eve Sleep plc ("eve" the "Company")

Interim Results

Good H1 led by strong UK&I performance, on-course for full year expectations

eve Sleep, the direct-to-consumer sleep wellness brand operating in the UK, Ireland (together the "UK&I") and France, today issues its results for the six months ended 30 June 2021 (the "Period").

Financial Highlights[1]

	2021 H1 £m	2020 H1 £m	Movement
Revenue	13.9	12.2	+13%
Gross profit	7.6	6.8	+12%
Gross profit margin	55.0%	55.6%	-58bps
Marketing costs as a % of revenue	32.7%	25.3%	+737bps
Marketing contribution[2]	0.7	1.5	-£0.8m
Underlying EBITDA Loss[3]	(1.9)	(0.8)	-£1.0m
Statutory loss before tax	(2.3)	(1.3)	-£1.0m
Cashflow from operations	(3.1)	1.8	-£4.9m
Net cash at period end	5.2	9.2	-£4.0m

Business Highlights

- UK&I revenue increased 19% year-on year and 15% on H1 2019
- Average order value in the UK grew 31% as mattress purchases were increasingly accompanied with bedroom furniture, bedding and other sleep accessories from the growing range
- Two-year customer repeat rate[4] in the UK increased 160 bps year-on-year to 14.5%

- French revenues in H1 decreased 8% year-on-year on minimal Q1 marketing spend ahead of a new marketing campaign and Covid related retail partner store closures
- Gross profit margin gains secured in 2020 largely held despite inflationary pressures
- Marketing investment across the business has been first half weighted
- Operating cash outflow of £3.1m is first half weighted, in part due to £0.9m of one-off factors relating to increased stock holding and the payment of VAT deferred from Q1 2020, and £0.3m for other working capital movements

Post Period End

- July saw the successful launch of the 'Sleep Away' sleepover mattress with strong early sales
- In September the new premium foam mattress range goes live

Current Trading and Outlook

- Strong trading momentum in the UK&I has continued with revenues ahead of board expectations at +46% for July and August against 2019 pre-Covid equivalents
- Group revenues in July and August increased 1% year-on-year against very strong comparatives and grew 26% on 2019 pre-Covid equivalents
- Net cash as at 31 August 2021 increased to £5.9m, with minimal H2 outflow expected
- The UK&I is on-course to report a healthy positive marketing contribution for the second consecutive full year as the region moves towards profitability in 2022

Cheryl Calverley, CEO of eve Sleep, commented:

"We are starting to reap the benefits of our three year rebuild strategy. Our UK&I business continues to go from strength-to-strength, with our re-engineered supply chain able to meet continued strong demand, with sales up 46% in July and August on 2019 pre-Covid comparatives. The ongoing expansion of the product ranges is gaining traction, with new accessory ranges driving growth in customer numbers, customer repeats and average spend through the year. This gives us increasing confidence for the full year outturn for the UK&I, which we expect to generate a healthy profit pre overheads for the second consecutive year.

Our focus for the next 12-18 months is on delivering a core UK business that is both growing and sustainably profitable, whilst building our scale in France to generate a similarly accretive business there in the medium term. To achieve these growth objectives we continue to expand our sleep wellness offering with a strong pipeline of new products for the second half of the year, alongside the launch of our personalised sleep content engine, which will serve information to customers on a wide range of sleep related topics, further creating a differentiated business which meets a fundamental and growing customer need and derives as a result improving profitability."

Footnotes

1. Financial data has been rounded for presentation purposes. As a result of this rounding the totals, comparatives and calculations presented in this document may vary slightly from the arithmetic totals or calculations using such data.

2. Marketing contribution is defined as the profit/loss after marketing expenditure but before overhead costs; a measure also referred to as operational profitability.

3. Underlying EBITDA is defined as earnings before interest, taxation, depreciation, amortisation, impairment, share-based payment charges connected with employee remuneration and fundraising-related expenditure.

4. Based on the cohort who first ordered in H1 2019 compared to the cohort who first ordered in H1 2018 and then placed subsequent orders over the following two years.

For further information, please contact:

eve Sleep plc	via M7 Communications LTD
Cheryl Calverley, Chief Executive Officer	
Tim Parfitt, Chief Financial Officer	
finnCap Limited (NOMAD and Broker)	+44(0)20 7220 0500
Matt Goode (Corporate Finance)	
Teddy Whiley	
Alice Lane (ECM)	
M7 Communications LTD	+44(0) 7903 089 543
Mark Reed	

Summary

Good first half

The UK&I business continues to gain momentum. Looking through all of the distortions to trading patterns resulting from the pandemic, revenues for the UK&I in the first half of the year were up 15% on pre-Covid H1 2019 comparatives. This growth is despite the decision to exit Amazon sales shortly after the end of H1 2020 and is testament to the success of the three-year rebuild strategy, which made structural improvements to the business across product and customer service, infrastructure and marketing, alongside a greater focus on profitable sales.

Trading momentum in the first half of 2021 in the UK&I continued throughout the first half, despite more challenging comparatives in May and June. Revenue growth for the half of 19% year-on-year in the UK&I was driven primarily through online channels, with a softer performance overall from retail partners, reflecting lock down restrictions over the first quarter and to some extent the permanence of channel shift to ecommerce. However, some retail partners bucked the trend with both Argos and Shop Direct performing strongly. Ireland recorded a strong performance, generating year-on-year revenue growth in excess of 130%, although it remains a small part of the overall business.

Demand was strong across the mattress range, with eve's hybrid mattresses selling particularly well. The underlying strength in the core products continued to be supported by the 2020 Which? survey, rating eve's original and its premium hybrid the two best mattresses in the UK. Five of the six eve mattresses now have a Which? Best Buy rating and in June 2021 eve's premium hybrid mattress received the Indy Best Award. Substantial progress has also been made in the period with range extensions into the wider bedding and sleep wellness categories, which was one of the three pillars of the rebuild strategy. Sales of premium bed frames remain strong and during the period, eve launched the new, entry level 'minimal' bedframe.

An important development in the period was the increase in ancillary sales of new products, which drove both an increase in average basket size and the number of customers in the period. Recently launched new products, including the weighted blanket, morphee sleep aid, the 'sleep away' sleep over range and the temperature balancing mattress protector, alongside a redevelopment of the 'baby sleep' offering, sold well and reflect eve's increasing focus on the broader sleep wellness category. The broadening of the product range in the UK has been a key contributing factor to the 31% year-on-year growth in the average order value and the improvement in the UK two-year customer repeat rate KPI, which for the first six months of 2021 stands at 14.5%, a 160 bps year-on-year increase.

eve's business in France is at an earlier stage in its development than the UK&I, with a lower level of brand awareness, a more limited range of products on the website and a less advanced customer experience. While much of eve's French business has been restructured over the last three years, there is still a lot of work to do in order to match the depth and breadth of product ranges and the high quality customer experience achieved in the UK. Restructuring has so far included manufacturing consolidation, the move to the more stable Shopify ecommerce platform and a reduced cost base, combined with defining a more distinct brand position for this local market. During these initial stages of restructuring the French business has received minimal marketing investment.

The majority of the first half of the year in France was spent preparing for the launch of the new marketing campaign - 'La vie en jaune', which commenced in May. Ahead of the new campaign, marketing spend remained minimal and retail partner store closures resulting from Covid restrictions, both impacted on revenues in the period, which were marginally lower year-on-year at £2.2m (H1 2020: £2.4m).

At the Group level, revenues for the period increased 13% to £13.9m (2020 H1: £12.2m), reflecting the strength of trading in the UK&I. The substantial gains made to the gross margin over the last two years, resulting from the rebuild strategy and the focus on profitable sales have been largely retained. The gross margin in H1 2021 was broadly flat at 55.0% compared with H1 2020 but up 270 bps on the 52.3% reported in H1 2019, despite the existence of inflationary pressures since the second half of 2020, as previously highlighted. These inflationary pressures have been offset largely by the strength of the eve brand and a more premium product offering, allowing higher retail pricing to be passed through to customers without significant adverse effects on volumes.

Marketing contribution is an important metric for eve, representing the profit or loss after marketing costs but before central overheads, with 2020 being the first year in which this measure of profitability turned positive. In the first half of 2021 marketing contribution remained positive at £0.7m, but reduced year-on-year by £0.8m (2020 H1: £1.5m), as a result of the upfront marketing investment associated with the new French advertising campaign and the first half weighting of marketing spend in the UK&I. In total, marketing investment expensed in the first half increased year-on-year by £1.4m, reflecting a higher £0.6m in the UK and £0.8m in France. The impact of this investment flowed through into the higher EBITDA loss of £1.9m reported for the period (2020 H1: £0.8m), with the payback on this investment expected to start to flow through in the second half of the year and over 2022. Marketing contribution for the UK&I was broadly flat at £1.2m for the period, reflecting the first half weighting of marketing investment, which is expected to benefit the second half performance.

The operating cash outflow in the period was £3.1m. This reflects the EBITDA loss of £1.9m, £0.9m of one-off factors including the payment of VAT, previously deferred under the UK Government's Covid support measures, a planned increase in stock, in order to mitigate against any supply shortages and other working capital movements of some £0.3m.

At the Company's AGM in May 2021 Paul Pindar stepped down as Chairman of the Company, a position he had held since before the IPO and Mike Lloyd, COO of McCarthy & Stone and a former director of AA plc was appointed to the role. The board was also strengthened with the appointment of Masood Choudhry as a Non-Executive Director in February. Masood remains at the forefront of ecommerce, having held senior leadership positions in logistics at some of Europe's largest operators, and is currently Senior Vice President of Logistics at Zalando. Collectively these appointments provide the executive management team with fresh perspectives, direct access to a wealth of expertise and renewed energy.

Market overview

Sleep is increasingly recognised as an essential element of wellness at a time when wellness has never been more important. There is a growing body of research and evidence which testifies to the importance of sleep and the risks to physical and mental health of insufficient sleep. In a poll commissioned by eve and taken shortly after the start of the pandemic, as many as 48% of respondents said that they were kept up due to worry about Covid-19 and nearly one in four admitted that their quality of sleep was worse than ever. 'Sleep' has now overtaken both 'diet' and 'exercise' as the most searched for term on google (UK) across the 'wellbeing triad' of 'sleep', 'diet' and 'exercise', showing the increased awareness that consumers have of this vital component of wellbeing.

With the increasing understanding of the importance of sleep has come consumer change. Not only are consumers spending more on sleep wellness related products, they are also willing to spend more on the central element of a good night's sleep; the mattress. The strong sales performance of eve's premium hybrid mattress testifies to this point, generating some 30% of mattress sales by volume. Every customer that purchases an eve mattress is asked at 100 days whether they're sleeping better thanks to their eve, and more than 80% tell us they are. This is a strong piece of advocacy for the quality and effectiveness of our products.

Sleep is a huge market by value, which has evolved substantially since the start of the pandemic. Data from Euromonitor estimates that the European sleep market is worth approximately £26bn, with the Core Markets that eve is focused on (UK&I and France) being worth approximately £6bn. The advent of the first national lockdown from March 2020 and the consequent switch to working from home, coupled with a lack of leisure spending alternatives, drove a strong increase in industry wide demand for bedding and homewares products. Consumers en masse literally 'bedded down' for lockdown as they sought to renovate their homes and bedrooms. Data from Barclays UK Consumer Spending Reports show that retail spending in the Household category grew each and every month year-on-year through the second half of 2020 and this positive trend has continued throughout the first half of 2021.

The growth in spending has been online led, resulting in an acceleration of the trend to ecommerce. Recent data from the Office for National Statistics (ONS) shows that whilst the percentage contribution of non-food retail sales online has fallen back somewhat in recent months as lockdown restrictions eased and the high street re-opened, retail's online share remains substantially ahead of pre-pandemic levels. In June 2021 non-food online sales represented 23.1% of total non-food retail sales, which compares with 15.5% in December 2019, according to ONS data, with eve's own market research indicating that 50% of mattresses are now bought online in the UK. The management team at eve anticipate that this shift to online will be sustained.

Whilst the sector remains fragmented and highly competitive the competitive landscape across beds and mattresses has eased somewhat, with a number of online mattress providers choosing to retrench from the UK market, alongside a reduction in store based competition, both permanent and temporary as a result of the pandemic. There is also evidence to suggest that the mattress in a box brands are growing their share of the market with eve's market data indicating that some 15% of mattresses are now bought from 'direct to consumer' brands in the UK. Despite the level of ongoing competition in mattresses, there is no company that as yet has established itself as a wider brand operating in sleep wellness. eve's ambition is to achieve just this; to be seen as the go to brand for sleep wellness products, content and support across a range of categories and sales channels.

The foundations for growth

The focus of the last three years has been on delivering the rebuild strategy, with the central goal of placing the business on a more sustainable, long term financial footing. The improvement in the financial performance is clear to see with underlying EBITDA losses in 2020 reduced by 81% year- on-year and the cash burn over the same period cut from £10.1m in 2019 to a cash neutral position in 2020. Further improvements in the financial performance of the business have been secured in the first half of 2021, including top line growth and an increase in the gross profit, though other financial benefits are somewhat clouded by the timing of marketing investment, which is substantially higher in the first half of the year, reflecting an H1 weighting, with a lower spend planned for the second half.

The technology infrastructure, logistics and operations of the business have also been substantially upgraded and re-engineered during the rebuild strategy. The move to the Shopify ecommerce platform has increased stability of what is eve's largest revenue contributor, avoiding system crashes during peak trading periods, while also reducing the necessary tech headcount/cost previously required to maintain the old, proprietary platform.

The segmenting of manufacturing, logistics and distribution on geographic lines, between the UK&I and France has ensured minimal impact following Brexit, faster deliveries to customers and lower warehousing costs. Additionally, the re-engineered supply chains have demonstrated their increased resilience during the current period, and combined with the early decision to take on more stock, have resulted in continued availability of key product lines, with minimal impact from the widely publicised global supply chain issues holding back many industries. The improvements to infrastructure have also enabled the consolidation of orders, so that all items ordered can now be made in a single customer delivery. The superior customer experience which all of these improvements underpin, can be seen in the growth in customer numbers achieved in the UK&I in the period and the growth in the customer repeat rate.

With the resilience and the unit economics of the business much improved over the last three years, the focus is shifting from restructuring to growth in the more developed UK&I market. To achieve this eve is focused on extending its range of products that improve the length and quality of sleep including offering products which benefit and/or aid the pre-bed wind down routine.

In the first half of the year a large number of new products launched, which over and above new bedding ranges and a new bed frame, included the Morphee Sleep Aid, a breathe easy Protector range, a microfibre shaper pillow and the warm:cool duvet. In the second half of the year, in addition to a new mattress, and the sleep away range of sleepover mattresses which launched in July, eve plans to launch further own label and branded partner products. The sleep accessories category will be expanded with the launch of eym candles and a ginko LED night light, as well as a range of Rescue Remedy's best selling ingestibles and a selection of their new sleep range which includes a sleep balm and a sleep spray. Also later in the second half of the year eve plans to launch, under license, a small range of premium CBD oils.

Key to the success of a broader sleep wellness retail proposition will be an ever improving data capability. Alongside building an internal data capability and improved marketing efficiency, eve is in the final stages of development of a personalised sleep content engine, which will serve content to customers on a wide range of sleep related topics, further supporting their sleep, and reducing eve's cost of customer acquisition. This marks eve's first steps to a broader digital offering of sleep content and services to support the products available on the eve site.

To build a stronger, broader and larger, profitable business it is necessary to expand beyond the UK market to achieve balanced growth. The current focus is on the French market, where eve has traded since 2016. The French market is less developed and at an earlier stage in its online transition than the UK market. Until this year the French business had received only minimal marketing investment as the business was at the early stage of being restructured and its brand position in the local market more clearly defined. The new French advertising campaign, which launched in May 2021 is a significant investment for eve and is intended to drive both brand awareness and revenue growth in the business in the second half of the year and through 2022. In tandem with the advertising campaign there will be a continued focus on retail partnerships, and product and customer experience improvements as eve works to scale the business over the next few years.

The Irish market has received some increased focus and investment since the fourth quarter of 2020 and this has continued in the first half of 2021. Though modest in absolute numbers the strategy has been effective, with the Irish market achieving revenue growth in excess of 130% in the period. As the strategy develops and progress is achieved in France and Ireland, the management team will look at entering a limited number of adjacent European markets. Expansion will be executed in a controlled and disciplined way, leveraging existing infrastructure in France and product assets in order to keep a tight control of costs.

The investment in growth is expected to increase costs in the current year, resulting in a year-on-year increase in the annual loss. But the investment is considered necessary to build a more balanced, larger business, which in the medium term will be sustainably profitable.

Current Trading and Outlook

Trading in the UK&I in July and August has been above the Board's expectations, driven by ongoing strength in eve's ecommerce channel. While the comparatives in the prior year were very strong, eve's UK&I sales in July and August increased 46% on 2019 pre-Covid equivalents. The new sleep away range has been a standout performer, and has surpassed all expectations with its early sales, though demand has also been strong for the rejuvenated bedding range and the premium 'spindle' bedframe.

Notwithstanding well documented global issues with rising freight costs and industry supply chains, impacting on availability, eve's own re-engineered supply chain in 2021 has held up well. Manufacturing, warehousing and distribution are all performed locally in the UK and Continental Europe, with most but not all raw material supply originating from within Europe. This along with the early decision to hold more stock of popular items has enabled eve to continue to meet ongoing strong customer demand.

With a substantial new product pipeline for the remainder of the year, the board is increasingly confident in the continued strength of the UK&I business through the remaining four months of 2021 and expects a healthy positive marketing contribution from the UK&I for the second consecutive year.

France has experienced improved trading in July, helped by the summer 'soldes' sales period in the month, followed by a softer August. The French growth plans, of which marketing forms just one element, are in their very early stages, with product and customer experience improvements to come in Q4, alongside the next tranche of marketing investment. The management team remains confident in the longer term prospects for the French business and the opportunity to achieve the necessary scale, commensurate with profitability. For the two months of July and August, Group revenues increased 1% year-on-year on very strong comparatives and grew 26% on 2019 pre-Covid equivalents.

The company remains on-course to deliver the Board's previous full year expectations, with the strength of the UK&I trading expected to offset any variability in the French market. Marketing investment which was up £1.4m year-on-year in the first half, was front loaded, and is expected to be broadly flat in H2. The cash outflow in the first half of the year exceeded the operating performance by some £1.2m reflecting £0.9m for the timing of payments to HMRC and higher stock levels, as well as £0.3m for additional working capital movements. Net cash at the end of August increased to £5.9m, from £5.2m at 30 June, with the cash outflow over the remaining four months of the year expected to be minimal.

Consolidated Statement of Profit and Loss and Other Comprehensive Income

	Note	6 month period ended 30 June 2021 (Unaudited) £m	6 month period ended 30 June 2020 (Unaudited) £m	12 month period ended 31 December 2020 (Audited) £m
Revenue	2	**13.9**	**12.2**	**25.2**
Cost of sales	2	(6.3)	(5.4)	(10.7)
Gross profit		**7.6**	**6.8**	**14.5**
Distribution expenses	2	(1.9)	(1.6)	(3.5)
Administrative expenses		(8.0)	(6.4)	(13.2)
Share-based payment charges		-	(0.1)	(0.2)
Operating loss		**(2.3)**	**(1.3)**	**(2.4)**
Net finance income		-	-	-
Loss before tax		**(2.3)**	**(1.3)**	**(2.4)**
Taxation		-	-	0.4
Loss for the period		**(2.3)**	**(1.3)**	**(2.0)**
Other comprehensive income				
Foreign currency differences from overseas operations		0.1	(0.2)	-
Total comprehensive loss for the period		**(2.2)**	**(1.5)**	**(2.0)**
Basic and diluted loss per share	3	(0.83p)	(0.48p)	(0.75p)

Consolidated Statement of Financial Position

	Note	6 month period ended 30 June 2021 (Unaudited) £m	6 month period ended 30 June 2020 (Unaudited) £m	12 month period ended 31 December 2020 (Audited) £m
Non-current assets				
Property, plant and equipment		-	0.3	0.3
Intangible assets		0.5	0.4	0.4
		0.5	0.7	0.7
Current assets				
Inventories		1.2	0.8	0.6
Trade and other receivables		1.6	1.7	1.9
Cash and cash equivalents		5.2	9.2	8.4
Current tax receivable		-	-	0.4
		8.0	11.7	11.3
Total assets		**8.5**	**12.4**	**12.0**
Current liabilities				
Trade and other payables		2.7	4.3	4.0
Provisions		1.2	1.0	1.0
Lease liabilities < 12 months		-	0.3	0.3
Total liabilities		**3.9**	**5.6**	**5.3**
Net assets		**4.6**	**6.8**	**6.7**
Equity attributable to the equity holders of the parent				
Share capital		0.3	0.3	0.3
Share premium		49.5	49.4	49.4
Share-based payment reserve		0.7	0.4	0.8
Retained earnings		(46.1)	(43.2)	(43.9)
Foreign currency translation reserve		0.2	(0.1)	0.1
Total equity		**4.6**	**6.8**	**6.7**

Consolidated Statement of Changes in Equity

For the 6 months ended 30 June 2021

	Share capital	Share premium	Share-based payment reserve	Retained earnings	Foreign currency translation reserve	Total equity
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
	£	£	£	£	£	£
Balance at 1 January 2021	**272,570**	**49,421,049**	**766,749**	**(43,918,599)**	**151,852**	**6,693,621**
Exercise of employee share options	738	-	-	-	-	**738**
Share-based payment charge	-	-	43,815	-	-	**43,815**
Transfer on exercise of employee share options	-	-	(20,237)	20,237	-	**-**
Transfer on issue of equity for marketing purposes	778	77,058	(77,836)	-	-	**-**
Total transactions with owners	1,516	77,058	(54,258)	20,237	-	44,553
Loss for the period	-	-	-	(2,255,340)	-	(2,255,340)
Other comprehensive income for the period	-	-	-	-	88,914	88,914
Balance at 30 June 2021	**274,086**	**49,498,107**	**712,491**	**(46,153,702)**	**240,766**	**4,571,749**

For the 6 months ended 30 June 2020

	Share capital	Share premium	Share-based payment reserve	Retained earnings	Foreign currency translation reserve	Total equity
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
	£	£	£	£	£	£
Balance at 1 January 2020	**263,445**	**48,887,392**	**998,494**	**(42,109,328)**	**116,030**	**8,156,033**
Exercise of employee share options	3,734	-	-	-	-	3,734
Share-based payment charge	-	-	138,370	9,843	-	148,213
Transfer on exercise of employee share options	-	-	(214,812)	214,812	-	-
Transfer on issue of equity for marketing purposes	5,391	533,657	(539,048)	-	-	-
Total transactions with owners	9,125	533,657	(615,490)	224,655	-	151,947
Loss for the period	-	-	-	(1,289,019)	-	(1,289,019)
Other comprehensive income for the period	-	-	-	-	(169,461)	(169,461)
Balance at 30 June 2020	**272,570**	**49,421,049**	**383,004**	**(43,173,692)**	**(53,431)**	**6,849,500**

For the 12 months ended 31 December 2020

	Share capital	Share premium	Share-based payment reserve	Retained earnings	Foreign currency translation reserve	Total equity
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	£	£	£	£	£	£
Balance at 1 January 2020	**263,445**	**48,887,392**	**998,495**	**(42,109,328)**	**116,030**	**8,156,034**
Exercise of employee share options	3,734	-	-	-	-	3,734
Share-based payment charge	-	-	220,084	-	-	220,084
Transfer on exercise of employee share options	-	-	(214,812)	214,812	-	-
Transfer on issue of equity for marketing purposes	5,391	533,657	(237,018)	-	-	302,030
Total transactions with owners	9,125	533,657	(231,746)	214,812	-	525,848
Loss for the year	-	-	-	(2,024,083)	-	(2,024,083)
Other comprehensive income for the period	-	-	-	-	35,822	35,822
Balance at 31 December 2020	**272,570**	**49,421,049**	**766,749**	**(43,918,599)**	**151,852**	**6,693,621**

Consolidated Statement of Cash Flows

	6 month period ended 30 June 2021 (Unaudited)	6 month period ended 30 June 2020 (Unaudited)	12 month period ended 31 December 2020 (Audited)
	£m	£m	£m
Cash flows from operating activities			
Loss for the period	(2.3)	(1.3)	(2.0)
Taxation	0.0	0.0	(0.4)
Taxation refund	0.4	0.4	0.4
Adjustments for:			
Amortisation and depreciation	0.3	0.3	0.7
(Increase)/Decrease in inventories	(0.6)	0.8	1.0
Decrease in trade and other receivables	0.3	1.0	0.7
Increase/(Decrease) in trade and other payables	(1.3)	0.3	0.0
Increase in provisions	0.1	0.2	0.3
Share-based payment charge	(0.0)	0.1	0.5
Net cash inflow/(outflows) from operating activities	**(3.1)**	**1.8**	**1.2**
Cash flows from investing activities			
Development of intangible assets	(0.1)	(0.2)	(0.3)
Net cash outflows from investing activities	**(0.1)**	**(0.2)**	**(0.3)**
Cash flows from financing activities			
Proceeds from the issue of share capital	0.0	0.0	0.0
Lease payments	(0.2)	(0.2)	(0.5)
Net cash inflow/(outflow) from financing activities	**(0.2)**	**(0.2)**	**(0.5)**
Net cash inflow/(outflow)	**(3.4)**	**1.4**	**0.4**
Cash at the beginning of the period	**8.4**	**8.0**	**8.0**
Movement in cash	(3.3)	1.4	0.4
Effect of exchange rate fluctuations on cash held	0.1	(0.2)	0.0
Cash at the end of the period	**5.2**	**9.2**	**8.4**

Notes to the accounts

1. Basis of preparation

The unaudited interim consolidated statements of eve Sleep plc are for the six months ended 30 June 2021 and do not comprise statutory accounts within the meaning of S.434 of the Companies Act 2006. These consolidated financial statements have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) as adopted in the UK. They do not include all disclosures that would otherwise be required in a complete set of financial statements. The consolidated financial statements are presented in Sterling, which is also the Group's functional currency.

Statutory accounts for the year ended 31 December 2020 have been delivered to the registrar of companies. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to which the auditor drew attention by way of emphasis without qualifying their report in respect of going concern and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Going concern

The interim consolidated statements are prepared on a going concern basis notwithstanding that the group is competing and disrupting an established market and as is typical for a business at this stage of its lifecycle is still generating losses as it uses working capital to develop the business model and market share.

Changes to accounting standards

The interim consolidated statements have been prepared in accordance with accounting policies that are consistent with the accounts of the year ended 31 December 2020 and that are expected to be applied in the Report and Accounts of the year ended 31 December 2021.

Leases

Following the period end, a new lease was commenced on the registered office at 29A Kentish Town Road, London NW1 8NL. The lease commenced on 1 August 2021 with a term of four years and a break option at the end of the first two years.

2. Segmental Analysis

IFRS 8, "Operating Segments", requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker. The Chief Operating Decision Maker has been determined to be the executive board and has determined that the primary segmental reporting format of the Group is geographical by customer location, based on the Group's management and internal reporting structure. The executive board assesses the performance of each segment based on revenue and gross profit after distribution expenses, which excludes administrative expenses.

For the period 1 January 2021 - 30 June 2021
(Unaudited)

	UK&I	France	Rest of Europe	Total
	£m	£m	£m	£m
Revenue	**11.7**	**2.2**	**-**	**13.9**
Cost of sales	(5.3)	(1.0)	-	(6.3)
Gross Profit	**6.4**	**1.2**	**-**	**7.6**
Distribution expenses	(1.5)	(0.4)	-	(1.9)
Segmental results	**4.9**	**0.8**	**-**	**5.7**
Administrative expenses				(8.0)
Loss before tax				**(2.3)**

For the period 1 January 2020 - 30 June 2020
(Unaudited)

	UK&I	France	Rest of Europe	Total
	£m	£m	£m	£m
Revenue	**9.9**	**2.3**	**-**	**12.2**
Cost of sales	(4.3)	(1.1)	-	(5.4)
Gross Profit	**5.6**	**1.2**	**-**	**6.8**
Distribution expenses	(1.2)	(0.4)	-	(1.6)
Segmental results	4.4	0.8	-	5.2
Administrative expenses				(6.3)
Share-based payment charge				(0.1)
Loss before tax				**(1.3)**

For the year ended 31 December 2020
(Audited)

	UK&I	France	Rest of Europe	Total
	£m	£m	£m	£m
Revenue	**20.5**	**4.6**	**0.1**	**25.2**
Cost of sales	(8.7)	(2.1)	-	(10.8)
Gross Profit	**11.8**	**2.5**	**0.1**	**14.4**
Distribution expenses	(2.7)	(0.8)	-	(3.5)
Segmental results	**9.1**	**1.7**	**0.1**	**10.9**
Administrative expenses				(13.2)
Share-based payment charge				(0.2)
Loss before tax				**(2.5)**

No analysis of the assets and liabilities of each operating segment is provided to the Chief Operating Decision Maker in the monthly management accounts. Therefore, no measure of segmental assets or liabilities is disclosed in this note.

Due to the nature of its activities the group is not reliant on any major customers.

3. Earnings per share

The basic earnings per share is calculated by dividing the net profit or loss attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year.

	30 June 2021 (Unaudited)	**30 June 2020 (Unaudited)**	**31 December 2020 (Audited)**
Weighted average shares in issue	273,309,103	267,004,775	269,819,716
Loss attributable to the owners of the parent company (£)	(2,256,226)	(1,270,332)	(2,024,083)
Basic earnings/(loss) per share (pence)	(0.83)	(0.48)	(0.75)
Diluted earnings/(loss) per share (pence)	(0.83)	(0.48)	(0.75)

For the periods presented the weighted average number of shares used for calculating the diluted loss per share are identical to those for the basic loss per share. This is because the outstanding share options would have the effect of reducing the loss per share and would not be dilutive under IAS 33.

At 30 June 2021, options outstanding amounted to 16,985,396 (30 June 2020: 16,420,457). Given the loss for the period of £2,256,226 (six months to 30 June 2020: loss of £1,270,332), these options are anti-dilutive.