



## Trading update

### 13% sales growth in H1, on-course for full year expectations

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 six months ended 30 June 2021.

#### Financial highlights

- Group revenue increased 13% to £13.9m (2020: £12.2m)
- UK&I revenues increased year-on-year by 18%
- French revenues decreased year-on-year by 8%, as a result of minimal marketing investment in Q1 ahead of the new TV campaign
- Increase in average order values has largely offset intake pricing pressures
- Group marketing contribution and EBITDA losses in line with management’s expectations.
- Closing net cash at 30 June 2021 of £5.2m (31 December 2020: £8.4m) includes £0.7m for increased stock holding, repayment of £0.3m VAT deferred from Q1 2020 and a seasonal working capital outflow.

#### Strategic and operational highlights

- Launch of major, new French TV campaign ‘La vie en jaune’ from May
- Further product expansion beyond mattresses including new bed frames, YinYang duvet, bamboo linen bedding, Morphee sleep aid and launch of Sleep Away ‘sleepovers’ range
- Agreed CBD licensing deal to go live in September as part of product expansion into sleep wellness
- Increased investment in stock to strengthen business resilience and meet peaks in demand
- Appointment of Mike Lloyd as Chairman and Masood Choudhry as Non-Executive Director

## **Good first half performance**

The UK&I market had a good first half with revenue growth of 18%, notwithstanding more challenging comparatives in the second quarter. Compared with pre pandemic revenues in H1 2019, UK&I sales were 15% higher. Growth was primarily online, with a softer performance from retail partners, reflecting lock down restrictions over the first quarter and to some extent the permanence of channel shift to ecommerce.

Demand was particularly strong for eve's hybrid mattress range and premium bed frames, with accessories such as the morphee sleep aid and the weighted blanket, and add-ons such as the temperature balancing protector driving materially higher basket values. eve continues to benefit from the Which? survey which rated eve's original and its premium hybrid the two best mattresses in the UK, and que choisir which ranks the premium hybrid as the best mattress in France. UK marketing investment was front half weighted, increasing to 29% of revenue (2020 H1: 27%) as a result of increased TV advertising, setting up a strong brand position for trading in the second half of the year.

In France the majority of the first half of the year was spent preparing for the launch of the new marketing campaign - 'La vie en jaune', which began in May. Ahead of the new campaign, marketing spend was minimal, resulting in revenues for the period marginally lower year-on-year at £2.2m. Investment in French marketing is first half weighted, reflecting upfront development costs and was approximately £1m in the period. The financial payback on this investment is expected in the second half of the year and over 2022. Early indications from June suggest that the marketing campaign has been well received, with a strong increase in online traffic.

## **Second half outlook**

Whilst visibility on UK trading conditions for the second half of the year remains limited, the economic recovery looks to be gaining momentum, underpinned by ongoing strength in consumer spending, including on the home. Consumer confidence continues to strengthen and personal savings remain at elevated levels, with fears of mass unemployment abating. These positive demand factors bode well for the retail sector and eve, and as yet the business has seen no signs of a return to pre pandemic shopping behavior, suggesting the online momentum continues. However, the future path of the pandemic is unclear and the risk of further shocks and disruption to the economic recovery remains.

As previously set-out in eve's final results on 18 March 2021 there has been some industry supply challenges around raw material inflation and componentry shortages. As expected at the time of the results these pressures have since abated to some degree, and in terms of componentry issues, eve has managed this through the investment in additional stock to ensure customers receive a first-rate service. There may well be further disruption and inflationary pressures, dependent on how the pandemic continues to affect global supply chains.

Management anticipate second half revenues in line with expectations and minimal cash outflows.

The Company plans to publish its interim results on 23 September 2021.

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

*"First half revenue growth of 13% is a pleasing result, and in line with our expectations. Our UK business is up 15% on pre pandemic revenue levels reported in H1 of 2019. The balance across sales channels has shifted somewhat, but the overall business is in good health. The start of our investment programme in France has been very encouraging, and we look forward*

*to seeing this campaign power our business performance over the next two years, replicating the progress we have seen in the UK.*

*Maintaining excellent customer service in the face of fluctuating demand and supply chain challenges has been a core focus for us, and the decisions we have taken to improve the resilience of our business through increasing our stock holding and investing in our operational and people capability have undoubtedly underpinned the good H1 performance. We enter the second half of the year with confidence.”*

**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 / Teddy Whiley – Corporate Finance

Alice Lane – Equity Capital Markets

**M7 Communications LTD - PR/IR**

Tel: +44(0)7903 089 543

Mark Reed