

Uden, the Netherlands, 26 October 2018

Strategy update Beter Bed Holding

As announced at the presentation of the 2018 half-year results, Beter Bed Holding (Beter Bed) kicked off a strategic journey to recover profitable sales growth. At the Capital Markets Day to be held today, Beter Bed presents its short-term restructuring and mid-term sales growth plans. The full presentation is available on the corporate website.

Beter Bed's international brands have been leading providers of sleep solutions to their customers for the past 35 years. Consumers are increasingly aware of the relevance of sleep, reinforced by trends such as health & wellbeing, lifestyle, sustainability, accessibility and affordability. Beter Bed is convinced that these consumer trends combined with its strong heritage create great market potential for a strong value-for-money player, and that its brands are perfectly equipped to fulfil this potential.

The strategy presented today comprises two phases and a performance framework aimed at creating value for all stakeholders.

Phase 1: short-term restructuring

The first phase of the strategic journey is already in full progress. We have new leadership teams in place in Holding, Matratzen Concord and the Dutch organisation, and have announced the discontinuation of El Gigante del Colchón operation in Spain by November 1st 2018 and the reorganization of Matratzen Concord, closing 176 stores and reducing headcount by 64 FTE by the end of 2018.

We have started a capex and inventory reduction program towards year-end 2018 and are implementing a "Fight for sales" program, including aggressive promotions, in-store communication, improved and more creative online campaigns.

This phase will be completed by a major push to regain short-term sales momentum in all markets in Q4 2018.

Phase 2: mid-term strategy

The new mid-term strategy is supported by the new customer value proposition to "offer best quality rest @ affordable prices". There are five strategic pillars to deliver this proposition:

- Value-for-money customer proposition: offer the best quality products at guaranteed best competitive prices in each key customer segment through a smaller and more focused assortment, including new value brands.
- Best advice: provide the best sleep advice throughout the full customer journey.
- Seamless omni-channel: lead in digital and online by leveraging Group capabilities and launching new, innovative online products and services.
- Performance culture: create a strong performance culture that enables to win, lead and outcompete in the market and in sustainability.

Offer best quality rest @ affordable prices

- **Cost leadership:** becoming a cost leader in the value-for-money segment by leveraging its market leading scale and increasing focus on spend reduction and operational excellence, all driven by the new One Group Leadership Team.

Performance framework

The mid-term strategy is supported by a performance framework in which clear measures with realistic ambitions have been formulated. The framework consists of strategic, customer, employee, operational and financial elements and metrics to track progress for each of the five strategic pillars. Key elements are:

- Cost savings of €25 million by 2020;
- Capex investments of 3 – 4% of sales per year;
- Online channel share towards 20% of total Sales.

In its drive for value creation, Beter Bed targets annual sales growth of 4-5% per year with sustainable EBITDA margins of 7-9% over the medium term.

With this performance framework, Beter Bed will continue to operate within the existing credit facilities. Beter Bed agreed with its banks to amend the Net debt / EBITDA covenant as per year-end 2018 to an absolute EBITDA measure. The banks are in full support of the strategy. Our long-term dividend pay-out remains unchanged with a minimum of 50% of net profits distributed, assuming the financial position of the company is sufficient. For 2018 and 2019 no dividend is expected.

The One Group Leadership Team will now fully focus on the implementation of the plans presented in the two phases. Progress on the delivery of the two phases and the performance framework will be shared on a regular basis. The team is convinced that, with this mid-term strategy, the company can build upon its market leading positions to drive value creation for all stakeholders.

Profile

Beter Bed Holding is a European retail organisation that strives to offer its customers a comfortable and healthy night's rest every night at an affordable price. The retail formats ensure products of good quality, offer customers the best advice and always the best possible deal. Beter Bed Holding is also active as a wholesaler of branded products in the bedroom furnishing sector via its subsidiary DBC International (M line). In 2017, the company achieved revenue of €416 million with a total of 1188 stores. 64% of this figure was realised outside the Netherlands.

For more information

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