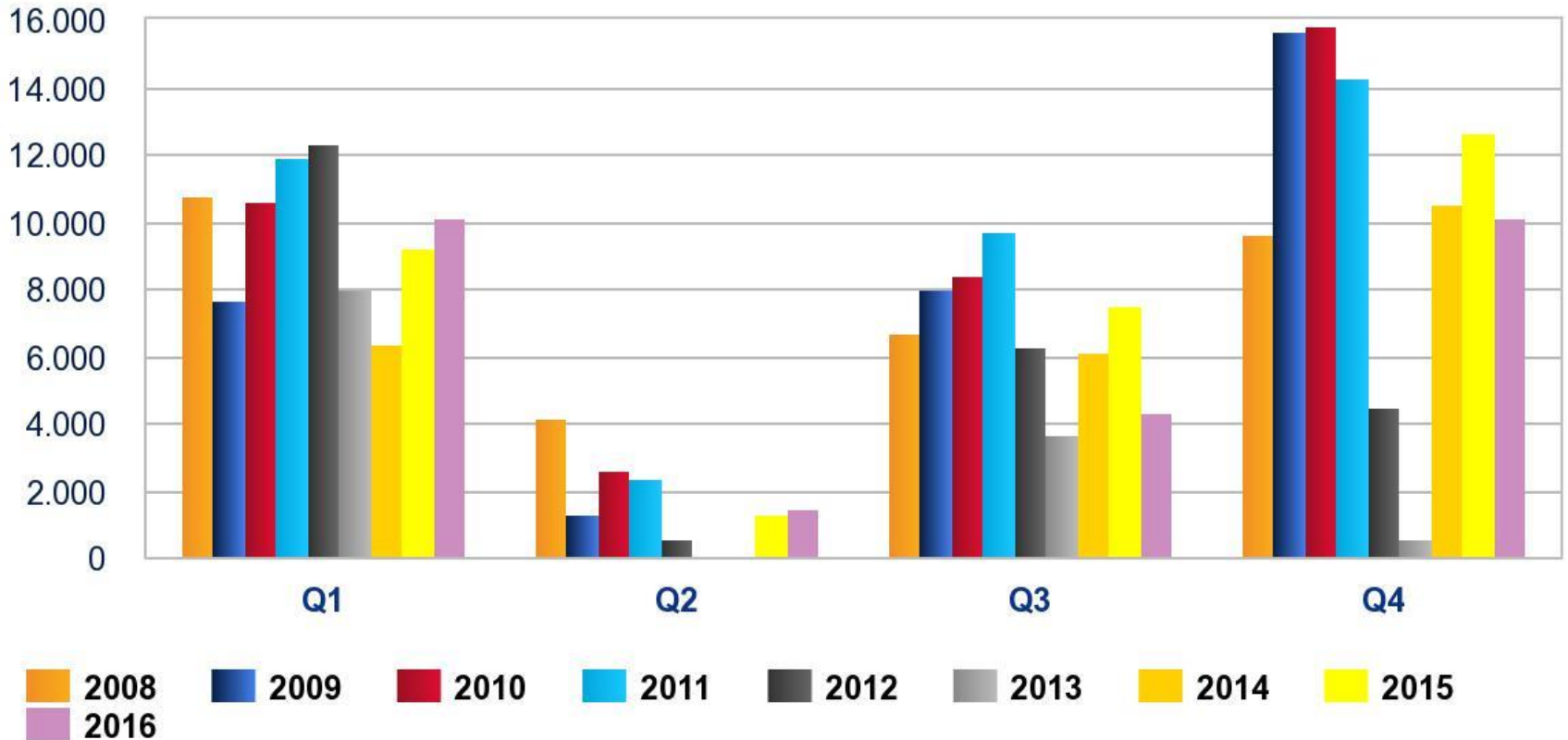
Revenue per quarter

Eur x 1.000



EBIT per quarter

Eur x 1.000



Key data

	2016	2015
EPS (EUR)	0,87	1,03
Capex (EUR M)	16,5	16,0
Total assets (EUR M)	143,6	131,7
Sales/stocks	6,6	6,7
EBITDA	37,5	41,1
EBIT (EUR M)	26,0	30,7
Net profit (EUR M)	19,0	22,6

P&L 2016

(EUR x 1.000)	2016		2015	
Revenue	410.457		385.440	
Cost of sales	173.350		163.225	
Gross profit	237.107	57,8%	222.215	57,7%
Personnel expenses	100.523		92.176	
Depreciation and amortisation	11.168		9.825	
Other operating expenses	99.381		89.515	
Total operating expenses	211.072	51,4%	191.516	49,7%
EBIT	26.035	6,3%	30.699	8,0%
Finance income and costs	158-		51-	
Income tax expense	6.862-		8.089-	
Net profit	19.015	4,6%	22.559	5,9%
EBITDA	37.528	9,1%	41.115	10,7%

P&L Q4 2016

(EUR x 1.000)	Q4 2016		Q4 2015	
Revenue	111.782		102.914	
Cost of sales	44.861		40.566	
Gross profit		66.921 59,9%		62.348 60,6%
Personnel expenses	27.729		24.167	
Depreciation and amortisation	2.974		2.238	
Other operating expenses	26.120		23.272	
Total operating expenses		56.823 50,8%		49.677 48,3%
EBIT		10.098 9,0%		12.671 12,3%
Finance income and costs		28-		86
Income tax expense		2.665-		3.419-
Net profit		7.405 6,6%		9.338 9,1%
EBITDA		13.072 11,7%		15.500 15,1%

Consolidated Balance sheet

Total Assets

(EUR x 1.000)

31-12-2016

31-12-2015

Tangible assets	38.070	34.520
Intangible assets	7.002	3.477
Financial assets	1.877	1.580
Inventories	61.884	57.926
Receivables	12.992	8.662
Cash and cash equivalents	21.792	25.512
Total	143.617	131.677

Consolidated Balance sheet

Total Equity and Liabilities

(EUR x 1.000)	31-12-2016	31-12-2015
Equity	76.878	75.750
Provisions	198	538
Deferred tax liabilities	2.154	2.279
Current liabilities	64.387	53.110
Total	143.617	131.677

Cash flow (1/2)

EUR x 1.000

	2016	2015
Operating profit	26.035	30.699
Interest paid	148-	51-
Income tax paid	7.838-	4.443-
Depreciation and amortisation	11.168	9.825
Costs of share-based compensation	301	192
Movements in:		
- Inventories	2.457-	4.445-
- Receivables	4.345-	1.104-
- Provisions	340-	713-
- Current liabilities	11.800	5.857
- Other	131-	192
Cash flow from operating activities	34.045	36.009

Cash flow (2/2)

EUR x 1.000

	2016	2015
Cash flow from operating activities	34.045	36.009
Additions to (in)tangible assets	16.534-	15.963-
Acquisitions	3.287-	-
Disposals of (in)tangible assets	325	591
Changes in non-current receivables	265-	124-
Cash flow from investing activities	19.761-	15.496-
Shares (re)issuance	-	803
Dividend paid	18.004-	16.687-
Cash flow from financing activities	18.004-	15.884-
Change in net cash and cash equivalents	3.720-	4.629

Going forward

- Quarterly trading updates will contain revenue only
- Updated German corporate income tax will affect the group effective tax rate as from 1 January 2017
- IFRS 16 regarding the accounting for lease contracts will have a significant impact as from 1 January 2019

Vision & Mission

Vision

To become **market leader** in the ‘**value for money**’ segment of the bed and mattress market, in a socially responsible manner

Mission

Nothing inspires and motivates us more than ensuring that all our customers sleep every night in a healthy and comfortable way at an affordable price:

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Objectives

- Increasing customer satisfaction
- Increasing net profit
- Strong and healthy balance sheet
- Corporate Social Responsibility

Strategy 2016 – 2020 (1/5)

From Good to Great

Retail Marketing

- Continuously sharpening the positioning of the formats by offering top quality products and advice against lowest/best price
- Improvement of the customer experience
- Improvement of transaction power in the Benelux and attraction power in other countries (omnichannel LFL sales)
- Investment in (online) marketing/advertising
- Continuous innovation in product and brands
- Investment in training of sales and logistic employees

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Strategy 2016 – 2020 (2/5)

From Good to Great

E-commerce

- Sharpening the omnichannel e-commerce proposition by optimally facilitating the customer journey
- Significant investment in e-commerce activities; exploiting state of the art webshops
- Investment in people and systems in e-commerce and IT departments

Expansion

- Expansion in existing and new countries with low investments, low cost and flexible lease periods per store
- Acquisitions

Strategy 2016 – 2020 (3/5)

From Good to Great

Purchasing

- Gross margin improvement
- Development of online product range
- Optimisation of delivery times
- Less (but more strategic) suppliers/less complexity
- Innovation and development of additional assortments

Sales

- Optimal customer experience supported by advice tools, configurators, NPS and customer reviews
- Improve conversion

Strategy 2016 – 2020 (4/5)

From Good to Great

Backoffice (HR, Finance, Logistics and IT)

HR

- Further professionalisation of HR (incl. 360 degree assessment)
- Creating customer centered high performance KPI and team culture

Finance

- Strengthen business support position
- Optimise working capital and control/reduce costs

Strategy 2016 – 2020 (5/5)

From Good to Great

Backoffice (HR, Finance, Logistics and IT)

Logistics

- Optimisation of infrastructure; faster and more flexible deliveries become the new standard

IT

- Developing a new customer and employee friendly 'front end' on the basis of a robust (SAP/technical webshop platform) backbone

Corporate Social Responsibility

- Defining new objectives and strategy 2016-2020

CSR Objectives

- Two strategic goals:
 - Development of sustainable and recyclable bedding systems
 - Contributing to the development of an Industry Innovation Fund focused on research around eco-designed innovations stimulating recycling of raw materials

CSR Objectives

Subject	2016	2015	2014	Objective 2020	
Safe products	93%	83%	82%	100%	Certified mattresses
Diversity in top management	29%	25%	22%	35%	Women in top management
Energy consumption	67,1	73,3	74,3	50,0	kWh/m ²
Customer satisfaction	9,0	8,8	-		eKomi

Breakdown of revenue

%+/- vs. 2015

(EUR x 1,0 million)	2016	2015	Total	LFL
Matratzen Concord	257,0	262,2	-2,0	-4,8
Beter Bed	122,4	101,3	20,8	19,2
Beddenreus	11,6	10,3	12,6	18,9
El Gigante del Colchón	7,2	5,9	22,0	3,7
Sängjätten	5,0	-		
DBC	17,0	14,9	14,1	-
Intercompany	-9,7	-9,2	5,4	-
Total	410,5	385,4	6,5	2,8

Like-for-like development

%	2016	2015	2014	2013	2012	2011
Q1	4,4	10,3	-4,1	-10,7	0,3	0,3
Q2	2,5	7,7	-0,8	-9,0	-0,6	-1,0
Q3	-0,3	2,4	12,6	-15,4	-6,6	0,3
Q4	4,6	2,2	11,8	-9,2	-10,5	1,8
Year	2,8	5,4	4,8	-11,2	-4,7	0,4

Gross profit

%	2016	2015	2014	2013	2012	2011
Q1	56,7	56,6	56,9	56,4	55,8	56,0
Q2	57,4	56,7	57,7	56,4	55,8	55,7
Q3	56,9	56,6	56,0	56,3	55,7	55,2
Q4	59,9	60,6	58,8	58,3	58,0	58,8
Year	57,8	57,7	57,3	56,9	56,3	56,5

Costs per store

- Costs per store (excluding DBC) increased in 2016 with 6,3% as a result of higher marketing and staff expenditure, higher depreciations, higher logistics costs and overhead costs (in IT and E-commerce)
- Excluding one-off costs of € 2,6 million, increase of costs per store with 5,0%

Number of stores per format

	31-12-2015	closed	opened	31-12-2016
Matratzen Concord	992	48	60	1.004
Beter Bed	97	6	9	100
Beddenreus	34	7	6	33
El Gigante del Colchón	36	2	14	48
Literie Concorde	2	-	3	5
Sängjätten	-	-	16	16
Total	1.161	63	108	1.206

Number of stores per country

	31-12-2015	closed	opened	31-12-2016
Austria	85	4	3	84
Belgium	7	-	3	10
Germany	849	40	52	861
France	2	-	3	5
The Netherlands	124	13	12	123
Spain	36	2	14	48
Sweden	-	-	16	16
Switzerland	58	4	5	59
Total	1.161	63	108	1.206

Matratzen Concord

- LFL Germany -5,6% 2016 (2015: 3,8%)
- Mattress market declines around 4%
- Continued growth box-spring segment
- High acquisition cost per order and high returns in 'one size fits all' mattress segment
- Focus on box-spring in hybrid and standalone stores
- Delay in strategy execution (webshop platform in Q1 2017)

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Beter Bed

- 2016 strong LFL growth with 19,2% (2015: 11,6%)
- Outperforming market growth
- Execution of 'Good to Great' strategy successful and ahead of plan
- Continued improving customer reviews and NPS scores
- Online sales continue to grow



Beddenreus

- Successful relaunch of format (new logo etc.)
- Refurbishment of stores finalised
- Successful LFL development



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Other

- DBC / M line
 - Dreams
- El Gigante del Colchón
 - Continued expansion



Other

- Literie Concorde
 - Test extended
- Sängjätten
 - Successful relaunch



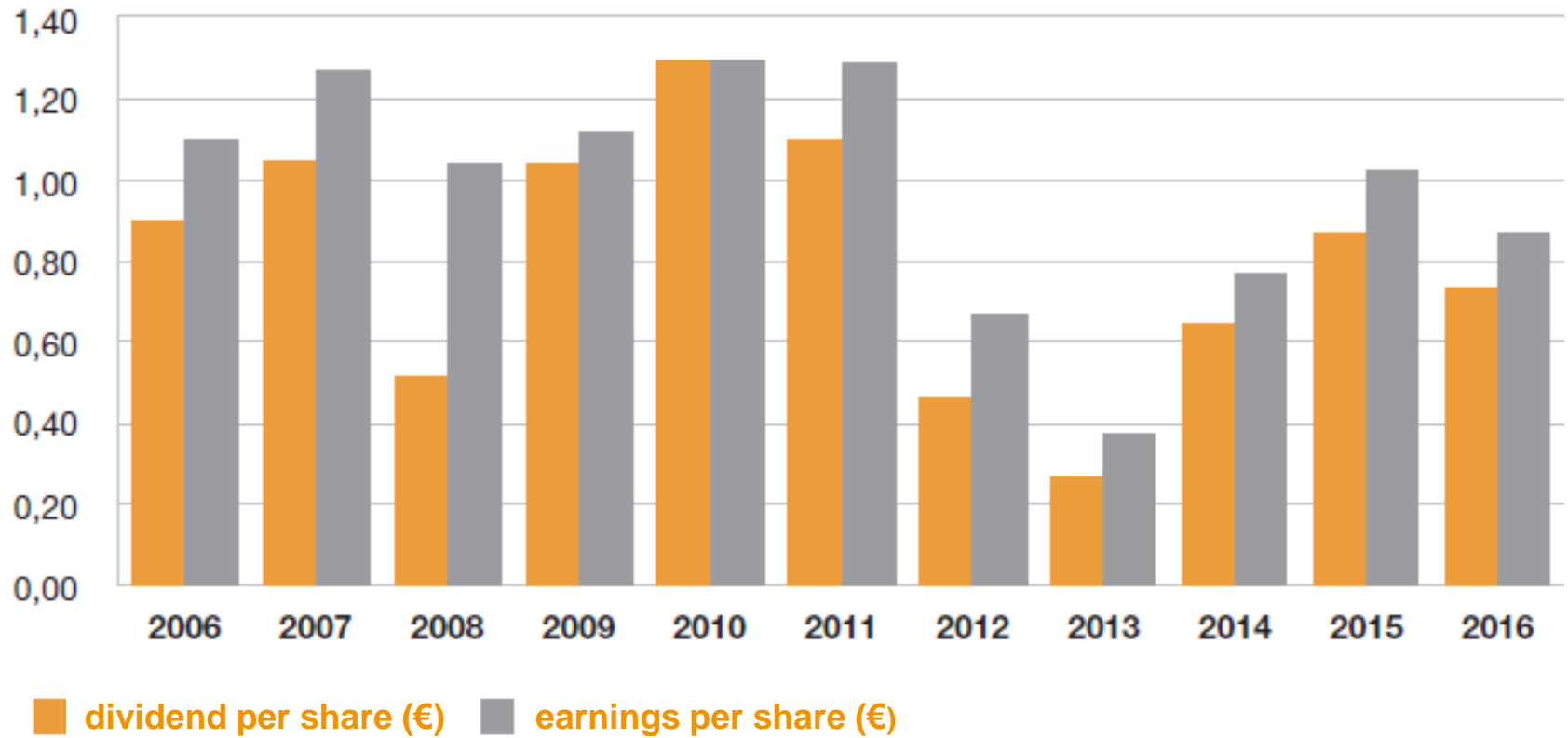
Dividend policy

- Payout ratio $>50\%$
- Partly as interim dividend
- Conditions:
 - Solvency $>30\%$ (2016: 53,5%)
 - Ratio interest bearing debt/EBITDA <2 (2016: 0)

Dividend

- Interim dividend 2016: € 0,34
- Proposal final dividend 2016: € 0,40
- Proposal total dividend 2016: € 0,74
- Pay-out ratio 2016: 85% of 2016 net profit

EPS/DPS



Outlook H1 2017 (1/2)

- Sales growth in Benelux and Spain
- German and Swiss MC sales trend improving by attracting more customers; MC Austria facing strong comparison base
- Successful relaunch Sängjätten in Sweden
- Continued focus on customer satisfaction, retail marketing, innovation, expansion and omnichannel e-commerce

Outlook H1 2017 (2/2)

- Increase of online sales in DACH and Benelux countries fuelled by new webshop platforms
- Gross margin improvement
- Cost control, aiming at reducing average cost per store by minimal 3% in 2017
- Complexity reduction
- Net working capital improvement

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