



## Trading update

### **18% sales growth in H2, exceeded twice raised expectations for 2020**

eve Sleep (“eve”, the “Company”), the direct to consumer sleep wellness brand operating in the UK, Ireland (together “UK&I”) and France announces a trading update for the full year ended 31 December 2020. All figures remain subject to audit.

#### **Strategic and operational highlights**

- Winner of the best two mattresses in the UK according to Which? and 3 of the top 5
- Extended the sleep wellness ranges with new bedframes, sleep gifts and bedding
- Entry into sleep gifts market with launch of ‘well slept’ range online and in partnership with Boots UK seeing strong success
- Launched retail partnership in France with Olivier Desforges
- Re-platformed the UK&I websites to Shopify, with the French website also completed post year end, to secure a more stable, scalable and lower maintenance website
- Upgraded supply chains to localise manufacturing for both markets ahead of Brexit
- Restructure of warehousing and distribution to allow shipments to customers to be consolidated into one delivery, deriving lower costs and better customer experience
- Invested in new Channel 4 TV campaign ‘Switch off with eve sleep’ running every Sunday night from early November

#### **Financial highlights**

- Revenue increased 6% to £25.2m (2019: £23.8m), driven by 18% growth in H2
- Record trading over black Friday period and the first week of the Boxing day sales
- EBITDA losses cut by 81% to £2.0m (2019: EBITDA loss of £10.7m)
- Closing net cash at 31 December 2020 of £8.3m (2019: £8m), bolstered by £0.3m of tax payments deferred until after the year end

#### **Strong 2020 performance**

eve has exited 2020 in far better shape than it entered the year and now has a more resilient and efficient technology, logistics and operational platform ready for future growth. Losses have been reduced throughout the year, ahead of initial expectations, through a focus on profitable sales channels and product mix improvements, including taking the decision to exit Amazon UK from September. The Company has also maintained its tight control of overheads and a continued focus on improving marketing efficiency and effectiveness, on a marketing budget, which was 51% lower year-on-year. The focus and driver of the results this year has been the UK business, with the French business being at an earlier stage in its development.

The business has undoubtedly benefitted from the accelerated shift to e-commerce and the current strength of the homewares category as a result of the pandemic. A focus on strengthening and widening the product set, with new sleep wellness products including a weighted blanket and the introduction of a sleep gifts range has also given broader brand presence. In addition the business has improved its mattress range resulting in Which? now recognizing eve's original hybrid and premium hybrid as the two best mattresses in the UK - supporting further growth. Together, these factors have driven an 18% year-on-year increase in revenues in the second half of the year, benefitting from the additional UK 'switch off with eve Sleep' TV campaign from November. The strength of trading was evident across the product set, with particular growth in premium products, particularly the Premium Hybrid mattress and the Spindle bedframe. These are two of the highest priced products in the mattress and bed frame ranges, showing the increasing strength of the eve brand.

As stated in eve's interim results of 15 September 2020, the industry has experienced some upward pressure on raw material and component pricing, as well as supply constraints due to global chemical shortages. With these inflationary pressures continuing through the fourth quarter eve took the decision in November to put through modest price increases in order to sustain margins. Thanks to the increasing strength of the eve brand, with reducing price elasticity in the more premium products, these price increases have not adversely impacted the rate of sale. Whilst the inflationary impact has been negated for now, supply shortages remained an issue for the industry through the fourth quarter.

### **2021 trading and outlook**

Trading in the first few weeks of the year has started well and is following the same positive trends seen in recent months. The availability of raw materials and component supply remains an industry issue and a potential limiting factor on near term growth. At this time the Company has not experienced any material cost/duty increases as a direct result of Brexit, though there has been some slowing of the pace of deliveries to Ireland and Northern Ireland resulting from courier related issues. eve will continue to closely monitor the situation but does not expect any material full year impact at this time.

2021 will be the year eve transitions from the rebuild strategy, which commenced in the second half of 2018, to focus on growth opportunities in the UK and beyond in order to build a stronger, broader and larger, profitable business. Expansion will be managed in a controlled and disciplined manner, with the initial focus for investment on the Company's existing French market. Having already completed the restructuring of the French business and its cost structures, the Company is now ready to invest in both its B2C and retail sales channels, adopting many of the same strategies that have been deployed successfully to scale the UK business, including its first new TV campaign in three years. The investment required to scale the French business will come from the Company's existing cash resources.

The Company plans to publish its full year audited results on 18 March 2021.

### **Cheryl Calverley, CEO of eve Sleep commented:**

*"Our business reset is largely complete and our growth has accelerated more quickly than we initially anticipated as a result of the shift to online and the current strength of the homewares market. We have exceeded our financial expectations for 2020, which were raised twice during the year, extended our product ranges, opened new sales channels, increased brand awareness, presence and recognition, with the winning of the Which? awards, and improved the strength and resilience of our technology, logistics and operations platforms. This is entirely down to the tireless dedication, creativity and commitment of our team, who moved seamlessly to home working from March, without the need to furlough staff or make redundancies. I take my hat off to each and every one of them.*

*In 2021 we will invest in growth initiatives across our business, particularly in France, where we see good opportunities to scale, whilst continuing to build on the current UK momentum. We are confident in the near-term outlook and although there is a high level of uncertainty as to the macro-economic backdrop and spending habits of consumers in the second half of the year, we have entered the new financial period with a much improved proposition, a stronger Balance Sheet and a more resilient business.”*

**For enquiries, please contact:**

**eve Sleep plc**

Cheryl Calverley, Chief Executive Officer

via M7 Communications LTD

Tim Parfitt, Chief Financial Officer

**finnCap Ltd - Nominated Adviser and Broker**

Tel: +44 (0)20 7220 0500

Matt Goode / Ed Whiley – Corporate Finance

Alice Lane – Equity Capital Markets

**M7 Communications LTD - PR/IR**

Tel: +44(0)7903 089 543

Mark Reed